

**SECURITIES AND EXCHANGE COMMISSION**  
**SEC FORM 20-IS**

**INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b)**  
**OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:

Preliminary Information Statement

Definitive Information Statement

2. Name of Registrant as specified in its charter

EMPIRE EAST LAND HOLDINGS, INC.

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

Metro Manila

4. SEC Identification Number

AS094-006430

5. BIR Tax Identification Code

003-942-108

6. Address of principal office

12th Floor, Alliance Global Tower 36th Street cor. 11th Avenue Uptown Bonifacio,

Taguig City

Postal Code

1634

7. Registrant's telephone number, including area code

(632) 85544800

8. Date, time and place of the meeting of security holders

08 June 2021, 9:00 a.m. by livestream access via <http://empire-east.com/asm2021>

9. Approximate date on which the Information Statement is first to be sent or given to security holders

May 14, 2021

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor

Atty. DENNIS E. EDAÑO

Address and Telephone No.

12th Floor, Alliance Global Tower 36th Street cor. 11th Avenue Uptown Bonifacio,

Taguig City/ 85544800/ by email to [corporatesecretary@empire-east.com](mailto:corporatesecretary@empire-east.com).

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

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

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

Yes          No

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

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

*The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.*



**Empire East**

**Empire East Land Holdings, Inc.**

**ELI**

**PSE Disclosure Form 17-5 - Information Statement for Annual or  
Special Stockholders' Meeting**  
*References: SRC Rule 20 and  
Section 17.10 of the Revised Disclosure Rules*

<b>Date of Stockholders' Meeting</b>	Jun 8, 2021
<b>Type (Annual or Special)</b>	Annual
<b>Time</b>	9:00 a.m.
<b>Venue</b>	by livestream access via <a href="http://empire-east.com/asm2021">http://empire-east.com/asm2021</a>
<b>Record Date</b>	May 10, 2021

**Inclusive Dates of Closing of Stock Transfer Books**

<b>Start Date</b>	N/A
<b>End date</b>	N/A

**Other Relevant Information**

NONE

Filed on behalf by:

<b>Name</b>	Dennis Edano
<b>Designation</b>	Corporate Secretary

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 20-1S  
INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:

Preliminary Information Statement  
 Definitive Information Statement

2. Name of Registrant as specified in its charter **EMPIRE EAST LAND HOLDINGS, INC.**

3. **Metro Manila**

Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **AS094-006430**

5. BIR Tax Identification Code **003-942-108**

6. **12<sup>th</sup> Floor, Alliance Global Tower**

**36<sup>th</sup> Street cor. 11<sup>th</sup> Avenue**

**Uptown Bonifacio, Taguig City                      1634**

Address of principal office                      Postal Code

7. Registrant's telephone number, including area code **(632) 85544800**

8. **08 June 2021, 9:00 a.m.**

**by livestream access via <http://empire-east.com/asm2021>**

Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders

**14 May 2021**

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

Title of Each Class

Number of Shares of Common Stock Outstanding

**Common**

**14,676,199,167**

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

**Yes [X]    No [ ]**

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



# Empire East

12<sup>th</sup> Floor, Alliance Global Tower, 36<sup>th</sup> Street cor. 11<sup>th</sup> Avenue, Uptown Bonifacio, Taguig City 1634

## NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO ALL STOCKHOLDERS  
Empire East Land Holdings, Inc.

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Empire East Land Holdings, Inc. (the “Company”) will be held on **08 June 2021** at **9:00 AM**, to be conducted virtually, through the link <<http://empire-east.com/asm2021>> that can be accessed through the Company’s website, with the following agenda:

1. Call to Order
2. Proof of Notice and Determination of Quorum
3. Approval of Minutes of the Previous Annual Meeting
4. Annual Report of Management
5. Appointment of External Auditors
6. Amendment of the Third Article of the Amended Articles of Incorporation
7. Ratification of Acts and Resolutions of the Board of Directors, Board Committees and Management
8. Election of Directors
9. Other Matters
10. Adjournment

Stockholders of record as of **10 May 2021** will be entitled to notice of, and to vote at, the Annual Meeting.

To conform with the government’s regulation on social distancing and prohibition on mass gatherings, the Company decided to hold the Annual Meeting via remote communication, and allow the stockholders to cast their votes by remote communication or in *absentia*, or by proxy.

To participate in the Annual Meeting, stockholders must register from 9:00 AM of **25 May 2021** until 6:00 PM of **01 June 2021**. The procedure for participation via remote communication and in *absentia* are contained in the Information Statement.

Stockholders who wish to appoint proxies may submit proxy instruments until 5:00 PM of **01 June 2021**, to the Office of the Corporate Secretary at 12<sup>th</sup> Floor, Alliance Global Tower, 36<sup>th</sup> Street corner 11<sup>th</sup> Avenue, Uptown Bonifacio, Taguig City or by email to [corporatesecretary@empire-east.com](mailto:corporatesecretary@empire-east.com). Validation of proxies shall be held on 4 June 2021. A sample proxy form will be enclosed in the Information Statement for your convenience.

Taguig City, Philippines, 12 May 2021.

  
**DENNIS E. EDAÑO**  
Corporate Secretary

## EXPLANATION OF AGENDA ITEMS

### 1. **Call to Order**

The meeting will be formally opened at approximately 9:00 o'clock in the morning.

### 2. **Proof of Notice and Determination of Quorum**

The Corporate Secretary will certify that the written notice for the meeting was duly sent to stockholders of record, including the date of publication and the newspapers where the notice was published. The Corporate Secretary will also certify that a quorum exists, and the Stockholders representing at least a majority of the outstanding capital stock, present in person or by proxy, shall constitute a quorum for the transaction of business.

Pursuant to Sections 57 and 23 of the Revised Corporation Code which allow voting *in absentia* by the stockholders, Stockholders may register by submitting requirements via email at [corporatesecretary@empire-east.com](mailto:corporatesecretary@empire-east.com) and vote *in absentia* on the matters for resolution at the meeting. A stockholder who votes in absentia as well as a stockholder participating by remote communication shall be deemed present for purposes of quorum.

Please refer to **Annex "A"** on the Procedures and Requirements for Voting and Participation in the 2021 ASM for complete information on remote participation or voting in absentia, as well as on how to join the livestream for the 2021 ASM.

### 3. **Approval of Minutes of the Previous Annual Meeting**

The minutes of the meeting held on 15 July 2020 are available at the Company's website, [www.empire-east.com](http://www.empire-east.com).

### 4. **Annual Report of Management**

The performance of the Company in 2020, and the outlook for 2021 will be reported.

### 5. **Appointment of External Auditors**

The election of the external auditor for the ensuing year as well as its proposed remuneration will be endorsed to the stockholders for approval. The external auditor conducts an independent verification of the Company's financial statements and provides an objective assurance on the accuracy of its financial statements.

### 6. **Amendment of the Third Article of the Amended Articles of Incorporation**

Approval by the stockholders representing at least majority of the outstanding capital stock will be sought to amend the Third Article to align the Company's Articles of Incorporation with its new principal office. The Board approved this proposed amendment during its meeting on 26 April 2021.

### 7. **Ratification of Acts and Resolutions of the Board of Directors, Board Committees and Management**

The actions of the Board and its committees were those taken since the annual stockholders' meeting on 15 July 2020 until 07 June 2021. They include the approval of the amended Articles of Incorporation and other matters covered by disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange. The acts of the officers were those taken to implement the resolutions of the Board or its committees or made in the general conduct of business.

### 8. **Election of Directors**

Nominees for election of seven (7) members of the Board of Directors, including two (2) independent directors, will be submitted for election by the stockholders. The profiles of the nominees to the Board of Directors are provided in the Information Statement.

**9. Other Matters**

Other concerns or matters raised by stockholders will be discussed.

**10. Adjournment**

Upon determination that there are no other matters to be considered, the meeting shall be adjourned.

**SAMPLE ONLY PROXY  
EMPIRE EAST LAND HOLDINGS, INC.  
2021 STOCKHOLDERS' MEETING**

I/WE hereby name and appoint, \_\_\_\_\_, or in his absence, the Chairman of the meeting, as my/our proxy at the annual stockholders' meeting of **EMPIRE EAST LAND HOLDINGS, INC.** ("Empire East") to be held on 08 June 2021 and/or at any postponement or adjournment thereof, and/or any annual stockholders' meeting of Empire East, which appointment shall not exceed five (5) years from date hereof.

In particular, I hereby direct my said proxy to vote all my shares on the agenda items set forth below as I have expressly indicated by marking the same with an "X".

Items No.	Subject	Action		
		For	Against	Abstain
3.	Approval of Minutes of the Previous Annual Meeting			
5.	Appointment of External Auditors			
6.	Amendment of the Third Article of the Amended Articles of Incorporation			
7.	Ratification of Acts and Resolutions of the Board of Directors, Board Committees and Management			
8.	Election of Directors			
	a. Andrew L. Tan			
	b. Anthony Charlemagne C. Yu			
	c. Cresencio P. Aquino			
	d. Enrique Santos L. Sy			
	e. Alejo L. Villanueva, Jr.			
	f. Kevin Andrew L. Tan			
	g. Evelyn G. Cacho			
<b>FULL DISCRETION</b>				

\_\_\_\_\_  
PRINTED NAME OF STOCKHOLDER

\_\_\_\_\_  
AUTHORIZED SIGNATORY

THIS PROXY SHOULD BE SUBMITTED UNTIL 5:00 PM OF 27 May 2021, TO THE OFFICE OF THE CORPORATE SECRETARY AT 12TH FLOOR, ALLIANCE GLOBAL TOWER, 36TH STREET CORNER 11TH AVENUE, UPTOWN BONIFACIO, TAGUIG CITY OR BY EMAIL TO CORPORATESECRETARY@EMPIRE-EAST.COM.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT.

A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSED HIS INTENTION TO VOTE IN PERSON.

THIS PROXY DOES NOT NEED TO BE NOTARIZED.

(Partnerships, Corporations and Associations must attach certified resolutions designating their proxies/representatives and authorized signatories)





# Empire East

## INFORMATION STATEMENT

### GENERAL INFORMATION

#### Date, Time and Place of Meeting of Security Holders

Date of meeting	:	08 June 2021
Time of meeting	:	9:00 a.m
Place of meeting	:	To be conducted virtually by livestream access via <a href="http://empire-east.com/asm2021">http://empire-east.com/asm2021</a>
Approximate distribution date of this statement	:	14 May 2021 <sup>1</sup>
Complete mailing address of the principal office of the registrant	:	12th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City 1634

The Company is not soliciting proxies. We are not asking you for a proxy. Neither are you required to send us a proxy.

#### Dissenters' Right of Appraisal

There is no proposed corporate action or matter that will grant appraisal rights pursuant to the Revised Corporation Code of the Philippines to dissenting stockholders.

Any stockholder of the Company shall have the right to dissent and demand payment of the fair value of his shares in the following instances: 1) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; 2) in case the corporation decides to invest its funds in another corporation or business or for any purpose outside of the primary purpose for which it was organized; (3) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; and 4) in case of merger or consolidation.

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the Company within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares. **A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right.** Failure to make the demand within the 30-day period shall be deemed a waiver of the appraisal right. From the time of the demand until either the abandonment of the corporate action in question or the purchase of the dissenting shares by the Company, all rights accruing to the dissenting shares shall be suspended, except the stockholder's right to receive payment of the fair value thereof. If the proposed corporate action is implemented or effected, the Company shall pay to such stockholder, upon surrender of the stock certificate(s) representing his shares, the fair value thereof as of the day prior to the date on which

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<sup>1</sup> Pursuant to SEC Notice dated 20 April 2020, digital copies of the Information Statement, Management Report, Annual Report, and other relevant documents will be made available at the Company's website: <http://empire-east.com/asm2021> and through the PSE Edge.

the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action. If the fair value is not determined, within sixty (60) days from the date the corporate action was approved by the stockholders, it will be determined by three (3) disinterested persons (one chosen by the Company, another chosen by the dissenting stockholder and the third to be chosen jointly by the Company and the stockholder). The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award is made. Upon payment by the Company of the awarded price, the dissenting stockholder shall forthwith transfer his shares to the Company.

No payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings.

### **Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

No director or officer of the Company, or any nominee for election as a director of the Company, or any associate thereof, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office.

No director of the Company has informed it in writing that he intends to oppose any action to be taken by the Company at the annual meeting of stockholders.

## **CONTROL AND COMPENSATION INFORMATION**

### **Voting Securities and Principal Holders Thereof**

#### Number of Shares Outstanding

As of 31 March 2021, the Company has 14,676,199,167 outstanding shares of common stock. Each common share shall be entitled to one (1) vote.

#### Record Date of Meeting

All owners on record of the Company's common shares as of 10 May 2021 will be entitled to notice of, and to vote at, the annual meeting of stockholders.

#### Manner of Voting

Pursuant to Sections 23 and 57 of the Revised Corporation Code and SEC Memorandum Circular No. 06, Series of 2020 allowing voting through remote communication or in absentia, stockholders may now participate in the 2021 ASM by remote communication and cast their votes in absentia. A stockholder may cast his/her votes by remote communication or *in absentia* until 6:00 pm of 01 June 2021. A stockholder voting remotely or *in absentia* shall be deemed present for purposes of quorum. Please refer to **Annex "A"** on the Procedures and Requirements for Voting and Participation in the 2021 ASM for complete information on voting via remote participation or voting in absentia, as well as on how to join the livestream for the 2021 ASM.

#### Cumulative Voting Rights

Each common share entitles the person in whose name it is registered in the books of the Company to one (1) vote with respect to all matters to be taken up during the annual meeting of stockholders. Each holder of common stock shall have cumulative voting rights with respect to the election of the members of the board of directors of the Company. Cumulative voting entitles each stockholder to cumulate his shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or distribute them on the same principle among as many nominees as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

**Security Ownership of Record and Beneficial Owners of more than 5% of the Company's Shares of Common Stock as of March 31, 2021**

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent of Class
Common	Megaworld Corporation 30th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City	Megaworld Corporation	Filipino	11,994,426,438	81.7271%
Common	PCD Nominee Corporation (Filipino) G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City	The shares registered in the name of PCD Nominee Corporation (Filipino) are either beneficially owned by the participants of the PCD composed of custodian banks and brokers or held by them in trust for them clients.	Filipino	1,962,273,390 <sup>2</sup>	13.3704%

Other than the persons identified above, there are no other beneficial owners of more than 5% of the Company's outstanding capital stock that are known to the Company.

**Security Ownership of Management as of March 31, 2021**

Title of Class	Name of Beneficial Owner	Amount/Nature of Beneficial Ownership	Citizenship	Percent of Class
<b>Directors</b>				
Common	Andrew L. Tan	24,277,777 (direct)	Filipino	0.165422%
		11,994,426,438 <sup>3</sup> (indirect)	Filipino	81.727062%
		138,133,820 <sup>4</sup> (indirect)	Filipino	0.941210%
Common	Cresencio P. Aquino	1 (direct)	Filipino	0.000000%
Common	Anthony Charlemagne C. Yu	1 (direct)	Filipino	0.000000%

<sup>2</sup> This includes 1,000,000 shares beneficially owned by Megaworld Corporation.

<sup>3</sup> The shares are held by Megaworld Corporation had authorized Andrew L. Tan, in his capacity as Chairman of the Board and President, or in his absence the Chairman of the Meeting, to vote Megaworld's common shares in the Company.

<sup>4</sup> The shares are held by The Andresons Group, Inc. of which Andrew L. Tan is a controlling shareholder.

Common	Kevin Andrew L. Tan	1 (direct)	Filipino	0.000000%
Common	Enrique Santos L. Sy	11,892 (direct)	Filipino	0.000081%
Common	Evelyn G. Cacho	35,240 (direct)	Filipino	0.000240%
Common	Alejo L. Villanueva, Jr.	1 (direct)	Filipino	0.000000%
<b>President and Four Most Highly Compensated Officers</b>				
Common	Anthony Charlemagne C. Yu			Same as above
Common	Ricky S. Libago	0	Filipino	n/a
Common	Evelyn G. Cacho			Same as above
Common	Ricardo B. Gregorio	0	Filipino	n/a
Common	Jhoanna Lyndelou T. Llaga	0	Filipino	n/a
<b>Other Executive Officers</b>				
Common	Giovanni C. Ng	0	Filipino	n/a
Common	Franemil T. Ramos	0	Filipino	n/a
Common	Kim Camille B. Manansala	0	Filipino	n/a
Common	Dennis E. Edaña	0	Filipino	n/a
Common	Celeste Z. Sioson-Bumatay	0	Filipino	n/a
Common	All directors and executive officers as a group	24,324,913 (direct)	Filipino	0.170079%

### **Voting Trust Holders of 5% or More**

The Company has no knowledge of any person holding more than five percent (5%) of the Company's shares of common stock under a voting trust or similar agreement.

### **Changes in Control**

No change in control of the Company has occurred since the beginning of its last fiscal year. The Company has no knowledge of any existing arrangements that may result in a change in control of the Company.

### **Directors and Executive Officers**

There are seven (7) members of the Company's Board of Directors, two (2) of whom are independent directors. All incumbent directors were elected during the annual meeting of stockholders held on 15 July 2020, and will hold office for one (1) year and/or until their successors are elected and qualified.

Information concerning the background of the directors and executive officers of the Company is provided in pages 22 to 26 of the Company's Annual Report to Stockholders.

### **Procedure for Nomination and Election of Independent Directors**

Pursuant to Article II, Section 2 of the Company's By-Laws, the nomination and election of independent directors shall be conducted in accordance with SRC Rule 38.

SRC Rule 38 provides that the nomination and election of independent directors shall be conducted in accordance with the following rules:

1. Nomination of independent directors shall be conducted by the Nomination Committee prior to a stockholders' meeting. All recommendations shall be signed by nominating stockholders and shall bear the conformity of the nominees.
2. The Nomination Committee shall pre-screen the nominees and prepare a final list of candidates.

3. The final list of candidates shall contain the business and/or professional experience of the nominees for independent directors, which list shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the Company is required to submit to the Commission. The name of the person or group of persons who recommended the nominees for independent directors shall be identified in such report including any relationship to the nominees.
4. Only nominees whose names appear in the final list of candidates shall be eligible for election as independent directors. No other nominations shall be entertained after the final list of candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting.
5. The conduct of the election of independent directors shall be made in accordance with the standard election procedures of the Company in its by-laws, subject to pertinent laws, rules and regulations of the Commission.
6. It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure that independent directors are elected during the stockholders' meeting.
7. In case of failure of election for independent directors, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

#### Nominees

Directors are elected annually by the stockholders at the annual stockholders' meeting to serve until the election and qualification of their successors. The Corporate Governance Committee, composed of Cresencio P. Aquino as Chairman, Enrique Santos L. Sy and Alejo L. Villanueva, Jr. as members, accepts nominees to the Board of Directors, including nominees for independent directors. The Committee is responsible for screening and qualifying the list of nominees. The following is the complete and final list of nominees and candidates for members of the Board of Directors:

1. Andrew L. Tan
2. Anthony Charlemagne C. Yu
3. Enrique Santos L. Sy
4. Evelyn G. Cacho
5. Kevin Andrew L. Tan
6. Cresencio P. Aquino – Independent Director
7. Alejo L. Villanueva, Jr. – Independent Director

#### Independent Directors

This year's nominees for directors include two persons who qualify as independent directors. Mr. Carmelo Jose J. Canto III nominated incumbent independent director, Mr. Cresencio P. Aquino, for another term, while Ms. Maria Rosario Justo nominated incumbent independent director, Mr. Alejo L. Villanueva, for another term. Ms. Justo and Messrs. Canto, Aquino and Villanueva are not related by consanguinity or affinity up to the fourth civil degree.

#### Significant Employees

The business of the Company is not highly dependent on the services of personnel outside of Senior Management.

### Family Relationships

Chairman Andrew L. Tan and Mr. Kevin Andrew L. Tan, both directors of the Company, are father and son, respectively.

### Material Pending Legal Proceedings

The Company is not aware of the occurrence, as of the date hereof and during the past five (5) years preceding this date, of any of the following events which it believes to be material to the evaluation of the ability or integrity of any of its directors, nominees for election as director, or executive officers:

1. Any bankruptcy petition filed by or against any business of a director, nominee for election as director, or executive officer who was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. Any director, nominee for election as director, or executive officer being convicted by final judgment in a criminal proceeding, domestic or foreign, or being subject in his personal capacity to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
3. Any director, nominee for election as director, or executive officer being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and

Any director, nominee for election as director, or executive officer being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

### Related Transactions

In 2020, total commissions earned by a subsidiary from the sale of its Parent Company's real estate properties amounted to P90 million.

The Company, in the normal course of business, enters into transactions with related companies primarily consisting of lease of properties and advances for real estate transactions, working capital requirements, and other business-related purposes. Rental for leased properties and interest on interest-bearing advances are within market rates. The related parties that have entered into transactions with the Company are identified in Schedules C & F of the SEC Supplementary Schedules as of 31 December 2020. Related parties are able to settle their obligations in connection with transactions with the Company and the Company does not foresee risks or contingencies arising from these transactions. Additional information on related party transactions is provided in Item 25 of the Notes to the Audited Consolidated Financial Statements of the Group attached as Exhibit 1 hereof and incorporated herein by reference.

Other than those disclosed in the Group's Audited Consolidated Financial Statements, the Company has not entered into other related party transactions.

### Resignation/Disagreement

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual meeting of stockholders because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

## Compensation of Directors and Executive Officers

### Compensation of Certain Officers

The total annual compensation paid to the President/CEO and four most highly compensated executive officers of the Company amounted to P33,267,783 and P32,118,161 in 2020 and 2019, respectively. The projected total annual compensation of the named executive officers for 2021 is P37,356,879.

### Compensation of Directors

The members of the Board of Directors of the Company receive a standard per diem for attendance in board meetings. In 2020, the Company paid a total of Php725,000 for directors' per diem and has allocated the same amount for 2021.

Name of Directors	Year	Salary	Total Annual Director's Per Diem
Andrew L. Tan		Per diem	
Cresencio P. Aquino		Per diem	
Anthony Charlemagne C. Yu		Per diem	
Kevin Andrew L. Tan		Per diem	
Enrique Santos L. Sy		Per diem	
Evelyn G. Cacho		Per diem	
Alejo L. Villanueva		Per diem	
Total Annual Director's Per Diem	2019		775,000
	2020		725,000
	2021		725,000

Apart from directors' per diem, there are no other arrangements, such as consulting contracts, pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, during the Company's last completed fiscal year, and the ensuing year, for any service provided as a director.

### Summary of Compensation Table

The following table identifies the President and the four most highly compensated officers of the Company and summarizes their aggregate compensation in 2019 and 2020 and estimated aggregate compensation for 2021:

Name and Principal Position	Year	Salary	Others Variable Pay	Total Annual Compensation
Anthony Charlemagne C. Yu, President & CEO				
Ricky S. Libago Executive Vice President				
Evelyn G. Cacho Senior Vice President				
Ricardo B. Gregorio FVP for HR, General and Administrative Services				
Jhoanna Lyndelou T. Llaga FVP for Marketing				
President and 4 Most Highly Compensated Officers	2019	25,410,444	6,707,717	32,118,161
	2020	29,188,932	4,078,851	33,267,783
	2021	30,648,379	6,708,500	37,356,879

All Other Officers and Directors as a Group	2019	42,270,771	7,452,519	49,723,290
	2020	41,613,820	4,833,032	46,446,852
	2021	43,694,511	6,578,722	50,273,233

### Employment Contracts and Termination of Employment and Change-in-Control Arrangements

Executive officers are appointed by the Board of Directors to their respective offices. Certain executive officers are employees of the Company and are entitled to standard employee benefits extended by the Company to its employees.

Other than benefits available under the Company's retirement plan, there is no compensatory plan or arrangement with respect to an executive officer which results or will result from the resignation, retirement or any other termination of such executive officer's employment with the Company and its subsidiaries, or a change-in-control of the Company, or a change in an executive officer's responsibilities following a change-in-control of the Company.

### Outstanding Warrants and Options

There are no outstanding warrants or options in respect of the Company's shares that are held by the Company's CEO, or any director or executive officer of the Company.

### **Independent Public Accountants**

The Board of Directors of the Company, in consultation with the Audit Committee, composed of Alejo L. Villanueva, Jr., as Chairman and Cresencio P. Aquino and Evelyn G. Cacho as Members, will recommend to the stockholders the engagement of Punongbayan & Araullo as external auditors of the Company for 2021.

The Company complied with SRC Rule 68(3)(b)(iv) and the Company's Manual on Corporate Governance, which requires that the Company's external auditor be rotated or the signing partner changed after five (5) years of engagement. A two-year cooling-off period shall be observed in the re-engagement of the same signing partner. In this regard, starting the year ending 31 December 2016, Mr. Renan A. Piamonte, one of the Audit and Assurance Partners of Punongbayan and Araullo (P&A), was designated as the signing partner for the audit of the Company's financial statements. Mr. Nelson Dinio, also one of the Audit and Assurance Partners of P&A, handled the audit of the Company's financial statements for the past five years from 2011 to 2015.

There are no disagreements with the auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their reports on the financial statements of the Company and its subsidiaries.

Representatives of Punongbayan & Araullo are expected to be present at the annual meeting of stockholders. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

### **Corporate Governance**

#### Compliance with Leading Practices on Corporate Governance

Pursuant to the Company's corporate governance manual, its Board created each of the following committees and appointed board members thereto.



## **Audit Committee**

The Audit Committee is responsible for ensuring that all financial reports comply with internal financial management and accounting standards, performing oversight financial management functions, pre-approving all audit plans, scope and frequency and performing direct interface functions with internal and external auditors. On 3 October 2012, the Board approved the Audit Committee Charter which provide for the purpose, membership, structure, operations, duties and responsibilities of the Audit Committee. The Company's Audit Committee has three members, two of whom are independent directors. An independent director serves as the head of the committee, the members of the Audit Committee are Alejo L. Villanueva, Jr., Chairman, Cresencio P. Aquino and Evelyn G. Cacho, members.

## **Corporate Governance Committee**

The Corporate Governance Committee is tasked to assist the Board in the performance of its corporate governance responsibilities. It also oversees the implementation, review and periodic evaluation of the corporate governance framework. It also recommends continuing relevant education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance, as well as establishes a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers. It is also responsible for determining the nomination and election process for the Company's directors and the general profile of board members and ensures that this process is conducted in accordance with qualifications prescribed by Philippine law and the Company's Manual on Corporate Governance, the members of the Corporate Governance Committee are Cresencio P. Aquino, Chairman, Alejo L. Villanueva, Jr. and Enrique Santos L. Sy, members.

## **Board Risk Oversight Committee**

The Board Risk Oversight Committee is responsible for the development, evaluation, and oversight of the Company's Enterprise Risk Management system to ensure its functionality and effectiveness. It also advises the Board on its risk appetite levels and risk tolerance limits, and reviews the company's risk appetite levels and risk tolerance limits based on changes and developments in the business. The Company's Board Risk Oversight Committee consists of three members, including at least one independent director, the members of the Board Risk Oversight Committee are Alejo L. Villanueva, Jr., Chairman, Cresencio P. Aquino and Enrique Santos L. Sy, members.

## **Related Party Transaction Committee**

The Related Party Transaction Committee is responsible for reviewing all material related party transactions of the company. This Committee shall evaluate on an ongoing basis the existing relations between and among business and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured, and evaluate all material RPTs to ensure that these are not undertaken on more favourable economic terms. The Company's Related Party Transaction Committee consists of three members, including at least one independent director, the members of the Board Risk Oversight Committee are Cresencio P. Aquino, Chairman, Alejo L. Villanueva and Enrique Santos L. Sy, members.

## **Evaluation System**

The Company has designated a Compliance Officer who is tasked with monitoring compliance with the provisions and requirements of its Manual on Corporate Governance. The Compliance Officer has established an evaluation system, patterned after the CG Scorecard of the Institute of Corporate Directors to measure or determine the level of compliance by the Company with its Manual.

## **Deviations from Manual and Sanctions Imposed**

In 2021, the Company substantially complied with its Manual on Corporate Governance and did not materially deviate from its provisions. No sanctions were imposed on any director, officer or employee on account of non-compliance with the Company's Manual on Corporate Governance

## **Plan to Improve Corporate Governance**

Pursuant to SEC Memorandum Circular No. 6, Series of 2009 and as further amended by SEC Memorandum Circular No.9, Series of 2014, the Company revised its Manual of Corporate Governance to make the same compliant with the Revised Code of Corporate Governance. The Company has also updated its Manual of Corporate Governance to comply with SEC Memorandum Circular No. 19, Series of 2016 and will continue to adopt best practices in Corporate Governance as may be prescribed by the Commission.

## **Financial Information**

Consolidated Audited Financial Statements of the Company and its subsidiaries as of 31 December 2020 and 2019, the Interim Financial Statements of the Company as of 31 March 2021, and the Management's Discussion and Analysis of Results of Operations and Financial Condition for the corresponding periods are contained in the Company's Annual Report to Stockholders and are incorporated herein by reference.

## **OTHER MATTERS**

### **Amendment of Third Article of the Company's Amended Articles of Incorporation**

The Corporation will submit for the approval of its stockholders the proposed amendment to the third Article of its Amended Articles of Incorporation ("AOI") to change its principal office address. The amendment is being made to align with the planned transfer of the Corporation to its new office address at 2F Tower 2, Kasara Urban Resort Residences, P. Antonio St., Barangay Ugong, Pasig City 1604 Metro Manila, Philippines. In connection with such amendment, approval will also be sought to authorize any of the officers of the Corporation to finalize, execute and deliver the necessary certificates and other documents with the Securities and Exchange Commission and other government agencies and perform all actions as may be necessary to fully implement the foregoing resolution and the change in principal office address.

### **Action with Respect to Reports**

The minutes of the annual meeting of stockholders held on 15 July 2020 will be submitted to the Company's stockholders for approval. The minutes will refer to the adoption of stockholders' resolutions pertaining to, among others, the following matters:

1. Approval of Minutes of the Previous Annual Meeting
2. Amendment of Sections 4 and 6 of Article I and Section 3 of Article II of the Company's By-laws
3. Appointment of External Auditors
4. Ratification of Acts and Resolutions of the Board of Directors, Board Committees and Management
5. Election of Directors

The approval or disapproval of said minutes will constitute merely an approval or disapproval of the correctness of the minutes but will not constitute an approval or disapproval of the matters referred to in the minutes.

### **Other Proposed Action**

The stockholders will be asked to ratify all acts and resolutions of the Board of Directors, Board Committees and Management adopted during the period covering 1 January 2020 through 07 June 2021.

These acts are covered by resolutions duly adopted by the Board of Directors and its Board Committees, such as:

1. Appointment of Contract Signatories
2. Appointment of Proxies and Nominees
3. Application for Permits and Licenses for Projects
4. Operation of Bank Accounts and other Bank Transactions
5. Development and Operation of Projects
6. Property Acquisitions, Dispositions, Leases and Joint Ventures
7. Application for Telecommunication Subscriptions
8. Holding of 2020 Annual Meeting of Stockholders
9. Registration of Master Deeds and Restrictions covering Projects
10. Application for, and renewal of, corporate permits, licenses and accreditations

## **Voting Procedures**

### Vote Required

In the election of directors, the seven (7) nominees garnering the highest number of votes will be elected as members of the board of directors, provided that there shall always be at least two (2) independent directors in the Company's board of directors.

### Method of Counting of Votes

Each common share entitles the person in whose name it is registered in the books of the Company to one vote with respect to all matters to be taken up during the annual meeting of stockholders. In the election of directors, each holder of common share may vote such number of shares for as many persons as there are directors to be elected or may cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many nominees as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

There will be seven (7) persons to be elected to the Company's board of directors, including two (2) independent directors. In the event that the number of nominees to the board of directors should exceed the number of board seats, voting shall be done by ballot. However, if the number of nominees to the board of directors will not exceed the number of board seats, voting will be done by a show of hands. Election inspectors duly appointed for the meeting shall be responsible for counting the number of votes, subject to validation by representatives of Punongbayan & Araullo, the Company's external auditors.

Stockholders may cast their votes by remote communication or in *absentia*, or by proxy. A stockholder who votes in *absentia* as well as a stockholder participating by remote communication shall be deemed present for purposes of quorum. Please refer to Annex "A" on the Procedures and Requirements for Voting and Participation in the 2021 ASM for complete information on voting via remote participation or voting in *absentia*, as well as on how to join the livestream for the 2021 ASM.

**The Company shall provide, without charge, to each stockholder a copy of its annual report on SEC Form 17-A, upon written request addressed to Empire East Land Holdings, Inc., Attention: The Corporate Secretary, 12<sup>th</sup> Floor, Alliance Global Tower, 36<sup>th</sup> Street cor. 11<sup>th</sup> Avenue, Uptown Bonifacio, Taguig City 1634.**

**SIGNATURE PAGE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Taguig City on 12 May 2021.

**EMPIRE EAST LAND HOLDINGS, INC.**

By:



**EVELYN G. CACHO**  
Senior Vice President

## ANNUAL REPORT TO STOCKHOLDERS

### Business Development

Empire East Land Holdings, Inc. (the “Company”) was incorporated under Philippine law on 15 July 1994. Prior to its incorporation, the Company was a division of Megaworld Corporation (formerly, Megaworld Properties & Holdings, Inc.) and was then known as its Community Housing Division. In 1994, Megaworld Corporation decided to spin off its Community Housing Division into what is now the Company for the purpose of separating its high-end residential and office business from its lower and middle-income housing business. As of 31 December 2020, Megaworld holds 81.7% of the Company.

As of 31 December 2020, the Company holds 100% equity interest in Eastwood Property Holdings, Inc. (EPHI); Valle Verde Properties, Inc. (“VVPI”); Sherman Oak Holdings, Inc. (“SOHI”) Empire East Communities, Inc. (“EECI”) and 20<sup>th</sup> Century Nylon Shirt Co., Inc. (20<sup>th</sup> Century); 72.5% in Laguna BelAir Science School, Inc. (LBASSI); 60% in Sonoma Premier Land, Inc. (“SPLI”) (formerly, “Galleria Corsini Holdings, Inc.”); and 47% in Gilmore Property Marketing Associates, Inc. (“GPMAL”) and 40% in Pacific Coast Megacity Inc. (PCMI).

EPHI, which was incorporated on 05 September 1996, serves as the marketing arm of the Company and markets the projects of the Company and those of other related parties.

VVPI was incorporated on 13 October 2006. In 2008, the Company acquired shares of VVPI from another stockholder increasing the Company’s ownership in VVPI to 100%.

SPLI was incorporated on 26 February 2007 and started its commercial operations in 2008. In 2008, 200 million shares in SPLI were acquired by the Company, increasing its ownership to 60% from 20%.

EECI was incorporated on 14 October 2008 and is wholly owned by the Company. It acts as a marketing arm of the Company.

SOHI was incorporated on 02 February 2007. In January 2008, the Company acquired 100% ownership in SOHI.

GPMAL was incorporated on 05 September 1996 to acquire, lease, and construct or dispose of properties. In 2010, the Company acquired 52% ownership in GPMAL by subscribing to 27M shares by way of conversion of advances into equity. In 2012, GPMAL issued 5M shares of stock to a third party which resulted in the decrease of the Company’s ownership to 47%.

LBASSI (formerly Laguna Bel Air School Inc. or LBASI) is a company incorporated on 13 February 1996 and is presently operating a school for primary and secondary education. The change in name was approved in August 2013. The Company owns 72.5% of LBASSI.

20<sup>th</sup> Century was incorporated in 1952. On January 24, 2003, the SEC approved the extension of the Company’s life for another 50 years from the date of renewal. In February 2015, the company acquired 100% ownership interest in 20<sup>th</sup> Century,

PCMI was incorporated in 2012. In 2015 the Company acquired 20% ownership interest. Subsequently in 2018, the Company obtained de facto control over PCMI. In 2019, it acquired an additional 20% increase in its ownership interest to 40%.

Neither the Company nor its subsidiaries (collectively the “Group”) has been the subject of a bankruptcy, receivership, or similar proceeding or has been involved in any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business except as otherwise stated herein.

## General Nature and Scope of Business

Empire East Land Holdings, Inc. is a property development company specializing in residential projects that include mid-to-high-rise condominiums and single-detached houses and lots, catering to the upscale, upper-middle, and broad middle-income housing markets. The Company's stronghold as one of the country's leading developers of mid-cost residential properties remains as it continues to offer innovative lifestyle concepts that appeal to Filipino homebuyers and investors. It has established a remarkable presence in key cities of Metro Manila, including Makati, Mandaluyong, San Juan, Pasig, Quezon City, and the City of Manila, as well as in progressive areas in the South and the East of the National Capital Region, particularly Santa Rosa, Laguna, and Cainta, Rizal.

Home to over 120,000 residents, Empire East's communities have showcased development concepts that have become trends in the real estate sector in the past two decades and a half. The "township model" it introduced in its flagship project, Laguna Bel-Air, has spearheaded the integration of "live, work and play" elements as it featured not only houses, but also retail shops, a school, a parish church, and clubhouse amenities, all in one community. The same township model is currently upheld in the Company's latest community, the Empire East Highland City in Pasig-Cainta, where high-rise condominium towers will be built together with a shopping mall, an expansive park with a church, and an exclusive sports club.

Amidst the perilous 1997 Asian financial meltdown, the Company continued to triumph by transforming to become an innovative developer. Remarkable marketing strategies and lifestyle concepts were introduced during this challenging period, such as the "Micro-City" cluster-type condominiums, the "no down payment and zero interest" schemes, and the loft-type units, that paved the way for other industry players to follow the trend up to this present time.

Today, the Company has solidified its lead in building Transit-Oriented Developments (TOD) and Urban Resort Communities, that capture a fair share of the end-users' market as well as overseas Filipinos. The investors' market has exponentially grown in the past years, both among locals and foreigners, as residential developments of the Company are not only within close proximity to Central Business Districts (CBD) but also to mass transport systems and upcoming infrastructure projects under the national government's aggressive infrastructure-building agenda, further strengthening the leasing and resale potential of these properties.

## Update on Projects

**Empire East Highland City** is the Company's largest development in scale to date. Strategically set on a 22.8-hectare land along Felix Avenue in the boundary of Pasig City and Cainta, Rizal, it is equidistant to two major thoroughfares that connect Metro Manila to the East—Marcos Highway and Ortigas Avenue Extension. The township boasts of its close proximity to the upcoming LRT-2 East Extension Emerald Station and MRT-4 Cainta Junction Station, which will also connect to the much anticipated Metro Manila Subway.

This "luxurious uphill community" shall be built on stilts, following its "elevated city" concept. In its frontage along Felix Avenue, a sprawling and elevated green park will soon become a leisure destination. It will be filled with landscaped greeneries, water features, spacious walkways, a 500-seater church, retail shops, and a grand Spanish steps leading to a luxurious shopping mall. The 8,000-square meter Highland Park and the 58,000-square meter Highland Mall are now in full swing construction.

The 37-tower Highland Residences will reshape the skyline of the East. In the middle of this high-rise condominium complex is an exclusive five-star sports club called The Chartered Club, where only residents who will avail its membership can access its world-class recreational amenities and facilities. Towers 1 and 2 of the first residential phase, Arcadia, are under pre-selling stage, featuring executive studios, 1-bedroom up to 2-bedroom suites, ranging from 21.38 sqm to 46.50 sqm.

**The Paddington Place** is a 4-tower Transit-Oriented Development along Shaw Boulevard in Mandaluyong City, walkable from the MRT-3 Shaw Boulevard Station in EDSA and the Ortigas Central Business District. It will feature a two-level community mall called "The Pad" which will be operated by the renowned luxury mall brand, Megaworld Lifestyle Malls. Rising up to 45 levels, each tower offers space-efficient residential units ranging from executive studios, 1-bedroom, 2-bedroom, and penthouse suites, with floor areas of 21.32 sqm up to 95.46 sqm. Aside from first-time homebuyers and clients searching for secondary

transient homes, investors have been attracted to purchase units in this development due to the location's strong rental potential. Towers 1 and 2 have few units left, while there are more available options for Tower 3. The construction of Tower 1 has just started.

**Mango Tree Residences** will rise in a 3,000-square meter elevated terrain along M. Paterno corner J. Ledesma Streets in a quiet yet highly accessible neighborhood in the heart of San Juan City. Future residents can easily drive to N. Domingo Street leading to Manila and Quezon City, giving easy access to the newly completed Metro Skyway Stage 3 Extension that will bring motorists closer to NLEX, SLEX, and NAIA. On the other side of M. Paterno Street is Santolan Road, where a future station of the proposed MRT Line 4 will open. Santolan Road also connects to Greenhills, Ortigas Avenue, and EDSA, letting future residents of Mango Tree Residences reach Ortigas CBD and other key locations in a breeze.

This on-stilts green development features decades-old natural mango trees around its perimeter and an expansive elevated landscaped garden. Hotel-type lobbies shall welcome residents and visitors. Recreational amenities such as a swimming pool, fitness gym, yoga station, function room, and alfresco lounge can be enjoyed at the ground level. The project boasts of a low dense masterplan, with only 9 to 12 suites per floor at typical levels, and only 6 units at the penthouse level. An array of spacious units ranging from 1-bedroom, 2-bedroom up to penthouse suites can be reserved by homebuyers, with some units at the 7th level coming with patios. The 38-level West Residences and 34-level East Residences are in the initial stage of construction.

**Covent Garden** is a two-tower Transit-Oriented Development in Santa Mesa, Manila, set along Santol Street Extension right next to the major thoroughfare of Magsaysay Boulevard. It is a short walk away from the LRT Line 2 V. Mapa Station and has close proximity to an entry and exit of the Metro Skyway Stage 3 Extension. The project's juxtaposed structural development intelligently maximizes the 0.5-hectare property, providing adequate open space and recreation area for the future residents. Its offerings of executive studios, 1-to-2-bedroom suites, and bi-level units, have been selling at a fast pace, with only a few units left. South Residences is expected to be turned over to buyers in 2021.

**Kasara Urban Resort Residences** is a high-rise resort-style community set on a 1.8-hectare property between Eagle Street and P. E. Antonio Street in Ugong, Pasig City, few steps away from C-5 Road. Its six towers are nestled amidst a wide array of five-star resort amenities and facilities including a lake-inspired swimming pool, kidding pool, waterfalls, bubblers, koi pond, multi-purpose open court, landscaped gardens, outdoor play area, fitness gym, jogging trails, and a clubhouse with a function hall and bar area. Homebuyers can choose among executive studios, 1-to-2-bedroom suites, and bi-level penthouse, with some units having their own patios or balconies. Floor areas are ranging from 22.20 sqm up to 144 sqm. Towers 1 and 2 are now ready-for-occupancy while the construction of Towers 3 to 6 is ongoing. The project is nearly sold out.

**The Rochester** is a 7-tower urban resort community rising in a 3-hectare property along Elisco Road in San Joaquin, Pasig City, just more than a kilometer away from the C-5 Road and Kalayaan Avenue intersection near the Bonifacio Global City. Residents in its first six mid-rise towers with 6 to 16 levels are now enjoying resort-type amenities and facilities such as the clubhouse with lounge and bar, 25-meter lap pool, kiddie pool, multi-purpose open court, children's playground, fitness gym, and pocket gardens. Garden Villa 1, Garden Villa 2, Breeze Tower, Parklane Tower, Palmridge Tower, and Hillcrest Tower are now ready-for-occupancy and sold out. The final tower, Bridgeview, is in full-swing construction and with few units left unsold.

**Pioneer Woodlands** is physically connected to MRT-3 Boni Avenue Station, making it one of the most highly coveted TOD addresses in Metro Manila. Its strategic location along EDSA corner Pioneer Street in Mandaluyong City gives its residents close proximity to three major CBDs—Makati, Ortigas, and Bonifacio Global City. Residential offerings range from executive studio, 1-bedroom up to 2-bedroom suite, with select units having their own patio or balcony. Towers 1 to 4 have been sold out and are now ready-for-occupancy. Tower 5 is expected to be completed this 2021 while Tower 6 is in full-swing construction.

**Little Baguio Terraces** is a gated condominium community along N. Domingo Street and Aurora Boulevard in San Juan City. Its four ready-for-occupancy residential towers rise from 15 up to 24 levels, offering a typical 30 sqm 2-bedroom unit, which is now completely sold out. Tower 1 provided options for combined units, making a 60 sqm 3-bedroom unit. Residents enjoy recreational amenities at the podium level and close proximity to two LRT Line 2 stations—Gilmore and J. Ruiz.

**San Lorenzo Place** is a high-rise development in the premier financial district of Makati City, located along EDSA corner Chino Roces Avenue and is directly linked to MRT-3 Magallanes Station. It has a two-level shopping mall that provides the basic daily necessities for its residents. There is also a pick-up and drop-off area for point-to-point buses offering various routes. Recreational amenities that can be found at the 6th level include a clubhouse, swimming pool, multi-purpose open court, children’s playground, pocket gardens, jogging paths, fitness gym, function room, and daycare center. Offered units ranged from 1-bedroom up to 3-bedroom combined units. All 4 towers were completed and sold out.

**The Cambridge Village** is a large-scale micro-city condominium development along East Bank Road in the Pasig-Cainta area where commercial establishments, a nursery, a parish church, and a recreational zone are incorporated within the 8-hectare community. The mid-rise residential towers, which are from 6 to 10 levels, feature studio units, loft-type units, and 2-bedroom units. All 37 towers have been completed and are now nearly sold out.

**The Sonoma** in Santa Rosa City, Laguna, is a 50-hectare horizontal development with four phases namely, Enclave, Country Club, Pavilion, and Esplanade. It features single-detached Asian Modern homes, centered with an amenity zone where residents can enjoy amenities such as a clubhouse, function halls, swimming pools, and basketball court. At the frontage of the subdivision is a commercial strip called 1433 West Row. The land development of four phases had been completed with few remaining unsold lots.

**South Science Park** is a 58.4-hectare mixed-use development in the Southern Luzon region, specifically located at Gimalas, Balayan, Batangas.

#### Market Price of and Dividends on Common Equity

The Company’s common shares are traded on the Philippine Stock Exchange (“PSE”). The following table sets out, for the periods indicated, the high and low sales price for the Company’s common shares as reported on the PSE:

Year		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2019	High	0.60	0.54	0.49	0.56
	Low	0.48	0.46	0.44	0.41
2020	High	0.43	0.32	0.35	0.35
	Low	0.20	0.24	0.24	0.26
2021	High	0.35			
	Low	0.27			
5/11/21	Close	0.27			

#### Holders

As of 31 March 2021, there were 12,385 holders of the Company’s common shares. The following table sets forth the twenty largest shareholders of the Company as of 31 March 2021.

Rank	Name of Holder	Number of Shares	Percentage of Ownership
1.	Megaworld Corporation	11,994,426,438	81.7271%
2.	PCD Nominee Corporation (Filipino)	1,962,273,390	13.3704%
3.	PCD Nominee Corporation (Non-Filipino)	255,177,820	1.7387%
4.	The Andresons Group, Inc.	149,692,820	1.0200%
5.	Alliance Global Group, Inc.	56,000,000	0.3816%
6.	Andrew L. Tan	24,277,777	0.1654%
7.	Simon Lee Sui Hee	16,685,206	0.1137%
8.	Ramon Uy Ong	14,950,000	0.1019%
9.	Lucio W. Yan	10,350,000	0.0705%



10.	Alberto Mendoza and/or Jeanie C. Mendoza	4,444,106	0.0303%
11.	Evangeline R. Abdullah	4,324,000	0.0295%
12.	George T. Yang	3,675,400	0.0250%
13.	Zheng Chang Hua	3,220,000	0.0219%
14.	Tiong C. Rosario	3,138,791	0.0214%
15.	Maximino S. Uy &/or Lim Hue Hua	3,105,000	0.0212%
16.	Trans-Asia Securities, Inc.	3,000,000	0.0204%
17.	Luisa Co Li	2,902,908	0.0198%
18.	Edward N. Cheok	2,875,000	0.0196%
19.	Aboitiz Equity Ventures, Inc.	2,813,843	0.0192%
20.	Maximino S. Uy	2,357,500	0.0161%

The information provided above is not being presented in connection with securities to be issued pursuant to an acquisition, business combination or other reorganization initiated by or involving the Company.

### **Dividends**

The payment of dividends, either in the form of cash or stock, will depend upon the Company's earnings, cash flow, and financial condition, among other factors. The Company may declare dividends only out of its unrestricted retained earnings. These represent the net accumulated earnings of the Company, with its capital unimpaired, that is not appropriated for any other purpose.

The Company may pay dividends in cash, by the distribution of property, or by the issue of shares of stock. Dividends paid in cash are subject to approval by the Board of Directors. Dividends paid in the form of additional shares are subject to approval by both the Board of Directors and at least two-thirds (2/3) of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose.

No stock dividends were declared on the Company's common shares for 2007 to 2021. The Company declared a 15% stock dividend on 15 March 2006, which was paid on 08 August 2006 to all shares of common stock outstanding as of 13 July 2006.

The Corporation Code prohibits stock corporations from retaining surplus profits in excess of one hundred percent (100%) of their paid-in capital stock, except when justified by definite corporate expansion projects or programs approved by the Board of Directors, or when the corporation is prohibited under any loan agreement with any financial institution or creditor from declaring dividends without its consent, and such consent has not yet been secured, or when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation.

### **Recent Sales of Unregistered or Exempt Securities**

On 26 June 2013, One Billion Two Hundred Million (1,200,000,000) common shares of the capital stock of the Company were issued to Megaworld Corporation, at the price of One Peso & 05/100 centavos (Php1.05) per share for an aggregate subscription price of One Billion Two Hundred Sixty Million Pesos (Php1,260,000,000.00).

Relative to the subscription of Megaworld Corporation, the Company filed on 05 July 2013 with the Philippine Securities and Exchange Commission ("SEC") a Notice of Exempt Transaction under Section 10.1(e) of the Securities Regulation Code.

## Directors and Executive Officers

There are seven (7) members of the Company's Board of Directors, two of whom are independent directors. An independent director is a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director [SRC Rule 38]. All directors were elected during the annual meeting of stockholders held on 15 July 2020 for a term of one year and until their successors are elected and qualified.

Information concerning the background of the directors/nominees for directors and executive officers of the Company indicating their principal occupation or employment and their business or professional experience for the past five (5) years is provided below.

The table sets forth each member of the Company's Board of Directors and the Company's executive officers as of 31 March 2021.

Name	Present Position
Andrew L. Tan.....	Chairman of the Board
Anthony Charlemagne C. Yu.....	Director/President/CEO
Cresencio P. Aquino.....	Independent Director
Alejo L. Villanueva, Jr.....	Independent Director
Evelyn G. Cacho.....	Director/Senior Vice President/ Corporate Information Officer/ Compliance Officer
Enrique Santos L. Sy.....	Director
Kevin Andrew L. Tan.....	Director
Ricky S. Libago.....	Executive Vice President
Ricardo B. Gregorio.....	First Vice President for Human Resources and General and Administration Services
Jhoanna Lyndelou T. Llaga.....	First Vice President for Marketing
Dennis E. Edaña.....	Corporate Secretary/Vice President for Legal and Corporate Affairs
Celeste Z. Sioson.....	Assistant Corporate Secretary/Vice President for s Credit and Collection
Franemil T. Ramos.....	Vice President for Management Information System
Kim Camille B. Manansala.....	Assistant Vice President for Audit and Management Services
Giovanni C. Ng.....	Treasurer

Following is a brief profile of the incumbent directors and executive officers of the Company, indicating their respective business or professional experience for the past five (5) years.

### Andrew L. Tan

Chairman of the Board

Mr. Tan, 71 years old, Filipino, has served as Chairman of the Company's Board of Directors since its incorporation in July 1994. He was also Treasurer of the Company from July 1994 to May 1998. He is the Chairman of the Board and President of Megaworld Corporation, a publicly listed corporation and the parent of the Company, and Chairman of other publicly listed companies such as Alliance Global Group, Inc., Emperador Inc. and Global-Estate Resorts, Inc. He pioneered the live-work-play-learn model in real estate development through Megaworld's integrated township communities, thus fueling the growth of the business process outsourcing (BPO) industry. He chairs publicly-listed Alliance Global Group, Inc. which holds interests in property development through Megaworld, integrated tourism estates development through Global-Estate Resorts, Inc. He is the director of Travellers International Hotel Group, Inc. which owns Resorts World Manila, and food and beverage manufacturing and distribution through Emperador Inc., which owns Emperador Distillers, Inc., the leading brandy manufacturer and distributor in the Philippines, and Golden Arches Development Corporation, which operates and franchises quick service

restaurants under the McDonald's brand. Mr. Tan also serves in the boards of various companies: Eastwood Cyber One Corporation, Megaworld Land, Inc., Megaworld Central Properties, Inc., Gilmore Property Marketing Associates, Inc., Sherman Oak Holdings, Inc., Sonoma Premier Land, Inc., Valle Verde Properties, Inc., Townsquare Development, Inc. and Richmonde Hotel Group International Limited. Mr. Tan is also the Chairman of Megaworld Foundation, Megaworld's corporate social responsibility arm, which primarily focuses on the promotion of education through scholarship programs for financially handicapped but deserving students, and supports causes that promote poverty alleviation, people empowerment, social justice, good governance and environmental conservation.

**Anthony Charlemagne C. Yu**

Director/President/CEO

Mr. Yu, 58 years old, Filipino, has been a member of the Company's Board of Directors since January 1998 and has served as President and CEO of the Company for the same period. He joined Megaworld Land, Inc. in September 1996 and served as its Vice President until December 1997. Mr. Yu obtained his Bachelor of Arts degree major in Political Science from the Ateneo de Manila University and his Bachelor of Laws degree from the University of the Philippines. He holds a Master's Degree from the University of London. Mr. Yu previously worked for Ten Knots Development Corporation where he served as Vice President for Corporate and Legal Affairs and was a member of both its Executive and Management Committees. He also worked as a legal associate at a big law firm and served as Special Legal Counsel to the Secretary of Health, Dr. Juan Flavio. He also served as a Consultant in the Senate of the Philippines. He was a member of the University Faculty of the Ateneo de Manila University for many years, and sat on the board of the Institute of the Philippine Culture of the Ateneo de Manila University. Mr. Yu has also served as a Law Professor in the College of Law of the University of the Philippines. He was Philippine Delegate to the Integrated Environmental Management Forum held in Israel in 1995. Mr. Yu was a member of the Regional Network of Legal Experts on Marine Pollution of a multilateral agency, and sits in the Board of Trustees of Management Advancement Systems, Association, Inc. He is currently the Chairman of the Board and President of the Philippine Science-assisted school, Laguna Bel Air Science School, Inc. He is the President of the El Nido Foundation, an NGO that promotes sustainable development and environmental protection in northern Palawan. He is a Trustee of Culion Foundation, a social development organization that primarily supports undertakings on the prevention and control of selected communicable and infectious diseases, reproductive health, and micro-enterprise development. He is the Chairman of the ERDA Group of Foundations, which promotes educational assistance to the marginalized sectors of society, including street children. He is also a member of the Board of Trustees of a non-profit research and education development institution that provides socio-economic research and analysis on people's issues to various sectors. He also sits in the Board of NVC Foundation- Negrense Volunteers for Change, an organization that fights hunger and poverty by providing proper nutrition for poor children, as well as sustainable livelihood opportunities for their parents. Mr. Yu is also President and/or Director of Empire East Communities, Inc., Megaworld Central Properties, Inc., Sherman Oak Holdings, Inc., Sonoma Premier Land, Inc., Valle Verde Properties, Inc. and Megaworld Newport Property Holdings, Inc.

**Cresencio P. Aquino**

Independent Director

Atty. Aquino, 67 years old, Filipino, is currently the Managing Partner of The Law Firm of CP Aquino & Partners. He concurrently serves as independent director in the boards of publicly-listed companies, Megaworld Corporation and Global-Estate Resorts, Inc. He is a graduate of the San Sebastian College Manila with degrees in Bachelor of Arts and Bachelor of Laws. Atty. Aquino has extensive experience in both the public and private sectors as Director of Clark Development Corporation from 2012 to 2016, Independent Director of Suntrust Home Developers, Inc. from 2009 to 2012, Corporate Legal Counsel of MBF Card and One Card Corporation from June 1998 to May 2004, Special Assistant and Chief Legal Counsel of the Government Service Insurance System from September 1992 to June 1998, Director of the Meat Packaging Corporation of the Philippines from September 1992 to June 1998, Personnel and Administrative Manager, Corporate Secretary and Chief Legal Counsel of ComSavings Bank from September 1992 to June 1998, and Executive Director of the Department of Interior and Local Government ("DILG") from 1988 to 1992, and concurrently Ex-Officio Commissioner of the DILG with the Housing and Land Use Regulatory Board also for the same period. Atty. Aquino was formerly an Associate Professor with the San Sebastian College. Atty. Aquino has been a member of the Integrated Bar of the Philippines since 1978 and is also a member of the Capitol Bar Association, Knights of Columbus, and the Lawyers League of the Philippines.

**Enrique Santos L. Sy**

Director

Mr. Sy, 71 years old, Filipino, was elected to the Board on 9 June 2009. Previously, he served as director of the Company from April 1996 to April 1998 and from June 1999 to December 23, 2008. Mr. Sy was Corporate Secretary of the Company from July 1994 until 31 March 2011. Mr. Sy concurrently serves in the board of the publicly-listed company, Megaworld Corporation. He is a Director of Eastin Holdings and First Oceanic Property Management, Inc. He is also a Director and the Corporate Secretary of Asia Finest Cuisine, Inc. and the Corporate Secretary of Empire East Communities, Inc. Mr. Sy previously worked as Advertising Manager of Consolidated Distillers of the Far East, Inc., Creative Director of AdCentrum Advertising, Inc., Copy Chief of Admakers, Inc. and Peace Advertising Corporation and Creative Associate of Adformatix, Inc. Mr. Sy graduated with honors from the Ateneo de Manila University with the degree of Bachelor of Arts in Communication Arts.

**Evelyn G. Cacho**

Director/Senior Vice President

Ms. Cacho, 59 years old, Filipino, has served as director of the Company since February 20, 2009. Ms. Cacho joined the Company in February 1995. She currently serves as director of the Company's subsidiaries, Empire East Communities, Inc., Laguna BelAir School, Inc., Sonoma Premier Land, Inc., Valle Verde Properties, Inc. and Sherman Oak Holdings, Inc. She concurrently serves as Director in publicly-listed Suntrust Home Developers, Inc. She also holds the position of Treasurer of Megaworld Central Properties, Inc. and Megaworld Newport Property Holdings, Inc. She is the Assistant Corporate Secretary of Gilmore Property Marketing Associates, Inc. Prior to joining the Company, she had extensive experience in the fields of financial/operations audit, treasury and general accounting from banks, manufacturing and trading companies. Ms. Cacho has a bachelor's degree in Business Administration major in Accounting and is a certified public accountant by profession.

**Alejo L. Villanueva, Jr.**

Independent Director

Mr. Villanueva, 79 years old, Filipino, is an independent director of the Company since June 2007. He is concurrently an independent director of Alliance Global Group, Inc., Suntrust Home Developers, Inc., and Emperador Inc. and a Director of First Capital Condominium Corporation, a non-stock, non-profit corporation. He is a professional consultant who has more than twenty years of experience in the fields of training and development, public relations, community relations, institutional communication, and policy advocacy, among others. He has done consulting work with the Office of the Vice President, the Office of the Senate President, the Commission on Appointments, the Securities and Exchange Commission, the Home Development Mutual Fund, the Home Insurance Guaranty Corporation, Department of Agriculture, Philippine National Railways, International Rice Research Institute, Rustan's Supermarkets, Louis Berger International (USAID-funded projects on Mindanao growth), World Bank (Subic Conversion Program), Ernst & Young (an agricultural productivity project), Chemonics (an agribusiness project of USAID), Price Waterhouse (BOT program, a USAID project), Andersen Consulting (Mindanao 2000, a USAID project), Renardet S.A. (a project on the Privatization of MWSS, with World Bank funding support), Western Mining Corporation, Phelps Dodge Exploration, and Marubeni Corporation. Mr. Villanueva obtained his bachelor's degree in Philosophy from San Beda College, summa cum laude. He has a master's degree in Philosophy from the University of Hawaii under an East-West Center Fellowship. He also took up special studies in the Humanities at Harvard University. He studied Organizational Behavior at INSEAD in Fontainebleau, France. He taught at the Ateneo Graduate School of Business, the UST Graduate School, and the Asian Institute of Journalism.

**Kevin Andrew L. Tan**

Director

Mr. Tan, 41 years old, Filipino, has served as Director last June 2015. He is the Executive Vice President and Chief Strategy Officer of Megaworld Corporation. He previously held the position of Senior Vice President for Commercial Division which markets and operates the Megaworld Lifestyle Malls including Eastwood Mall and The Clubhouse at Corinthian Hills in Quezon City, Venice Piazza at McKinley Hill and Burgos Circle at Forbestown Center, both in Fort Bonifacio, California Garden Square in Mandaluyong City, Newport Mall at Resorts World Manila in Pasay City, and Lucky Chinatown Mall in Binondo, Manila

and Uptown Mall in Bonifacio Global City. He is the Chief Executive Officer and Vice Chairman of public-listed company, Alliance Global Group, Inc. He is also the concurrently a Director of publicly listed companies Emperador Inc. and Global-Estate Resorts, Inc. and of Eastwood Cyber One Corporation, Uptown Cinemas, Inc., Megaworld Central Properties, Inc., Twin Lakes Corporation, Megaworld Land, Inc., Townsquare Development, Inc., Emperador Distillers, Inc., Alliance Global Brands, Inc., Anglo Watsons Glass, Inc., Yorkshire Holdings, Inc., The Bar Beverage, Inc., Emperador Brandy, Inc., and New Town Land Partners, Inc. He is also a trustee and a Treasurer of Megaworld Foundation, Inc. He has over 12 years of experience in retail leasing, marketing and operations. Mr. Tan obtained his bachelor's degree in Business Administration major in Management from the University of Asia and the Pacific.

**Ricky S. Libago**

Executive Vice President

Mr. Libago, 56 years old, Filipino, has been with the Company since July 2008. He served as Senior Vice President for Project Development, the position he held prior to his appointment as Executive Vice President in July 2016. Prior to joining the Company, he worked with Citibank Japan for 3 years and Citibank Philippines/Citibank Asia Pacific for 5 years with the Corporate Realty Services Group. He also previously worked with Universal Rightfield Holdings, Inc. (a real estate joint venture company with DMCI), Megaworld Land, Inc. (a subsidiary of Megaworld), Ayala Property Management Corporation (a subsidiary of Ayala Land, Inc.) and Makati Development Corporation (the construction arm of Ayala Land, Inc.). Mr. Libago is a licensed Civil Engineer and a Sanitary Engineer. He obtained his Civil Engineering degree from Ateneo de Cagayan (Xavier University) and his Sanitary Engineering degree from the National University.

**Ricardo B. Gregorio**

First Vice President for Human Resources and General and Administration Services

Mr. Gregorio, 58 years old, Filipino, has been with the Company since August 1997. Prior to his appointment as First Vice President in Human Resources General Administration Services in July 2015, he occupied the position of Vice President for Human Resources General and Administration Services in June 2003 and as Assistant Vice President for HRAD, Purchasing and Warehouse Department in January 1999. He joined the Company as Purchasing Manager and served as such until October 1997. From November 1997 to December 1998, he served as HRAD and Purchasing Senior Manager of the Company. Mr. Gregorio is a certified public accountant by profession. He graduated cum laude from the Araullo University in 1988 with a bachelor's degree in Commerce major in accounting. In 2000, he obtained his Master's Degree in Business Administration from the University of the Philippines and in 2002, a diploma in Human Resource Management from the University of Santo Tomas.

**Jhoanna Lyndelou T. Llaga**

First Vice President for Marketing

Ms. Llaga, 50 years old, Filipino, currently serves as director of Empire East Communities, Inc, the Company's subsidiary and as an Senior Vice President of Megaworld Central Properties, Inc., an affiliate of the Company. She joined the company in April 1996 and held various marketing positions. She was appointed Marketing Head in June 2003, Assistant Vice President in July 2009, Vice President in March 2011 and First Vice President in July 2015. Ms. Llaga graduated from the University of the Philippines in March 1994 with the degree of Bachelor of Arts in English Language Studies.

**Franemil T. Ramos**

Vice President for Management Information System

Mr. Ramos, 47 years old, Filipino, joined the company in December 1997 and held various positions in the Management Information System (MIS) Department. He was appointed as Vice President for MIS Department on July 2016. He also held the position of Senior. Manager on July 2004 and appointed Assistant Vice President on July 2006. Mr. Ramos has a broad background in multiple programming languages along with extensive experience in system analysis, design and implementation. Prior to joining the company, he was a Programmer Analyst of Union Industries, Inc. assigned in developing and migrating applications from mainframe computer. He graduated from the Lyceum of The Philippines with the degree of Bachelor of Science in Information Technology.

**Kim Camille B. Manansala**

Assistant Vice President for Audit and Management Services

Ms. Manansala, 30 years old, Filipino, currently serves as Assistant Vice President (AVP) for Audit and Management Services (AMS). She joined the company in May 2016 as Senior Audit Manager and was appointed as AMS-Head in July 2016 and AVP for AMS in January 2017. She is also the assigned Project Manager for the SAP implementation from January 2017 to present. Prior to joining the company, she worked with SyCip Gorres Velayo & Co. (SGV & Co.) as Senior Assurance Associate where she gained extensive exposure in financial/operations audit for insurance, service, finance and holding companies, advertising and non-profit institutions. She also worked with QBE Group Shared Services Centre as Quality Assurance Analyst Level 4 and AMA Group of Companies as Senior Audit Manager. Ms. Manansala graduated Magna Cum Laude from the Polytechnic University of the Philippines in 2011 with the degree of Bachelor of Science in Accountancy and is a certified public accountant by profession.

**Giovanni C. Ng**

Treasurer

Mr. Ng, 47 years old, Filipino, has served as Treasurer of the Company since January 6, 2002. He is also the Senior Vice President and Finance Director of Megaworld Corporation and Treasurer of Adams Properties, Inc. and Townsquare Development, Inc. He serves as director in Eastwood Property Holdings, Inc., Oceantown Properties, Inc., Empire East Communities, Inc., Gilmore Property Marketing Associates, Inc., First Centro, Inc., Valle Verde Properties, Inc., Lucky Chinatown Cinemas, Inc. and New Town Land Partners, Inc. and Megaworld Land, Inc. Previously, he worked as Analyst Associate in Keppel IVI Investments. Mr. Ng obtained his bachelor's degree in Quantitative Economics from the University of Asia and the Pacific, graduating summa cum laude in 1995.

**Dennis E. Edaño**

Corporate Secretary

Mr. Edaño, 44 years old, Filipino, is the Corporate Secretary of the Company. He has been with the Company since September 2003 and currently heads the Legal & Corporate Affairs Department. Prior to his appointment as Corporate Secretary, Mr. Edaño was Assistant Corporate Secretary of the Company. Mr. Edaño has extensive experience in civil, criminal, administrative, labor and local taxation litigation, labor relations and real estate law. Prior to joining the Company, he was an Associate at the Siguion Reyna Montecillo Ongsiako Law Offices. Mr. Edaño obtained his bachelor's degree in Law in 1999 from the University of the Philippines and his bachelor's degree in Liberal Arts major in Philosophy from the same institution in 1995.

**Celeste Z. Sioson**

Assistant Corporate Secretary

Ms. Sioson, 44 years old, Filipino, is the Assistant Corporate Secretary of the Company. She joined the Company in October 2006 and is currently Vice President of the Legal and Corporate Affairs Department of the Company. Ms. Sioson obtained her bachelor's degree in Law from the University of the Philippines in 2002 and her bachelor's degree in Science major in Biology in 1998 from the same institution. She has extensive experience in civil, criminal, administrative, labor litigation, labor relations and real estate law. Prior to joining the Company, she was a Senior Associate at the Andres Marcelo Padernal Guerrero and Paras Law Offices and an Associate at the Ponce Enrile Reyes & Manalastas Law Offices.

**Financial Information**

Consolidated Audited Financial Statements of the Company and its subsidiaries (the "Group") as of 31 December 2020 and 2019 and Interim Financial Statements as of 31 March 2021 are attached hereto and incorporated herein by reference.

## Management's Discussion of Financial Condition and Results of Operations

For 2020, the following are top key performance indicators of the Group:

		2020	2019 (As restated)
Sales		P4.3 Billion	P3.9 Billion
Net Profit		P524.9 Million	P615.5 Million
Current Ratio	*1	2.99:1	3.06:1
Quick Ratio	*2	0.71:1	0.62:1
Return on Asset	*3	0.01:1	0.01:1
Return on Equity	*4	0.02:1	0.02:1

\*1- Current Assets/Current Liabilities

\*2- Cash and cash equivalents + Trade and other receivables/ Total Current Liabilities

\*3- Net Profit divided by Average Total Assets

\*4- Net Profit divided by Average Total Equity

### 1) Real Estate Sales

The Group's marketing and development concepts, sales strategies, project location, and flexible payment scheme remain to be its competitive advantages. Most projects of the Group are connected to the mass transit system and are conveniently located in business districts of Metro Manila.

### 2) Prudent Cash Management

The Group implemented cost-saving measures, negotiated for longer payment terms from suppliers, and obtained lower-cost funding through bank financing to support operations to maintain management's cash preservation objective.

### 3) Ability to repay loan obligations

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

### 4) Continuous Customer Collections

The Group implemented collection efficiency initiatives and launched an online digital payment platform to enable continuous customer payments despite quarantine restrictions.

## **RESULTS OF OPERATIONS**

### **(Based on Financial Statements adopted in accordance with the Philippine Financial Reporting Standards)**

#### Review of 31 December 2020 versus 31 December 2019

During the twelve-month period for the year 2020, the consolidated net profit amounted to P524.9 million, with a 14.7% decrease from the previous year's net profit of P615.5 million. Consolidated total revenues, composed of real estate sales, finance income, commissions, and other revenues amounted to P5.1 billion for the years ending 31 December 2020 and 2019.

## Real Estate Sales

The Group registered Real Estate Sales of P4.3 billion for the year ended 31 December 2020 compared with P3.9 billion for the year ended 31 December 2019. The sales generated were derived from various projects including Kasara Urban Resort Residences, Pioneer Woodlands, The Rochester, San Lorenzo Place, Covent Garden, The Cambridge Village, Little Baguio Terraces, Laguna Bel Air projects, California Garden Square, and Mango Tree Residences.

The Cost of Real Estate Sales for the year ended 31 December 2020 and 2019 amount to P2.5 billion and P2.2 billion or 59.5% and 55.8% of Real Estate Sales respectively. The change was primarily due to the different composition of products sold for each year.

Gross Profit for the year ended 31 December 2020 and 2019 amounts to P1.7 billion or 40.5% and 44.3% of Real Estate Sales respectively. The gross profit margin varies depending on the product mix and the competitiveness of the prices of each product.

## Other Revenues

The Finance Income for the year ended 31 December 2020 and 2019 amount to P340.5 million and P295.4 million or 6.7% and 5.7% of consolidated total revenue respectively. They were derived mostly from in-house financing and various advances from related parties.

Additional sources of revenue were commissions of a subsidiary, rentals of investment properties and those obtained from other sources. Commission and other income for the year ended 31 December 2020 and 2019 resulting to P507.7 million and P913.5 million or 9.9% and 17.8% of consolidated total revenues respectively.

## Operating Expenses

Operating Expenses for the year ended 31 December 2020 and 2019 amount to P1.4 billion and P1.7 billion, respectively. Other charges/expenses include the Finance Cost of P338.3 million and P333.6 million for the year ended 31 December 2020 and 2019, respectively.

## **FINANCIAL CONDITION**

### Review of 31 December 2020 versus 31 December 2019

Total Assets of the Group as of 31 December 2020 and 2019 amount to P45.4 billion and P44.8 billion respectively. Cash and Cash Equivalents as of 31 December increased from P1.1 billion in 2019 to P2.1 billion in 2020. The Group remains liquid with Total Current Assets of P40.5 billion in 2020 and P39.7 billion in 2019, which accounts for 89.2% and 88.5% of the Total Assets as of 31 December 2020 and 2019 respectively. While Total Current Liabilities as of 31 December 2020 and 2019 amounts to P13.5 billion and P12.9 billion respectively.

Total Equity of the Group as of 31 December increased from P28.6 billion in 2019 to P29.0 billion in 2020 due to the Group's Net Income for the 12-month period, and revaluation of equity investments held by a subsidiary.

For the year ending 31 December 2020 and 2019, the Group sourced its major cash requirements from internally generated funds and partly from borrowings.

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



Material Changes in the 2020 Financial Statements  
(Increase or decrease of 5% or more versus 31 December 2019)

Statements of Financial Position

- 85.9% increase in Cash and cash equivalents  
Mainly due to prudent cash management and availment of short-term loan
- 10.5% increase in Trade and other receivables - net  
Mainly due to down payments made to suppliers and contractors and recognition of sales from completed projects
- 22.4% increase in Contract Assets  
Mainly due to the completion of certain projects
- 7.4% increase in Advances to related parties  
Primarily due to interest in advances
- 7.2% decrease in Real estate inventories  
Re-adjustment in construction pace due to pandemic-related government restrictions
- 9.1% decrease in Financial assets at fair value through other comprehensive income  
Mainly due to a decrease in the fair market value of the investment in securities held by a subsidiary
- 33.7% decrease in Property and equipment – net  
Primarily due to pretermination of certain lease asset
- 16.5% decrease in Interest-bearing loans and borrowings  
Mainly due to loan repayments
- 28.5% decrease in Trade and other payables  
Primary due to payments made to various contractors and suppliers
- 62.5% decrease in Lease Liabilities  
Primarily due to pretermination of certain lease asset
- 7.9% increase in Customers' deposits  
Mainly due to an increase in reservation sales and collection from various projects
- 9.7% increase in Advances from related parties  
Primarily due to project-related advances
- 69.6% increase in Contract liabilities  
Mainly due to re-adjustment in construction pace of certain projects
- 41.8% decrease in Retirement benefit obligation  
Due to re-measurement of retirement obligation
- 100.0% decrease in Income tax payable  
Mainly due to payment of previous year income tax due of a subsidiary
- 9.0% increase in Deferred Tax Liabilities-net  
Pertains to the tax effect of taxable and deductible temporary differences
- 18.5% decrease in Revaluation reserve  
Mainly due to a decrease in the fair market value of the investment in securities held by a subsidiary
- 8.2% increase in Retained Earnings  
Pertains to net income for the year

Statements of Comprehensive Income  
(Increase or decrease of 5% or more versus 31 December 2019)

- 8.4% increase in Real estate sales  
Primarily due to higher sales recognized for the period
- 15.3% increase in Finance income  
Primarily due to interest in advances
- 44.4% decrease in Commission & other income  
Mainly due to a decrease in revenues derived from other related sources
- 15.7% increase in Cost of real estate sales  
Due to increase in real estate sales
- 14.2% decrease in Operating expenses  
Mainly due to a decrease in marketing and administrative expenses
- 17.2% decrease in Tax expense  
Mainly due to a decrease in taxable income

The Company allocates P25.0 billion in capital expenditures over the next 5 years and is expected to be funded by collections, borrowings, and other sources.

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

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

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

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

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

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

**For 2019, the following are top key performance indicators of the Group:**

		2019 (As restated)	2018 (As restated)
Sales		P3.9 Billion	P3.4 Billion
Net Profit		P615.6 Million	P535.1 Million
Current Ratio	*1	3.06:1	3.34:1
Quick Ratio	*2	0.62:1	0.66:1
Return on Asset	*3	0.01:1	0.01:1
Return on Equity	*4	0.02:1	0.02:1

\*1- Current Assets/Current Liabilities

\*2- Cash and cash equivalents + Trade and other receivables/ Total Current Liabilities

\*3- Net Profit divided by Average Total Assets

\*4- Net Profit divided by Average Total Equity

### 1) Real Estate Sales

The Group's marketing and development concepts, sales strategies, project location and flexible payment scheme remain to be its competitive advantages. Most projects of the Group are connected to mass transit system and are conveniently located in business districts of Metro Manila

### 2) Other Revenues

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

### 3) Ability to repay loan obligations

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

### 4) Continuous development of projects

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

## **RESULTS OF OPERATIONS**

### **(Based on Financial Statements adopted in accordance with the Philippine Financial Reporting Standards)**

#### Review of 31 December 2019 versus 31 December 2018

During the twelve-month period for the year 2019, the consolidated net profit amounted to P615.6 million, with a 15.0% increase from the previous year's net profit of P535.2 million. Consolidated total revenues for the year ended 31 December, composed of real estate sales, finance income, commissions, and other revenues posted an increase of 17.4% from P4.4 billion in 2018 to P5.1 billion in 2019.

#### Real Estate Sales

The Group registered Real Estate Sales for the year ended 31 December 2019 and 2018 amounting to P3.9 billion and P3.4 billion respectively. The sales generated were derived from various projects including Kasara Urban Resort Residences, San Lorenzo Place, Pioneer Woodlands, The Rochester, The Cambridge Village, Little Baguio Terraces, The Sonoma, California Garden Square, and Laguna Bel Air projects.

The Cost of Real Estate Sales for the year ended 31 December 2019 and 2018 amount to P2.2 billion and P2.0 billion or 55.8% and 59.7% in 2019 and 2018 of Real Estate Sales respectively. The change was primarily due to the different composition of products sold for each year.

Gross Profit for the year ended 31 December 2019 and 2018 amounts to P1.8 billion and P1.4 billion or 44.3% and 40.3% of Real Estate Sales respectively. The gross profit margin varies depending on the product mix and the competitiveness of the prices of each product.

#### Other Revenues

The Finance Income for the year ended 31 December 2020 and 2019 amount to P295.4 million and P290.2 million or 5.7% and 6.6% of consolidated total revenue respectively. They were derived mostly from in-house financing and various advances from related parties.

Additional sources of revenue were commissions of a subsidiary, rentals of investment properties, and those obtained from other sources. Commission and other income for the year ended 31 December 2020 P913.5 million and P640.3 million or 17.8% and 14.6% of consolidated total revenues respectively.

#### Operating Expenses

Operating Expenses for the year ended 31 December 2019 and 2018 amount to P1.7 billion and P1.3 billion respectively. Other charges/expenses include the Finance Cost of P333.6 million and P279.9 million respectively.

### **FINANCIAL CONDITION**

#### Review of 31 December 2019 versus 31 December 2018

Total Assets of the Group as of 31 December 2019 and 2018 amounted to P44.8 billion and P42.6 billion respectively. Cash and Cash Equivalents as of 31 December decreased from P1.8 billion in 2018 to P1.1 billion in 2019. The Group remained liquid with Total Current Assets of P39.7 billion in 2019 and P37.1 billion in 2018, which accounted for 88.5% and 87.2% of the Total Assets as of 31 December 2019 and 2018 respectively. While Total Current Liabilities as of 31 December 2019 and 2018 amounted to P12.9 billion and P11.1 billion respectively.

Total Equity of the Group as of 31 December increased from P27.7 billion in 2018 to P28.6 billion in 2019 due to Group's Net Income for the 12-month period, revaluation of equity investments held by a subsidiary, and consolidation of a new subsidiary.

For the year ending 31 December 2019 and 2018, the Group sourced its major cash requirements from internally generated funds and partly from borrowings.

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

#### Material Changes in the 2019 Financial Statements (Increase or decrease of 5% or more versus 31 December 2018)

##### Statements of Financial Position

- 36.9% decrease in Cash and cash equivalents  
Mainly due to construction-related payments and loan repayments
- 25.9% increase in Trade and other receivables  
Mainly due to down payments made to suppliers and contractors and recognition of sales from completed projects
- 27.4% decrease in Contract Assets  
Mainly due to the completion of certain projects

- 40.8% increase in Advances to related parties  
Primarily due to advances granted by a subsidiary
- 18.1% increase in Prepayments and other current assets  
Mainly due to commissions capitalized for the year and transfer related taxes paid
- 58.9% increase in Advances landowners and joint venture  
Primarily due to additional advances to landowners and joint venture partners
- 52.1% increase in Property and equipment  
Primarily due to the adoption of a new financial reporting standard
- 14.6% decrease in Other non-current assets  
Primarily due to a decrease in rental deposits of a subsidiary
- 31.1% decrease in Interest-bearing loans and borrowings  
Mainly due to loan repayments
- 6.2% decrease in Trade and other payables  
Primary due to payments made to various contractors and suppliers
- 100% increase in Lease Liabilities  
Primarily due to the adoption of new financial reporting standards
- 45.8% increase in Customers' deposits  
Mainly due to an increase in reservation sales and collection from various projects
- 16.7% decrease in Contract liabilities  
Mainly due to the completion of certain projects
- 13.3% increase in Retirement benefit obligation  
Due to re-measurement of retirement obligation
- 10.4% increase in Income tax payable  
Mainly due to an increase in income tax due of a subsidiary
- 15.5% increase in Other current liabilities  
Primary pertains to refund liability related to Maceda Law

Statements of Comprehensive Income  
(Increase or decrease of 5% or more versus 31 December 2018)

- 14.0% increase in Real estate sales  
Primarily due to higher sales recognized for the period
- 42.7% increase in Commission & other income  
Mainly due to an increase in revenues derived from other related sources
- 6.5% increase in Cost of real estate sales  
Due to increase in real estate sales
- 19.2% increase in Finance costs  
Mainly due to interest on loans
- 33.5% increase in Operating expenses  
Mainly due to an increase in marketing and administrative expenses
- 30.9% increase in Tax expense  
Mainly due to an increase in taxable income

For the year 2020, the projected capital expenditures of roughly P5.0 billion is expected to be funded by collections, borrowings and other sources.

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

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

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

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

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

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

**For 2018, the following are top key performance indicators of the Group:**

		2018 (As restated)	2017 (As restated)
Sales		P3.4 Billion	P3.9 Billion
Net Profit		P535.1 Million	P569.3 Million
Current Ratio	*1	3.34:1	3.29:1
Quick Ratio	*2	0.66:1	0.61:1
Return on Asset	*3	0.01:1	0.01:1
Return on Equity	*4	0.02:1	0.02:1

\*1- Current Assets/Current Liabilities

\*2- Cash and cash equivalents +Trade and other receivables/ Total Current Liabilities

\*3- Net Profit divided by Average Total Assets

\*4-Net Profit divided by Average Total Equity

**1) Real Estate Sales**

The Group's marketing and development concepts, sales strategies, project location and flexible payment scheme remain to be its competitive advantages. Most projects of the Group are connected to mass transit system and are conveniently located in business districts of Metro Manila.

**2) Other Revenues**

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

### 3) Ability to repay loan obligations

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

### 4) Continuous development of projects

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

## **RESULTS OF OPERATIONS**

### **(Based on Financial Statements adopted in accordance with the Philippine Financial Reporting Standards)**

#### Review of 31 December 2018 versus 31 December 2017

During the twelve-month period, the consolidated net profit amounted to P535.1 million, with 6% decrease from previous year's net income of P569.3 million. Consolidated revenues, composed of real estate sales, finance income, commissions and other revenues posted a decrease of 9% from P4.9 billion to P4.4 billion.

#### Real Estate Sales

The Group registered Real Estate Sales of P3.4 billion for twelve months ended 31 December, 2018 compared with P3.9 billion in 2017. The sales generated were derived from various projects including Kasara Urban Resort Residences, San Lorenzo Place, Pioneer Woodlands, The Rochester, The Cambridge Village, Little Baguio Terraces, The Sonoma, California Garden Square and Laguna Bel Air projects.

The Cost of Real Estate Sales amounting to P2.0 billion in 2018 and P2.3 billion in 2017, as a percentage of Real Estate Sales was 59% and 58% in 2018 and 2017 respectively. The change was primarily due to the different composition of products sold for each year.

Gross Profit was P1.4 billion during the twelve months of 2018 and P1.7 billion in 2017, or 41% and 42% of Real Estate Sales in 2018 and 2017 respectively. The gross profit margin varies depending on the product mix and the competitiveness of prices of each product.

#### Other Revenues

The finance income amounting to P290.2 million and P241.2 million in 2018 and 2017 respectively, were derived mostly from in-house financing and various advances from related parties which accounts for 7% and 5% of total revenues. Additional sources of revenue were commissions of a subsidiary, rentals of investment properties and those obtained from other sources. Commission and other income totaling P640.3 million in 2018 and P690.0 million in 2017, represents 14% of total revenues in 2018 and 2017.

#### Operating Expenses

Operating Expenses for 2018 and 2017 amounted to P1.3 billion and P1.4 billion respectively. Other charges/expenses include Finance Cost of P343.0 million and P304.9 million in 2018 and 2017, respectively.

## **FINANCIAL CONDITION**

### Review of 31 December, 2018 versus 31 December, 2017

Total resources of the Group as of 31 December, 2018 and 31 December, 2017 amounted to P42.6 billion and P39.2 billion respectively. Cash and Cash Equivalents increased from P1.3 billion to P1.8 billion. The Group remained liquid with Total Current Assets of P37.1 billion in 2018 and P31.8 billion in 2017, which accounted for 87% and 81% of the Total Assets in 2018 and in 2016, while its Total Current Liabilities amounted to P11.1 billion in 31 December, 2018 as compared with P9.7 billion in 31 December, 2017.

The Equity increased from P25.8 billion in the previous year to P27.7 billion as of 31 December, 2018 due to Group's Net Income for the 12-month period, revaluation of equity investments held by a subsidiary and consolidation of new subsidiary.

For the years 2018 and 2017, the Group sourced its major cash requirements from internally generated funds and partly from borrowings.

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

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

#### Statements of Financial Position

- 42% increase in Cash and cash equivalents  
Mainly due to increase in collections and receipt of proceeds from bank loan
- 10% increase in Trade and other receivables  
Mainly due to adoption of new financial reporting standards
- 9% increase in Contract Assets  
Mainly due to adoption of new financial reporting standards
- 17% increase in Advances to related parties  
Primarily due to interest on advances
- 10% increase in Real estate inventories  
Mainly due to adoption of new financial reporting standards
- 31% increase in Prepayments and other current assets  
Mainly due to adoption of new financial reporting standards
- 26% decrease in Available for sale financial assets  
Primarily due to decrease in fair market value of investment in securities held by a subsidiary
- 54% decrease in Advances landowners and joint venture  
Primarily due to collections from landowners and joint venture
- 75% decrease in Investment in associate  
Pertains to reclassification of an associate to a subsidiary
- 26% increase in Property and equipment  
Primarily due to increase in leasehold improvements
- 100% increase in Intangible assets  
Mainly due to purchase of system software



- 513% increase in Investment property  
Primarily due to increase in retail units for lease
- 34% decrease in Contract liabilities  
Mainly due to adoption of new financial reporting standards
- 22% increase in Customers' deposits  
Mainly due to increase in reservation sales and collection from various projects
- 24% increase in Advances from related parties  
Due to project related advances
- 46% decrease in Retirement benefit obligation  
Due to re-measurement of retirement obligation
- 99% decrease in Income tax payable  
Mainly due to increase in creditable withholding taxes applied versus income tax liability
- 10% increase in Other current liabilities  
Pertains to refund liability related to Maceda Law
- 13% increase in Deferred Tax Liabilities  
Mainly due to adoption of new financial reporting standards

Statements of Comprehensive Income  
(Increase or decrease of 5% or more versus 31 December, 2017)

- 11% decrease in Real estate sales  
Primarily due to implementation of new financial reporting standards which both collections and completion of projects are considered
- 20% increase in Finance income  
Mainly due to adoption of new financial reporting standards
- 7% decrease in Commission & other income  
Mainly due to decrease in other revenues of the group
- 9% decrease in Cost of real estate sales  
Pertaining to decrease in sales
- 13% increase in Finance costs  
Mainly due to interest on additional loans
- 12% decrease in Operating expenses  
Mainly due to decrease in marketing and administrative expenses
- 17% decrease in Tax expense  
Mainly due to decrease in taxable income

For the year 2019, the projected capital expenditures of roughly P5.0 billion is expected to be funded by collections, borrowings and other sources.

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

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

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

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

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

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

### **Information on Independent Accountant and other Related Matters**

#### **External Audit Fees and Services**

The Company's external auditor, Punongbayan & Araullo, billed the amount of Php2,025,000 annually exclusive of VAT for the years ending 31 December 2020 and 2019, respectively, in professional fees for services rendered by it for the audit of the Company's annual financial statements and services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements for 2020 and 2019.

Apart from the foregoing, no other services were rendered, or fees billed by the Company's external auditors for the years ending 31 December 2020 and 2019.

The engagement of Punongbayan & Araullo and the handling partner is approved by the Board of Directors in consultation with its Audit Committee and by the stockholders of the Company. The selection of external auditors is made based on credibility, professional reputation, accreditation with the Philippine Securities and Exchange Commission, and affiliation with a reputable foreign partner. The professional fees of the external auditors of the Company are approved by the Company's Audit Committee after approval by the stockholders of the engagement and prior to the commencement of each audit season.

#### **Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

The Company complied with SRC Rule 68(3)(b)(iv) and the Company's Manual on Corporate Governance, which requires that the Company's external auditor be rotated or the signing partner changed after five (5) years of engagement. A two-year cooling-off period shall be observed in the re-engagement of the same signing partner. In this regard, starting the year ending 31 December 2016, Mr. Renan A. Piamonte, one of the Audit and Assurance Partners of Punongbayan and Araullo (P&A), was designated as the signing partner for the audit of the Company's financial statements. Mr. Nelson Dinio, also one of the Audit and Assurance Partners of P&A, handled the audit of the Company's financial statements for the past five years from 2011 to 2015.

There are no disagreements with the auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their reports on the financial statements of the Company and its subsidiaries.

#### **Section 49 of the Revised Corporation Code**

In compliance with Section 49 of the Revised Corporation Code, a copy of the Minutes of the previous annual stockholders' meeting is attached herein as **Annex "B"**.

The attendance of the directors at the meetings of the Board of Directors for the year 2020 is as follows:

Name	No. of Meetings held during the year	No. of Meetings Attended	Percentage of Attendance
Andrew L. Tan	5	5	100%
Anthony Charlemagne C. Yu	5	5	100%
Enrique Santos L. Sy	5	5	100%
Evelyn G. Cacho	5	5	100%
Kevin Andrew L. Tan	5	5	100%
Cresencio P. Aquino	5	5	100%
Alejo L. Villanueva, Jr.	5	5	100%

The Company adopts a policy of full disclosure with regard to related party transactions. All terms and conditions of related party transactions are reported to the Board of Directors. The Company ensures that the transactions are entered on terms comparable to those available from unrelated third parties. Disclosure of relationship or association is required to be made before entering into transaction. No participation in the approval of the transaction. None of the Corporation's directors and officers have entered into self-dealing and related party transactions with or involving the Corporation in 2020.

**The Company shall provide, without charge, to each stockholder a copy of its annual report on SEC Form 17-A, upon written request addressed to Empire East Land Holdings, Inc., Attention: The Corporate Secretary, 12<sup>th</sup> Floor, Alliance Global Tower, 36<sup>th</sup> Street cor. 11<sup>th</sup> Avenue, Uptown Bonifacio, Taguig City.**

## EMPIRE EAST LAND HOLDINGS, INC.

**Procedures and Requirements for Voting and Participation in the  
2021 Annual Stockholders' Meeting**

To conform with the government's regulations on social distancing and prohibition on mass gatherings and to protect the safety of its stockholders during the COVID-19 pandemic crisis, Empire East Land Holdings, Inc. (the "Company") will dispense with the physical attendance of its stockholders for the 2021 Annual Stockholders' Meeting (ASM). Instead, the Company will conduct the 2021 ASM scheduled on 08 June 2021 at 9:00 AM by remote communication and will conduct electronic voting *in absentia*.

Only stockholders of record as of 10 May 2021 are entitled to participate and vote in the 2021 ASM.

The Company has adopted the following procedures and requirements to enable its stockholders to participate and vote in the 2021 ASM.

**I. ONLINE REGISTRATION STEPS AND REQUIREMENTS**

- A. Stockholders may register from 9:00 AM of 25 May 2021 until 6:00 PM of 01 June 2021 to signify his/her/its intention to participate in the 2021 ASM by remote communication. The registration steps and requirements are available the Company's website: <http://empire-east.com/asm2021>.
- B. To register, stockholders shall submit the following requirements to the Office of the Corporate Secretary via email at [corporatesecretary@empire-east.com](mailto:corporatesecretary@empire-east.com):

**B.1 For Individual Stockholders –**

- (i) Scanned copy of stock certificate issued in the name of the individual stockholder;
- (ii) Valid email address and active contact number;
- (iii) Scanned copy of valid government-issued identification card; and
- (iv) Recent photo of stockholder.

**B.2 For Stockholders with Joint Accounts –**

- (i) Authorization letter signed by all stockholders indicating the name of the person authorized to cast the votes;
- (ii) Scanned copy of stock certificate issued in the name of the joint stockholders;
- (iii) Valid email address and active contact number of the authorized stockholder;
- (iv) Scanned copy of valid government-issued identification card of the authorized stockholder; and
- (v) Recent photo of the authorized stockholder.

**B.3 For Stockholders under PCD Participant/Brokers Account or holding 'Scripless Shares'-**

- (i) Stockholders should coordinate with their broker and request for the full account name and reference number or account number they provided the Company;
- (ii) Broker's Certification on the stockholder's number of shareholdings;
- (iii) Valid email address and active contact number of the stockholder;
- (iv) Scanned copy of valid government-issued identification card of stockholder; and
- (v) Recent photo of stockholder.

**B.4 For Corporate Stockholders –**

- (i) Secretary's Certificate attesting to the authority of the representative to vote the shares on behalf of the corporate stockholder;
- (ii) Scanned copy of stock certificate issued in the name of the corporate stockholder;
- (iii) Valid email address and active contact number of authorized representative;

- (iv) Valid government-issued identification card of authorized representative; and
- (v) Recent photo of stockholder.

C. The documents submitted will then be verified by the Office of the Corporate Secretary. The validation process will be completed by the Company no later than three (3) business days from the stockholder's receipt of an email from the Company acknowledging receipt of the stockholder's registration documents. Once validated, the stockholder will receive an email that his/her/its account has been verified and shall provide instructions for the stockholder's access to the Company's electronic voting and to access the ASM livestreaming link.

## II. ELECTRONIC VOTING IN ABSENTIA

A. Duly registered stockholders have the option to vote for the matters contained in the agenda for the 2021 ASM through electronic voting *in absentia*. The deadline for registration is 6:00 PM of 01 June 2021. Beyond this date, stockholders may no longer avail of the option to electronically vote *in absentia*.

B. After verification, the Company shall send a ballot to the registered stockholder through his/her/its e-mail address which shall contain all the agenda items for approval as indicated in the Notice of Meeting and the registered stockholder may vote as follows:

(1) For items other than Election of Directors, the registered stockholder has the option to vote: In Favor of, Against, or Abstain. The vote is considered cast for all the registered stockholder's shares.

(2) For the Election of Directors, the registered stockholder may vote for all nominees, not vote for any of the nominees, or vote for some nominees only, in such number of shares as preferred by the stockholder, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected. The total number of votes the stockholder is allowed to cast shall be based on the number of shares he/she or it owns.

(3) Once voting on the agenda items is finished, the stockholder can proceed to submit the accomplished ballot via email to [corporatesecretary@empire-east.com](mailto:corporatesecretary@empire-east.com).

(4) After the ballot has been submitted, the stockholder may no longer change his/her vote. The stockholder will receive a confirmation email that his/her/its vote has been recorded.

C. Thereafter, the Office of the Corporate Secretary, through election inspectors appointed for the meeting, shall tabulate all valid and confirmed votes cast through electronic voting, together with the votes through proxies, subject to validation by representatives of the Company's external auditors.

D. Registered stockholders shall have until 6:00 PM of **01 June 2021** to cast their votes *in absentia*. Stockholders will not be allowed to cast votes during the livestream of the 2021 ASM.

## III. VOTING BY PROXY

A. For individual stockholders holding certificated shares of the Company – Download the proxy form that is available at <http://empire-east.com/asm2021>.

B. For stockholders holding 'scripless' shares, or shares held under a PCD Participant/Broker – Download the proxy form that is available at <http://empire-east.com/asm2021>. Stockholders are advised to coordinate with their brokers first for the execution of this type of proxy.

C. For corporate stockholders - Download the proxy form that is available at <http://empire-east.com/asm2021>. A copy of the duly signed and notarized Secretary's Certificate must be submitted together with the proxy form. For reference, a sample Secretary's Certificate is also available at <http://empire-east.com/asm2021>.

D. General Instructions on Voting by Proxy:

- (1) Download and fill up the appropriate proxy form. Follow the instructions on how to cumulate or allocate votes in the election of directors.
- (2) Send the scanned copy of the duly executed proxy form via email to [corporatesecretary@empire-east.com](mailto:corporatesecretary@empire-east.com) or submit the original proxy form to the Office of the Corporate Secretary at 12<sup>th</sup> Floor, Alliance Global Tower, 36<sup>th</sup> Street corner 11<sup>th</sup> Avenue, Uptown Bonifacio, Taguig City.
- (3) Deadline for the submission of proxies is at 5:00 PM of **01 June 2021**.
- (4) Validation of proxies will be on 4 June 2021.
- (5) If a stockholder avails of the option to cast his/her vote electronically *in absentia* and also issues proxy votes with differing instructions, the duly accomplished ballots sent through e-mail shall replace the proxy votes issued by the stockholder.

**IV. PARTICIPATION BY REMOTE COMMUNICATION**

- A. Only duly registered stockholders will be included in determining the existence of a quorum.
- B. Duly registered stockholders may send their questions and/or comments prior to the ASM through email at [asm2021@empire-east.com](mailto:asm2021@empire-east.com). The deadline for submitting questions shall be at 6:00 PM of 04 June 2021.
- C. The proceedings during the 2021 ASM will be recorded.

For any clarifications, please contact the Office of the Corporate Secretary via email at [corporatesecretary@empire-east.com](mailto:corporatesecretary@empire-east.com).

**EMPIRE EAST LAND HOLDINGS, INC.  
ANNUAL MEETING OF STOCKHOLDERS**

15 July 2020, 9:00 o'clock a.m.

Conducted virtually via <https://empire-east.com/asm2020>

Present:

Andrew L. Tan	-	Chairman
Anthony Charlemagne C. Yu	-	President
Evelyn G. Cacho	-	Director
Enrique Santos L. Sy	-	Director
Kevin Andrew L. Tan	-	Director
Alejo L. Villanueva, Jr.	-	Independent Director
Cresencio P. Aquino	-	Independent Director
Dennis E. Edaño	-	Corporate Secretary/ Presiding Officer

Also Present:

Celeste Z. Sioson- Bumatay	-	Acting Secretary
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**I. CALL TO ORDER**

Atty. Dennis E. Edaño, the Corporate Secretary, called the meeting to order at 9:03 A.M. and presided over the meeting. The Acting Secretary, Atty. Celeste Z. Sioson- Bumatay, recorded the proceedings of the meeting.

**II. PROOF OF NOTICE AND DETERMINATION OF QUORUM**

The Presiding Officer, Atty. Edaño, stated that the Management of the Company decided to hold this year's Annual Stockholders' Meeting by live streaming to conform with the government's regulation on social distancing and prohibition on mass gatherings. We adopted measures to afford our stockholders the opportunity to participate in this meeting as effectively as a physical meeting.

Atty. Sioson- Bumatay, the Acting Secretary certified that all stockholders of record as of 16 June 2020 have been duly notified of the meeting pursuant to the Company's By-Laws and applicable SEC Circulars. Copies of the Notice of the Annual Meeting, the Agenda, and the Definitive Information Statement were made available through the Company's website and the Philippine Stock Exchange Electronic Disclosure Generation Technology or PSE EDGE. Notice of the Annual Meeting was also published in the Philippine Star on 18 June 2020 and June 19 2020, and the Philippine Daily Inquirer on 19 June 2020 and 20 June 2020. Atty. Sioson- Bumatay also certified that there exists a quorum to transact the business in the agenda for the meeting, there being present in person or represented by proxy stockholders holding 83.17% of the entire subscribed and outstanding capital stock of the Corporation.

Moreover, the Acting Secretary explained the rules for participation and voting in the Meeting. The Procedures for Registration, Voting and Participation in the Company's 2020 Annual Stockholders' Meeting are contained in the Definitive Information Statement and have been implemented as follows: (i) stockholder signifying their intention to participate by remote communication have registered by submitting the requirements by email to the Corporate Secretary; (ii) stockholders who have registered have sent their questions and/or comments prior to the meeting through email at [asm2020@empire-east.com](mailto:asm2020@empire-east.com) until 6:00pm of July 12, 2020. Some questions or comments received would be taken up after the election of directors; (iii) the resolutions proposed to be adopted at this meeting will be shown on the screen; (iv) stockholders who have duly registered to participate by remote communication have casted their votes by proxy or in absentia by sending their accomplished ballots by email to the Corporate Secretary until 6:00pm of July 8, 2020; and (v) the Office of the Corporate Secretary has tabulated all valid and confirmed votes cast through electronic voting, together with the votes through proxies, and the voting results will be announced during the

meeting and reflected in the minutes of the meeting. Therefore, only stockholders who have successfully registered may participate in the meeting.

### **III. APPROVAL OF MINUTES OF THE ANNUAL MEETING OF STOCKHOLDERS HELD ON 11 JUNE 2019**

The Presiding Officer then proceeded with the approval of the minutes of the annual stockholders' meeting held on June 11, 2019, and informed that the copy of the minutes of the 2019 Annual Meeting have been made available through the Company's website.

Atty. Sioson- Bumatay announced that 100% of the voting shares represented in the meeting have voted in favor of the approval of the minutes of the previous annual stockholders' meeting held on June 11, 2019.

### **IV. ANNUAL REPORT OF THE MANAGEMENT**

The President, Mr. Anthony Charlemagne C. Yu, delivered the Management's Message to Stockholders, as follows:

The unprecedented impact of the COVID-19 pandemic here in the Philippines and across the globe has undeniably made us socially and physically distant from each other, but this has bonded us more than ever to unite us as one solid community in this fight against an invisible enemy. This health crisis has crippled numerous businesses in different industries, but we are grateful and proud to let you know that your Company is on "business as usual." Perhaps, not like the "usual" we used to know, not the "normal" we used to do, but your Company is strong and thriving.

I would like to commend my fellow workers at Empire East for continuously exhibiting their passion and commitment to get your Company moving and growing. Thanks as well to our in-house sales partners and accredited brokers who embraced the new normal, and through online selling alone, with all our showrooms shut down during the first two months of quarantine, have astoundingly delivered 1.4 Billion Pesos worth of reservation sales.

We are one with you in aiming to curb this pandemic. While no company is exempt from this health crisis as the virus continuous to linger globally, it was during this time that Empire East discovered once again the strength of its foundation that brought us sailing steadfastly into a new era of doing real estate business. With your unceasing support for the Company and for believing in our values of innovation, flexibility, community and family welfare, we will triumphantly surpass this difficult period.

In fact, what makes us more confident that we can easily recover from this crisis are the economic indicators themselves that are in our favor. Our country posted 5.9% GDP Growth Rate last year. Residential real estate prices recorded a 10.4% year-on-year growth from 2018 to 2019, more significantly at 29.1% growth rate for the 3<sup>rd</sup> quarter last year. This is an opportune time for the investor's market to look at this good indicator. Even though real estate sector may have been "jolted" by this pandemic, industry experts still project a 1.7 annual average growth rate up to 2022.

Vacancy rates for condominiums are also decreasing, positively indicating that many of the residential projects like what your Company is developing are being occupied. Likewise, the banks have decreased interest rates in lending that will result to more liquidity and hopefully, boost aggregate demand. Prior to the crisis, the Banko Sentral ng Pilipinas reported that residential real estate loans recorded a double-digit growth of 13.1% which we are optimistic would return after the situation has stabilized.

During the first few weeks of the lockdown, I had the opportunity to visit some of our residential developments to personally check the situation of our homeowners—and what I witnessed in each project is a "community in action" where residents and the property management teams have responded with a strong spirit of solidarity as the Filipino "bayanihan" became more evident. Our community frontliners, including security guards and maintenance personnel have chosen to respond



with courage as they continued with dedicated service despite the threat of the COVID 19 virus. The admirable initiatives of our residents to help their neighbors in need and support their frontliners have been a testament that Empire East not only develops structures for homes, but also creates unparalleled communities where compassionate people live.

In our premier Transit-Oriented Development or TOD at the Makati Central Business District, the four-tower San Lorenzo Place, which was awarded in 2019 by the PropertyGuru Philippines as the Best Mid-End Condo in Metro Manila, residents benefited tremendously from having their own retail area, the San Lorenzo Place Mall. Now that select public transportation resumed to operate under General Community Quarantine, residents can easily ride MRT Line 3 via Magallanes Station that is physically linked to the project, as well as the Citylink point-to-point buses with its own station within the development. San Lorenzo Place is currently 100% sold out and has been completely turned over.

Having your own shopping mall, a retail arcade or a community strip within the community has proven to be exceptionally advantageous during a health crisis like this. At the 37-tower micro-city The Cambridge Village in Pasig-Cainta, which was awarded as the Best Affordable Condo in Metro Manila and the Best Universal Design Development during the 2019 Philippines Property Awards, more than 5,200 households enjoyed a self-sustaining neighborhood without the need for them to get out and go far to buy their daily essentials, same benefits were experienced by approximately 2,900 families at another micro-city, the 25-tower California Garden Square in Mandaluyong City, and the 6,200 families in our flagship township development, Laguna Bel-Air in Santa Rosa City

Another TOD that has remarkably thrived amidst this pandemic is Pioneer Woodlands in Mandaluyong City, a six-tower high-rise condominium complex connected to MRT-3 Boni Avenue Station. Appreciating the efforts of all security and maintenance staff for their round-the-clock service, residents initiated a drive to provide these frontliners with food supply, toiletries and other basic needs. Eco-trikes from the city's LGU regularly arrive at Pioneer Woodlands to deliver fresh produce and other commodities, which added more convenience to residents and minimize their outdoor exposure. Today, this community is 92% sold out with four occupied tower and is ready to welcome new residents in the two more towers nearing completion.

On top of strict social distance implementation, temporary closure of amenities, and constant disinfection and sanitation of common areas such as lobbies, elevators and hallways, the property administration of Little Baguio Terraces in San Juan City, as well as The Rochester and Kasara Urban Resort Residences, both in Pasig City, partnered with the local government to set-up "mobile palengke" in their communities. Through this, residents need not to go out of the project sites to go to markets or groceries because the market was brought to their homes.

The year 2019 was indeed another banner year for your Company. On top of delivering more than 4 Billion Pesos worth of booked sales, which was a 14% increase from the previous year's 3.5 Billion Pesos, we recorded a 15% increase in our net profit. We have likewise completed the construction of (7) seven residential towers across various developments. To date, your Company holds an aggregate land bank of 427 hectares with a projected 5.1 Billion-Peso worth of inventories.

Most significantly, 2019 marked the 25<sup>th</sup> year of Empire East in the real estate industry—a milestone worth celebrating. As our way to rejoice this momentous achievement, instead of festive celebrations we decided to fulfill our commitment in building unparalleled communities by launching twenty-five (25) Corporate Social Responsibility (CSR) activities initiated and funded by our employees and sales partners. But because of our people's collaborative efforts and willingness to help more communities and organizations, we have exceeded the target and even reached 37 CSR activities by the end of the year.

The Company has driven its efforts towards causes that need close attention—health, education, youth and elderly, family, and environment. For 2019 alone, the Empire East Cares has produced amazing results that helped over 4,000 people, built 41 houses for displaced families, planted 700 trees, assisted five schools, and supported 17 organizations and foundations.

The fight against COVID-19 may be far from over, but we will definitely overcome this. And just like when we pioneered breakthrough lifestyle concepts such as the live-work-play township,

micro-city developments, loft-type communities, TOD, and urban resorts, we look forward to a promising future where Empire East continues to cater to the needs and aspirations of the Filipino homeowners. The city living solutions we will provide tomorrow, we anticipate and prepare for you today. Your company's direction is clear. We will take the path leading to more residential developments that embody and promote sustainability and crisis resiliency.

In 2019, Empire East committed together with its affiliates under the Alliance Global Group to meet specific end-goals by 2030 based on the United Nations (UN) Sustainable Development Goals. We have been laying down plans and platforms that will aim to: (1) build sustainable cities and communities, (2) rely on renewable energy, (3) lower carbon footprint, (4) create more jobs, and (5) continue to observe gender equality at all levels in the workplace. With these in mind, your Company is driven to continue the creation of sustainable communities that improve the urban lifestyles of aspiring homeowners in Metro Manila.

The two-tower Mango Tree Residences in San Juan City, majority of the units of which have been sold, has commence full-swing construction in 2019, and will showcase a high-rise and low-density community filled with "green" features where residents can breathe and feel close to nature in the middle of the bustling metropolis. On the other hand, the four-tower The Paddington Place along Shaw Boulevard in Mandaluyong City, which has shown brisk sales reaching close to 80% sold-out rate and now pre-selling on the final tower, will let its future dwellers experience premium mobility through a TOD lifestyle, with its own bi-level community mall which would provide for the residents complete basic daily necessities.

Last year saw your company taking another bold step – the unveiling of its grandest township yet, the 37-tower Empire East Highland City along Felix Avenue at the convergence of Pasig City and Cainta Rizal. Complete with spacious green park, a shopping mall, a church, a five-star recreation club, wide roads and walkways, and more greeneries and open spaces, the future residents of Empire East Highland City will experience a redefined and upgraded urban lifestyle centered on long-term sustainability and a crisis-resilient community.

These are some of the developments, which allow us to look towards the future with optimism despite the current global pandemic. We thank you for being part of our growth, for responding to the times with us, and for sharing our vision. Together, we pray for endurance, strength and courage to forge ahead as we continue to deliver to you the results of our labor and as we continue to serve the communities beyond the confines of our work areas.

## **V. OPEN FORUM**

Below is a summary of the questions raised and answers given during the Open Forum:

**Q:** How do you assess the stability of your Company? What kind of risks are you facing – both general business risks as well as risks that are particular to the Covid crisis?

**A:** Your Company is very stable. Empire East has assets worth close to 45 Billion Pesos. It has 4.85 Billion trade receivables which we expect to collect in due time based on terms of payment. We have about 427 hectares of properties in our landbank, which is sufficient to sustain projects for development in the next five to seven years. The Company continuously undertakes construction activities and has been exerting all its efforts to deliver all the projects within the committed timetable. Last year 2019, we completed seven towers, we have on-going construction in twelve more towers, and we expect to complete turnover two of these towers very shortly. Besides, the Company is majority owned by Megaworld, the country's leading developer and is part of the conglomerate of Alliance Global, Inc. Now, your second question is about risks, the general business risks which Companies take into consideration are things like interest rate risk which pertains to changes in interest rate. The Company availed of loans with fixed interest, thus, precluding any exposure to such interest rate risk. Another risk would be market risks, these are changes in market prices of securities. The Company has no intention at all of disposing any of the shares soon or at any time when the market is down. Then you have liquidity risks; they are associated with the inability of the Company to convert assets into cash. The Company manage its liquidity needs by carefully monitoring its major disbursements, particularly construction costs. You also have what we

call credit risks when debtor' fails to settle obligations based on agreed payment terms. We do not face that risk at all in Empire East because in cases where buyers default on payments, the Company has a policy of forfeiting payments made and reopening the units for resale at the current higher market value. And then when we speak of Foreign Currency risks, the Company is not subjected to such a risk because we do not have any Foreign Currency denominated loans at all, and the only exposure we have to such is when we have importations, which are very minimal. Then of course you have Accounting risks, which pertain to key estimates. The Company will never be expose to such risks since all figures are stated at cost. Now, in response to your question about particular risks related to the ongoing Covid crisis, the only answer that we can provide at present is that it is an ongoing crisis and the situation remains very fluid. From all indications, it appears that the most trying period for any unexpected crisis is at the inception of the crisis when we all do not know what hit us. That is the period of greatest uncertainty and it usually immobilizes the entire community. At its present stage, while there are still a lot of uncertainties, the enemy is known, and coping mechanisms have been put in place in order to try to mitigate the risks. In fact, from state of complete lockdown, we have graduated to the easing of restrictions, not because we have conquered the crisis but because we have a better grasp of what the crisis is, we have a better understanding of what we are facing, thus allowing us to anticipate and prepare better. We share the hope of the entire world, that we would soon find the cure to contain this pandemic as we do our share in preventing its further spread and in reaching out to communities affected by it.

**Q:** Your Company has been declaring about P15 to P20 Billion in reservation sales each year. What is your timetable to book these sales? How can we validate the reservation sales? Is this reflected in the Financial Statements? Did the Company avail of new loans in 2019?

**A:** Our booking of sales is based on certain percentage of collection. Following our regular payment terms, the sales are generally booked on the 3<sup>rd</sup> year. However, based on the new Financial Accounting standard in which the percentage of completion is outrightly applied to sales, we expect the booking of sales to be made over a longer period of time. Meaning, the sales that were previously being recognized in full on the 3<sup>rd</sup> year, will now be booked approximately 3 years further. In essence, there is no difference at all, it is just a difference in accounting treatment. The collection from reservation sales was temporarily reflected in the "Customers' Deposits" under current liability portion of balance sheet. The amount reflected therein is net of increase attributed to collections of reservation sales and of course decrease due to book sales. As to your second question about loans in 2019, your Company did not avail or obtain any loans in 2019. We used internally generated funds for all our expenditures in 2019.

**Q:** Empire East has been lauded for its unique CSR projects that do not rely in the corporate funding. How are you able to do this? Also, what CSR projects did you have during this Covid crisis?

**A:** In Empire East, we decided that our Corporate Social Responsibility initiatives should be more interactive and must really touch the lives of both the beneficiaries communities, as well as our own people in the Company. To be able to do that, we decided that a traditional method of allocating corporate funds and having certain top corporate officers decide which NGO or Foundation these funds should be donated to may not be the proper approach for our program. Instead, we decided to undertake Corporate Social Responsibility projects using our own resources to help communities. When I say our own, I mean resources of our own people, our own money and our own efforts. This allows every individual in the Company to have a stake in the CSR projects as we share a common vision of empowering our people to empower others around us. The mission is to really help communities beyond the four walls of our offices. By doing this, our CSR is made more meaningful to the communities we touch. And by building homes, constructing libraries, feeding the elderly, teaching young students and planting trees and mangroves, we become part of the communities we are assisting and are in turn, touched by this involvement. In their end, there is this wonderful symbiotic relationship developed between the giving and receiving which enrich both the benefactors and the beneficiaries. Even our Chair, Dr. Andrew L. Tan pledged a very substantial amount to support this very unique CSR approach that Empire East has adopted. For this Covid

crisis, it was both unexpected and unprecedented. As such it called for a more consolidated approach which was headed by our Alliance Global, Inc. CEO, Mr. Kevin Andrew L. Tan with the active participation of the different component companies under the AGI umbrella. The consolidated efforts included the donations about 3 Million bottles of disinfectants, the production of about 6 Million liters of hand sanitizers, the shuttling of front liners utilizing our 30 buses, the feeding of more than 3 million families around the country, helping the national Red Cross build 4 testing centers. On top of all these, there are many individual efforts done by officers and employees of the component companies in order to reach out to our people who are in need during this crisis.

**Q:** Since Empire East started offering residential developments, it is the first time now that you are attaching the company name to a project name – at Empire East Highland City. Why did you finally decide to do that?

**A:** It is really a matter of brand strategy. For more than 25 years we have built developments that have become landmark communities- to a point that the projects themselves have even become more well known than the developer. For the past years, we have been aggressively solidifying our brand. Today, the brand of Empire East has become a name to contend with, and we do not intend to waste this brand equity. Our strategy is to bring that Empire East brand to a development not just because of the grandest of the scale of the development, but because this is where we intend to showcase another pioneering innovation, the elevated city concept. Integrated with our Empire East signature concepts such as townships, Transport Oriented Development, urban resort residential developments and many others. We shall apply all the learnings we had over the last two decades and a half by offering our aspiring homebuyers nothing short of an affordable, luxurious and upgraded lifestyle. That's why we call it – Empire East Highland City.

## **VI. AMENDMENT OF SECTIONS 4 AND 6 OF ARTICLE I AND SECTION 3 OF ARTICLE II OF THE COMPANY'S BY-LAWS**

The Presiding Officer informed the stockholders that the next item on the agenda was the approval of the proposed amendments to the Company's By-Laws.

The Acting Secretary certified that 100% of the voting shares represented in this meeting have voted in favor of the adoption of the resolutions amending Sections 4 and 6 of Article I and Section 3 of Article II of the Company's By-Laws to allow our stockholders to participate and vote in the Annual Meeting through remote communication or alternative modes of communication, and also allow members of our Board of Directors to participate and vote in the board meetings through remote communication.

## **VII. ENGAGEMENT OF EXTERNAL AUDITOR**

The Presiding Officer informed the stockholders that the Audit Committee of the Board of Directors has recommended to the Board the engagement of Punongbayan & Araullo as external auditors of the Company for the audit of the its financial statements for the year ending 31 December 2020.

The Acting Secretary certified that 100% of the voting shares represented in this meeting have voted in favor of the engagement of Punongbayan & Araullo as external auditors for the fiscal year ending December 31, 2020.

## **VIII. RATIFICATION OF ACTS AND RESOLUTIONS OF THE BOARD OF DIRECTORS, EXECUTIVE COMMITTEE AND MANAGEMENT**

The Presiding Officer proposed the ratification of all acts and resolutions of the Board of Directors, Board Committees and Management since the date of last year's annual stockholders'

meeting held on 11 June 2019 and until 14 July 2020. A list of such acts was provided in the Definitive Information Statement distributed to the stockholders.

The Acting Secretary submitted for ratification all acts and resolutions of the Board of Directors, Board Committees and Management, which were duly adopted in the ordinary course of business from 11 June 2019 until 14 July 2020. Atty. Sioson-Bumatay also reported that 99% of the voting shares represented in this meeting have voted in favor of this resolution.

#### **IX. ELECTION OF DIRECTORS**

The Presiding Officer informed the stockholders that the Company would be electing seven (7) directors. He added that pursuant to the Securities Regulation Code, SRC Rule 38 and in relation to the SEC Memorandum Circular No. 6, Series of 2009 and its Revised Manual of Corporate Governance, the Company is required to have at least two (2) independent directors out of seven directors.


Mr. Ricardo B. Gregorio, on behalf of the Corporate Governance Committee, presented the Final List of Nominees to the Board of Directors, as follows: Dr. Andrew L. Tan, Mr. Anthony Charlemagne C. Yu, Mr. Kevin Andrew L. Tan, Mrs. Evelyn G. Cacho and Mr. Enrique Santos L. Sy for regular directors, and Mr. Cresencio P. Aquino and Mr. Alejo L. Villanueva, Jr. for independent directors. Furthermore, Mr. Gregorio reported that the nominees for election as directors of the Corporation possess all the qualifications and none of the disqualifications to hold office as directors of the Corporation.

The Acting Secretary presented the voting results and certified that each of the nominees have garnered at least 99% of the voting shares represented in the meeting. Since there were only seven nominees to the Board and considering the absence of objections, all the seven (7) nominees were declared elected to the Board of Directors.

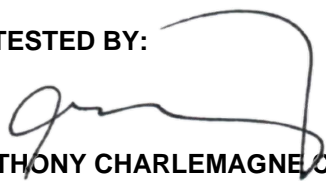
#### **X. ADJOURNMENT**


There being no other matters to discuss, the meeting was adjourned at 09:44 A.M.

**CERTIFIED TRUE & CORRECT:**

  
**CELESTE Z. SIOSON- BUMATAY**  
Acting Secretary

**ATTESTED BY:**

  
**ANTHONY CHARLEMAGNE C. YU**  
President

  
**DENNIS E. EDAÑO**  
Presiding Officer



## Empire East

### STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


The management of **Empire East Land Holdings, Inc. and Subsidiaries** (the Group), is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended **December 31, 2020 and 2019** in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

**Punongbayan & Arullo**, the independent auditors appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

  
**ANDREW L. TAN**  
Chairman of the Board

  
**ANTHONY CHARLEMAGNE C. YU**  
Chief Executive Officer

  
**EVELYN G. CACHO**  
Chief Financial Officer

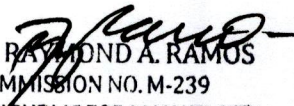
#### **Empire East Land Holdings, Inc.**

12/F Alliance Global Tower, 36th Street corner 11th Avenue  
Uptown Bonifacio, Taguig City 1634 Metro Manila, Philippines  
Tel. 867-8351/554-4800

SUBSCRIBED AND SWORN to me before this 28<sup>th</sup> APR 2021 of 2021 affiant exhibiting to me their Tax Identification Number (TIN) as follows:

Andrew L. Tan	125-960-003
Anthony Charlemagne C. Yu	132-173-451
Evelyn G. Cacho	127-326-686

Doc. No. 513  
Page No. 104  
Book No. 103  
Series of 2021

  
ATTY. RAYMOND A. RAMOS  
COMMISSION NO. M-239  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL JUNE 30, 2021 per B.M No. 3795  
11 KALAYAAN AVENUE EXTENSION,  
BARANGAY WEST REMBO, MAKATI CITY  
SC Roll No. 62179/04-26-2013  
IBP NO. 137312/01-04-2021/Pasig City  
PTR NO. MKT 8531022/01-04-2021/Makati City  
MCLE Compliance No. VI-0007878/04-06-2018



**P&A**  
**Grant Thornton**

**FOR SEC FILING**

Consolidated Financial Statements and  
Independent Auditors' Report

**Empire East Land Holdings, Inc.**  
**and Subsidiaries**

December 31, 2020, 2019 and 2018



## Report of Independent Auditors

**The Board of Directors and Stockholders**  
**Empire East Land Holdings, Inc. and Subsidiaries**  
**(A Subsidiary of Megaworld Corporation)**  
12<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street cor. 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City



### Opinion

We have audited the consolidated financial statements of Empire East Land Holdings, Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRS).

### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of Matter**

We draw attention to Note 1 to the financial statements, which describes management's assessment of the continuing impact on the Company's financial statements of the business disruption brought by the COVID-19 pandemic. Our opinion is not modified in respect of this matter.

**Key Audit Matters**

**(a) Revenue Recognition on Real Estate Sales and Determination of Related Costs**

*Description of the Matter*

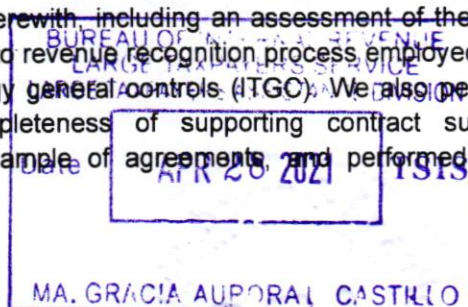
The Group's revenue recognition process, policies and procedures on real estate sales are significant to our audit because these involve the application of significant judgment and estimation. In addition, real estate sales amounted to P4.3 billion or 83.4% of consolidated Revenues and Income while costs of real estate sales amounted to P2.5 billion or 54.1% of consolidated Cost and Expenses for the year ended December 31, 2020. Areas affected by revenue recognition, which requires significant judgments and estimates, include determining when a contract will qualify for revenue recognition, measuring the progress of the development of real estate projects which defines the amount of revenue to be recognized and determining the amount of actual costs incurred as cost of real estate sales. These areas were significant to our audit as an error in application of judgments and estimates could cause a material misstatement in the consolidated financial statements.

The Group's policy for revenue recognition on real estate sales are more fully described in Note 2 to the consolidated financial statements. The significant judgments applied and estimates used by management related to revenue recognition are more fully described in Note 3 to the consolidated financial statements. The breakdown of real estate sales and costs of real estate sales are also disclosed in Notes 20 and 19, respectively, to the consolidated financial statements.

*How the Matter was Addressed in the Audit*

We obtained an understanding of the revenue recognition policy regarding real estate sales transactions and the related significant business processes of the Group.

Our procedures in testing the appropriateness and proper application of the Group's revenue recognition policy and process include understanding the policies and procedures applied to revenue recognition, as well as compliance therewith, including an assessment of the design and operating effectiveness of controls related to revenue recognition process employed by the Group including relevant information technology general controls (ITGC). We also performed tests on mathematical accuracy and completeness of supporting contract summary, examination of supporting documents of a sample of agreements, and performed overall analytical review of actual results.



In addressing the risks of material misstatements in revenue recognition, we have performed inspection of sample agreements for compliance with a set of criteria for revenue recognition and test of controls over contract approval. With respect to the timing of recognition of revenues based on the percentage of amount collected from customers, we have also tested the reasonableness of management's judgment in determining the probability of collection of the consideration in a contract which involves a historical analysis of customer payment pattern and behaviour.

Relative to the Group's measurement of progress towards complete satisfaction of performance obligation using the input method, we have tested the progress reported for the year in reference to the actual costs incurred relative to the total budgeted project development costs. Our procedures include test of controls over recognition and allocation of costs per project and direct examination of supporting documents. We have also performed physical inspection of selected projects under development to assess if the completion based on costs is not inconsistent with the physical completion of the project. In testing the reasonableness of budgetary estimates, we have ascertained the qualification of projects engineers who prepared the budgets and reviewed the actual performance of completed projects with reference of their budgeted costs.

In relation to cost of real estate sales, we obtained an understanding of the Group's cost accumulation process and performed tests of the relevant controls. On a sampling basis, we traced costs accumulated to supporting documents such as invoices and accomplishment reports from the contractors and official receipts.

**(b) Conduct of Remote Audit**

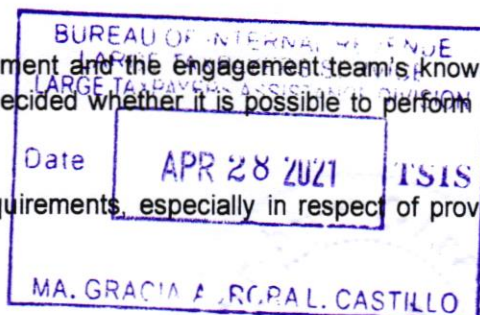
*Description of the Matter*

The COVID-19 pandemic has prompted management and the audit team to have most of the audit conducted remotely. The current working arrangements are relevant and significant to our audit since it created an increased risk of material misstatement due to less in-person communication with the Group's management and personnel, and lack of access to the physical records and original documents. Given the changes in how the audit was performed, the audit necessitated exercising enhanced professional skepticism.

*How the Matter was Addressed in the Audit*

Our audit procedures to address the risk of performing a significant portion of the audit remotely included the following:

- Considered the nature of the engagement and the engagement team's knowledge of the entity and its environment when we decided whether it is possible to perform a significant portion of the audit remotely;
- Intensified the application of PSA requirements, especially in respect of providing proper supervision and review;



- Obtained information through electronic means, which includes sending and receiving of confirmation electronically, obtaining calculations in electronic form to check the mathematical accuracy, scanning of hard-copy items for review and using real-time inspection technology such as video and screen-sharing;
- Determined the reliability of audit evidence provided electronically using enhanced professional skepticism and techniques designed to reinforce the skills of assistants in evaluating audit evidence obtained electronically;
- Performed inquiries through video conference calls in order to more effectively assess the facial expressions and body language of people being interviewed as well as to make the interaction more effective; and,
- Adhered to and applied strictly the Firm's reinforced and enhanced quality control process.

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the Group's SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

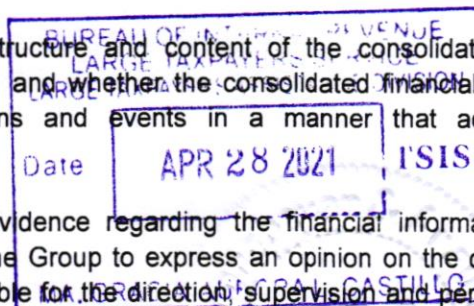
of consolidated financial statements  
LARGE TAXPAYERS SERVICE  
LARGE TAXPAYERS ASSISTANT DIVISION  
Date: APR 28 2021  
MA. GRACIA AURORA L. CASTILLO

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



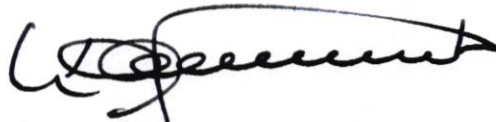
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Renan A. Piamonte.

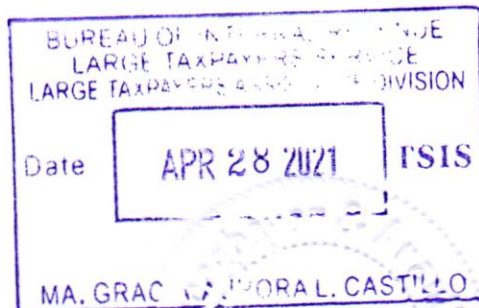
**PUNONGBAYAN & ARAULLO**



By: **Renan A. Piamonte**  
Partner

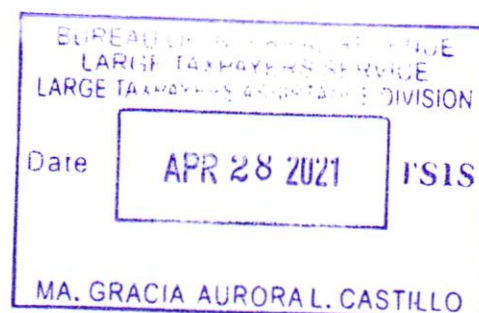
CPA Reg. No. 0107805  
TIN 221-843-037  
PTR No. 8533237, January 4, 2021, Makati City  
SEC Group A Accreditation  
Partner - No. 107805-SEC (until Dec. 31, 2023)  
Firm - No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002511-037-2019 (until Sept. 4, 2022)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 7, 2021



**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Megaworld Corporation)*  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2020 AND 2019**  
*(Amounts in Philippine Pesos)*

	Notes	2020	2019
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	P 2,129,720,752	P 1,145,332,574
Trade and other receivables - net	6	7,442,172,940	6,880,553,688
Contract assets	19	2,373,434,910	1,602,894,215
Advances to related parties	25	4,428,734,137	4,122,109,792
Real estate inventories	7	23,424,845,196	25,236,564,577
Prepayments and other current assets	19	714,844,084	686,408,889
Total Current Assets		40,513,752,019	39,673,863,735
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	6	2,132,911,294	1,787,297,094
Contract assets	19	15,340,770	348,984,364
Financial asset at fair value through other comprehensive income	8	1,193,560,000	1,312,916,000
Advances to landowners and joint ventures	9	226,428,530	226,304,025
Investment in associate	10	275,482,240	282,074,777
Property and equipment - net	11	251,102,397	378,706,446
Intangible asset - net	1, 12	122,100,528	127,572,249
Investment properties - net	13	671,138,058	699,156,607
Other non-current assets		5,190,893	5,190,893
Total Non-current Assets		4,893,254,710	5,168,202,455
<b>TOTAL ASSETS</b>		<b>P 45,407,006,729</b>	<b>P 44,842,066,190</b>



	Notes	2020	2019
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings	14	P 933,333,352	P 733,333,352
Trade and other payables	15	1,196,578,156	1,674,530,611
Lease liabilities	17	35,797,100	47,233,071
Customers' deposits	16	5,146,952,008	4,768,479,749
Advances from related parties	25	5,237,759,982	4,776,873,636
Contract liabilities	19	50,028,890	26,257,816
Other current liabilities	18	930,653,138	939,728,784
Income tax payable		-	45,934
<b>Total Current Liabilities</b>		<b>13,531,102,626</b>	<b>12,966,482,953</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings	14	250,000,000	683,333,333
Contract liabilities	19	167,639,547	102,062,325
Lease liabilities	17	23,847,101	111,865,806
Retirement benefit obligation	23	201,252,634	345,782,326
Deferred tax liabilities - net	24	2,212,214,170	2,028,814,391
<b>Total Non-current Liabilities</b>		<b>2,854,953,452</b>	<b>3,271,858,181</b>
<b>Total Liabilities</b>		<b>16,386,056,078</b>	<b>16,238,341,134</b>
<b>EQUITY</b>			
Attributable to the Parent Company's stockholders			
Capital stock	26	14,803,455,238	14,803,455,238
Additional paid-in capital		4,307,887,996	4,307,887,996
Treasury stock - at cost	26	( 102,106,658 )	( 102,106,658 )
Revaluation reserves	8, 23, 26	475,160,800	582,666,152
Other reserves	2	( 292,118,243 )	( 292,118,243 )
Retained earnings	26	7,023,040,535	6,491,607,310
<b>Total equity attributable to the Parent Company's stockholders</b>		<b>26,215,319,668</b>	<b>25,791,391,795</b>
Non-controlling interests		2,805,630,983	2,812,333,261
<b>Total Equity</b>		<b>29,020,950,651</b>	<b>28,603,725,056</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>45,407,006,729</b>	<b>44,842,066,190</b>

BUREAU OF REVENUE  
LARGE TAXPAYERS SERVICE  
LARGE TAXPAYERS ASSISTANCE DIVISION  
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MA. GRACIA A. RODRIGUEZ CASTILLO

See Notes to Consolidated Financial Statements.



**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Megaworld Corporation)*  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018**  
*(Amounts in Philippine Pesos)*

	Notes	2020	2019 (As Restated – see Note 2)	2018 (As Restated – see Note 2)
<b>REVENUES AND INCOME</b>				
Real estate sales	19	P 4,262,092,080	P 3,932,469,219	P 3,449,482,176
Finance income	22	340,546,947	295,402,422	290,181,706
Commission income	25	90,004,074	134,220,853	112,516,507
Rental income	13, 28	78,556,703	154,471,033	111,120,492
Other income	21	339,155,656	624,851,216	416,707,468
		<u>5,110,355,460</u>	<u>5,141,414,743</u>	<u>4,380,008,349</u>
<b>COSTS AND EXPENSES</b>				
Cost of real estate inventories	20	2,537,176,895	2,192,214,309	2,058,228,875
Salaries and employee benefits	23	407,950,300	471,180,266	456,828,204
Finance costs	22	338,334,620	333,571,480	279,934,201
Commissions	19	321,160,515	361,167,537	143,733,854
Advertising and promotion		198,647,114	235,141,247	95,829,284
Depreciation and amortization	11, 12, 13	109,957,448	111,369,197	56,184,685
Taxes and licenses	13	74,549,635	153,079,327	103,202,274
Travel and transportation	13	41,795,214	91,164,927	65,469,361
Equity share in net losses of associates	10	6,592,537	3,830,936	6,310,718
Other expenses	21	295,284,508	266,471,465	344,831,450
Income taxes	24	253,964,347	306,660,741	234,298,923
		<u>4,585,413,133</u>	<u>4,525,851,432</u>	<u>3,844,851,829</u>
<b>NET PROFIT</b>		<u>524,942,327</u>	<u>615,563,311</u>	<u>535,156,520</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<b>Item that will not be reclassified subsequently through profit or loss:</b>				
Fair value losses on financial assets at FVOCI	8	( 119,356,000 )	( 27,024,000 )	( 461,660,000 )
Remeasurements on retirement benefit	23	16,956,951	( 37,760,426 )	334,441,438
Tax income (expense) on remeasurement	24	( 5,317,683 )	11,535,073	( 99,951,148 )
		<u>( 107,716,732 )</u>	<u>( 53,249,353 )</u>	<u>( 227,169,710 )</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>P 417,225,595</u>	<u>P 562,313,958</u>	<u>P 307,986,810</u>
<b>Net profit attributable to:</b>				
Parent company's shareholders		P 531,433,225	P 622,021,871	P 534,218,365
Non-controlling interest		( 6,490,898 )	( 6,458,560 )	938,155
		<u>P 524,942,327</u>	<u>P 615,563,311</u>	<u>P 535,156,520</u>
<b>Total comprehensive income attributable to:</b>				
Parent company's shareholders		P 423,927,873	P 568,582,818	P 306,699,145
Non-controlling interest		( 6,702,278 )	( 6,268,860 )	1,287,665
		<u>P 417,225,595</u>	<u>P 562,313,958</u>	<u>P 307,986,810</u>
<b>EARNINGS PER SHARE - Basic and Diluted</b>	27	P 0.036	P 0.042	P 0.036

See Notes to Consolidated Financial Statements.

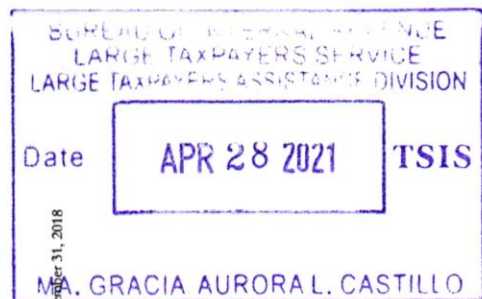
MA. GRACIA AURORA L. CASTILLO



**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Megaworld Corporation)*  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2020, 2019, AND 2018**  
*(Amounts in Philippine Pesos)*

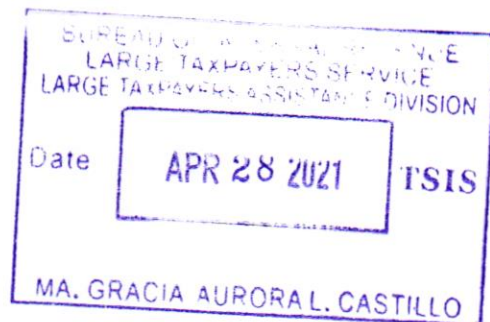
	Attributable to Parent Company's Shareholders							Total
	Capital Stock (see Note 26)	Additional Paid-in Capital	Treasury Stock (see Note 26)	Revaluation Reserves (see Notes 8, 23 and 26)	Other Reserves (see Notes 2 and 26)	Retained Earnings (see Note 26)	Non-controlling Interests	
Balance at January 1, 2020	P 14,803,455,238	P 4,307,887,996	(P) 102,106,658	P 582,666,152	(P) 292,118,243	P 6,491,607,310	P 2,812,333,261	P 28,603,725,056
Total comprehensive income for the year	-	-	-	(107,505,352)	-	531,433,225	(6,702,278)	417,225,595
Balance at December 31, 2020	P 14,803,455,238	P 4,307,887,996	(P) 102,106,658	P 475,160,800	(P) 292,118,243	P 7,023,040,535	P 2,805,630,983	P 29,020,950,651
Balance at January 1, 2019	P 14,803,455,238	P 4,307,887,996	(P) 102,106,658	P 636,105,205	(P) 385,961,343	P 5,876,989,482	P 2,558,719,887	P 27,695,089,807
As previously reported	-	-	-	-	-	(7,404,043)	-	(7,404,043)
Effect of adoption of PFRS 16	-	-	-	636,105,205	(385,961,343)	5,869,585,439	2,558,719,887	27,687,685,764
As restated	14,803,455,238	4,307,887,996	(102,106,658)	(53,439,053)	-	622,021,871	(6,268,860)	562,313,958
Total comprehensive income for the year	-	-	-	-	93,843,100	-	259,882,234	353,725,334
Changes in ownership interest in subsidiaries	-	-	-	-	-	-	-	-
Balance at December 31, 2019	P 14,803,455,238	P 4,307,887,996	(P) 102,106,658	P 582,666,152	(P) 292,118,243	P 6,491,607,310	P 2,812,333,261	P 28,603,725,056
Balance at January 1, 2018	P 14,803,455,238	P 4,307,887,996	(P) 102,106,658	P 863,624,425	(P) -	P 5,342,771,117	P 620,961,159	P 25,836,593,277
Total comprehensive income for the year	-	-	-	(227,519,220)	-	534,218,565	1,287,665	307,986,810
Other reserves from consolidation of a new subsidiary (see Note 1.2)	-	-	-	-	(385,961,343)	-	-	(385,961,343)
Acquisition of a new subsidiary with non-controlling interest	-	-	-	-	-	-	1,936,471,063	1,936,471,063
Balance at December 31, 2018	P 14,803,455,238	P 4,307,887,996	(P) 102,106,658	P 636,105,205	(P) 385,961,343	P 5,876,989,482	P 2,558,719,887	P 27,695,089,807

See Notes to Consolidated Financial Statements



**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Megaworld Corporation)*  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018**  
*(Amounts in Philippine Pesos)*

	Notes	2020	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax	P	778,906,674	P	922,224,052
Adjustments for:				P
Finance income	22	( 340,546,947 )	(	290,181,706 )
Finance costs	22	338,334,620	(	279,934,201 )
Depreciation	11, 12, 13	109,957,448	(	56,184,685 )
Gain on derecognition of lease liabilities	(	9,005,501 )	-	-
Equity share in net losses of associates	10	6,592,537	(	6,310,718 )
Gain on sale of property and equipment	11	( 171,628 )	(	25,088 )
Loss on retirement of property and equipment	11	-	-	230,875
Operating profit before working capital changes		884,067,203	(	821,909,128 )
Increase in trade and other receivables	(	871,260,896 )	(	500,726,781 )
Decrease (increase) in contract assets	(	436,897,101 )	(	218,186,486 )
Increase in advances to related parties	(	68,039,439 )	(	254,577,967 )
Decrease (increase) in real estate inventories	(	1,846,866,138 )	(	566,050,045 )
Increase in prepayments and other current assets	(	28,435,202 )	(	127,576,887 )
Decrease (increase) in advances to landowners and joint ventures	(	124,505 )	(	164,429,843 )
Decrease in other non-current assets	-	-	(	118,711 )
Decrease in trade and other payables	(	501,170,673 )	(	51,350,037 )
Increase (decrease) in contract liabilities	(	89,348,296 )	(	79,554,003 )
Increase in customers' deposits	(	378,472,259 )	(	589,962,658 )
Increase (decrease) in other current liabilities	(	9,075,646 )	(	72,427,013 )
Increase (decrease) in retirement benefit obligation	(	141,858,528 )	(	37,789,605 )
Cash generated from (used in) operations		1,141,891,906	(	111,385,248 )
Interest received from receivables		59,822,685	(	47,110,288 )
Cash paid for income taxes	(	75,928,181 )	(	118,682,965 )
<b>Net Cash From (Used in) Operating Activities</b>		<b>1,125,786,410</b>	(	<b>182,957,925</b> )
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisitions of property and equipment	11	( 8,968,709 )	(	79,495,071 )
Interest received from cash and cash equivalents		6,166,800	(	10,176,239 )
Proceeds from the sale of property and equipment		242,064	(	299,066 )
Acquisition of additional ownership interest in an associate	10	-	(	-
Acquisitions of intangible assets	12	-	(	54,717,213 )
Dividends received	8	-	-	11,260,000
<b>Net Cash Used in Investing Activities</b>		<b>( 2,559,845 )</b>	(	<b>112,476,979</b> )
<i>Balance brought forward</i>	P	<b>1,123,226,565</b>	(P	<b>295,434,904</b> )

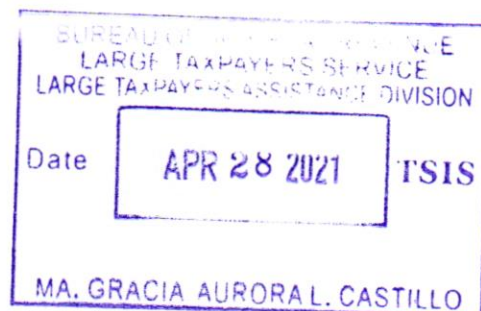


	Notes	2020	2019	2018
<i>Balance carried forward</i>		<b>P 1,123,226,565</b>	(P 716,486,325)	(P 295,434,904)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payments of interest-bearing loans and borrowings	33	( 733,333,333 )	( 640,069,797 )	( 744,676,494 )
Proceeds from interest-bearing loans and borrowings	33	500,000,000	-	800,000,000
Proceeds from additional advances from related parties	33	222,641,168	13,129,665	965,658,750
Interest paid		( 64,977,678 )	( 125,733,749 )	( 108,738,077 )
Repayments of advances from related parties	33	( 49,302,129 )	( 79,581,067 )	( 82,991,682 )
Repayments of lease liabilities	33	( 13,866,415 )	( 52,824,440 )	-
Proceeds from subscription of non-controlling interest	33	-	930,000,000	-
Net Cash From (Used in) Financing Activities		( 138,838,387 )	44,920,612	829,252,497
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>984,388,178</b>	( 671,565,713 )	533,817,593
<b>NET INCREASE IN CASH DUE TO ACQUISITION OF A SUBSIDIARY</b>		-	-	2,184,545
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>1,145,332,574</b>	1,816,898,287	1,280,896,149
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>P 2,129,720,752</b>	P 1,145,332,574	P 1,816,898,287

**Supplemental Information on Non-cash Investing and Financing Activities:**

1. In 2020, the Company derecognized portion of its lease liabilities amounting to P93.5 million (see Note 17.2) and a right of use asset amounting to P60.0 million (see Note 11). This resulted in gain amounting to P9.0 million presented under Other Income (Charges) in the 2020 consolidated statement of comprehensive income.
2. In 2019, the Company recognized right-of-use assets and lease liabilities amounting to P193.5 million and P204.1 million, respectively.
3. In 2018, the Company has reclassified certain property development costs to investment properties (see Note 13). No similar transaction occurred in 2019 and 2020.

*See Notes to Consolidated Financial Statements.*



**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES**  
**(A Subsidiary of Megaworld Corporation)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**  
**(Amounts in Philippine Pesos)**

**1. CORPORATE INFORMATION**

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

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

**1.1 Composition of the Group**

As of December 31, the Company holds ownership interests in the following entities:

<u>Subsidiaries/ Associates</u>	<u>Explanatory Notes</u>	<u>Percentage of Ownership</u>		
		<u>2020</u>	<u>2019</u>	<u>2018</u>
Subsidiaries:				
Eastwood Property Holdings, Inc. (EPHI)	(a)	100%	100%	100%
Valle Verde Properties, Inc. (VVPI)	(b)	100%	100%	100%
Sherman Oak Holdings, Inc. (SOHI)	(b)	100%	100%	100%
Empire East Communities, Inc. (EECI)	(c)	100%	100%	100%
20 <sup>th</sup> Century Nylon Shirt Co., Inc. (20 <sup>th</sup> Century)	(d)	100%	100%	100%
Laguna BelAir Science School, Inc. (LBASSI)	(e)	72.50%	72.50%	72.50%
Sonoma Premier Land, Inc. (SPLI)	(b)	60%	60%	60%
Pacific Coast Megacity, Inc. (PCMI)	(f)	40%	40%	20%
Associate –				
Gilmore Property Marketing Associate, Inc. (GPMAI)	(b)	47%	47%	47%

**Explanatory Notes:**

- (a) Subsidiary incorporated to market real estate properties of the Group and other related parties.
- (b) Subsidiaries/associate incorporated in prior years but have not yet started commercial operations as of December 31, 2020.
- (c) Subsidiary incorporated in prior year but ceased its operations as a marketing arm of real estate properties in 2014.
- (d) Subsidiary acquired in 2015 which is yet to resume its operations, which is primarily to manufacture, distribute, and buy and sell wearing apparel and its accessories such as zipper, buttons, etc.
- (e) Subsidiary primarily engaged in operating a school for primary and secondary education.
- (f) Subsidiary of the Company starting 2018 when the Company obtained de facto control over the entity and was accounted for under the pooling-of-interest method (see Note 1.2).

LARGE TAXPAYERS SERVICE DIVISION  
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The registered office address, which is also the place of operations, of the Company's subsidiaries and associates, except for EPHI, LBASSI, 20<sup>th</sup> Century and PCMI, is located at 12<sup>th</sup> Floor, Alliance Global Tower, 36<sup>th</sup> Street corner 11<sup>th</sup> Avenue, Uptown Bonifacio, Taguig City. Below is the summary of the registered office address of the other subsidiaries, which is also the place of their operation.

- (a) EPHI – #188 EC Information Center, E. Rodriguez Jr. Ave., Eastwood CyberPark City, Bagumbayan, Quezon City
- (b) LBASSI – Brgy. Don Jose, Sta. Rosa, Laguna
- (c) 20<sup>th</sup> Century – 632 Shaw Blvd. Highway Hills, Mandaluyong City
- (d) PCMI – 7<sup>th</sup> Floor, 1880 Building Eastwood City E. Rodriguez Jr. Ave. Bagumbayan, Quezon City

In prior years, the Company increased its ownership interest in VVPI and LBASSI, resulting in 100% and 73% ownership interest, respectively, over the respective subsidiaries. This resulted in the recognition of goodwill which amounted to P78.3 million as of December 31, 2020 and 2019, and shown as part of Intangible Assets – net account in the consolidated statements of financial position (see Note 12).

In 2015, the Company invested in PCMI amounting to P877.8 million in exchange for 750,000,000 shares, representing 20% ownership interest in the said company. In 2018, the Company has obtained de facto control over PCMI; hence, the investment is accounted for as an investment in a subsidiary. Further, in 2019, the Company obtained additional shares of PCMI, increasing its ownership interest to 40% (see Note 1.2).

Megaworld Corporation (Megaworld or parent company) is the parent company of Empire East Land Holdings, Inc. and subsidiaries (the Group). Megaworld is presently engaged in property-related activities, such as, project design, construction and property management. Megaworld is 68.56% owned by Alliance Global Group, Inc. (AGI), the Company's ultimate parent company. AGI is a holding company with diversified investments in food and beverage, real estate, tourism-entertainment and gaming and quick service restaurant businesses. The shares of common stock of both Megaworld and AGI are also listed at the PSE.

The Company's registered office address, which is also its principal place of business, is located on 12<sup>th</sup> Floor, Alliance Global Tower, 36<sup>th</sup> Street cor. 11<sup>th</sup> Avenue, Uptown Bonifacio, Taguig City. Megaworld's registered office address is located on the 30<sup>th</sup> Floor of the same building as that of the Company. AGI's registered office is located at 7<sup>th</sup> Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City. These entities' registered office addresses are also their respective principal places of business.

## 1.2 Acquisition of PCMI

PCMI became a subsidiary on December 31, 2018 when the Company obtained de facto control when the latter gained the power to govern over the financial and operating policies of the former. The acquisition was accounted for under the pooling-of-interest method of accounting as PCMI was acquired from a related party under common control. Moreover, there was no consideration paid in 2018 when the Company obtained de facto control over PCMI. Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting; hence, the assets and liabilities reflected in the consolidated financial statements are at carrying values and no adjustments are made to reflect fair values or recognized any new assets or liabilities, at the date of the combination that otherwise would have been done under the acquisition method. No restatements are made to the financial information in the consolidated financial statements for periods prior to the business combination as allowed under *Philippine Interpretations Committee PIC Q&A No. 2012-01, PFRS 3.2; Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements, (Amended by PIC Q&A No. 2015-01 and PIC Q&A No. 2018-13)*; hence, the profit and loss of PCMI is included in the consolidated financial statements for the full year, irrespective of when the combination took place. Aggregate financial information, at historical cost, of PCMI as at acquisition date is presented below.

Total assets acquired	P 2,429,036,789
Total liabilities assumed	( <u>8,447,960</u> )
Net assets acquired	<u>P 2,420,588,829</u>

Significant assets acquired pertain to real estate inventories (land for future development) amounting to P1.4 billion. In addition, the consideration transferred in relation to the acquisition amounted to P870.1 million while non-controlling interest and other reserves amounting to P1.9 billion and P0.4 billion, respectively, were also recognized in the 2018 consolidated statement of changes in equity [see Note 2.3(c)].

In January 2019, the Company acquired an additional 20% ownership interest over PCMI for P886.3 million, increasing its total ownership interest over PCMI to 40%. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid is recognized directly in other reserves [see Notes 2.3(c) and 2.11]. The effective ownership of the Company over PCMI after the transaction is 40%.

## 1.3 Impact of COVID-19 Pandemic on the Group's Business

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020. The measures taken by the government to contain the virus have affected economic conditions and the Group's business operations.

The following are the impact of the COVID-19 pandemic on the Group's business:

### (a) Real Estate Sales

Real estate sales yield 8% or P329.6 million higher despite the fewer reservations, limited selling activities, and restricted construction activities. Other observations are presented below.

- sales recognized for the year mostly came from completed projects with additional collections during the year allowing to meet the revenue recognition criteria (see Note 2.14);
- construction activities were suspended during the enhanced community quarantine (ECQ) period and thereafter have slowly resumed in selected areas; and,
- new project launches for 2020 were put on hold as work stoppage on-site could result in project completion risk.

(b) Lease of Office and Commercial Spaces

Rental income dropped by 49% or P75.9 million primarily due to the temporary closure of retail stores, commercial spaces, rent concessions, and lower number of customers who enter these establishments upon reopening. Concession of rent and other related charges amounted to P25.3 million. Other observations are presented below.

- offered deferment of monthly rent without penalty until the end of the reporting period;
- non-renewal and registered early termination and restructuring of lease contracts;
- various community quarantine measures resulted in the temporary store closures except for essential establishments, resulting in a decline in available customers; and,
- during the ECQ, approximately 56% of the total leased out gross leasable area were unable to operate. Retail establishment gradually resumed operations after thereafter; and waived rental charges of tenants in the mall and commercial centers.

(c) Tuition and Miscellaneous Fees

Tuition and Miscellaneous Fees declined by 28% or P14.8 million as compared to the 2020 figures due to lower enrollees for the school year 2020 - 2021. Other observations are presented below.

- no increase in school fees for the school year 2020 - 2021; and,
- teachers and instructors shifted to online learning, with the Company incurring additional annual subscription fees to online platforms.

The Group has taken the further following actions:

- implemented flexible and remote working arrangements for employees;
- negotiated for longer payment terms from suppliers and implemented cost-savings measures such as reduction in marketing and advertising expenses, freezing annual employee salary increase and bonuses, and relocation certain offices to Company-owned properties to manage the Group's cash flows;
- additional administrative expenses were incurred to ensure the health and safety of its employees and customers such as the frequent disinfection of facilities and COVID-19 testing for employees reporting to the offices;
- deferred scheduled price increases, offered discounts and flexible payment terms combinations to accommodate more buyers;
- implemented transmutation to online selling with the use of virtual platforms and video materials for project walkthrough and condo tour for client presentations, and fully digitized reservation process;
- launched digital payment platform towards the end of the fourth quarter of 2020 to enable customers to pay online;



- reduced its overall capital expenditures spending for the year 2020, as it planned to finish only its ongoing projects; and,
- obtained lower-cost funding through bank financing to support its business operations, such as financing capital expenditures and refinancing of loans, and maintaining its cash preservation objective.

Based on the above actions and measures taken by management to mitigate the adverse effect of the pandemic, it projects that the Company would continue to report positive results of operations and would remain liquid to meet the current obligation as it falls due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

#### ***1.4 Approval of the Consolidated Financial Statement***

The consolidated financial statements of Empire East Land Holdings, Inc. and Subsidiaries (the Group) as of and for the year ended December 31, 2020 (including the comparative consolidated financial statements as of December 31, 2019 and for the years ended December 31, 2019 and 2018) were authorized for issue by the Group's Board of Directors (BOD) on April 7, 2021.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### ***2.1 Basis of Preparation of Consolidated Financial Statements***

#### ***(a) Statement of Compliance with Philippine Financial Reporting Standards***

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which include the availment of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) discussed in Note 2.2(c). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

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

#### ***(b) Presentation of Financial Statements***

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

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that have material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed.

Day one loss arising from the remeasurement of installment real estate sales amounting to P102.1 million with zero-rated interest (see Note 6). In 2020, the Group changed its classification of Day-one losses, previously presented as part of the Finance account, as a reduction against the Real Estate Sales account. The reclassifications were made to conform to the current year's presentation and classification of accounts.

The effect of prior period reclassifications on certain line items on the consolidated statements of comprehensive income for the years ended December 31, 2019 and 2018 is presented below.

	As Previously Reported		Effect of Change in Presentation and Classification		As Restated
<u>December 31, 2019</u>					
<i>Change in revenues and income :</i>					
Real estate sales	P 4,008,907,955	( P	76,438,736 )	P	3,932,469,219
<i>Changes in costs and expenses –</i>					
Finance costs	410,010,216	(	76,438,736 )		333,571,480
<u>December 31, 2018</u>					
<i>Change in revenues and income :</i>					
Real estate sales	P 3,512,542,938	( P	63,060,762 )	P	3,449,482,176
<i>Changes in costs and expenses –</i>					
Finance costs	342,994,963	(	63,060,762 )		279,934,201

The reclassification did not have any significant impact on the consolidated statements of financial position and on the consolidated statements of cash flows for the years ended December 31, 2019 and 2018.

(c) *Functional and Presentation Currency*

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

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

**2.2 Adoption of New and Amended PFRS**

(a) *Effective in 2020 that are Relevant to the Group*

The Group adopted for the first time the following revision to existing frameworks and amendments to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2020:

Conceptual Framework : Revised Conceptual Framework for  
Financial Reporting

PAS 1 and PAS 8 (Amendments)	:	Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
PFRS 3 (Amendments)	:	Business Combinations – Definition of a Business
PFRS 7 and PFRS 9 (Amendments)	:	Financial Instruments: Disclosures and Financial Instruments – Interest Rate Benchmark Reform

Discussed below and on the succeeding page are the relevant information about these pronouncements.

- (i) *Revised Conceptual Framework for Financial Reporting.* The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. The application of the revised conceptual framework had no significant impact on the Group's consolidated financial statements.
- (ii) PAS 1 (Amendments), *Presentation of Financial Statements*, and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*. The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other standards that contain definition of material or refer to the term 'material' to ensure consistency. The application of these amendments had no significant impact on the Group's consolidated financial statements.
- (iii) PFRS 3 (Amendments), *Business Combinations – Definition of a Business*. The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. Also, the amendments will likely result in more acquisitions being accounted for as asset acquisitions. The application of these amendments had no significant impact on the Group's consolidated financial statements.

- (iv) PFRS 7 (Amendments), *Financial Instruments: Disclosures*, and PFRS 9 (Amendments), *Financial Instruments – Interest Rate Benchmark Reform*. The amendments clarify that an entity would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The application of these amendments had no significant impact on the Group's consolidated financial statements.

(b) *Effective Subsequent to 2020 but not Adopted Early*

There are pronouncements effective for annual periods subsequent to 2020, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

- (i) PFRS 16 (Amendments), *Leases – COVID-19-Related Rent Concessions* (effective from June 30, 2020). The amendments permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications.
- (ii) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework* (effective from January 1, 2022). The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard.
- (iii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- (iv) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective January 1, 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
- (v) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Group.
  - a. PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 percent' Test for Derecognition of Liabilities*. The improvements clarify the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

- b. Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The improvement merely removes potential for confusion regarding lease incentives.
- (vi) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.
- (vii) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contributions of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.
- (c) *SEC Financial Reporting Reliefs Availed by the Group*

The Group has availed of several financial reporting reliefs granted by the SEC under Memorandum Circular (MC) No. 14-2018, *Philippine Interpretation Committee Question and Answer (PIC Q&A) No. 2018-12 Implementation Issues Affecting Real Estate Industry*, MC No. 3-2019, *PIC Q&A Nos. 2018-12-H and 2018-14*, and MC No. 4-2020, *Deferment of the Implementation of IFRS Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Costs) for Real Estate Industry*, relating to several implementation issues of PFRS 15, *Revenue from Contracts with Customers*, affecting the real estate industry. These MCs deferred the implementation of the relevant accounting pronouncements until December 31, 2020.

In December 2020, the SEC issued MC 34-2020, *Deferral of PIC Q&A No. 2018-12 and IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry*, providing another relief by further deferring until December 2023 the implementation of certain issues under MC No. 14-2018 and MC No. 4-2020.

Discussed below are the financial reporting reliefs availed of by the Group, including the descriptions of the implementation issues and their qualitative impacts on the consolidated financial statements. The Group opted to avail of the reliefs until the end of the deferment period as provided under the relevant MC.

<b>Relief</b>	<b>Description and Implication</b>	<b>Deferral period</b>
IFRIC Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry	<p>The IFRIC concluded that any inventory (work-in-progress) for unsold units under construction that the entity recognizes is not a qualifying asset, as the asset is ready for its intended sale in its current condition (i.e., the developer intends to sell the partially constructed units as soon as it finds suitable customers and, on signing a contract with a customer, will transfer control of any work-in-progress relating to that unit to the customer). Accordingly, no borrowing costs can be capitalized on such unsold real estate inventories.</p> <p>Had the Group elected not to defer the IFRIC Agenda Decision, it would have the following impact on the consolidated financial statements:</p> <ul style="list-style-type: none"> <li>• interest expense would have been higher;</li> <li>• cost of real estate inventories would have been lower;</li> <li>• total comprehensive income would have been lower;</li> <li>• retained earnings would have been lower; and,</li> <li>• the carrying amount of real estate inventories would have been lower.</li> </ul>	Originally until December 31, 2020 under MC 4-2020; further deferred until December 31, 2023 under MC 34 -2020

Relief	Description and Implication	Deferral period
<p>PIC Q&amp;A No. 2018-12-D, Concept of the significant financing component in the contract to sell</p>	<p>PFRS 15 requires that, in determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component.</p> <p>Had the Group elected not to defer this provision of the standard, it would have an impact on the consolidated financial statement as there would have been a significant financing component when there is a difference between the POC of the real estate project and the right to the consideration based on the payment schedule stated in the contract.</p> <p>The Group would have recognized an interest income when the POC of the real estate project is greater than the right to the consideration and interest expense when lesser. Both interest income and expense would be calculated using the effective interest rate method. These would have affected the retained earnings, real estate sales, and profit or loss in 2020 and 2019.</p>	<p>Originally until December 31, 2020 under MC 4-2020; further deferred until December 31, 2023 under MC 34-2020</p>

The SEC MCs also provided the required disclosures in the notes to the consolidated financial statements should an entity decide to avail of any relief, which include the following:

- the accounting policies applied;
- a discussion of the deferral of the subject implementation issues in the PIC Q&A;
- a qualitative discussion of the impact on the consolidated financial statements had the concerned application guidelines in the PIC Q&A been adopted; and,
- the corresponding required quantitative disclosures should any of the deferral options result into a change in accounting policy.

As prescribed by SEC MC No. 34-2020, for financial reporting periods beginning on or after January 1, 2021, the availment of the above deferrals will impact the Group's financial reporting during the period of deferral as follows:

- The consolidated financial statements are not considered to be in accordance with PFRS and should specify in the "Basis of Preparation of the Consolidated Financial Statements" section of the consolidated financial statements that the accounting framework is PFRS, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic; and,
- The auditor's report shall reflect in the opinion paragraph that the consolidated financial statements are prepared in accordance with PFRS, as modified by the application of the financial reporting reliefs issued and approved by the SEC. In addition, the external auditor shall include an Emphasis of Matter paragraph in the auditor's report to draw attention to the basis of accounting that has been used in the preparation of the consolidated financial statements.

(d) *PIC Q&As Relevant to the Real Estate Industry*

In 2020, the Philippine Interpretations Committee (PIC) has issued four PIC Q&As which are relevant to the real estate industry.

- PIC Q&A No. 2020-02, *Conclusion on PIC Q&A No. 2018-12-E: On the Treatment of Materials Delivered on Site but not yet Installed in Measuring the Progress of the Performance Obligation*

In recognizing revenue using a cost-based input method, the cost incurred for customized materials not yet installed is to be included in the measurement of progress to properly capture the efforts expended by the Group in completing its performance obligation. In the case of uninstalled materials that are not customized, since the Group is not involved in their design and manufacture, revenue should only be recognized upon installation or use in construction. The Group does not include uninstalled materials that are not customized in determining the measure of progress; hence, the adoption of this PIC Q&A will not have a significant impact on the Group's consolidated financial statements.

- PIC Q&A No. 2020-03, *Conclusion on PIC Q&A No. 2018-12-D: On the Accounting Treatment for the Difference when the POC is Ahead of the Buyer's Payment*

The difference when the POC is ahead of the buyer's payment can be accounted for either as a contract asset or receivable. The PIC has concluded that both views are acceptable as long as this is consistently applied in transactions of the same nature. The Group intends to continue its current treatment of accounting for the difference when the POC is ahead of the buyer's payment as a contract asset.



- PIC Q&A No. 2020-04, *Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch between the Percentage of Completion and Schedule of Payments*

There is no significant financing component if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference. Further, the Group does not need to adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception that the timing difference of the receipt of full payment of the contract price and that of the completion of the project, are expected within one year and significant financing component is not expected to be significant. The adoption of this PIC Q&A will be consistent with PIC Q&A 2018-12-D.

- PIC Q&A No. 2020-05, *Accounting for Cancellation of Real Estate Sales (PIC Q&A No. 2020-05 will supersede PIC Q&A No. 2018-14)*

There are three acceptable approaches in accounting for sales cancellation and repossession of the property as follows:

- reposessed property is recognized at fair value less cost to repossess;
- reposessed property is recognized at fair value plus repossession cost; or,
- cancellation is accounted for as a modification of the contract.

The Group accounts for cancellation of sales contract as modification of contract, hence, the adoption of this PIC Q&A will not have significant impact on the consolidated financial statements of the Group.

### **2.3 Basis of Consolidation**

The Group's consolidated financial statements comprise the accounts of the Company and its subsidiaries as enumerated in Note 1, after the elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Company is, using consistent accounting principles.

The Company accounts for its investments in subsidiaries, associates, non-controlling interests and interests in joint ventures as follows:

#### *(a) Investments in Subsidiaries*

Subsidiaries are entities (including structured entities) over which the Company has control. The Company controls an entity when (a) it has power over the entity, (b) it is exposed, or has rights to, variable returns from its involvement with the entity, and (c) it has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Company obtains control.

The Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.11).

(b) *Investment in an Associate*

Associates are those entities over which the Group is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint arrangement. Investment in an associate are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in an associate is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Group's share in the associate is included in the amount recognized as investment in associates. All subsequent changes to the ownership interest in the equity of the associate are recognized in the Group's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Equity Share in Net Earnings (Losses) of Associates account in the Group's consolidated statement of comprehensive income.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered (see Note 2.19).

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Group, as applicable.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) *Transactions with Non-controlling Interests*

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity (i.e., revaluation reserves and other reserves). Disposals of equity investments to non-controlling interests result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss. The Group holds interests in various subsidiaries with non-controlling interests as presented in Note 10.

(d) *Interests in Jointly-controlled Operations*

For interests in jointly-controlled operations, the Group recognizes in its consolidated financial statements the assets that it controls, the liabilities and the expenses that it incurs and its share in the income from the sale of goods or services by the joint venture. The amounts of these related accounts are presented as part of the regular asset and liability accounts and income and expenses account of the Group.

No adjustment or other consolidation procedures are required for the assets, liabilities, income and expenses of the joint venture that are recognized in the separate financial statements of the joint operators.

## 2.4 *Financial Assets*

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Disclosure and Presentation*. All other non-derivative financial instruments are treated as debt instruments.

### (a) *Classification, Measurement and Reclassification of Financial Assets*

The classification and measurement of financial assets are driven by the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Currently, the classification and measurement of financial assets applicable to the Group are financial assets at amortized cost and financial assets at FVOCI.

#### (i) *Financial Assets at Amortized Cost*

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

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

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit losses (ECL).

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Trade and Other Receivables (excluding Advances to suppliers and contractors and Advances to condominium associations included therein), Contract Assets and Advances to Related Parties in the consolidated statements of financial position.

Financial assets measured at amortized cost are included in current assets, except those with maturities greater than 12 months after the end of reporting period, which are classified as noncurrent assets.

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Interest income on financial assets measured at amortized cost is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The Group calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired and or are purchased or originated credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, the calculation of interest income reverts to gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset subsequently improves.

Interest income earned is recognized in the consolidated statement of comprehensive income as part of Finance Income.

(ii) *Financial Assets at FVOCI*

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell (“hold to collect and sell”); and,
- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as fair value through profit or loss (FVTPL).

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Retained Earnings account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

Any dividends earned on holding equity instruments are recognized in the consolidated statements of income as part of Finance Income, when the Group's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and, the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Group's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(b) *Impairment of Financial Assets*

At the end of the reporting period, the Group assesses and recognizes allowance for ECL on its financial assets measured at amortized cost. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectibility of the future cash flows of the financial assets. Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments evaluated based on a range of possible outcomes.

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for trade and other receivables and contract assets. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. The Group also assesses the impairment of trade receivables and contract assets as they possess shared credit risk characteristics, and have been group based on the days past due [see Note 29.2(b)].

The Group applies a general approach specifically, in relation to receivables from related parties. The maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of these receivables from related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date, taking into consideration the historical defaults of the related parties. If the Group cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of advances to related parties can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

For other financial assets at amortized cost, 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 significant increase in credit risk 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, 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 determines whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life of the financial asset between the reporting date and the date of the initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that may indicate an actual or expected deterioration of the credit quality of the financial assets.

The key elements used in the calculation of ECL are as follows:

- *Probability of default* – It is an estimate of likelihood of default over a given time horizon.
- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral or effect of any credit enhancement.
- *Exposure at default* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

The Group recognizes an impairment loss in profit or loss for all financial instruments subject to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account.

(c) *Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

## **2.5 Real Estate Inventories**

Cost of real estate inventories includes acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of the property to the Group; related property development costs; and borrowing costs on certain loans incurred during the development of the real estate properties (see Note 2.21). All costs relating to the real estate property sold under development are recognized as expense as the work to which they relate is performed. Meanwhile, all costs relating to completed real estate property sold are recognized once control of the property was transferred to the buyer.

Costs of real estate inventories are assigned using specific identification of their individual costs. These properties and projects are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale.

The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known. Any impairment loss from a real estate inventory is charged to operations during the period in which the loss is determined.

Repossessed property arising from sales cancellation is recognized at cost. The difference between the carrying amount of the receivable or contract asset to be derecognized and the cost of the repossessed property is recognized in the consolidated statement of comprehensive income.

## **2.6 Prepayments and Other Assets**

Prepayments and other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as other non-current assets.

## **2.7 Property and Equipment**

Property and equipment, except for land, are stated cost less accumulated depreciation, amortization and any impairment in value. Land is stated at cost less any impairment in value. As the land has no finite useful life, its related carrying amount is not depreciated.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as presented below. Leasehold improvements are amortized over the lease term or the estimated useful lives of the improvements, whichever is shorter.

Building and other improvements	5 to 25 years
Office furniture and equipment	3 to 5 years
Transportation equipment	5 years



Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.19).

The residual values, estimated useful lives and method of depreciation and amortization of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation, amortization and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year the item is derecognized.

### ***2.8 Intangible Assets***

Intangible assets include goodwill and acquired computer software license, which is capitalized on the basis of the costs incurred to acquire, install and service the specific software. Costs associated with maintaining computer software are expensed as incurred.

Capitalized costs of intangible assets are amortized on a straight-line basis over the estimated useful life (10 years) as the lives of these intangible assets are considered finite. Goodwill is classified as intangible asset with infinite life and, thus, not subject to amortization but requires an annual test for impairment. Goodwill is subsequently carried at cost less accumulated impairment losses. In addition, intangible assets are subject to impairment testing as described in Note 2.19.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

### ***2.9 Investment Properties***

Investment properties consists of building and office and commercial units held for lease and a parcel of land held for capital appreciation. Land held for capital appreciation is measured at cost less any impairment while building and office and commercial units held for lease are stated at cost less accumulated depreciation and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation for building and office and commercial units classified as investment property is computed on a straight-line basis over the estimated useful life of 20 to 50 years.

Transfers to, or from, investment properties shall be made when and only when there is a change in use or purpose for such property.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.19).

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties is recognized in the consolidated statement of income in the year of retirement or disposal.

## **2.10 Financial Liabilities**

Financial liabilities, which include Interest-bearing Loans and Borrowings, Trade and Other Payables (except tax-related liabilities), Lease liabilities, Advances from Related Parties and Other Current Liabilities (excluding Refund liability and Miscellaneous) are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges, except for capitalized borrowing costs, are recognized as an expense in profit or loss as part of Finance Costs account in the consolidated statement of comprehensive income.

Interest-bearing loans and borrowings are raised for support of long-term funding of operations. Finance charges, including premiums payable on settlement or redemption and direct issue costs and excluding capitalized borrowing costs, are charged to profit or loss and/or capitalized on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables, advances from related parties and other financial liabilities are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments. The measurement for lease liabilities is disclosed in Note 2.16(a).

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

## **2.11 Business Combination**

### *(a) Accounting for Business Combination using the Acquisition Method*

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.19).

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

(b) *Accounting of Business Combination using the Pooling-of-interests Method*

Business combinations arising from transfers of interests in entities that are under the common control of the principal stockholder are accounted for under the pooling-of-interests method. Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting; hence, the assets and liabilities are reflected in the consolidated financial statements at carrying values and no adjustments are made to reflect fair values or recognized any new assets or liabilities, at the date of the combination that otherwise would have been done under the acquisition method. No restatements are made to the financial information in the consolidated financial statements for periods prior to the business combination as allowed under PIC Q&A No. 2012-01, PFRS 3.2; *Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements, (Amended by PIC Q&A No. 2015-01 and PIC Q&A No. 2018-13)*; hence, the profit and loss of the acquiree is included in the consolidated financial statements for the full year, irrespective of when the combination took place. Also, no goodwill is recognized as a result of the business combination and any excess between the net assets of the acquiree and the consideration paid is accounted for as “equity reserves” (presented as Other Reserves in the equity section of the consolidated statement of financial position), which will eventually be closed to additional paid-in capital. Also, any pre-acquisition income and expenses of a subsidiary are no longer included in the consolidated financial statements.

**2.12 Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when the Group currently has legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on a future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

### ***2.13 Provisions and Contingencies***

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that does not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

### ***2.14 Revenue and Expense Recognition***

Revenue comprises revenue from sale of real properties, leasing activities and rendering of services.

To determine whether to recognize revenue, the Group follows a five-step process:

- (a) Identifying the contract with a customer;
- (b) Identifying the performance obligation;
- (c) Determining the transaction price;
- (d) Allocating the transaction price to the performance obligations; and,
- (e) Recognizing revenue when/as performance obligations are satisfied.

The Group determines whether a contract with customer exists by evaluating whether the following gating criteria are present:

- (i) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
- (ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
- (iii) the payment terms for the goods or services to be transferred or performed can be identified;
- (iv) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
- (v) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

The Group develops real properties such as house and lot and condominium units. The Group often enters into contracts to sell real properties as they are being developed. The significant judgment used in determining the timing of satisfaction of the Group's performance obligation with respect to its contracts to sell pre-completed real properties is disclosed in Note 3.1(b). Sales cancellations are charged to profit or loss on the year of forfeiture.

The specific recognition criteria of various revenue streams of the Group are as follows:

- (a) Real estate sales on pre-completed real estate properties* – Revenue from real estate sales is recognized over time proportionate to the progress of the development. The Group measures its progress based on actual costs incurred relative to the total expected costs to be incurred in completing the development. Revenue recognized from real estate sales is presented as part of Real Estate Sales account under the Revenues and Income section of the consolidated statement of comprehensive income.
- (b) Real estate sales on completed real estate properties* – Revenue from real estate sales is recognized at point in time when the control over the real estate property is transferred to the buyer. Revenue recognized from real estate sales is presented as part of Real Estate Sales account under the Revenues and Income section in the consolidated statement of comprehensive income.

For tax reporting purposes, a modified basis of computing the taxable income for the year based on collections from sales is used by the Group.

- (c) Marketing and management fees* – Revenue is recognized over time in the same amount to which the entity has the right of invoice to the customer. Any amounts remaining unbilled at the end of the reporting period are presented in the consolidated statement of financial position as receivables as only the passage of time is required before payment of these amounts will be due.
- (d) Commission* – Revenue is recognized by the amount in which the Group has a right to invoice that corresponds directly with the value of services rendered to customers that are completed over time (i.e., end of each month).

(e) *Tuition and miscellaneous fees* – Revenue is recognized over time over the corresponding school term.

Incremental costs of obtaining a contract to sell real property to customers are recognized as an asset and are subsequently amortized over the duration of the contract on the same basis as revenue from such contract is recognized (see Note 2.15). Other costs and expenses are recognized in profit or loss upon utilization of services or receipt of goods or at the date they are incurred. Finance costs are reported on an accrual basis except for capitalized borrowing costs (see Note 2.21).

The costs of real estate sales include the acquisition cost of the land and development costs incurred for the project (see Note 2.5).

Contract assets pertain to rights to consideration in exchange for goods or services that the Group has transferred to a customer that is conditioned on something other than passage of time. Under its contracts with customers, the Group will receive an unconditional right to payment for the total consideration upon the completion of the development of the property sold. Any rights to consideration recognized by the Group as it develops the property are presented as Contract Assets in the consolidated statement of financial position. Contract assets are subsequently tested for impairment in the same manner as the Group assesses impairment of its financial assets [see Note 2.4(c)].

Any consideration received by the Group in excess of the amount for which the Group is entitled is presented as Contract Liabilities in the consolidated statement of financial position. A contract liability is the Groups obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

If the transaction does not yet qualify as sale, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of revenue on sale of real estate, consideration received from buyers is presented under the Customers' Deposits account in the liabilities section of the consolidated statement of financial position.

### ***2.15 Direct Contract Cost***

Commissions represent a certain percentage of contract price given to the real estate brokers and/or agents who handle the sales and marketing of the Group's residential and high-rise projects. Incremental costs of commission incurred to obtain contracts are capitalized and presented as Deferred commission presented under Prepayments and Other Current Assets in the consolidated statement of financial position (see Note 19.3). Commissions are charged to profit or loss proportionate to the progress of the project development and are presented as Commissions under Costs and Expenses section in the consolidated statement of comprehensive income.

## 2.16 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

For any new contracts entered into, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability in the consolidated statement of financial position. The right-of-use asset is measured as if the new standard had been applied since commencement date, but discounted using the lessee's incremental borrowing rate as at the date of initial application. Subsequently, the Group amortizes the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.19).

On the other hand, the Group measures the lease liability at the present value of the fixed lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the consolidated statement of financial position, right-of-use assets and lease liabilities have been presented as part of Property and Equipment account and as a separate line item, respectively.

(b) *Group as Lessor*

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

**2.17 *Segment Reporting***

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 4, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements, except that post-employment benefit expense is not included in arriving at the operating profit of the operating segments.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

**2.18 *Foreign Currency Transactions and Translation***

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss in the consolidated statement of comprehensive income.

**2.19 *Impairment of Non-financial Assets***

The Group's investment in associates, property and equipment, intangible assets, investment properties, goodwill and other non-financial assets are tested for impairment. Goodwill is tested for impairment at least annually. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested for impairment either individually or at cash-generating unit level.



Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Except for goodwill, all non-financial assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

## ***2.20 Employee Benefits***

The Group provides short-term benefits, post-employment benefits to employees through a defined benefit plan and certain defined contribution plans and other employee benefits which are recognized as follows:

### *(a) Short-term benefits*

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees which are expected to be settled before twelve months after the end of the annual reporting period during which employee services are rendered, but do not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Salaries and Employee Benefits under Cost and Expenses section in the consolidated statement of comprehensive income.

### *(b) Post-employment Defined Benefit Plan*

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on the market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Finance Costs or Finance Income account in the consolidated statement of comprehensive income.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

(c) *Post-employment Defined Contribution Plans*

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(d) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of each reporting period. They are included in Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

## **2.21 Borrowing Costs**

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. For financial reporting purposes, interest and other costs on certain borrowings that are attributable to the acquisition, construction or development of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of Real Estate Inventories account in the consolidated statement of financial position and consolidated statement of comprehensive income, respectively. The capitalization of borrowing costs commences when expenditures for the asset are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

For income tax purposes, interest and other borrowing costs are charged to expense when incurred.

## **2.22 Income Taxes**

Tax expense recognized in consolidated profit or loss comprises the sum of current tax and deferred tax not recognized in consolidated other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in consolidated profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred income tax asset can be utilized.

Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the consolidated profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

## **2.23 Related Party Transactions and Relationships**

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless of whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Based on the requirement of SEC Memorandum Circular 2019-10, *Rules of Material Related Party Transactions of Publicly-listed Companies*, transactions amounting to 10% or more of the total consolidated assets based on its latest consolidated financial statements that were entered into with related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds (2/3) vote of the Group's Board of Directors, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 10% of the Group's consolidated total assets based on the latest consolidated financial statements, the same board approval would be required for the transactions that meet and exceed the materiality threshold covering the same related party.

#### **2.24 Earnings Per Share**

Basic earnings per share (EPS) is computed by dividing net profit attributable to equity holders of the Group by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potential dilutive shares. For the years ended December 31, 2020, 2019 and 2018, the Group does not have potentially dilutive shares outstanding; hence, the diluted earnings per share is equal to the basic earnings per share.

#### **2.25 Equity**

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Treasury stocks are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves consist of:

- (a) Accumulated actuarial gains and losses arising from remeasurements of retirements benefit obligation, net of tax;

- (b) Net fair value gains or losses recognized due to changes in fair values of financial assets recognized through other comprehensive income; and,
- (c) Cumulative share in other comprehensive income of associates attributable to the Group.

Other reserves pertain to the difference between the fair value of any consideration paid and the relevant share in the carrying value of a new subsidiary that was accounted for under the pooling-of-interest method.

Retained earnings represent all current and prior period results of operations as reported in the profit or loss section of the consolidated statement of comprehensive income.

### ***2.26 Events After the End of the Reporting Period***

Any post year-end event that provides additional information about the Group's financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

## **3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

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

### ***3.1 Critical Judgments in Applying Accounting Policies***

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

#### ***(a) Determination of Lease Term of Contracts with Renewal and Termination Option***

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated and the renewal of the contract is not subject to mutual agreement of both parties.

The renewal and termination option for the lease of office space was not included as part of the lease term due to the provisions in its contract that require mutual agreement of both parties on the terms and agreements of the renewal and termination of the lease contract.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

*(b) Evaluation of Timing of Satisfaction of Performance Obligations*

*(i) Real Estate Sales*

The Group exercises significant judgment in determining whether each performance obligation to develop properties promised in its contracts with customers is satisfied over time or at a point in time. In making this judgment, the Group considers the factors enumerated below.

- any asset created or enhanced as the Group performs;
- the ability of the customer to control such asset as it is being created or enhanced;
- the timing of receipt and consumption of benefits by the customer; and,
- the Group's enforceable right for payment for performance completed to date.

The Group determines that its performance obligation for pre-completed real estate inventories is satisfied over time, while its performance obligation for completed real estate inventories is satisfied at a point in time, since it does not have an alternative use of the specific property sold as it is precluded by its contract from redirecting the use of the property for a different purpose. Further, the Group has rights over payment for development completed to date as the Group can choose to complete the development and enforce its rights to full payment under its contracts even if the customer defaults on amortization payments.

*(ii) Marketing, Management Fees and Commission*

The Group determines that its revenue from marketing, management fees and commission shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group applies the practical expedient to recognize revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the entity's performance completed to date i.e., generally when the customer has acknowledged the Group's right to invoice.

*(iii) Tuition fees*

The Group determines that its revenue from tuition fees shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the counterparties. The Group renders services without the need for reperformance of other companies. This demonstrates that the counterparties simultaneously receive and consume the benefits of the Group's rendering of services as it performs.

*(c) Estimation of Collection Threshold for Revenue Recognition*

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

*(d) Determination of ECL on Trade and Other Receivables, Contract Assets and Advances to Related Parties*

The Group uses a provision matrix to calculate ECL for trade receivables, contract assets and other receivables. The provision rates are based on days past due for groups of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions).

With respect to advances to related parties and other related party receivables, the Group uses the liquidity approach as the receivables are collectible on demand.

Details about the ECL on the Group's trade and other receivables, contract assets and advances to related parties are disclosed in Notes 2.4(b) and 29.2.

*(e) Distinction Among Investment Property and Owner-managed Properties*

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

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Based on management's assessment, properties held for lease and for capital appreciation qualifies as investment property.

*(f) Distinction Between Real Estate Inventories and Investment Property*

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

*(g) Distinction Between Operating and Finance Leases*

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

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

Distinction between operating and finance leases is applicable only to lease agreements as a lessor. All leases entered into as a lessee, except for those qualified under the optional exemptions as provided by the standard, are required to be recognized on-balance sheet.

*(b) Distinction Between Asset Acquisition and Business Combinations*

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

In 2018, the Group acquired de facto control over PCMI as described in Note 1.2. The acquisitions are accounted for as business combinations.

*(i) Consolidation of Entities in which the Group Holds 50% or Less*

Management considers that the Group has de facto control over PCMI even though it holds less than 50% of the ordinary shares and voting rights in that subsidiary. The Group considers its ability to exercise control over these entities through voting rights held by its subsidiaries or through interlocking directors.

*(j) Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.13 and disclosures on relevant contingencies are presented in Note 28.

**3.2 Key Sources of Estimation Uncertainty**

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

*(a) Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.



*(b) Revenue Recognition for Performance Obligation Satisfied Over Time*

In determining the amount of revenue to be recognized for performance obligations satisfied over time, the Group measures progress on the basis of actual costs incurred relative to the total expected costs to complete such performance obligations. Specifically, the Group estimates the total development costs with reference to the project development plan and any agreement with customers. Management regularly monitors its estimates and applies changes as necessary. A significant change in estimated costs would result in a significant change in the amount of revenue recognized in the year of change.

*(c) Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of counterparties defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 2.4(b).

*(d) Determination of Net Realizable Value of Real Estate Inventories*

In determining the net realizable value of real estate inventories, management takes into account the most reliable evidence available at the times the estimates are made. The future realization of the carrying amounts of these assets is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's Inventories within the next reporting period.

Considering the Group's pricing policy, the net realizable value of the Real Estate Inventories is higher than their related carrying values as of the end of the reporting periods.

*(e) Estimation of Useful Lives of Property and Equipment, Intangible Assets, and Investment Properties*

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

The carrying amounts of property and equipment, intangible assets, and investment properties are analysed in Notes 11, 12 and 13, respectively. Based on management's assessment as at December 31, 2020 and 2019, there is no change in estimated useful lives of property and equipment, and investment property during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

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

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the balance of deferred tax assets recognized as at December 31, 2020 and 2019 will be utilized in the succeeding years.

The carrying values of the Group's deferred tax assets as of December 31, 2020 and 2019 are disclosed in Note 24.2.

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

Goodwill is reviewed annually for impairment while other non-financial assets are tested whenever certain impairment indicators become present. In assessing impairment, the management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Also, the Group's policy on estimating the impairment of goodwill and other non-financial assets is discussed in detail in Note 2.19.

Material amount of goodwill amounting to P77.3 million arising from the acquisition of LBASSI has been tested for impairment. The recoverable amount of cash generating units assigned to LBASSI amounted to P168.3 million and P169.2 million in 2020 and 2019, respectively, and is determined using a cash flow projection covering a five-year period with growth rate of 5% and an average discount rate of 2% in 2020 and growth rate of 6% and an average discount rate of 4% in 2019. The discount rates and growth rate are the key assumptions used by management in determining the recoverable amount of cash generating units. Management believes that the key assumptions used are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse effect on the results of operations. Management has also determined that a reasonably possible change in these key assumptions would not cause the carrying amount of the cash generating unit exceed their respective recoverable amounts. Based on management's assessment, no impairment loss needs to be recognized on goodwill since the recoverable amount of the cash generating units is greater than their carrying amount in both years presented (see Note 1).

No impairment losses were recognized on advances to landowners and joint ventures, investment in an associate, property and equipment, intangible assets, investment properties, and other non-financial assets in 2020, 2019 and 2018 (see Notes 9, 10, 11, 12 and 13).

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

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

The amounts of retirement benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefits, as well as the significant assumptions used in estimating such obligation are presented in Note 23.2.

(i) *Determination of Fair Value of Investment Properties*

Investment properties are measured using the cost model. The Group determines the fair values of building and building improvements using either thru the discounted cash flows valuation technique (income approach) or market based valuation technique (market approach). The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and, appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

For land, the Company determines the fair value using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

A significant change in these elements may affect prices and the value of the assets. The fair value of investment properties is disclosed in Note 31.4.

#### 4. **SEGMENT INFORMATION**

##### **4.1 *Business Segments***

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

##### **4.2 *Segment Assets and Liabilities***

Segment assets include all operating assets used by a segment and consist principally of operating receivables, contract assets and real estate inventories. Excluded from segment assets are cash and cash equivalents, advances to related parties, prepayments, advances to landowners and joint ventures, investments in an associate, property and equipment, intangible assets, investment properties and other assets which are considered corporate assets and are not allocated to any segment's assets.

Segment liabilities include all operating liabilities incurred by management in each particular segment and consist principally of contract liabilities and customers' deposits. Excluded from segment liabilities are interest-bearing loans and borrowings, trade and other payables, lease liabilities, advances from related parties, deferred tax liabilities and retirement benefit obligation as the Group's management determined that these accounts are not directly related to the Group's segment.

### ***4.3 Intersegment Transactions***

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

### ***4.4 Analysis of Segment Information***

The tables presented in the succeeding pages present the revenue and profit information for the years ended December 31, 2020, 2019 and 2018 and certain asset and liability information regarding segments as at December 31, 2020, 2019 and 2018.

	High Rise Projects			Horizontal Projects			Total		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
<b>REVENUES</b>									
Real estate sales	P 4,121,674,336	P 3,594,313,181	P 3,281,222,293	P 140,417,744	P 338,156,038	P 168,259,883	P 4,262,092,080	P 3,932,469,219	P 3,449,482,176
Finance income	75,709,547	59,796,957	54,852,121	14,205,713	6,524,916	25,083,355	89,915,260	66,321,873	79,935,476
Rental income	11,994,865	30,939,469	67,889,780	-	-	-	11,994,865	30,939,469	67,889,780
Commission and other income	111,344,448	203,279,317	221,260,381	12,288,871	9,481,959	37,351,746	123,633,319	212,761,276	258,612,127
	<u>4,320,723,196</u>	<u>3,888,328,924</u>	<u>3,625,224,575</u>	<u>166,912,328</u>	<u>354,162,913</u>	<u>230,694,984</u>	<u>4,487,635,524</u>	<u>4,242,491,837</u>	<u>3,855,919,559</u>
<b>COSTS AND OTHER</b>									
<b>OPERATING EXPENSES</b>									
Cost of real estate sales	2,473,145,096	2,017,198,214	1,989,219,750	64,031,799	175,016,095	69,009,125	2,537,176,895	2,192,214,309	2,058,228,875
Rentals	3,493,877	24,159,601	99,243,761	3,759	157,920	960,553	3,497,636	24,317,521	100,204,314
Commissions	275,131,527	279,420,341	77,616,710	9,080,480	20,410,340	14,591,852	284,212,007	299,830,681	92,208,562
Advertising and promotion	185,121,584	210,170,540	75,119,172	7,369,175	16,912,080	12,973,989	192,490,759	227,082,620	88,093,161
Taxes and licenses	22,517,959	44,661,600	34,248,502	11,051,762	9,213,755	14,035,500	33,569,721	53,875,355	48,284,002
Association dues	95,156,461	76,313,602	43,603,112	7,134,462	2,688,230	7,624,153	102,290,923	79,001,832	51,227,265
Salaries and employee benefits	1,353,073	2,946,608	3,251,311	34,870	126,738	185,289	1,387,943	3,073,346	3,436,600
Travel and transportation	3,092	194,996	-	67,464	142,449	-	70,556	337,445	-
Other expenses	59,383,830	697,849,454	23,792,173	7,762,734	8,202,832	9,211,909	67,146,564	68,184,998	33,004,082
Cost and other operating expenses excluding depreciation and amortization	3,115,306,499	2,715,047,668	2,346,094,491	106,536,505	232,870,439	128,592,370	3,221,843,004	2,947,918,107	2,474,686,861
Depreciation and amortization	225,558	345,562	582,500	-	8,887	18,096	225,558	354,449	600,596
	<u>3,115,532,057</u>	<u>2,715,393,230</u>	<u>2,346,676,991</u>	<u>106,536,505</u>	<u>232,879,326</u>	<u>128,610,466</u>	<u>3,222,068,562</u>	<u>2,948,272,556</u>	<u>2,475,287,457</u>
<b>SEGMENT OPERATING</b>									
<b>PROFIT</b>	<u>P 1,205,191,139</u>	<u>P 1,172,935,694</u>	<u>P 1,278,547,584</u>	<u>P 60,375,823</u>	<u>P 121,283,587</u>	<u>P 102,084,518</u>	<u>P 1,265,566,962</u>	<u>P 1,294,219,281</u>	<u>P 1,380,632,102</u>
<b>SEGMENT ASSETS AND LIABILITIES</b>									
Segment assets	P 23,889,201,226	P 24,297,127,389	P 23,397,139,895	P 7,188,329,385	P 7,333,417,274	P 7,585,869,596	P 31,077,530,611	P 31,630,544,663	P 30,983,009,491
Segment liabilities	4,892,259,636	4,309,464,596	3,173,846,164	303,766,808	328,121,410	313,724,708	5,196,026,444	4,637,586,006	3,487,570,872

#### 4.5 Reconciliations

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Revenues</b>			
Total segment revenues	<b><u>P 4,487,635,524</u></b>	<b><u>P 4,242,491,837</u></b>	<b><u>P 3,855,919,559</u></b>
Unallocated revenues:			
Finance income	250,631,687	229,080,549	210,246,230
Commission income	90,004,074	134,220,853	112,516,507
Rental income from investment property	66,561,838	123,531,564	43,230,712
Other income	<u>215,522,337</u>	<u>412,089,940</u>	<u>158,095,341</u>
	<b><u>622,719,936</u></b>	<b><u>898,922,906</u></b>	<b><u>524,088,790</u></b>
Revenues as reported in the consolidated statements of comprehensive income	<b><u>P 5,110,355,460</u></b>	<b><u>P 5,141,414,743</u></b>	<b><u>P 4,380,008,349</u></b>
<b>Profit or loss</b>			
Segment operating profit	<b>P 1,265,566,962</b>	P 1,294,219,281	P 1,380,632,102
Other unallocated income	622,719,936	898,922,906	524,088,790
Other unallocated expenses	<b>( 1,363,344,571)</b>	<b>( 1,577,578,874)</b>	<b>( 1,369,564,372)</b>
Net profit as reported in the consolidated statements of comprehensive income	<b><u>P 524,942,327</u></b>	<b><u>P 615,563,313</u></b>	<b><u>P 535,156,520</u></b>
<b>Assets</b>			
Segment assets	<b><u>P31,077,530,611</u></b>	<b><u>P31,630,544,663</u></b>	<b><u>P30,983,009,491</u></b>
Unallocated assets:			
Cash and cash equivalents	2,129,720,752	1,145,332,574	1,816,898,287
Trade and other receivables-net	4,311,174,499	4,225,749,275	3,408,049,057
Advances to related parties	4,428,734,137	4,122,109,792	2,927,206,315
Prepayments and other current assets	714,844,084	686,408,889	581,459,609
Financial asset at FVOCI	1,193,560,000	1,312,916,000	1,339,940,000
Advances to landowners and joint ventures	226,428,530	226,304,025	142,458,052
Investment in associate	275,482,240	282,074,777	285,905,713
Property and equipment - net	251,102,397	378,706,446	248,967,253
Investment property - net	671,138,058	699,156,607	727,175,156
Intangible assets - net	122,100,528	127,572,249	133,043,970
Other non-current assets	<u>5,190,893</u>	<u>5,190,893</u>	<u>6,078,833</u>
	<b><u>14,329,476,118</u></b>	<b><u>13,211,521,527</u></b>	<b><u>11,617,182,245</u></b>
Total assets as reported in the consolidated statements of financial position	<b><u>P45,407,006,729</u></b>	<b><u>P44,842,066,190</u></b>	<b><u>P42,600,191,736</u></b>

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Liabilities</b>			
Segment liabilities	<b><u>P 5,196,026,444</u></b>	<u>P 4,637,586,006</u>	<u>P 3,487,570,872</u>
Unallocated liabilities:			
Interest-bearing loans and borrowings	<b>1,183,333,352</b>	1,416,666,685	2,056,736,482
Trade and other payables	<b>1,196,578,156</b>	1,674,530,611	1,786,066,286
Customers' deposits	<b>325,693,269</b>	385,828,682	22,753,104
Lease liabilities	<b>59,644,201</b>	159,098,877	-
Advances from related parties	<b>5,237,759,982</b>	4,776,873,636	4,578,102,879
Income tax payable	-	45,934	41,594
Other current liabilities	<b>773,553,870</b>	813,113,986	728,469,012
Retirement benefit obligation	<b>201,252,634</b>	345,782,326	305,283,627
Deferred tax liabilities - net	<b><u>2,212,214,170</u></b>	<u>2,028,814,391</u>	<u>1,940,078,073</u>
	<b><u>11,190,029,634</u></b>	<u>11,600,755,128</u>	<u>11,417,531,057</u>
 Total liabilities as reported in the consolidated statements of financial position	 <b><u>P16,386,056,078</u></b>	 <u>P16,238,341,134</u>	 <u>P14,905,101,929</u>

## 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of December 31:

	<u>2020</u>	<u>2019</u>
Cash on hand and in banks	<b>P 1,877,435,742</b>	P 914,319,817
Short-term placements	<b><u>252,285,010</u></b>	<u>231,012,757</u>
	<b><u>P 2,129,720,752</u></b>	<u>P 1,145,332,574</u>

Cash in banks generally earns interest based on the daily bank deposit rates.

Peso-denominated short-term placements are made for varying periods of up to 36 days in 2020, 2019 and 2018 and earn annual effective interest ranging from 0.13% to 3.30% in 2020, 0.75% to 6.50% in 2019, and 0.30% to 6.50% in 2018. Dollar-denominated short-term placements are made for varying periods of up to 34 days in 2020, 31 days in 2019, and 32 days in 2018 and earn annual effective interest ranging from 0.05% to 1.44% in 2020, 0.90% to 2.00% in 2019, 0.40% to 2.30% in 2018 (see Note 22.1).

## 6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Current:			
Trade receivables	25.2	<b>P 3,765,957,755</b>	P 3,180,607,874
Advances to suppliers and contractors		<b>2,374,961,651</b>	2,463,277,875
Rent receivable	25.2	<b>383,910,377</b>	389,859,853
Advances to condominium associations		<b>260,412,500</b>	207,839,747
Interest receivable	25.3	<b>75,195,893</b>	122,596,583
Management fee receivable	25.2	<b>79,049,055</b>	56,405,517
Others		<u><b>502,889,331</b></u>	<u>460,174,091</u>
		<b>7,442,376,562</b>	6,880,761,540
Allowance for impairment		<u><b>( 203,622)</b></u>	<u>( 207,852)</u>
		<u><b>7,442,172,940</b></u>	<u>6,880,553,688</u>
Non-current:			
Trade receivables		<b>2,018,905,970</b>	1,675,203,475
Refundable security deposits		<u><b>114,005,324</b></u>	<u>112,093,619</u>
		<u><b>2,132,911,294</b></u>	<u>1,787,297,094</u>
		<u><b>P9,575,084,234</b></u>	<u>P 8,667,850,782</u>

The Group's trade and other receivables are subjected to credit risk. Based on management's assessments, all receivables were found to be collectible.

A reconciliation of the allowance for impairment on current trade and other receivables at the beginning and end of 2020 and 2019 is shown below.

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	<b>P 207,852</b>	P 244,711
Write-off during the year	-	( 8,390)
Recovery of accounts previously provided with allowance	<u><b>( 4,230)</b></u>	<u>( 28,469)</u>
Balance at end of year	<u><b>P 203,622</b></u>	<u>P 207,852</u>

Trade receivables of the Group are either interest-bearing or noninterest-bearing. The installment period of interest-bearing sales contracts ranges from 2 to 15 years while interest ranges from 8% to 22%. The related interest earned on these sales contracts amounting to P13.5 million in 2020, P3.3 million in 2019, and P11.6 million in 2018 are reported as part of Finance Income account in the consolidated statements of comprehensive income (see Note 22.1).



The installment period of noninterest-bearing sales contracts ranges from three to five years with an imputed interest of 4.75% in 2020 and 5.63% in 2019. Noninterest-bearing trade receivables are measured at amortized cost using the effective interest method based on the interest rate of comparable financial instruments in the market. Day-one loss amounting to P102.1 million in 2020, P76.4 million in 2019, and P63.1 million in 2018 are presented as a deduction against the Real Estate Sales account in the consolidated statements of comprehensive income. Amortization of day-one loss amounting to P76.4 million in 2020, P63.1 million in 2019 and P85.5 million in 2018 are presented as part of Finance Income account in the consolidated statements of comprehensive income (see Note 22.1).

Advances to suppliers and contractors represent downpayments made by the Group to the suppliers and contractors based on a certain percentage of the contract price, construction materials purchased by the Group that is used by the contractors, and utility consumption that are chargeable to contractors. The initial payment will eventually be recouped or deducted from the amount payable of the Group either on a pro-rated basis or in full once billed by the suppliers and contractors.

Advances to condominium associations represent the Group's payment for the initial operations of the start-up association of a completed project. The purpose of these advances is mainly for the charges of utilities, real property taxes, licenses and management fee.

Refundable security deposits include various deposits to third parties for electrical, internet subscription, exhibits and other utilities, and equipment needed in the development of the projects. All deposits, except for deposits to an electric Group, do not earn interest. Such deposits are only refundable upon completion of the projects or upon return of the equipment used. However, the exact date or period of completion of projects or return of equipment is indeterminable. Accordingly, refundable deposits are accounted for at cost.

Other receivables, both current and non-current, include advances to joint ventures for processing of business permits and licenses, and unliquidated advances from employees and real estate consultants.

## 7. REAL ESTATE INVENTORIES

The Group's real estate inventories at the end of 2020 and 2019 were stated at cost. The composition of this account as at December 31 is shown below (see Note 20).

	<u>2020</u>	<u>2019</u>
Residential and condominium units for sale	<b>P 16,401,984,574</b>	P18,226,741,357
Raw land inventory	<b>5,135,063,687</b>	5,121,365,396
Property development costs	<b><u>1,887,796,935</u></b>	<u>1,888,457,824</u>
	<b><u>P 23,424,845,196</u></b>	<u>P25,236,564,577</u>

### 7.1 Residential and Condominium Units for Sale

This account represents the accumulated costs incurred, net of recognized cost of real estate sales in the consolidated statements of comprehensive income (see Note 20), on house and lots and condominium units available for sale. The subdivision houses include houses that are ready for occupancy, house models and units under construction.

The total borrowing costs capitalized to this account amounted to P35.1 million, P83.1 million, and P117.7 million in 2020, 2019 and 2018, respectively (see Note 14).

No property is used as a security for the Group's interest bearing loans and borrowings for the year ended December 31, 2020 and 2019.

### **7.2 Property Development Costs**

This account pertains to accumulated costs incurred on projects which are not yet offered for sale as of the end of the reporting periods.

### **7.3 Net Realizable Value**

Based on management assessment the net carrying amounts of these assets are lower than their net realizable values considering the present market rates; hence, no provisions for write-down of real estate inventories have been recognized in the consolidated financial statements.

## **8. FINANCIAL ASSETS AT FVOCI**

The movements in the carrying amounts of financial assets at FVOCI as of December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	<b>P 1,312,916,000</b>	P 1,339,940,000
Fair value losses	<b>( 119,356,000)</b>	( 27,024,000)
Balance at end of year	<b><u>P 1,193,560,000</u></b>	<b><u>P 1,312,916,000</u></b>

Financial assets at FVOCI pertain to investments held by EPHI in equity securities of the ultimate parent company, whose shares are listed in the PSE. The fair value of these securities has been determined directly by reference to published prices in an active market. The fair value of these investments as of December 31, 2020 and 2019, is categorized as Level 1 in the fair value hierarchy (see Note 31.2).

The net accumulated fair value gains or losses in financial assets at FVOCI are shown as part of Revaluation Reserves account in the equity section of the consolidated statements of financial position (see Note 26.4).

Dividend income earned amounted to P5.6 million in 2020 and P11.3 million in 2018 and is presented as Dividend income under Finance Income in the consolidated statements of comprehensive income (see Note 22.1). There was no dividend income earned in 2019.

## 9. ADVANCES TO LANDOWNERS AND JOINT VENTURES

The cash advances made by the Group relate to a number of joint venture agreements entered into with landowners covering the development of certain parcels of land. The joint venture agreements stipulate that the Group's joint venture partners shall contribute parcels of land and the Group shall be responsible for the planning, conceptualization, design, demolition of existing improvements, construction, financing and marketing of condominium units to be constructed on the properties. Costs incurred by the Group for these projects are recorded as part of Real Estate Inventories account in the consolidated statements of financial position (see Note 7). In addition to providing specified portion of the total project development costs, the Group also commits to advance mutually agreed-upon amounts to the landowners which will then be used for purposes such as reconsolidation/separation/subdivision of mother titles and relocation of existing occupants. Repayments of these advances may be made upon completion of the project development either in the form of residential condominium, commercial units or developed lots corresponding to the landowners' share in the projects or in the form of cash to be derived from the sales of the landowners' share in the saleable lots and residential condominium units.

The reconciliation of advances to landowners and joint ventures as of December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Advances to landowners:		
Balance at beginning of year	<b>P 121,801,386</b>	P 37,000,029
Additional advances	<u>108,005</u>	<u>84,801,357</u>
Balance at end of year	<u><b>121,909,391</b></u>	<u>121,801,386</u>
Advances to joint ventures:		
Balance at beginning of year	<b>104,502,639</b>	105,458,023
Collections	-	( 968,584)
Additional advances	<u>16,500</u>	<u>13,200</u>
Balance at end of year	<u><b>104,519,139</b></u>	<u>104,502,639</u>
	<u><b>P 226,428,530</b></u>	<u>P 226,304,025</u>

The Group commits to developing the properties based on the terms agreed with the joint venture partners. The Group has no existing commitment for cash advances under the joint venture agreements as this commitment has been fully complied with by the Group as of December 31, 2020 and 2019.

The net commitment for construction expenditures amounts to:

	<u>2020</u>	<u>2019</u>
Total commitment for construction expenditures	<b>P 10,304,770,365</b>	P 10,304,770,365
Total expenditures incurred	<b>( 8,961,954,154)</b>	<b>( 8,802,552,361)</b>
Net commitment	<u><b>P 1,342,816,211</b></u>	<u>P 1,502,218,004</u>

The Group's interest in jointly controlled operations and projects ranges from 55% to 82% in 2020 and 2019. The Group's jointly controlled projects are as follows:

- Pioneer Woodlands
- San Lorenzo Place
- Various Metro Manila and Calabarzon projects

As of December 31, 2020 and 2019, the Group has neither other material contingent liabilities with regard to these joint ventures.

## 10. INVESTMENT IN AN ASSOCIATE AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The components of investments in associate as of December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Investments in associate – at equity		
Balance at end of year	<b>P 293,960,618</b>	P 293,960,618
Accumulated equity in net losses:		
Balance at beginning of year	( 11,885,841)	( 8,054,905)
Equity share in net losses for the year	( <u>6,592,537</u> )	( <u>3,830,936</u> )
Balance at end of year	( <u>18,478,378</u> )	( <u>11,885,841</u> )
	<b><u>P 275,482,240</u></b>	<b><u>P 282,074,777</u></b>

### 10.1 Summarized Financial Information

The aggregated amounts of assets, liabilities, revenues and net income (loss) of GPMAI as of December 31 are as follows:

	<u>Current Assets</u>	<u>Non-current Assets</u>	<u>Current Liabilities</u>	<u>Non-current Liabilities</u>	<u>Revenues</u>	<u>Net Income (Loss)</u>
2020	<b>P 576,960,286</b>	<b>P 16,715,788</b>	<b>P 12,039,635</b>	<b>P -</b>	<b>P 2,752,167</b>	<b>(P 3,819,796)</b>
2019	580,904,849	16,603,383	12,051,997	-	7,624,319	2,402,820

The reconciliation of the above summarized information to the carrying amount of the interest in GPMAI is as follows:

	<u>2020</u>	<u>2019</u>
Net assets at end of year	<b>P 581,636,439</b>	P 585,456,235
Share of GPMAI in net asset of MCPI	( <u>67,586,767</u> )	( <u>57,489,449</u> )
	<b>514,049,672</b>	527,966,786
Equity ownership interest	<u>47.37%</u>	<u>47.37%</u>
	<b>243,505,330</b>	250,097,867
Nominal goodwill	<u>31,976,910</u>	<u>31,976,910</u>
Balance at end of year	<b><u>P 275,482,240</u></b>	<b><u>P 282,074,777</u></b>

As of December 31, 2020 and 2019, there are no available fair values for these investments in associate as they are not listed in stock markets.

Based on the assessment of the management, the investment in an associate is not impaired due to the active efforts of the Group to raise funds in order to push through with the associate's projects.

### 10.2 Subsidiaries with Material Non-controlling Interest

The subsidiaries with material non-controlling interest (NCI) are shown below.

Name	Proportion of Ownership Interest and Voting Rights Held by NCI		Subsidiary's Consolidated Profit (Loss) Allocated to NCI		Accumulated Equity of NCI	
	2020	2019	2020	2019	December 31, 2020	December 31, 2019
LBASSI	27.50%	27.50%	(P 673,427)	P 1,150,045	P 80,304,045	P 80,977,476
SPLI	40.00%	40.00%	( 72,039)	( 81,521)	542,457,533	542,529,572
PCMI	60.00%	60.00%	( 5,956,814)	( 7,527,084)	2,182,869,399	2,188,826,213

The summarized financial information of LBASSI, SPLI, and PCMI before intragroup eliminations is shown below.

	LBASSI		SPLI		PCMI	
	2020	2019	2020	2019	2020	2019
Current asset	P 30,111,663	P 24,999,194	P 512,032,920	P 512,008,159	P 2,830,309,477	P 2,840,237,499
Non-current asset	131,153,694	136,407,119	-	-	816,261,150	816,261,150
Total asset	<u>P 161,265,357</u>	<u>P 161,406,313</u>	<u>P 512,032,920</u>	<u>P 512,008,159</u>	<u>P 3,646,570,627</u>	<u>P 3,656,498,649</u>
Current liabilities	P 19,454,437	P 18,462,920	P 22,587,295	P 22,382,437	P 8,454,960	P 8,454,960
Non-current liabilities	19,567,073	18,250,720	-	-	-	-
Total liabilities	<u>P 39,021,510</u>	<u>P 36,713,640</u>	<u>P 22,587,295</u>	<u>P 22,382,437</u>	<u>P 8,454,960</u>	<u>P 8,454,960</u>
Equity	<u>P 122,243,847</u>	<u>P 124,692,673</u>	<u>P 489,445,625</u>	<u>P 489,625,722</u>	<u>P 3,638,115,667</u>	<u>P 3,684,043,689</u>
Revenues	<u>P 37,289,624</u>	<u>P 52,091,228</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 24,717</u>
Net profit (loss)	<u>(P 1,680,171)</u>	<u>P 4,181,981</u>	<u>(P 180,097)</u>	<u>(P 203,802)</u>	<u>(P 9,928,022)</u>	<u>(P 12,545,140)</u>
Other comprehensive Income (loss)	<u>(P 768,655)</u>	<u>P 689,818</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>
Net cash from (used) in operating activities	P 8,444,094	P 8,593,160	(P 200,246)	(P 16,932)	(P 177,591)	(P 1,239,981,227)
Net cash from (used) in investing activities	( 1,682,868)	( 3,027,686)	-	-	-	-
Net cash from (used) in financing activities	<u>( 1,681,119)</u>	<u>( 20,307,025)</u>	<u>204,858</u>	<u>13,213</u>	<u>-</u>	<u>1,240,000,000</u>
Net cash inflow(outflow)	<u>P 5,080,107</u>	<u>(P 14,741,551)</u>	<u>P 4,612</u>	<u>(P 3,719)</u>	<u>(P 177,591)</u>	<u>P 18,773</u>

In 2020 and 2019, LBASSI, SPLI, and PCMI have not declared nor paid any dividends.

### 10.3 Contingent Liabilities

As of December 31, 2020 and 2019, the Group has no contingent liabilities for subsidiaries and associate which were incurred jointly with other investors and the Group is not severally liable for all or part of the contingent liabilities of the subsidiaries and associate.

Based on management's assessment, the Group's investment in an associate are not impaired due to the active efforts of the Group to fund their respective operations.

### 10.4 Interests in Unconsolidated Structured Entities

The Group has no interests in unconsolidated structured entities.

## 11. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of items of property and equipment at the beginning and end of 2020 and 2019 are shown below.

	<u>Land</u>	<u>Building and Other Improvements</u>	<u>Leasehold Improvements</u>	<u>Transportation Equipment</u>	<u>Office Furniture and Equipment</u>	<u>Right-of-use Asset</u>	<u>Total</u>
December 31, 2020							
Cost	P 81,095,000	P 92,464,582	P 165,678,198	P 77,392,627	P 167,597,918	P 78,213,618	P 662,441,943
Accumulated depreciation and amortization	-	( 48,226,018 )	( 98,006,043 )	( 69,070,481 )	( 156,930,197 )	( 39,106,807 )	( 411,339,546 )
Net carrying amount	<u>P 81,095,000</u>	<u>P 44,238,564</u>	<u>P 67,672,155</u>	<u>P 8,322,146</u>	<u>P 10,667,721</u>	<u>P 39,106,811</u>	<u>P 251,102,397</u>
December 31, 2019							
Cost	P 81,095,000	P 90,984,582	P 160,354,509	P 76,669,313	P 166,226,648	P 193,481,098	P 768,811,150
Accumulated depreciation and amortization	-	( 44,009,365 )	( 87,290,168 )	( 63,417,487 )	( 147,017,402 )	( 48,370,275 )	( 390,104,704 )
Net carrying amount	<u>P 81,095,000</u>	<u>P 46,975,217</u>	<u>P 73,064,341</u>	<u>P 13,251,826</u>	<u>P 19,209,239</u>	<u>P 145,110,823</u>	<u>P 378,706,446</u>
January 1, 2019							
Cost	P 81,095,000	P 90,602,266	P 158,462,701	P 77,116,750	P 156,555,858	P -	P 563,832,575
Accumulated depreciation and amortization	-	( 40,375,354 )	( 77,074,831 )	( 60,314,585 )	( 137,100,552 )	-	( 314,865,322 )
Net carrying amount	<u>P 81,095,000</u>	<u>P 50,226,912</u>	<u>P 81,387,870</u>	<u>P 16,802,165</u>	<u>P 19,455,306</u>	<u>P -</u>	<u>P 248,967,253</u>

A reconciliation of the carrying amounts at the beginning and end of 2020, 2019 and 2018 is shown below.

	<u>Land</u>	<u>Building Other and Improvements</u>	<u>Leasehold Equipment</u>	<u>Transportation Equipment</u>	<u>Office Furniture and Equipment</u>	<u>Right-of-use Asset</u>	<u>Total</u>
Balance at January 1, 2020, net of accumulated depreciation, amortization, and impairment	P 81,095,000	P 46,975,217	P 73,064,341	P 13,251,826	P 19,209,239	P 145,110,823	P 378,706,446
Additions	-	1,480,000	5,323,689	793,750	1,371,270	-	8,968,709
Derecognition of Right of use Asset Disposals	-	-	-	( 70,436 )	-	( 115,267,479 )	( 115,267,479 )
Depreciation and amortization charges for the year	-	( 4,216,653 )	( 10,715,875 )	( 5,652,994 )	( 9,912,788 )	( 45,968,868 )	( 76,467,178 )
Derecognition of Accumulated depreciation	-	-	-	-	-	55,232,335	55,232,335
Net carrying amount	<u>P 81,095,000</u>	<u>P 44,238,564</u>	<u>P 67,672,155</u>	<u>P 8,322,146</u>	<u>P 10,667,721</u>	<u>P 39,106,811</u>	<u>P 251,102,397</u>
Balance at January 1, 2019, net of accumulated depreciation, amortization, and impairment	P 81,095,000	P 50,226,912	P 81,387,870	P 16,802,165	P 19,455,306	P -	P 248,967,253
As previously stated Effect of PFRS 16 adoption	-	-	-	-	-	193,481,098	193,481,098
As restated	81,095,000	50,226,912	81,387,870	16,802,165	19,455,306	193,481,098	442,448,351
Additions	-	382,316	1,891,808	2,192,108	9,670,790	-	14,137,022
Depreciation and amortization charges for the year	-	( 3,634,011 )	( 10,215,337 )	( 5,742,447 )	( 9,916,857 )	( 48,370,275 )	( 77,878,927 )
Net carrying amount	<u>P 81,095,000</u>	<u>P 46,975,217</u>	<u>P 73,064,341</u>	<u>P 13,251,826</u>	<u>P 19,209,239</u>	<u>P 145,110,823</u>	<u>P 378,706,446</u>
Balance at January 1, 2018, net of accumulated depreciation, amortization, and impairment	P 81,095,000	P 45,335,500	P 36,617,101	P 18,160,216	P 16,935,355	P -	P 198,143,172
Additions	-	8,207,925	55,394,144	4,470,141	11,422,861	-	79,495,071
Disposals	-	-	-	( 273,978 )	-	-	( 273,978 )
Write-off	-	-	-	( 230,875 )	-	-	( 230,875 )
Depreciation and amortization charges for the year	-	( 3,316,513 )	( 10,623,375 )	( 5,323,339 )	( 8,902,910 )	-	( 28,166,137 )
Net carrying amount	<u>P 81,095,000</u>	<u>P 50,226,912</u>	<u>P 81,387,870</u>	<u>P 16,802,165</u>	<u>P 19,455,306</u>	<u>P -</u>	<u>P 248,967,253</u>

The amount of depreciation and amortization of property and equipment is presented as part of Depreciation and Amortization account under Costs and Expenses section of the consolidated statements of comprehensive income.

Property and equipment are subject to impairment testing whenever there is an indication that the carrying amount may be recoverable. No impairment loss was recognized in 2020 and 2019 as the recoverable amount of these assets is determined by management is higher than its carrying value.

The cost of fully depreciated assets still used in business amounted to P250.8 million and P196.9 million as of December 31, 2020 and 2019, respectively.

## 12. INTANGIBLE ASSET

This account is composed of the following:

	<u>Note</u>	<u>2020</u>	<u>2019</u>
Goodwill	1, 2.8	<b>P 78,326,757</b>	P 78,326,757
Software licences		<u>43,773,771</u>	<u>49,245,492</u>
		<b><u>P 122,100,528</u></b>	<b><u>P 127,572,249</u></b>

Goodwill arose from the acquisition of LBASSI and VVPI.

Goodwill arising from the acquisition of subsidiaries mentioned above were recognized based on management's expected future economic benefit and synergies that will result from combining the operation of the acquired subsidiaries.

The gross carrying amounts and accumulated amortization of software licenses at the beginning and end of 2020 and 2019 are shown below.

	<u>2020</u>	<u>2019</u>
Cost	<b>P 54,717,213</b>	P 54,717,213
Accumulated amortization	<b>(<u>10,943,442</u>)</b>	<b>(<u>5,471,721</u>)</b>
Net carrying amount	<b><u>P 43,773,771</u></b>	<b><u>P 49,245,492</u></b>

A reconciliation of the carrying amounts of intangible assets for the beginning and end of 2020, 2019 and 2018 is shown below.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Balance at beginning of year	<b>P 127,572,249</b>	P 133,043,970	P 78,326,757
Additions	-	-	54,717,213
Amortization expense for the year	<b>(<u>5,471,721</u>)</b>	<b>(<u>5,471,721</u>)</b>	-
Balance at end of year	<b><u>P 122,100,528</u></b>	<b><u>P 127,572,249</u></b>	<b><u>P 133,043,970</u></b>

The amount of amortization charges is presented as part of Depreciation and Amortization account under Costs and Expenses section of the 2020 consolidated statements of comprehensive income.

Intangible assets are subject to impairment testing whenever there is an indication that the carrying amount may be recoverable. No impairment loss was recognized in 2020 and 2019 as the recoverable amount of intangible assets determined by management is higher than its carrying value.

### 13. INVESTMENT PROPERTIES

The Group's investment properties pertain to building and office and commercial units held for lease and a parcel of land held for capital appreciation. Rental income recognized for the years ended December 31, 2020, 2019 and 2018 amounted to P66.6 million, P123.5 million and P41.2 million, respectively, and are presented as part of Rental Income in the consolidated statements of comprehensive income. Real estate taxes and depreciation substantially represent direct costs incurred related to these properties. Since all recorded investment properties earned rental income during the year, there were no direct operating expenses pertaining to investment properties not generating rental income. Real estate tax amounting to P1.5 million, P1.1 million and P1.4 million in 2020, 2019 and 2018, respectively, and repairs and maintenance amounting to P3.1 million, P0.1 million, P2.2 million in 2020, 2019 and 2018, respectively, were recognized as related expense in those years, and were presented as part of Taxes and Licenses and repairs and maintenance in the consolidated statements of comprehensive income.

The gross carrying amounts and accumulated depreciation of investment property at the beginning and end of 2020 and 2019 are shown below.

	Land	Held for Lease		Total
		Building	Other Properties	
December 31, 2020				
Cost	P 1,040,000	P 47,274,140	P 925,460,396	P 973,774,536
Accumulated depreciation	-	( 32,382,785)	( 270,253,693)	( 302,636,478)
Net carrying value	<u>P 1,040,000</u>	<u>P 14,891,355</u>	<u>P 655,206,703</u>	<u>P 671,138,058</u>
December 31, 2019				
Cost	P 1,040,000	P 47,274,140	P 925,460,396	P 973,774,536
Accumulated depreciation	-	( 30,255,449)	( 244,362,480)	( 274,617,929)
Net carrying value	<u>P 1,040,000</u>	<u>P 17,018,691</u>	<u>P 681,097,916</u>	<u>P 699,156,607</u>
January 1, 2019				
Cost	P 1,040,000	P 47,274,140	P 925,460,396	P 973,774,536
Accumulated depreciation	-	( 28,128,113)	( 218,471,267)	( 246,599,380)
Net carrying value	<u>P 1,040,000</u>	<u>P 19,146,027</u>	<u>P 706,989,129</u>	<u>P 727,175,156</u>

A reconciliation of the carrying amount of investment properties at the beginning and end of 2020, 2019 and 2018 is shown below.

	Land	Held for Lease		Total
		Building	Other Properties	
Balance at January 1, 2020, net of accumulated depreciation	P 1,040,000	P 17,018,691	P 681,097,916	P 699,156,607
Depreciation charges for the year	-	( 2,127,336)	( 25,891,213)	( 28,018,549)
Balance at December 31, 2020, net of accumulated depreciation	<u>P 1,040,000</u>	<u>P 14,891,355</u>	<u>P 655,206,703</u>	<u>P 671,138,058</u>
Balance at January 1, 2019, net of accumulated depreciation	P 1,040,000	P 19,146,027	P 706,989,129	P 727,175,156
Depreciation charges for the year	-	( 2,127,336)	( 25,891,213)	( 28,018,549)



	Held for Lease			Total
	Land	Building	Other Properties	
Balance at December 31, 2019, net of accumulated depreciation	P 1,040,000	P 17,018,691	P 681,097,916	P 699,156,607
Balance at January 1, 2018, net of accumulated depreciation	P 1,040,000	P 21,273,363	P 96,242,263	P 118,555,626
Reclassifications	-	-	636,638,078	636,638,078
Depreciation charges for the year	-	(2,127,336)	(25,891,212)	(28,018,548)
Balance at December 31, 2018, net of accumulated depreciation	P 1,040,000	P 19,146,027	P 706,989,129	P 727,175,156

The amount of depreciation on investment properties is presented as part of Depreciation and Amortization account under Costs and Expenses in the consolidated statements of comprehensive income.

Investment properties are subject to impairment testing whenever there is an indication that the carrying amount may be recoverable. No impairment loss was recognized in 2020 and 2019 as the recoverable amount of these assets is determined by management is higher than its carrying value.

Other information relating to fair value measurements and disclosures of investment properties are disclosed in Note 31.4.

#### 14. INTEREST-BEARING LOANS AND BORROWINGS

The details of interest bearing loans and borrowings from local banks are discussed below.

2020	2019	Explanatory Notes	Interest Rate	Security	Maturity
<b>P 100,000,000</b>	P 500,000,000	(a)	Fixed at 4.8% pa subject to annual repricing	Unsecured	2021
<b>583,333,352</b>	916,666,685	(b)	Fixed at 5.6% for 1 <sup>st</sup> and 2 <sup>nd</sup> tranches and 4.8% for the 3 <sup>rd</sup> tranche.	Unsecured	Up to 2022
<b>500,000,000</b>	-	(c)	Fixed rate of 3.1%	Unsecured	2021
<b>P 1,183,333,352</b>	P 1,416,666,685				

(a) *Philippine Peso, unsecured three-year loan due in 2021*

In 2018, the Group obtained an interest-bearing three-year loan from a local bank. The loan was released in February 2018 and subject to floating rate 4.8% and fixed at 7.7% starting in October 2018. The proceeds of the loan were used to fund the development of the Group's various real estate projects. The principal of the loan is payable in eight equal quarterly payments starting in February 23, 2019 with 1-year grace period and interest is payable quarterly in arrears

(b) *Philippine Peso, unsecured seven-year loan due in 2022*

In 2015, the Group obtained an interest-bearing seven-year P2.0 billion loan from a local bank. The loan was released in three tranches from 2015 to 2016 and bears fixed interest of 5.6% for the first and second tranches and 4.8% for the third tranche. The proceeds of the loan were used to fund the development of the Group's various real estate projects.

(c) *Philippine Peso, unsecured 90 days loan due in 2021*

In 2020, the Group obtained unsecured loans from local banks. The loans bear fixed interest rates at 3.1%. The proceeds of the loan were used to fund the development of the Group's various real estate projects. The principal of the loan is payable upon maturity and interest is payable monthly in arrears.

Certain bank loans require the Group to maintain a debt-to-equity ratio of not more than 1:1 and a current ratio of not less than 2:1. As of December 31, 2020 and 2019, the Group is in compliance with such financial covenant obligations.

The total interest on these interest-bearing loans and borrowings in 2020, 2019, and 2018 amounted to P64.9 million, P122.0 million, and P114.7 million, respectively. The loans are directly attributable to the construction of the Group's projects; hence, the related interest is capitalized as part of Real Estate Inventories account in the consolidated statements of financial position (see Note 7.1). In 2020 and 2019, however, certain interest was expensed outright since the projects related to certain loans are already completed (see Note 22.2). Unpaid interest as of December 31, 2020 and 2019 amounted to P1.5 million and P2.7 million, respectively, and is presented as Interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 15). Capitalization rate used in determining the amount of interest charges qualified for capitalization is 2.97%, 5.86% and 5.72% in 2020, 2019 and 2020.

Interest-bearing loans and borrowings are presented in the consolidated statements of financial position as follows:

	<u>2020</u>	<u>2019</u>
Current	<b>P 933,333,352</b>	P 733,333,352
Non-current	<b><u>250,000,000</u></b>	<u>683,333,333</u>
	<b><u>P 1,183,333,352</u></b>	<u>P 1,416,666,685</u>

## 15. TRADE AND OTHER PAYABLES

This account consists of:

	<u>Note</u>	<u>2020</u>	<u>2019</u>
Trade payable		<b>P 1,068,891,316</b>	P 1,555,858,580
Taxes payable		<b>74,648,165</b>	68,194,851
Accrued expenses		<b>49,626,896</b>	36,633,996
Interest payable	14	<b>1,535,405</b>	2,739,677
Miscellaneous		<b><u>1,876,374</u></b>	<u>11,103,507</u>
		<b><u>P 1,196,578,156</u></b>	<u>P 1,674,530,611</u>

Taxes payable pertains to withholding taxes payable and other statutory payables such as SSS, Philippine Health Insurance Corporation and Home Development Mutual Fund contribution.

Accrued expenses include the Group's obligations to its suppliers that are expected to be settled within 12 months from the end of the reporting period. These liabilities arise mainly from accrual of construction expenditures incurred during the year.

## 16. CUSTOMERS' DEPOSITS

Presented below are the details of this account.

	<u>2020</u>	<u>2019</u>
Advances from customers	<b>P4,170,603,679</b>	P 3,936,723,215
Other deposits	<u>976,348,329</u>	<u>831,756,534</u>
	<b><u>P5,146,952,008</u></b>	<b><u>P 4,768,479,749</u></b>

Advances from customers represent cash received from customers for real estate property purchases which have not yet complied with the sales recognition criteria of the Group. The advances are deducted from the contract price once the related real estate sales are recognized by the Group.

Other deposits mainly pertain to cash received from customers for miscellaneous fees and other related expenses to process the transfer of title to customers.

## 17. LEASES

The Group leases its office space with remaining lease term of two years and is presented as Right-of-use assets under Property and Equipment and as Lease Liabilities in the consolidated statements of financial position.

The lease does not have variable lease payments which depend on an index or a rate. The lease is non-cancellable and does not contain an option to purchase the underlying lease asset outright at the end of the lease, or to extend the lease for a further term without mutual agreement on both parties. The Group is prohibited from selling or pledging the underlying leased assets as security. The Group must also keep the property in a good state of repair and return the property in its original condition at the end of the lease. Further, the Group must incur maintenance fees on such items in accordance with the lease contracts.

In 2020, the Group pre-terminated the contract with its lessor for its leased assets located in Taguig. The lease term of this asset based on the original contract is for five years from January 1, 2018 to December 31, 2022. The Group has fully vacated the 10<sup>th</sup> and 11<sup>th</sup> floors of the leased premises last December 2020. Accordingly, the related lease liabilities and right-of-use assets were derecognized as of December 1, 2020. The gain on lease modification amounting to P9.0 million is presented as part of Miscellaneous under Other Income (Charges) in the 2020 consolidated statement of comprehensive income.

### 17.1 Lease Liabilities

Lease liabilities are presented in the consolidated statements of financial position as at December 31 as follows:

	<u>2020</u>	<u>2019</u>
Current	<b>P 35,797,100</b>	P 47,233,071
Non-current	<u>23,847,101</u>	<u>111,865,806</u>
	<b><u>P 59,644,201</u></b>	<b><u>P 159,098,877</u></b>

The movements in the lease liabilities recognized in the statements of financial position are as follows:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	<b>P 159,098,877</b>	P -
Adoption of PFRS 16	-	204,058,303
Cash flows from financing activities –		
Repayment of lease liability including interest	<b>( 13,866,415)</b>	( 52,824,441)
Non-cash financing activities:		
Lease modification	<b>( 93,463,135)</b>	-
Interest amortization on lease liabilities	<u>7,874,874</u>	<u>7,865,015</u>
	<b><u>P 59,644,201</u></b>	<b><u>P 159,098,877</u></b>

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's business strategy and the economic benefits of exercising such option exceeds the expected overall cost. As of December 31, 2020, the Group has no historical experience of exercising termination option for its existing lease agreement.

The undiscounted maturity analysis of lease liabilities at December 31, 2020 and 2019 are as follows:

	<u>Lease Payment</u>	<u>Interest Expense</u>	<u>Net Present Value</u>
<b>2020</b>			
Within one year	P 40,359,015	(P 4,561,915)	P 35,797,100
After one year but not more than two years	<u>24,719,896</u>	<u>( 872,795)</u>	<u>23,847,101</u>
	<b><u>P 65,078,911</u></b>	<b><u>(P 5,434,710)</u></b>	<b><u>P 59,644,201</u></b>
<b>2019</b>			
Within one year	P 55,465,664	(P 8,232,593)	P 47,233,071
After one year but not more than two years	58,238,947	( 5,364,955)	52,873,992
After two years but not more than three years	<u>61,150,894</u>	<u>( 2,159,080)</u>	<u>58,991,814</u>
	<b><u>P 174,855,505</u></b>	<b><u>(P 15,756,628)</u></b>	<b><u>P 159,098,877</u></b>

### ***17.2 Lease Payments Not Recognized as Liabilities***

The Group has elected not to recognize lease liability for short-term leases. Payments made under such leases are expensed on a straight-line basis.

The December 31, 2020 and 2019 expenses relating short-term leases amounted to P10.2 million and P37.4 million, respectively, are presented as Rentals under Other Expenses account in the consolidated statements of comprehensive income (see Notes 21.2).

### 17.3 Additional Profit or Loss and Cash Flow Information

The total cash outflow in 2020 and 2019 in respect of leases recognized as liabilities amounted to P13.8 million and P52.8 million, respectively. Interest expense relating to lease liabilities amounts to P7.9 million for both 2020 and 2019 and is presented as part of Finance Costs account under Costs and Expenses section of the consolidated statements of comprehensive income (see Notes 22.2 and 33).

## 18. OTHER CURRENT LIABILITIES

As of December 31, other current liabilities include the following:

	<u>Note</u>	<u>2020</u>	<u>2019</u>
Retention payable		<b>P 696,350,714</b>	P 732,983,812
Refund liability	21.2	<b>157,099,267</b>	126,614,798
Refundable deposits		<b>55,964,697</b>	56,770,491
Miscellaneous		<b><u>21,238,460</u></b>	<u>23,359,683</u>
		<b><u>P 930,653,138</u></b>	<u>P 939,728,784</u>

Retention payable pertains to amounts withheld from payments made to contractors to ensure compliance and completion of contracted projects, which ranges from 5% to 10% of every billing made by the contractor. Upon completion of the contracted projects, submission of required bonds and final acceptance of works, the amounts are returned to contractors.

Refund liability pertains to the amount due to buyers of real estate properties which is the cash surrender value of the payments made by them on the cancelled real estate contracts as required by Republic Act (R.A.) 6552, *Realty Installment Buyer Act*.

## 19. REAL ESTATE SALES

### 19.1 Disaggregation of Revenues

The Group derives revenues from sale of real properties and other income. An analysis of the Group's real estate sales is presented below and on the succeeding page.

	<u>2020</u>	2019 (As restated - see Note 2)	2018 (As Restated - see Note 2)
<b>Geographical areas</b>			
Within Metro Manila	<b>P 3,878,197,366</b>	P 3,538,380,366	P 2,941,285,380
Outside Metro Manila	<b><u>383,894,714</u></b>	<u>394,088,853</u>	<u>508,196,796</u>
	<b><u>P 4,262,092,080</u></b>	<u>P 3,932,469,219</u>	<u>P 3,449,482,176</u>
<b>Types of product or services</b>			
Residential condominium	<b>P 4,121,674,336</b>	P 3,594,313,181	P 3,281,222,293
Residential lots and house and lots	<b><u>140,417,744</u></b>	<u>338,156,038</u>	<u>168,259,883</u>
	<b><u>P 4,262,092,080</u></b>	<u>P 3,932,469,219</u>	<u>P 3,449,482,176</u>

## 19.2 Contract Accounts

### a. Contract Assets

The Group's contract assets are classified as follows:

	<u>2020</u>	<u>2019</u>
Current	<b>P 2,373,434,910</b>	P 1,602,894,215
Non-current	<u>15,340,770</u>	<u>348,984,364</u>
	<b><u>P 2,388,775,680</u></b>	<b><u>P 1,951,878,579</u></b>

The significant changes in the contract assets balance as of December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	<b>P 1,951,878,579</b>	P 2,690,070,792
Transfers from contract assets recognized at the beginning of year to trade receivables	<b>( 2,585,559,212)</b>	( 1,321,385,012)
Increase as a result of changes in measurement of progress	<u>3,022,456,313</u>	<u>583,192,799</u>
Balance at end of year	<b><u>P 2,388,775,680</u></b>	<b><u>P 1,951,878,579</u></b>

### b. Contract Liabilities

The Group's contract liabilities are classified as follows:

	<u>2020</u>	<u>2019</u>
Current	<b>P 50,028,890</b>	P 26,257,816
Non-current	<u>167,639,547</u>	<u>102,062,325</u>
	<b><u>P 217,668,437</u></b>	<b><u>P 128,320,141</u></b>

The significant changes in the contract liabilities balance as of December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	<b>P 128,320,141</b>	P 153,953,419
Revenue recognized that was included in contract liabilities at the beginning of year	<b>( 1,020,085,550)</b>	( 1,267,361,830)
Increase due to cash received excluding amount recognized as revenue during the year	<u>1,109,433,846</u>	<u>1,241,728,552</u>
Balance at end of year	<b><u>P 217,668,437</u></b>	<b><u>P 128,320,141</u></b>

### 19.3 Direct Contract Costs

The Group incurs sales commissions upon execution of contracts to sell real properties to customers. Incremental costs of commission incurred to obtain contracts are capitalized and are presented as part of Prepayments and Other Current Assets in the consolidated statements of financial position. These are amortized over the expected construction period on the same basis as how the Group measures progress towards complete satisfaction of its performance obligation in its revenue contracts. The total amount of amortization for 2020, 2019 and 2018 is presented as part of Commissions account under Cost and Expenses section of the consolidated statements of comprehensive income.

The movements in balances of deferred commission in 2020 and 2019 are presented below.

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	<b>P 168,090,758</b>	P 116,416,946
Additional capitalized cost	<b>38,264,955</b>	204,090,915
Amortization for the period	<b>(14,324,549)</b>	<b>(152,417,103)</b>
Balance at end of year	<b><u>P 192,031,164</u></b>	<b><u>P 168,090,758</u></b>

### 19.4 Transaction Price Allocated to Unsatisfied Performance Obligations

The aggregate amount of transaction price allocated to partially or wholly unsatisfied contracts as of December 31, 2020 and 2019 is P2.8 billion and P1.1 billion, respectively. As of December 31, the Group expects to recognize revenue from unsatisfied contracts as follows:

	<u>2020</u>	<u>2019</u>
Within a year	<b>P 1,030,870,676</b>	P 871,074,067
More than one year to three years	<b>1,634,042,299</b>	200,741,866
More than three years to five years	<b><u>127,376,263</u></b>	<b><u>5,562,683</u></b>
Balance at end of year	<b><u>P 2,792,289,238</u></b>	<b><u>P 1,077,378,616</u></b>

## 20. COST OF REAL ESTATE INVENTORIES

The total cost of real estate sales for the years ended December 31 is as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actual costs	<b>P 1,838,819,898</b>	P 1,794,872,773	P 1,618,285,480
Estimated costs	<b><u>698,356,997</u></b>	<b><u>397,341,536</u></b>	<b><u>439,943,395</u></b>
	<b><u>P 2,537,176,895</u></b>	<b><u>P 2,192,214,309</u></b>	<b><u>P 2,058,228,875</u></b>

The breakdown of the cost of real estate inventories are as follows (see Note 7):

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contracted services	<b>P 2,300,577,406</b>	P 1,961,608,183	P 1,870,564,914
Land cost	<b>161,300,849</b>	149,613,310	121,213,234
Borrowing cost	<b>49,594,420</b>	50,074,877	45,398,589
Other costs	<b><u>25,704,220</u></b>	<b><u>30,917,939</u></b>	<b><u>21,052,138</u></b>
	<b><u>P 2,537,176,895</u></b>	<b><u>P 2,192,214,309</u></b>	<b><u>P 2,058,228,875</u></b>

## 21. OTHER INCOME AND EXPENSES

### 21.1 Other Income

The details of this account are shown below.

	<u>Note</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Marketing and management fees	25.1	<b>P 192,637,740</b>	P 412,247,010	P 97,166,183
Forfeited collections and deposits		<b>99,942,494</b>	160,252,102	257,888,426
Tuition and miscellaneous fees		<b>37,289,624</b>	52,091,228	49,243,425
Miscellaneous		<b><u>9,285,798</u></b>	<u>260,876</u>	<u>12,409,434</u>
		<b><u>P 339,155,656</u></b>	<u>P 624,851,216</u>	<u>P 416,707,468</u>

Forfeited collections and deposits include reservation fees and all payments made by delinquent buyers, net of any loss on cancellations. This also includes portion of payments received by the Group upon approval of buyer's request to transfer to other units.

Miscellaneous fees include gain on lease modification, registration fees, medical and dental fees, laboratory fees, energy fees, and other fees charged to students upon enrollment.

### 21.2 Other Expenses

The breakdown of other expenses is shown below.

	<u>Notes</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Association dues		<b>P 109,669,019</b>	P 86,219,833	P 64,007,504
Loss on write-off	25.2	<b>40,643,067</b>	-	-
Provision for refund liability	18	<b>30,960,582</b>	44,969,122	22,732,643
Utilities		<b>13,822,704</b>	21,722,897	26,214,339
Repairs and maintenance		<b>13,491,348</b>	5,636,188	8,677,885
Security services		<b>10,795,393</b>	15,623,688	13,440,640
Rentals	17.2, 25.4	<b>10,205,625</b>	37,426,421	156,028,437
Office supplies		<b>10,095,362</b>	7,444,386	1,562,233
Training, seminars and other benefits		<b>8,643,959</b>	8,462,235	4,741,602
Janitorial services		<b>8,425,595</b>	11,045,464	4,624,572
Computer license subscription		<b>7,916,242</b>	354,320	301,170
Insurance		<b>6,538,057</b>	4,774,245	4,390,547
Professional fees	25.4	<b>5,842,003</b>	7,005,085	5,354,107
Documentation		<b>4,219,034</b>	2,245,156	7,481,843
Marketing events and awards		<b>2,843,230</b>	1,969,163	488,161
Outside services		<b>1,535,472</b>	4,676,853	5,474,414
Representation		<b>538,787</b>	148,487	4,449,506
Miscellaneous		<b><u>9,099,029</u></b>	<u>6,747,922</u>	<u>14,861,847</u>
		<b><u>P 295,284,508</u></b>	<u>P 266,471,465</u>	<u>P 344,831,450</u>

Miscellaneous expenses include bank charges, donations and contributions, trainings and seminars, motor vehicle registration and others.



Loss on write off includes the forgone collection of interest due from Megaworld Daewoo Corporation.

## 22. FINANCE INCOME AND FINANCE COSTS

### 22.1 Finance Income

The breakdown of this account is shown below.

	<u>Notes</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Interest income:				
Advances to related parties	25.2	P 238,584,906	P 211,040,685	P 170,272,035
Cash and cash equivalents	5	6,166,800	16,431,520	10,176,239
Trade and other receivables	6	13,476,523	3,261,112	11,591,540
Tuition fees		<u>835,724</u>	<u>1,270,768</u>	<u>1,164,548</u>
		259,063,953	232,004,085	193,204,362
Amortization of day-one loss on noninterest-bearing financial instruments	6	76,438,736	63,060,763	85,521,034
Dividend income	8	5,630,000	-	11,260,000
Foreign currency gain/ (loss) - net		<u>(585,742)</u>	<u>337,574</u>	<u>196,310</u>
		<u>P 340,546,947</u>	<u>P 295,402,422</u>	<u>P 290,181,706</u>

### 22.2 Finance Costs

The breakdown of Finance costs is shown below.

	<u>Notes</u>	<u>2020</u>	<u>2019</u> (As Restated - see Note 2)	<u>2018</u> (As Restated - see Note 2)
Interest expense on advances from related parties	25.1	P 287,547,306	P 265,222,159	P 248,283,000
Bank loans	14	28,626,652	38,953,861	-
Net interest expense on post-employment defined benefit obligation	23.2	14,285,788	21,530,445	31,651,201
Lease liabilities	17.1	<u>7,874,874</u>	<u>7,865,015</u>	<u>-</u>
		<u>P 338,334,620</u>	<u>P 333,571,480</u>	<u>P 279,934,201</u>

## 23. SALARIES AND EMPLOYEE BENEFITS

### 23.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

	<u>Note</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Short-term benefits		P 377,070,446	P 441,972,438	P 386,038,599
Post-employment benefits	23.2	<u>30,879,854</u>	<u>29,207,828</u>	<u>70,789,605</u>
		<u>P 407,950,300</u>	<u>P 471,180,266</u>	<u>P 456,828,204</u>

## 23.2 Post-employment Benefits

### (a) Characteristics of the Defined Benefit Plan

The Group maintains a partially-funded, tax qualified, non-contributory, post-employment defined benefit plan that is being administered by a trustee bank that is legally separated from the Group. The post-employment defined benefit plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The post-employment defined benefit plan provides for retirement ranging from 60% to 200% of final monthly salary for every year of credited service, but shall not be less than the regulatory benefit under the R.A. 7641, *The Retirement Pay Law*, or the applicable retirement law at the time of the member's retirement.

### (b) Explanation of the Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made regularly to update the retirement benefit costs and the amount of contributions. All amounts presented in the succeeding pages are based on the latest actuarial valuation reports obtained from independent actuaries.

The amounts of post-employment benefit recognized in the consolidated statements of financial position are determined as follow:

	<u>2020</u>	<u>2019</u>
Present value of the obligation	<b>P 473,563,902</b>	P 474,380,431
Fair value of the assets	<b>( 272,311,268)</b>	( 128,598,104)
	<b><u>P 201,252,634</u></b>	<b><u>P 345,782,327</u></b>

The movements in the present value of the post-employment DBO recognized in the books are as follows:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	<b>P 474,380,431</b>	P 387,550,743
Current service cost	<b>30,879,854</b>	29,207,828
Interest expense	<b>24,602,733</b>	29,135,630
Remeasurements:		
Actuarial losses (gains) arising from:		
Changes in financial assumptions	<b>( 19,824,305)</b>	65,009,970
Experience adjustments	<b>( 2,747,653)</b>	( 29,432,740)
Benefits paid	<b>( 23,792,635)</b>	( 7,091,000)
Settlement – (gain)/loss	<b>( 9,934,523)</b>	-
Balance at end of year	<b><u>P 473,563,902</u></b>	<b><u>P 474,380,431</u></b>

The movements in the fair value of plan assets are presented below.

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	<b>P 128,598,104</b>	P 82,267,116
Interest income	<b>10,316,945</b>	7,605,185
Loss on plan assets (excluding amounts included in net interest)	<b>( 5,615,007)</b>	( 2,183,197)
Actual contribution	<b>143,000,000</b>	48,000,000
Benefits paid	<b>( 3,988,774)</b>	( 7,091,000)
Balance at end of year	<b><u>P 272,311,268</u></b>	<u>P 128,598,104</u>

The Group's plan assets are composed of cash and cash equivalents amounting to P172.8 million and P84.7 million as of December 31, 2020 and 2019, respectively, and investment in government issued debt securities amounting to P75.2 million and P43.9 million as of December 31, 2020 and 2019 respectively.

The plan assets earned a return of P4.7 million and P5.4 million in 2020 and 2019, respectively.

The components of amounts recognized in the consolidated statements of comprehensive income in respect of the post-employment defined benefit plan are as follows:

	<u>Notes</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Reported in profit or loss:</i>				
Current service cost	23.1	<b>P 30,879,854</b>	P 29,207,828	P 70,789,605
Net interest expense	22.2	<b>14,285,788</b>	21,530,445	31,651,201
		<b><u>P 45,165,642</u></b>	<u>P 50,738,273</u>	<u>P 102,440,806</u>
<i>Reported in other comprehensive income (loss):</i>				
Actuarial gains (losses) arising from:				
- changes in financial assumptions		<b>P 19,824,305</b>	(P 65,009,970)	P 248,657,353
- experience adjustments		<b>2,747,653</b>	29,432,740	( 20,738,313)
- demographic assumption		-	-	107,979,278
Loss on plan assets (excluding amounts included in net interest)		<b>( 5,615,007)</b>	( 2,183,197)	( 1,456,880)
		<b><u>P 16,956,951</u></b>	<u>(P 37,760,426)</u>	<u>P 334,441,438</u>

Current service cost is presented as part of Salaries and Employee Benefits under Costs and Expenses section in the consolidated statements of comprehensive income while the amounts of net interest expense are included under Finance Costs under Costs and Expenses section in the consolidated statements of comprehensive income.

The amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>EELHI</i>			
Discount rates	3.95%	5.22%	7.53%
Expected rate of salary increases	4.00%	6.00%	7.00%
<i>EPHI:</i>			
Discount rates	3.77%	5.02%	7.45%
Expected rate of salary increases	6.72%	7.01%	7.51%
<i>LBASSI:</i>			
Discount rate	3.96%	5.17%	7.51%
Expected rate of salary increases	2.00%	2.00%	5.00%

The other subsidiaries currently do not have employees and their accounting and other administrative functions are being handled by the Group; hence, there was no cost of retirement benefits recognized.

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working life of an individual retiring at the age of 60 for both males and females is shown below.

	<u>Retirement Age</u>	<u>Average Remaining Working Life</u>
EELHI	60	29
LBASSI	60	20.9
EPHI	60	18

These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating the terms of the retirement obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Group to actuarial risks such as interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Risks*

The present value of the DBO is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents and debt securities. Due to the long-term nature of the plan obligation, a level of continuing debt investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) *Longevity and Salary Risks*

The present value of the DBO is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described on the succeeding page.

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the DBO as of December 31:

	<u>Impact on Post-employment Benefit Obligation</u>		
	<u>Change in Assumption</u>	<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>
<b>2020</b>			
<i>EELHI</i>			
Discount rate	+9.30% / -11.00% (P	34,705,219) P	41,257,899
Salary increase rate	+10.90%/ -9.40%	40,808,078 (	34,998,877 )
<i>EPHI</i>			
Discount rate	+/-0.50%	(P 5,017,080) P	5,510,017
Salary increase rate	+/-1.00%	10,761,481 (	9,166,040 )
<i>LBASSI</i>			
Discount rate	+/-1.00%	( 795,310)	947,719
Salary increase rate	+/-1.00%	957,384 (	816,844 )
<b>2019</b>			
<i>EELHI</i>			
Discount rate	+10.40%/-12.40% (P	40,538,974) P	48,252,329
Salary increase rate	+12.20%/ -10.40%	47,377,204 (	40,616,893 )
<i>EPHI</i>			
Discount rate	+/-0.50%	( 4,005,895)	4,447,001
Salary increase rate	+/-1.00%	8,752,712 (	7,462,155 )
<i>LBASSI</i>			
Discount rate	+/-1.00%	( 645,939)	767,420
Salary increase rate	+/-1.00%	785,097 (	670,356 )

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the DBO as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the DBO has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the DBO recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

*(ii) Asset-liability Matching Strategies*

To efficiently manage the retirement plan, the Group through its BOD, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in debt securities and maintaining cash and cash equivalents that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

There has been no change in the Group's strategies to manage its risks from previous periods.

*(iii) Funding Arrangements and Expected Contributions*

The plan is currently underfunded by P205 million based on the latest actuarial valuation. While there are no minimum funding requirements in the country, the size of the underfunding may pose a cash flow risk in about 20 years' time when a significant number of employees is expected to retire.

The Group expects to make contribution of at least P100.0 million to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan for the next 20 years follows:

	<u>2020</u>	<u>2019</u>
Within one year	<b>P 16,221,023</b>	P 18,638,465
More than one year to five years	<b>209,086,316</b>	174,254,768
More than five years to 10 years	<b>111,120,666</b>	155,723,305
More than 10 years to 15 years	<b>36,051,215</b>	34,047,586
More than 15 years to 20 years	<b>85,484,323</b>	57,670,896
More than 20 years	<b><u>282,239,296</u></b>	<u>363,568,972</u>
	<b><u>P 740,202,839</u></b>	<b><u>P 803,903,992</u></b>

The weighted average duration of the DBO at the end of the reporting period is 10.2 to 18 years.

## 24. TAXES

### *24.1 Registration with the Board of Investments (BOI)*

On April 11, 2014, the BOI approved the Group's application for registration as a New Developer of Low Cost Mass Housing Project on a Non-pioneer Status relative to its various units of Kasara Urban Resort Residences (Tower 1 and Tower 2) project. Under the registration, the applicable rights and privileges provided in the Omnibus Investment Code of 1987 shall equally apply and benefit the Group with certain incentives including income tax holiday (ITH) for a period of three years from the date of registration.

## 24.2 Current and Deferred Taxes

The components of tax expense reported in the consolidated statements of comprehensive income for the years ended December 31 are as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Reported in profit or loss:</i>			
Current tax expense:			
Regular corporate income tax (RCIT) at 30% and 10%	<b>P 37,661,816</b>	P 200,731,023	P 110,219,020
Minimum corporate income tax (MCIT) at 2%	<b>36,996,350</b>	-	-
Final tax at 20%, 15% and 7.5%	<b>1,224,081</b>	3,260,933	2,009,804
Deferred tax expense relating to origination and reversal of temporary differences	<u><b>178,082,100</b></u>	<u>102,668,785</u>	<u>122,070,099</u>
	<u><b>P 253,964,347</b></u>	<u>P 306,660,741</u>	<u>P 234,298,923</u>
<i>Reported in other comprehensive income (loss) –</i>			
Deferred tax expense (income) relating to origination and reversal of temporary differences	<u><b>P 5,317,683</b></u>	<u>(P 11,535,073)</u>	<u>P 99,951,148</u>

LBASSI, as an educational institution, is subject to 10% tax rate on its taxable income as defined under the tax regulations of the National Internal Revenue Code Section 27(B). LBASSI's deferred tax assets and deferred tax liabilities are, hence, recognized at 10%.

The reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense as reported in the profit or loss section of the consolidated statements of comprehensive income is as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Tax on pretax profit at 30% and 10%	<b>P 239,223,270</b>	P 277,123,037	P 233,272,351
Adjustment for income subjected to lower income tax rates	<b>( 610,671)</b>	( 1,573,728)	( 959,654)
Tax effects of:			
Excess of MCIT over RCIT	<b>7,220,828</b>	3,975,812	188,329
Nondeductible taxes and licenses	<b>4,229,546</b>	21,530,429	12,027,047
Nontaxable income	<b>( 1,689,000)</b>	-	( 3,396,387)
Nondeductible interest expense	<b>607,894</b>	1,591,798	977,826
Nondeductible expenses	<b>-</b>	-	105,397
Others - net	<u><b>4,982,480</b></u>	<u>4,013,393</u>	<u>( 7,915,986)</u>
	<u><b>P 253,964,347</b></u>	<u>P 306,660,741</u>	<u>P 234,298,923</u>

The net deferred tax liabilities as of December 31 relate to the following:

	Consolidated		Consolidated		
	Statements of Financial Position		Statement of Profit or Loss		
	2020	2019	2020	2019	2018
Deferred tax assets:					
Retirement benefit obligation	P 58,041,444	P 101,880,351	P 38,521,228	(P 524,287)	(P 20,532,367)
Lease liability	17,893,260	47,729,663	29,836,403	13,487,827	-
Provision for refund liability	47,129,780	37,984,439	( 9,145,341)	( 12,496,612)	( 6,819,793)
Unamortized past service cost	-	15,120	15,120	24,159	77,553
Net operating loss carry over (NOLCO)	-	-	-	1,530,631	( 1,530,631)
Accrued rent	-	-	-	-	812,253
Minimum corporate income tax (MCIT)	-	-	-	-	( 775,769)
	<u>123,064,484</u>	<u>187,609,573</u>	<u>59,227,410</u>	<u>2,021,718</u>	<u>( 28,768,754)</u>
Deferred tax liabilities:					
Uncollected realized gross profit	( 2,076,138,645)	( 1,892,750,595)	183,388,050	88,250,985	80,425,506
Capitalized borrowing cost	( 192,675,990)	( 229,611,622)	( 36,935,632)	11,362,641	67,041,449
Deferred commission	( 57,609,349)	( 50,427,228)	7,182,121	15,502,144	3,348,698
Right of use asset – net	( 9,030,393)	( 43,533,247)	( 34,502,854)	( 14,511,082)	-
Unrealized foreign exchange gains (loss) - net	175,723	( 101,272)	( 276,995)	42,379	23,200
	<u>( 2,335,278,654)</u>	<u>( 2,216,423,964)</u>	<u>118,854,690</u>	<u>100,647,067</u>	<u>150,838,853</u>
Net Deferred Tax Expense			<u>P 178,082,100</u>	<u>P 102,668,785</u>	<u>P 122,070,099</u>
Net Deferred Tax Liabilities - net	<u>(P 2,212,214,170)</u>	<u>(P 2,028,814,391)</u>			

Upon effectivity of PFRS 16, the Company recognized right-of-use asset and lease liabilities which have different timing for tax purposes; hence, the tax portion for these items are properly accounted for as part of the Company's deferred tax assets and deferred tax liabilities. Accordingly, the Company recognized net deferred tax liabilities as of January 1, 2020 and 2019.

The deferred tax income (expenses) presented in Other Comprehensive Income section in the consolidated statements of comprehensive income pertains to the tax effect of remeasurements of retirement benefit obligation which resulted to a tax expense amounting to P5.3 million in 2020 and P100 million in 2018 and tax income of P11.5 million in 2019.

The Group is subject to the MCIT which is computed at 2% of gross income as defined under the tax regulations, or RCIT, whichever is higher. The Group earned MCIT amounting to P37.0 million during 2020 which is valid until 2023.

The details of the Group's NOLCO that are valid and deductible from future taxable income are as follows:

Year	Original Amount	Valid Until
2020	P 10,971,069	2025
2019	13,826,773	2022
2018	<u>14,229,751</u>	2021
	<u>P 39,027,593</u>	

PCMI, EECI, SPLI, SOHI, VVPI and 20<sup>th</sup> did not recognize deferred tax assets on their respective NOLCO as management believes that the related deferred tax assets may not be recovered within the prescriptive period. The amount of NOLCO for the year ended 2020 for which the related deferred tax asset has not been recognized amounted to a total of P11.0 million with a total tax effect of P3.3 million. In 2019, EPHI was able to utilize its NOLCO incurred in 2018.

In 2020, 2019 and 2018, the Group opted to claim itemized deductions in computing for its income tax due.



## 25. RELATED PARTY TRANSACTIONS

The Group's related parties include its ultimate parent company, parent company, associate, related parties under common ownership, key management personnel, and the Group's retirement plan as described below and in the succeeding pages.

The summary of the Group's significant transactions and outstanding balances with its related parties are as follows:

Related Party Category	Notes	Amount of Transactions			Outstanding Balance	
		2020	2019	2018	2020	2019
<b>Ultimate Parent:</b>						
Financial assets at FVOCI	8	(P 119,356,000)	(P 27,024,000)	(P 461,660,000)	P1,193,560,000	P1,312,916,000
Dividend income	8, 22.1	5,630,000	-	11,260,000	-	-
<b>Parent:</b>						
Availment of advances	25.1, 25.5	( 498,326,915)	( 223,937,720)	( 1,206,232,131)	( 4,404,428,840)	( 3,906,101,925)
Rendering of services	25.2	90,004,074	144,484,332	161,473,041	659,169,669	669,771,982
Obtaining of services	25.4	1,452,360	829,920	933,660	-	-
<b>Associate –</b>						
Availment of advances	25.1	1,588,529	1,019,005	256,255,249	( 385,349,452)	( 386,937,980)
<b>Under common ownership:</b>						
Repayment (availment) of advances	25.1	35,852,041	24,147,958	50,000,000	( 447,981,690)	( 483,833,731)
Granting of advances	25.1	306,624,345	1,194,903,477	424,850,002	4,428,734,137	4,122,109,792
Rendering of services	25.2	198,241,879	405,730,341	71,434,364	79,049,056	310,883,408
Obtaining of services	25.4	-	-	( 62,014)	-	-
Sale of land	25.3	( 40,643,067)	-	-	-	40,643,067
<b>Key management personnel –</b>						
Compensation	25.6	74,927,456	51,492,157	67,299,168	-	-

Unless otherwise stated, the Group's outstanding receivables from and payables to related parties arising from interest-bearing and noninterest-bearing advances, joint venture agreements, lease of property and cash advances to related party are unsecured, collectible or payable on demand, and are generally settled in cash or through offsetting arrangements with the related parties (see Note 30.2).

There were no impairment losses recognized on the outstanding receivables from related parties in 2020, 2019 and 2018 based on management's ECL assessment.

### 25.1 Advances to and from Related Parties

The Group grants to and obtains unsecured advances from its parent company, stockholders, associate and other related parties for working capital purposes.

The Advances to Related Parties account represents the outstanding balances arising from cash advances granted by the Group to certain related parties under common ownership. Some of the advances to related parties are noninterest-bearing. The interest income arising from this interest-bearing advances is presented as part of Finance Income in the consolidated statements of comprehensive income (see Note 22.1). The change in the Advances to Related Parties account are shown on the succeeding page.

	<u>Note</u>	<u>2020</u>	<u>2019</u>
Balance at beginning of year		<b>P 4,122,109,792</b>	P 2,927,206,315
Interest income	22.1	<b>238,584,906</b>	211,040,685
Additional advances		<b>84,580,110</b>	1,000,904,052
Offset against advances		<b>( 15,322,922)</b>	( 17,041,260)
Reclassification		<b>( 1,217,749)</b>	-
Balance at end of year		<b><u>P 4,428,734,137</u></b>	<b><u>P 4,122,109,792</u></b>

The Advances from Related Parties account represents the outstanding balances arising from cash advances obtained by the Group from its parent company, associate and certain related parties under common ownership. The details as at December 31 are as follow:

	<u>2020</u>	<u>2019</u>
Parent	<b>P 4,404,428,840</b>	P 3,906,101,925
Associate	<b>385,349,452</b>	386,937,980
Other related parties	<b><u>447,981,690</u></b>	<u>483,833,731</u>
	<b><u>P 5,237,759,982</u></b>	<b><u>P 4,776,873,636</u></b>

The movement in the Advances from Related Parties account is shown below.

	<u>2020</u>	<u>2019</u>
Parent:		
Balance at beginning of year	<b>P 3,906,101,926</b>	P 3,682,164,205
Additions	<b>510,188,475</b>	235,080,527
Repayments	<b>( 11,861,561)</b>	( 11,142,806)
Balance at end of year	<b><u>P 4,404,428,840</u></b>	<b><u>P 3,906,101,926</u></b>
Associate:		
Balance at beginning of year	<b>P 386,937,979</b>	P 387,956,985
Additions	<b>-</b>	463,932
Repayments	<b>( 1,588,527)</b>	( 1,482,938)
Balance at end of year	<b><u>P 385,349,452</u></b>	<b><u>P 386,937,979</u></b>
Other related parties:		
Balance at beginning of year	<b>P 483,833,731</b>	P 507,981,689
Additions	<b>-</b>	42,807,365
Repayments	<b>( 35,852,041)</b>	( 66,955,323)
Balance at end of year	<b><u>P 447,981,690</u></b>	<b><u>P 483,833,731</u></b>

Cash advances from parent company bear fixed interest rate ranging between 7% and 12% per annum in 2020, 2019 and 2018. Interest expense is presented as part of Finance Costs account in the consolidated statements of comprehensive income.

## 25.2 Rendering of Services

The summary of services offered by the Group is presented below.

	<u>Amount of Transactions</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Management services	<b>P 169,000,227</b>	P 359,818,838	P 71,434,364
Commission income	<b>90,004,074</b>	134,220,853	112,516,507
Lease of property	<u>29,241,652</u>	<u>56,174,982</u>	<u>48,956,534</u>
	<b><u>P 288,245,953</u></b>	<b><u>P 550,214,673</u></b>	<b><u>P 232,907,405</u></b>

The Group handled the administrative functions of certain related parties under common ownership for the latter's ongoing construction and development activities. The amount of revenue earned from such transaction is recorded as part of Marketing and management fees under Other Income account in the consolidated statements of comprehensive income (see Note 21.1) while the outstanding balances are presented as Management fee receivable under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

The Group earns marketing fees from the sale of Megaworld's real estate properties. The marketing fee recognized is presented as Commission Income under Revenues and Income section in the consolidated statements of comprehensive income. The outstanding receivables related to these transactions are presented as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

The Group leases certain investment property to Megaworld in 2019 and a related party under common ownership in 2020 and 2019. The revenues earned from the lease are included as part of Rental Income account under Revenues and Income section in the consolidated statements of comprehensive income (see Note 28.1). The related outstanding receivables from these transactions are presented as part of Rent receivable under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

## 25.3 Sale of Land

In prior years, the Group sold, on account, to a related party under common ownership, a parcel of land which was used as site of the related party's project. The outstanding receivable, which pertains to the remaining unpaid interest, from this sale is presented as part of Interest receivable under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6). In 2020, this was derecognized and the related expense is presented as Loss on write-off under Other Expenses account in the 2020 consolidated statements of comprehensive income (see note 21.2).

#### ***25.4 Obtaining of Services***

The summary of services obtained by the Group as of December 31 is presented below.

	<u>Amount of Transactions</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Management fee	<b>P 1,452,360</b>	P 829,920	P 933,660
Lease of showroom and parking space	-	-	62,014
	<b><u>P 1,452,360</u></b>	<b><u>P 829,920</u></b>	<b><u>P 995,674</u></b>

The Group incurred management fees for accounting and marketing services obtained from its parent company and related parties under common ownership, and is presented as part of Professional fee under Other Expenses in the consolidated statements of comprehensive income (see Note 21.2). There was no outstanding payable from this transaction as of December 31, 2020 and 2019.

The Group's showroom and parking space are being leased from its related parties under common ownership. The related rental expenses are shown as part of Rentals under Other Expenses account in the 2018 consolidated statements of comprehensive income (see Note 21.2). There was no similar transaction in 2020 and 2019.

#### ***25.5 Joint Development Agreement with Parent Company***

The Group, together with Megaworld, executed a joint development agreement for the development of a mixed-use condominium project; whereby the Group shall contribute land and the parent company shall develop and sell the property. The entities shall be entitled to a certain percentage of the total saleable area based on the agreed sharing. The land contributed to the joint venture is presented as part of the Real Estate Inventories under Property development cost in the consolidated statements of financial position (see Note 7). As of the end of the reporting period, the property is still being developed and there are no profits received yet from this agreement.

#### ***25.6 Key Management Personnel Compensation***

The compensation of the Group's key management personnel are as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Short-term benefits	<b>P 45,886,016</b>	P 45,764,610	P 41,286,364
Post-employment benefits	<b><u>29,041,440</u></b>	<u>5,727,547</u>	<u>26,012,804</u>
	<b><u>P 74,927,456</u></b>	<b><u>P 51,492,157</u></b>	<b><u>P 67,299,168</u></b>

These are presented as part of Salaries and Employee Benefits account under Cost and Expenses section in the consolidated statements of comprehensive income for the years ended December 31, 2020, 2019 and 2018 (see Note 23.1).

### **25.7 Retirement Plan**

The Group has a formal retirement plan established separately for the Company, EPHI and LBASSI. The Group's retirement fund for its post-employment defined benefit plan is administered and managed by trustee banks. The fair value and the composition of the plan assets as of December 31, 2020 and 2019 are presented in Note 23.2. As of December 31, 2020 and 2019, the Group's retirement fund does not include any investments in any debt or equity securities issued by the Group or any of its related parties.

The Group's transactions with the fund mainly pertain to contributions, benefit payments and interest income.

The retirement fund neither provides any guarantees or surety for any obligation of the Group nor its investments covered by any restrictions or liens.

## **26. EQUITY**

### **26.1 Capital Stock**

Capital stock as of December 31, 2020 and 2019 consists of:

	<u>No. of Shares</u>	<u>Amount</u>
Common shares – P1 par value		
Authorized	<u>31,495,200,000</u>	<u>P31,495,200,000</u>
Issued	14,803,455,238	P14,803,455,238
Treasury shares – at cost	<u>( 127,256,071)</u>	<u>( 102,106,658)</u>
Total outstanding	<u>14,676,199,167</u>	<u>P14,701,348,580</u>
Preferred shares – P1 par value		
Authorized	<u>2,000,000,000</u>	<u>P 2,000,000,000</u>

Megaworld has 81.72% ownership interest in the Group as of December 31, 2020 and 2019.

The Series B preferred shares are nonredeemable, convertible into common shares and are nonvoting. The shares have zero coupon rates and shall not be entitled to dividends. The Series B preferred shares shall be convertible to common shares anytime after the end of the 18 months from the implementation date, May 29, 1998, as defined in the subscription agreements. There are no subscribed and issued preferred shares as of December 31, 2020 and 2019.

On April 24, 1996, the SEC approved the listing of the Group's shares totaling 425,000,000. The shares were issued at an offer price of P12.90 per share. As of December 31, 2020, 2019, and 2018, there are 12,402, 12,424 and 12,432 holders of the listed shares, respectively. The shares were listed and closed at a price of P0.31, P0.43 and P0.49 per share as of December 31, 2020, 2019 and 2018, respectively.

### **26.2 Additional Paid-in Capital**

The additional paid-in capital (APIC) pertains to the excess of the total proceeds received from the Group's shareholders over the total par value of the common shares. There were no movements in the Group's APIC accounts in 2020 and 2019.

### 26.3 Treasury Stock

On March 23, 2006, the Company's BOD authorized the buy-back of up to P1.0 billion worth of Group's shares of common stock within a 24-month period under certain terms and conditions as the Group's senior management may deem beneficial to the Group and its stockholders.

As of December 31, 2020 and 2019, the Group's treasury shares amounted to P102.1 million, representing the cost of 127,256,071 shares reacquired by the Company.

### 26.4 Revaluation Reserves

Revaluation reserves of the Group are composed of remeasurements on its retirement benefit obligation and fair value movements of the Group's financial assets at FVOCI (see Notes 8 and 23.2).

The components and reconciliation of items of other comprehensive income presented in the consolidated statement of changes in equity at their aggregate amount under Revaluation Reserves account, are shown below.

	<b>Financial Assets at FVOCI</b> <small>(see Note 8)</small>	<b>Retirement Benefit Obligation</b> <small>(see Note 23)</small>	<b>Total</b>
Balance as of January 1, 2020	(P 115,744,031)	P 698,410,183	P 582,666,152
Remeasurement of retirement benefit obligation	-	17,168,331	17,168,331
Fair value losses on FVOCI	( 119,356,000)	-	( 119,356,000)
Other comprehensive income (loss) before tax	( 119,356,000)	17,168,331	( 102,187,669)
Tax income	-	( 5,317,683)	( 5,317,683)
Other comprehensive income (loss) after tax	( 119,356,000)	11,850,648	( 107,505,352)
<b>Balance as of December 31, 2020</b>	<b>(P 235,100,031)</b>	<b>P 710,260,831</b>	<b>P 475,160,800</b>
Balance as of January 1, 2019	(P 88,720,031)	P 724,825,236	P 636,105,205
Remeasurement of retirement benefit obligation	-	( 37,950,126)	( 37,950,126)
Fair value losses on FVOCI	( 27,024,000)	-	( 27,024,000)
Other comprehensive income (loss) before tax	( 27,024,000)	( 37,950,126)	( 64,974,126)
Tax income	-	11,535,073	11,535,073
Other comprehensive income (loss) after tax	( 27,024,000)	( 26,415,053)	( 53,439,053)
<b>Balance as of December 31, 2019</b>	<b>(P 115,744,031)</b>	<b>P 698,410,183</b>	<b>P 582,666,152</b>
Balance as of January 1, 2018	P 372,939,969	P 490,684,456	P 863,624,425

	<b>Financial Assets at FVOCI</b> <small>(see Note 8)</small>	<b>Retirement Benefit Obligation</b> <small>(see Note 23)</small>	<b>Total</b>
Remeasurement of retirement benefit obligation	-	334,091,928	334,091,928
Fair value losses on FVOCI	( 461,660,000)	-	( 461,660,000)
Other comprehensive income (loss) before tax	( 461,660,000)	334,091,928	( 127,568,072)
Tax income	-	( 99,951,148)	( 99,951,148)
Other comprehensive income (loss) after tax	( 461,660,000)	234,140,780	( 227,519,220)
Balance as of December 31, 2018	(P 88,720,031)	P 724,825,236	P 636,105,205

### **26.5 Other Reserves**

Other reserves of the Group pertains to the difference between the fair value of consideration paid and the relevant share in the carrying value of the net assets of PCMI as a result of obtaining de facto control over PCMI in 2018 and any subsequent change in ownership interest in the subsidiary (see Notes 1.2 and 2.11).

### **26.6 Retained Earnings**

Retained earnings are restricted in the amount of P102.1 million representing the cost of 127,256,071 shares held in treasury as of the end of the reporting periods.

## **27. EARNINGS PER SHARE**

Basic and diluted earnings per share amounts were computed as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net profit attributable to parent Group's shareholders	<b>P 531,433,225</b>	P 622,021,871	P 534,218,365
Number of issued and outstanding common shares	<b><u>14,676,199,167</u></b>	<u>14,676,199,167</u>	<u>14,676,199,167</u>
Basic and diluted earnings per share	<b><u>P 0.036</u></b>	<u>P 0.042</u>	<u>P 0.036</u>

Diluted earnings per share equal the basic earnings per share since the Group does not have dilutive shares as of December 31, 2020, 2019 and 2018.

## 28. COMMITMENTS AND CONTINGENCIES

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

### *28.1 Operating Lease Commitments – Group as Lessor*

The Group is a lessor under various non-cancellable operating lease agreements covering real estate properties for commercial use. The leases have terms ranging from one to 10 years, with renewal options, and include annual escalation rates of 3% to 10%.

The future minimum rental receivable under these non-cancellable operating leases are as follows as of December 31:

	<u>2020</u>		<u>2019</u>		<u>2018</u>
Within one year	<b>P 73,179,235</b>	P	85,683,312	P	43,300,784
After one year but not more than two years	<b>67,771,176</b>		68,109,689		39,295,884
After two years but not more than three years	<b>36,987,651</b>		63,197,167		24,114,956
After three years but not more than four years	<b>17,281,540</b>		35,405,893		20,583,729
After four years but not more than five years	<b>14,626,756</b>		15,698,637		13,341,206
More than five years	<b><u>25,824,885</u></b>		<u>37,942,336</u>		<u>47,718,733</u>
	<b><u>P 235,671,243</u></b>	P	<u>306,037,034</u>	P	<u>188,355,292</u>

The total rentals from these operating leases amount to about P78.6 million, P154.5 million, and P111.1 million in 2020, 2019 and 2018, respectively, which are recognized as Rental Income account under Revenues and Income section in the consolidated statements of comprehensive income.

### *28.2 Legal Claims*

As of December 31, 2020 and 2019, the Group does not have any litigations within and outside the normal course of its business.

### *28.3 Credit Lines*

The Group has existing credit lines with local banks for a maximum amount of P4,020.0 million as of December 31, 2020 and 2019. The Group has unused lines of credit amounting to P1,220.0 million as of December 31, 2020 and 2019.

### *28.4 Capital Commitments*

As of December 31, 2020 and 2019, the Group has commitments amounting to P1.3 billion and P1.5 billion, respectively, for the construction expenditures in relation to the Group's joint venture (see Note 9).

### *28.5 Others*

There are other commitments and contingent liabilities that may arise in the normal course of operations of the Group which is not reflected in the consolidated financial statements. The management of the Group is of the opinion that losses, if any, from these items will not have any material effect on its consolidated financial statements, taken as a whole.



## 29. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

### **29.1 Market Risk**

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, and interest rate risk which results from both its operating, investing and financing activities.

#### *(a) Foreign Currency Risk*

There is no significant exposure to foreign currency risks since most of the Group's transactions are denominated in Philippine peso, which is its functional currency. The Group's financial asset denominated in foreign currency only pertains to cash and cash equivalents. However, the amount is insignificant to the financial statements as of December 31, 2020 and 2019. The Group has no financial liabilities denominated in foreign currency (see Note 22.1).

#### *(b) Interest Rate Risk*

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long-term borrowings are therefore usually obtained and negotiated at fixed rates. At December 31, 2020 and 2019, the Group is only exposed to changes in market interest through its cash and cash equivalents and long-term borrowings, which are deemed by management to be not significant.

All other financial assets and liabilities have either short-term maturities, noninterest-bearing or are subject to fixed rates (e.g. related party advances).

#### *(c) Other Price Risk*

The Group's market price risk arises from its investments carried at fair value (classified as financial assets at FVOCI). It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

For equity securities listed in the Philippines, the observed volatility rates of the fair values of the Group's investment held at fair value is determined based on the average market volatility in quoted prices, using standard deviation, in the previous 12 months, estimated at 99% level of confidence. An average volatility of 53.10% and 31.65% has been observed during 2020 and 2019, respectively. The impact on the Group's consolidated other comprehensive income and consolidated equity would have increased or decreased by P633.8 million and P415.6 million in 2020 and 2019, respectively.

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

The Group is not subject to commodity price risk.

## 29.2 Credit Risk

The maximum credit risk exposure of the Group is the carrying amount of the financial assets and contract assets as shown on the face of the consolidated statements of financial position (or in the detailed analysis provided in the notes to the consolidated financial statements), as summarized below.

	Notes	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	5	<b>P 2,129,720,752</b>	P 1,145,332,574
Trade and other receivables - net (excluding advances to suppliers and contractors and advances to condominium associations)	6	<b>6,939,710,083</b>	5,996,733,160
Contract assets	19.2	<b>2,388,775,680</b>	1,951,878,579
Advances to related parties	25.1	<b><u>4,428,734,137</u></b>	<u>4,122,109,792</u>
		<b><u>P 15,886,940,652</u></b>	<u>P 13,216,054,105</u>

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents, and trade receivables, as described below and in the succeeding pages.

### (a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

### (b) Trade and Other Receivables and Contract Assets

Trade and other receivables (excluding Advances to suppliers and contractors and advances to condominium associations) and contract assets are subject to credit risk exposure. The Group, however, does not identify specific concentrations of credit risk with regard to trade receivables and contract assets, as the amounts recognized resemble a large number of receivables from various customers. The Group also retains the titles to the property until such time that the trade receivables are fully collected. Repossessed properties are offered for sale to other customers.

Credit risk of receivables from sale of real estate properties is managed primarily through credit reviews and analyses of receivables on a regular basis. The Group undertakes credit review procedures for all installment payment terms. Customer payments are facilitated through the use of post-dated checks. Exposure to doubtful accounts is not substantial as title to real estate properties are not transferred to the buyers until full payment of the amortization has been made and the requirement for remedial procedures is negligible considering the Group's buyers' profile.

The Group has used the simplified approach in measuring ECL and has calculated ECL based on lifetime ECL. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rate is based on days past due of all customers as they have similar loss patterns. The credit enhancements such as advance payment and value of the real estate for sale are considered in the calculation of impairment as recoveries.

The Group considers trade receivables in default when contractual payments are 90 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. Furthermore, 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.

The management determined that there is no required ECL to be recognized since the real estate sold is collateralized to the related receivable arising from sale. Therefore, expected loss given default is nil as the recoverable amount from subsequent resale of the real estate is sufficient. The estimated fair value of the security enhancements held against contract receivables and contract assets are presented below.

		<u>Gross Maximum Exposure</u>	<u>Fair Value of Collaterals</u>	<u>Net Exposure</u>	<u>Financial Effect of Collaterals</u>
<u>2020</u>					
Contract assets	P	2,388,775,680	P 8,496,663,407	P -	P 2,388,775,680
Contract receivables		<u>5,080,986,344</u>	<u>15,742,504,517</u>	<u>-</u>	<u>5,080,986,344</u>
		<b><u>P 7,469,762,024</u></b>	<b><u>P 24,239,167,924</u></b>	<b><u>P -</u></b>	<b><u>P 7,469,762,024</u></b>
<u>2019</u>					
Contract assets	P	1,951,878,579	P 5,639,279,071	P -	P 1,951,878,579
Contract receivables		<u>4,272,368,810</u>	<u>11,083,450,002</u>	<u>-</u>	<u>4,272,368,810</u>
		<b><u>P 6,224,247,389</u></b>	<b><u>P 16,722,729,073</u></b>	<b><u>P -</u></b>	<b><u>P 6,224,247,389</u></b>

Other components of receivables such as rental receivables and others are also evaluated by the Group for impairment and assessed that no ECL should be provided. A significant portion of the Group's rental receivables are from Megaworld, wherein the impairment of receivables is assessed using the latter's ability to pay [see Note 29.2(c)]. The remaining rental receivables are secured to the extent of advance rental and rental deposit received from the lessees, which are on average equivalent to six months.

Some of the unimpaired trade receivables and other receivables, which are mostly related to real estate sales, are past due as at the end of the reporting period. The trade receivables that are past due but not impaired are as follows:

	<u>2020</u>	<u>2019</u>
Not more than three months	<b>P 104,230,372</b>	P 94,750,304
More than three months but not more than six months	<b>182,085,683</b>	161,439,766
More than six months but Not more than one year	<b>205,054,965</b>	186,364,489
More than one year	<b><u>71,431,466</u></b>	<u>63,913,761</u>
	<b><u>P 562,802,486</u></b>	<b><u>P 506,468,320</u></b>

(c) *Advances to Related Parties and Rent Receivable and Management Fee Receivable from Related Parties*

ECL for advances to related parties, including rent and management fee receivables, are measured and recognized using the liquidity approach. Management determines possible impairment based on the related party's ability to repay the advances upon demand at the reporting date taking into consideration the historical defaults from the related parties.

The Group does not consider any significant risks in the advances to other related parties with financial difficulty since Megaworld, whose credit risk for liquid funds is considered negligible, have committed to financially support these related parties as part of AGI and its long-term corporate strategy. As of December 31, 2020 and 2019, the aggregate impairment allowance on balances from Megaworld and other related parties is identified to be not material.

The table below shows the credit quality by class of financial assets and contract assets as of December 31, 2020.

	Neither Past Due nor Specifically Impaired			Past Due or	Total
	High Grade	Standard Grade	Substandard Grade	Individually Impaired	
Cash and cash equivalents	P 2,129,720,752	P -	P -	P -	P 2,129,720,752
Trade and other receivables	-	6,376,907,597	-	562,802,486	6,939,710,083
Contract assets	-	2,388,775,680	-	-	2,388,775,680
Advances to related parties	-	4,428,734,137	-	-	4,428,734,137
	<b><u>P 2,129,720,752</u></b>	<b><u>P 13,194,417,414</u></b>	<b><u>P -</u></b>	<b><u>P 562,802,486</u></b>	<b><u>P 15,886,940,652</u></b>

This compares with the credit quality by class of financial assets as of December 31, 2019.

	Neither Past Due nor Specifically Impaired			Past Due or	Total
	High Grade	Standard Grade	Substandard Grade	Individually Impaired	
Cash and cash equivalents	P 1,145,332,574	P -	P -	P -	P 1,145,332,574
Trade and other receivables	-	5,490,264,840	-	506,468,320	5,996,733,160
Contract assets	-	1,951,878,579	-	-	1,951,878,579
Advances to related parties	-	4,122,109,792	-	-	4,122,109,792
	<b><u>P 1,145,332,574</u></b>	<b><u>P 11,564,253,211</u></b>	<b><u>P -</u></b>	<b><u>P 506,468,320</u></b>	<b><u>P 13,216,054,105</u></b>

The Group uses an internal credit rating concept based on the counterparties' overall credit worthiness as follows:

*High Grade* – Rating given to counterparties who have very strong capacity to meet their obligations.

*Standard Grade* – Rating given to counterparties whose outstanding obligation is within the acceptable age of group.

*Substandard Grade* – Rating given counterparties whose outstanding obligation is nearing to be past due or impaired.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

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

### **29.3 Liquidity Risk**

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business.

Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for 6-month and one-year periods are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at December 31, 2020, the Group's financial liabilities have contractual maturities which are presented below.

	<u>Within One Year</u>	<u>One to Five Years</u>
Interest-bearing loans and borrowings	P 965,307,138	P 257,707,050
Trade and other payables	1,122,234,079	-
Lease liabilities	40,359,015	24,719,896
Advances from related parties	5,237,759,982	-
Other current liabilities	<u>752,315,411</u>	<u>-</u>
	<b><u>P8,117,975,625</u></b>	<b><u>P 282,426,946</u></b>

As at December 31, 2019, the Group's financial liabilities have contractual maturities which are presented below.

	<u>Within One Year</u>	<u>One to Five Years</u>
Interest-bearing loans and borrowings	P 811,207,266	P 721,232,438
Trade and other payables	1,606,335,760	-
Lease liabilities	55,465,664	119,389,841
Advances from related parties	4,776,873,636	-
Other current liabilities	<u>789,754,303</u>	<u>-</u>
	<b><u>P8,039,636,629</u></b>	<b><u>P 840,622,279</u></b>

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

### 30. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

#### *30.1 Carrying Amounts and Fair Values by Category*

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown on the succeeding page.

	Notes	2020		2019	
		Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
<b>Financial assets</b>					
Financial assets at amortized cost					
Cash and cash equivalents	5	P 2,129,720,752	P 2,129,720,752	P 1,145,332,574	P 1,145,332,574
Trade and other receivables - net	6	6,939,710,083	7,041,762,586	5,996,733,160	6,073,171,896
Contract assets	19.2(a)	2,388,775,680	2,388,775,680	1,951,878,579	1,951,878,579
Advances to related parties	25.1	4,428,734,137	4,428,734,137	4,122,109,792	4,122,109,792
		<u>15,886,940,652</u>	<u>15,988,993,155</u>	<u>13,216,054,105</u>	<u>13,292,492,841</u>
Financial assets at FVOCI	8	<u>1,193,560,000</u>	<u>1,193,560,000</u>	<u>1,312,916,000</u>	<u>1,312,916,000</u>
		<u>P 17,080,500,652</u>	<u>P 17,182,553,155</u>	<u>P 14,528,970,105</u>	<u>P 14,605,408,841</u>
<b>Financial Liabilities at amortized cost</b>					
Interest-bearing					
loans and borrowings	14	P 1,183,333,352	P 1,223,014,188	P 1,416,666,685	P 1,309,618,990
Trade and other payables	15	1,121,929,991	1,121,929,991	1,606,335,760	1,606,335,760
Lease liabilities	17.1	59,644,201	59,644,201	159,098,877	159,098,877
Advances from related parties	25.1	5,237,759,982	5,237,759,982	4,776,873,636	4,776,873,636
Other current liabilities	18	752,315,411	752,315,411	789,754,303	789,754,303
		<u>P 8,354,982,937</u>	<u>P 8,394,663,773</u>	<u>P 8,748,729,261</u>	<u>P 8,641,681,566</u>

Management considers that the fair values of the above enumerated financial assets and financial liabilities measured at amortized costs approximate their carrying values either because these instruments are short-term in nature or the effect of discounting for those with maturities of more than one year is not material (except for interest-bearing loans and borrowings).

See Notes 2.4 and 2.10 for the description of the accounting policies for each category of financial instruments. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 29.

### 30.2 Offsetting of Financial Assets and Financial Liabilities

The following financial assets with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated statement of financial position	Related amounts not set-off in the consolidated statement of financial position		Net amount
	Financial assets	Financial liabilities set-off		Financial instruments	Collateral received	
<b>December 31, 2020</b>						
Advances to related parties	<u>P 4,434,057,059</u>	<u>(P 5,322,922)</u>	<u>P 4,428,734,137</u>	<u>P -</u>	<u>P -</u>	<u>P 4,428,734,137</u>
<b>December 31, 2019</b>						
Advances to related parties	<u>P 4,128,494,803</u>	<u>(P 6,385,011)</u>	<u>P 4,122,109,792</u>	<u>P -</u>	<u>P -</u>	<u>P 4,122,109,792</u>

The following financial liabilities with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated statement of financial position	Related amounts not set-off in the consolidated statement of financial position		Net amount
	Financial liabilities	Financial assets set-off		Financial instruments	Collateral provided	
<b>December 31, 2020</b>						
Interest-bearing loans and borrowings	P 1,183,333,352	P -	P 1,183,333,352	(P 761,753,242)	P -	P 421,580,110
Advances from related parties	<u>5,237,759,982</u>	<u>-</u>	<u>5,237,759,982</u>	<u>-</u>	<u>(1,037,430)</u>	<u>5,236,722,552</u>
	<u>P 6,421,093,334</u>	<u>P -</u>	<u>P 6,421,093,334</u>	<u>(P 761,753,242)</u>	<u>(P 1,037,430)</u>	<u>P 5,658,302,662</u>

	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated statement of financial position	Related amounts not set-off in the consolidated statement of financial position		Net amount
	Financial liabilities	Financial assets set-off		Financial instruments	Collateral provided	
December 31, 2019						
Interest-bearing loans and borrowings	P 1,416,666,685	P -	P 1,416,666,685	(P 47,283,039)	(P 28,498,690)	P 1,340,884,956
Advances from related parties	4,776,873,636	-	4,776,873,636	-	(247,328)	4,776,626,308
	<u>P 6,193,540,321</u>	<u>P -</u>	<u>P 6,193,540,321</u>	<u>(P 47,283,039)</u>	<u>(P 28,746,018)</u>	<u>P 6,117,511,264</u>

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements, each agreement between the Group and counterparties (i.e., related parties including subsidiaries and associates) allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

## 31. FAIR VALUE MEASUREMENT AND DISCLOSURES

### 31.1 Fair Value Hierarchy

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

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

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

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

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

### 31.2 Financial Instruments Measured at Fair Value

As of December 31, 2020 and 2019, only the equity securities classified as financial assets at FVOCI in the consolidated statements of financial position is classified as Level 1. These securities were valued based on their market prices quoted in the PSE at the end of each reporting period (see Note 8). There were no other financial assets measured at fair value on these dates. Further, the Group has no financial liabilities measured at fair value as of December 31, 2020 and 2019.

There were no transfers between Levels 1 and 2 in both years.

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

Management considers that due to the short duration of these financial assets (except long-term receivables) and financial liabilities measured at amortized cost, their carrying amounts as of December 31, 2020 and 2019 approximate their fair value. Except for cash and cash equivalents which are classified under Level 1, all other financial instruments are classified under Level 3 wherein inputs are not based on observable data.

The fair values of the financial assets and financial liabilities included in Level 3 which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

### 31.4 Fair Value Measurement of Non-Financial Assets

The table below and on the succeeding page shows the Levels within the hierarchy of investment properties for which fair value is disclosed as of December 31, 2020 and 2019.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>December 31, 2020</b>				
Land	P -	P -	P 40,348,000	P 40,348,000
Buildings and office/commercial units	-	-	<u>2,959,299,395</u>	<u>2,959,299,395</u>
	<u>P -</u>	<u>P -</u>	<u>P 2,999,647,395</u>	<u>P 2,999,647,395</u>
<b>December 31, 2019</b>				
Land	P -	P -	P 40,320,000	P 40,320,000
Buildings and office/commercial units	-	-	<u>2,774,385,046</u>	<u>2,774,385,046</u>
	<u>P -</u>	<u>P -</u>	<u>P 2,814,705,046</u>	<u>P 2,814,705,046</u>

As at December 31, 2020 and 2019, the fair value of the Group's investment properties is classified within Level 3 of the fair value hierarchy. The Group determines the fair value of the investment property using market-based approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property. On the other hand, if the observable recent prices of the reference properties were not adjusted, the fair value is included in Level 2. The most significant input into this valuation approach is the price per square meter; hence, the higher the price per square meter, the higher the fair value.



Also, there were no transfers into or out of Level 3 fair value hierarchy in 2020 and 2019.

### 32. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Capital components for cost of capital purposes include loans and borrowings, preferred stock, common equity and retained earnings. The Group may issue new shares and may prepay some of its interest-bearing loans. Further, it intends to allocate its earnings and available cash in the acquisition and development of new/existing properties to ensure continuous business activities.

The Group monitors its capital gearing by measuring the ratio of interest-bearing loans and borrowings to total capital. As of December 31, the Group's ratio of interest-bearing loans and borrowings to equity is as follows:

	<u>2020</u>	<u>2019</u>
Interest-bearing loans and borrowings	<b>P 1,183,333,352</b>	P 1,416,666,685
Total equity	<b><u>29,020,950,651</u></b>	<u>28,603,725,056</u>
Debt-to-equity ratio	<b><u>0.04 : 1.00</u></b>	<u>0.05 : 1.00</u>

The Group has complied with its covenant obligations, including maintaining the required debt-to-equity ratio for both years (see Note 14).

### 33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below is the reconciliation of the Group's liabilities arising from financing activities, which includes both cash and non-cash changes.

	<u>Interest-bearing Loans and Borrowings (See Note 14)</u>	<u>Advances from Related Parties (See Note 25.2)</u>	<u>Lease Liabilities (See Note 17.1)</u>	<u>Interest Payable (See Note 15)</u>	<u>Total</u>
Balance as at January 1, 2020	P 1,416,666,685	P 4,776,873,636	P 159,098,877	P 2,739,677	P 6,355,378,875
Cash flows from financing activities:					
Repayment of loans and borrowings	( 733,333,333 )	( 49,302,129 )	( 13,866,415 )	( 64,977,678 )	( 861,479,555 )
Additional loans and borrowings	500,000,000	222,641,168	-	-	722,641,168
Non-cash financing activities:					
Effect of derecognition of PFRS 16	-	-	( 93,463,135 )	-	( 93,463,135 )
Accrual of interest	-	287,547,307	7,874,874	63,773,406	359,195,587
Balance as of December 31, 2020	<b><u>P 1,183,333,352</u></b>	<b><u>P 5,237,759,982</u></b>	<b><u>P 59,644,201</u></b>	<b><u>P 1,535,405</u></b>	<b><u>P 6,482,272,940</u></b>
Balance as at January 1, 2019	P 2,056,736,482	P 4,578,102,879	P -	P 6,462,956	P 6,641,302,317
Cash flows from financing activities:					
Additional loans and borrowings	-	13,129,665	-	-	13,129,665
Repayment of loans and borrowings	( 640,069,797 )	( 79,581,067 )	( 52,824,440 )	( 125,733,749 )	( 898,209,053 )
Non-cash financing activities:					
Effect of adoption of PFRS 16	-	-	204,058,302	-	204,058,302
Accrual of interest	-	265,222,159	7,865,015	122,010,470	395,097,644
Balance as of December 31, 2019	<u>P 1,416,666,685</u>	<u>P 4,776,873,636</u>	<u>P 159,098,877</u>	<u>P 2,739,677</u>	<u>P 6,355,378,875</u>

In 2019, PCMI issued its subscribed shares to AGI for a total consideration of P930.0 million. There was no similar transaction in 2018 and 2020.

### 34. EVENT AFTER THE END OF THE REPORTING PERIOD

On March 26, 2021, R.A. No. 11534, Corporate Recovery and Tax Incentives for Enterprises Act (CREATE Law), amending certain provisions of the National Internal Revenue Code of 1997, as amended, was signed into law and shall be effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Law that are relevant to the entities within the Group:

- regular corporate income tax rate is decreased from 30% to 25% starting July 1, 2020;
- minimum corporate income tax rate is decreased from 2% to 1% starting July 1, 2020 until June 30, 2023;
- the imposition of 10% tax on improperly accumulated retained earnings is repealed; and,
- the allowable deduction for interest expense is reduced by 20% (from 33%) of the interest income subjected to final tax.

Given that the CREATE Act was signed after the end of the current reporting period, the Group determined that this event is a non-adjusting subsequent event. Accordingly, its impact was not reflected in the Group's consolidated financial statements as of and for the year ended December 31, 2020, and instead, will be taken up prospectively in the next applicable reporting period. The Group used the prevailing tax rates as of December 31, 2020 in determining its current and deferred taxes in its 2020 consolidated financial statements.

As a result of the application of the lower RCIT rate of 25% starting July 1, 2020, the current income tax expense and income tax payable, as presented in the 2020 annual income tax return (ITR) of some entities within the Group, would be lower than the amount presented in the 2020 consolidated financial statements.

In addition, the recognized net deferred tax assets (or liability) as of December 31, 2020 would be remeasured to 25% in the 2021 consolidated financial statements except for LBASSI. This will result in a decline in the recognized deferred tax liabilities by around P14.8 million, and decline in current tax by P12.4 million in 2020 and will be charged to 2021 profit or loss, unless it can be recognized in other comprehensive income as provided in the applicable financial reporting standard. DTA would be at 1% corporate income tax rate on Proprietary Educational Institutions amounting to P0.89 million for LBASSI.



**Report of Independent Auditors  
to Accompany Supplementary  
Information Required by the  
Securities and Exchange  
Commission Filed Separately from the  
Basic Consolidated Financial Statements**

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The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

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**The Board of Directors and Stockholders  
Empire East Land Holdings, Inc. and Subsidiaries  
(A Subsidiary of Megaworld Corporation)**  
12<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street cor. 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Empire East Land Holdings, Inc. and Subsidiaries (the Group) for the year ended December 31, 2020, on which we have rendered our report dated April 7, 2021. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of Revised Securities Regulation Code Rule 68, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

**PUNONGBAYAN & ARAULLO**

By: **Renan A. Piamonte**  
Partner

CPA Reg. No. 0107805  
TIN 221-843-037  
PTR No. 8533237, January 4, 2021, Makati City  
SEC Group A Accreditation  
Partner - No. 107805-SEC (until Dec. 31, 2023)  
Firm - No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002511-037-2019 (until Sept. 4, 2022)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 7, 2021

**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Megaworld Corporation)*

December 31, 2020

<u>Schedule</u>	<u>Content</u>	<u>Page No.</u>
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*\*Information therein are based on the separate financial statements of the Parent Company*

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES  
*(A Subsidiary of Megaworld Corporation)*  
 Schedule A - Financial Asset at Fair Value Through Other Comprehensive Income  
 December 31, 2020

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount in Peso	Equity in earnings (losses) of investee for the period	Other	Distribution of earnings by investee	Other	Number of shares or principal amount of bonds and notes	Amount in Peso	Dividends received from investments not accounted for by the equity method
Financial Asset at Fair Value Through OCI									
Alliance Global Group, Inc.	112,600,000.00	1,193,560,000.00						1,193,560,000	

**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES**

*(A Subsidiary of Megaworld Corporation)*

**Schedule B- Amounts Receivable from Directors, Officers, Employees, Related Parties and  
Principal Stockholders (Other than Related Parties)**

December 31, 2020

Name and designation of debtor	Balance at Beginning of period	Additions/Transfer 2020	Deductions		Ending Balance		Balance at end of period
			Amounts collected	Amounts written off	Current	Not current	
Asuncion, Amiel Victor A.	77,406		(77,406)		-		-
Cacho, Evelyn G.	564,797		(173,029)		391,768		391,768
Edaño, Dennis E.	881,296		(127,306)		753,990		753,990
Garilao, Leilani M.	70,544		(70,544)		-		-
Gregorio, Ricardo B.	504,183		(139,661)		364,522		364,522
Jacobe, Joel Ramon A.	153,827		(73,376)		80,451		80,451
Jacobe, Elmer Y.	349,944		(73,228)		276,716		276,716
Llaga, Jhoanna Lyndelou T.	238,601		(128,780)		109,821		109,821
Lopez, Mark Lawrence D.	333,657		(74,147)		259,510.00		259,510
Libago, Ricky S.	874,482		(196,760)		677,722		677,722
Madrdejos, Arminius M.	452,263		(138,571)		313,692		313,692
Manansala, Kim Camille B.	153,913		(73,376)		80,537		80,537
Ramos, Franemil T.	814,135		(225,862)		588,273		588,273
Romero, Gemma O.	340,174		(73,778)		266,396		266,396
Sioson-Bumatay, Celeste Z.	1,213,986		(129,639)		1,084,347		1,084,347
	<u>7,023,208</u>	<u>-</u>	<u>(1,775,463)</u>	<u>-</u>	<u>5,247,745</u>	<u>-</u>	<u>5,247,745</u>

*Note: Please refer to Schedule C for Amounts Receivable from Related parties.*

**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Megaworld Corporation)*  
**Schedule C - Amounts Receivable from Related Parties which are Eliminated**  
**during the Consolidation of Financial Statements**  
**December 31, 2020**

Name and Designation of debtor	Balance of beginning period	Balance at the end of period
Eastwood Properties Holdings, Inc.	864,942,444	864,942,444
Empire East Communities Inc.	233,435,175	232,735,070
Valle Verde Properties, Inc.	63,832,335	64,188,046
Sonoma Premier Land Inc.	22,030,437	22,235,294
Sherman Oak Holdings Inc.	20,070,536	20,275,543
20th Century Properties, Inc.	726,351	977,362
Laguna Bel Air Science School, Inc.	11,687,889	-
<b>TOTAL</b>	<u>1,216,725,167</u>	<u>1,205,353,759</u>

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES

(A Subsidiary of Megaworld Corporation)

Schedule D - Intangible Assets - Other Assets

December 31, 2020

Description	Beginning Balance	Additions at Cost	Deduction			Ending Balance
			Charged to Cost and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	
Goodwill	78,326,757					78,326,757
Computer software	54,717,213		(10,943,442)			43,773,771
	<u>133,043,970</u>	-	<u>(10,943,442)</u>	-	-	<u>122,100,528</u>



EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES  
*(A Subsidiary of Megaworld Corporation)*  
 Schedule E - Long-Term Debt  
 December 31, 2020

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption "Current Portion of Long-term Debt" in Related Statement of Financial Position	Amount Shown Under Caption "Long-term Debt" in related Statement of Financial Position
Loans	1,183,333,352	933,333,352	250,000,000

*Unsecured fixed-interest Loans are payable up to 2022 and bears fixed interest rates from 3.1 % to 5.6%.*

**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Megaworld Corporation)*  
**Schedule F - Indebtedness to Related Parties (Other than Affiliates)**  
**December 31, 2020**

Name of Related Party	Balance at Beginning of Year	Balance at End of Year
Megaworld Corporation	P 3,906,101,926	P 4,404,428,840
Gilmore Property Marketing Association	386,937,980	385,349,452
McKester Piknik International Ltd.	429,852,042	394,000,001
Others	53,981,689	53,981,689
	4,776,873,637	5,237,759,982
	4,776,873,637	5,237,759,982

**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES**

*(A Subsidiary of Megaworld Corporation)*

Schedule H - Capital Stock

December 31, 2020

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under the Related Statement of Financial Position Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by		
				Related Parties	Directors, Officers and Employees	Others
Preferred shares	2,000,000,000	-				
Common shares	31,495,200,000	14,676,199,167 *		11,994,426,438	24,324,913	2,657,447,816

*\* Number of shares issued and outstanding net of 127,256,071 Treasury Shares.*

**EMPIRE EAST LAND HOLDINGS, INC.**  
*(A Subsidiary of Megaworld Corporation)*  
**12th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig city**  
**Reconciliation of Retained Earnings Available for Dividend Declaration**  
**For the Year Ended December 31, 2020**

<b>Unappropriated Retained Earnings at Beginning of Year,</b>		P 6,335,528,178
<b>Prior Years' Outstanding Reconciling Items, net of tax</b>		
Deferred tax income	(	<u>182,199,562</u> )
<b>Unappropriated Retained Earnings Available for</b>		
<b>Dividend Declaration at Beginning of Year, as Adjusted</b>		6,153,328,616
<b>Net Profit Realized during the Year</b>		
Net profit per audited financial statements		454,355,723
Non-actual/unrealized income, net of tax		
Deferred tax income	(	60,807,262)
<b>Retained Earnings Restricted for Treasury Shares</b>	(	<u>102,106,658</u> )
<b>Unappropriated Retained Earnings Available for</b>		
<b>Dividend Declaration at End of Year</b>		<b><u>P 6,444,770,419</u></b>

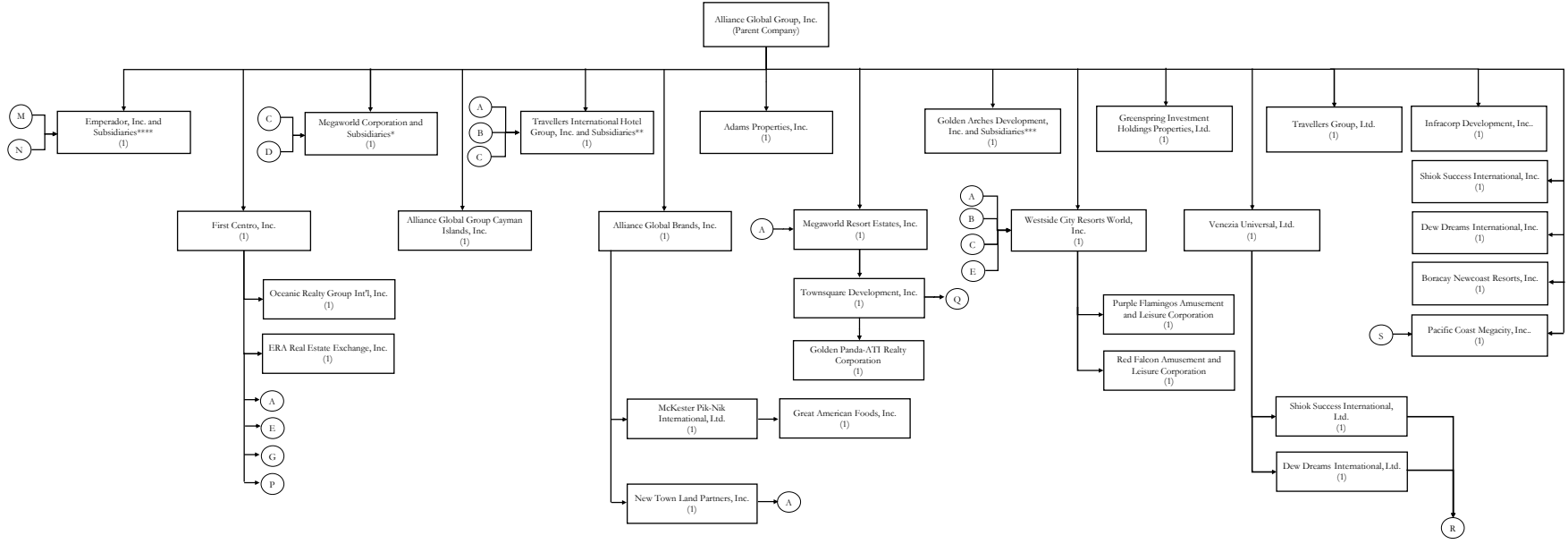
**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Megaworld Corporation)*  
**Summary of Application of SRO Proceeds**  
**December 31, 2020**

	<b>BASED ON IPO PROSPECTUS</b>	<b>BASED ON ACTUAL</b>
<b>SRO Proceeds</b>	<b>P 2,695,239,834</b>	<b>P 2,695,239,834</b>
<b>Less: SRO related expenses</b>	<u>5,239,834</u>	<u>5,239,834</u>
<b>Net proceeds</b>	<u>2,690,000,000</u>	<u>2,690,000,000</u>
<b>Less: Disbursements</b>		
<b>Construction Site Development</b>	<b>1,800,000,000</b>	<b>1,885,000,000</b>
Pioneer Woodlands	800,000,000	350,000,000
San Lorenzo Place	700,000,000	532,081,376
The Rochester	300,000,000	275,267,709
Kasara	-	140,479,357
Sonoma	-	70,000,000
Little Baguio Terraces	-	314,520,643
South Science Park	-	202,650,915
<b>Landbanking</b>	<b>890,000,000</b>	<b>805,000,000</b>
<b>Total Disbursements</b>	<u>2,690,000,000</u>	<u>2,690,000,000</u>
<b>Remaining Balance of Proceeds, as at December 31, 2020</b>		<u><u>-</u></u>

**Supplementary information on the Summary of Application of SRO Proceeds –**

*The proceeds were subsequently reallocated and transferred to fund the urgent construction of other projects that have exceeded their respective allocations.*

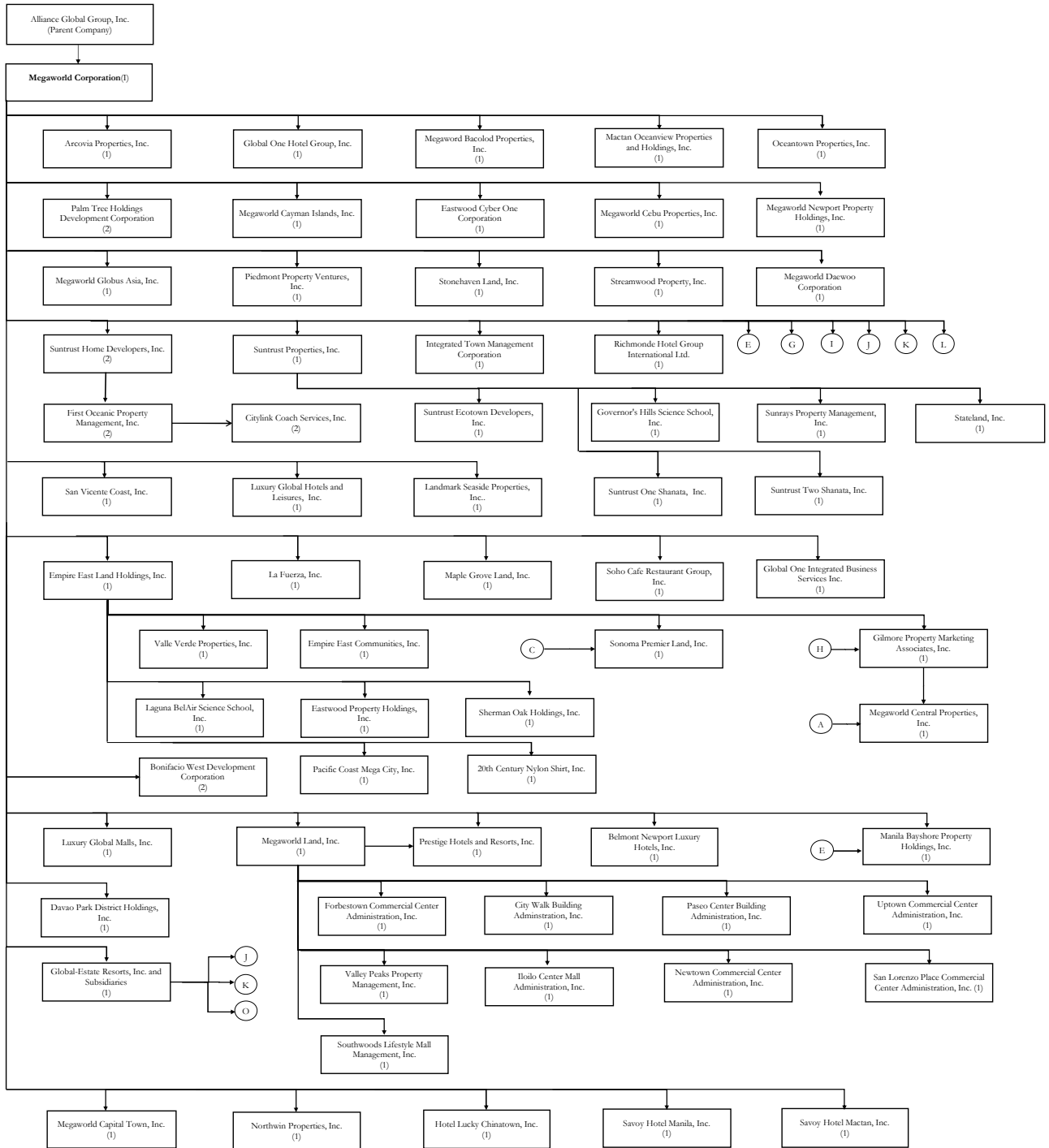
**EMPIRE EAST LAND HOLDINGS, INC.**  
 Map Showing the Relationship Between Alliance Global Group, Inc.  
 and its Related Parties  
 December 31, 2020



Legend			
(1) Subsidiary	A Megaworld Corporation	F Manila Bayshore Property Holdings, Inc.	K Megaworld Global Estates, Inc.
(2) Associate	B Adams Properties, Inc.	G Westside City Resorts World, Inc.	L Megaworld Central Properties, Inc.
(3) Jointly Controlled Entity	C First Centro, Inc.	H Townsquare Development, Inc.	M Shiok Success International, Ltd.
	D Newtown Land Partners, Inc.	I Megaworld Resort Estates, Inc.	N Dew Dreams International, Ltd.
	E Travellers International Hotel Group, Inc.	J Twin Lakes Corporation	O Southwoods Mall, Inc.
			P Sonoma Premier Land, Inc.
			Q Gilmore Property Marketing Associates, Inc.
			R Emperor Inc.
			S Empire East Land Holdings, Inc.

**EMPIRE EAST LAND HOLDINGS, INC.**

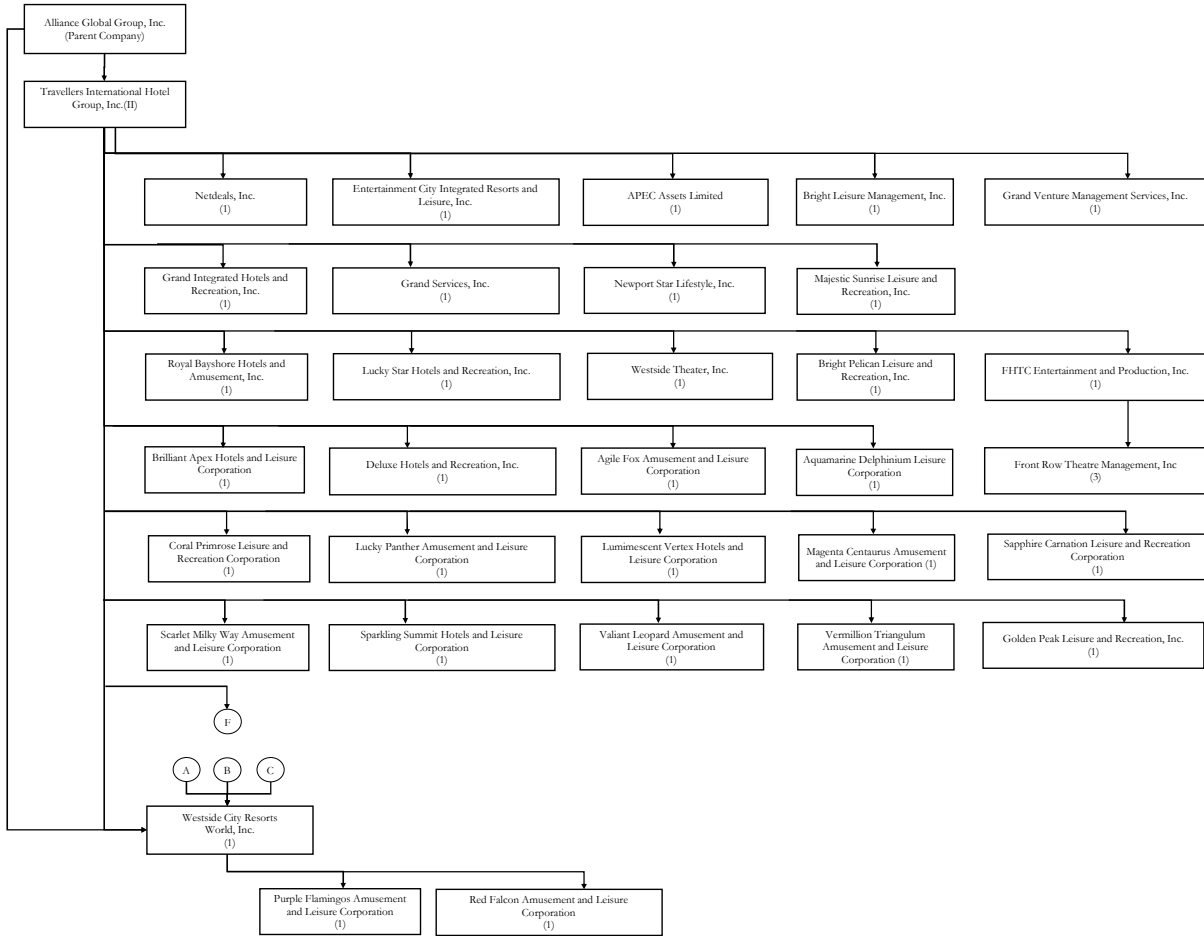
Map Showing the Relationship Between Alliance Global Group, Inc. and its Related Parties  
December 31, 2020



Legend	
<i>Relationship with Megaworld Corporation</i>	
(1)	Subsidiary
(2)	Associate
(3)	Jointly Controlled Entity
A	Megaworld Corporation
B	Adams Properties, Inc.
C	First Centro, Inc.
D	Newtown Land Partners, Inc.
E	Travellers International Hotel Group, Inc.
F	Manila Bayshore Property Holdings, Inc.
G	Westside City Resorts World, Inc.
H	Townsquare Development, Inc.
I	Megaworld Resort Estates, Inc.
J	Twin Lakes Corporation
K	Megaworld Global Estates, Inc.
L	Megaworld Central Properties, Inc.
M	Shuk Success International, Ltd.
N	Deo Dreams International, Ltd.
O	Southwoods Mall, Inc.
P	Sonoma Premier Land, Inc.
Q	Gilmore Property Marketing Associates, Inc.
R	Emperador Inc.

**EMPIRE EAST LAND HOLDINGS, INC.**

Map Showing the Relationship Between Alliance Global Group, Inc.  
and Travellers Group  
December 31, 2020

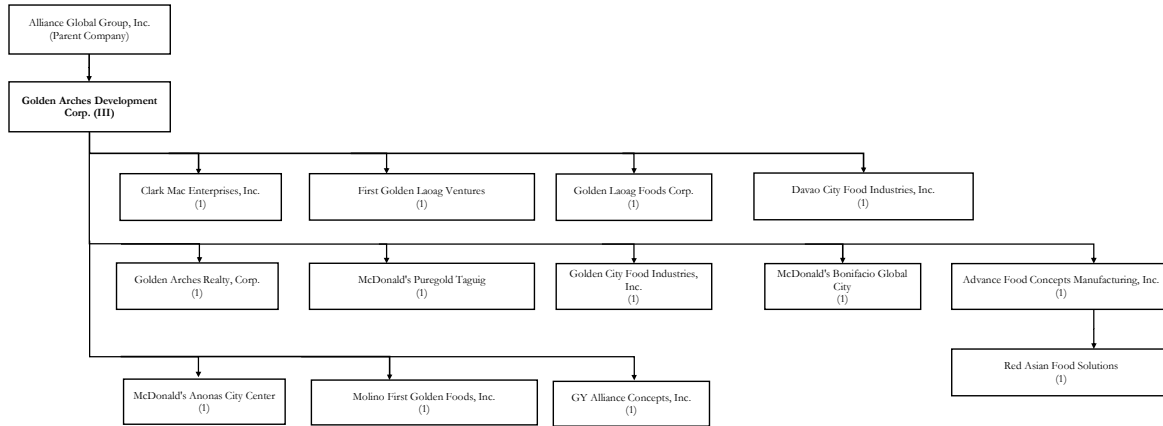


Legend	
<i>Relationship with Travellers International Hotel Group, Inc.</i>	
(1)	Subsidiary
(2)	Associate
(3)	Jointly Controlled Entity
A	Megaworld Corporation
B	Adams Properties, Inc.
C	First Centro, Inc.
D	Newton Land Partners, Inc.
E	Travellers International Hotel Group, Inc.
F	Manila Bayshore Property Holdings, Inc.
G	Westside City Resorts World, Inc.
H	Townsquare Development, Inc.
I	Megaworld Resort Estates, Inc.
J	Twin Lakes Corporation
K	Megaworld Global Estates, Inc.
L	Megaworld Central Properties, Inc.
M	Sinok Success International, Ltd.
N	Dew Dreams International, Ltd.
O	Southwoods Mall, Inc.
P	Sonoma Premier Land, Inc.
Q	Gilmore Property Marketing Associates, Inc.
R	Emperor Inc.



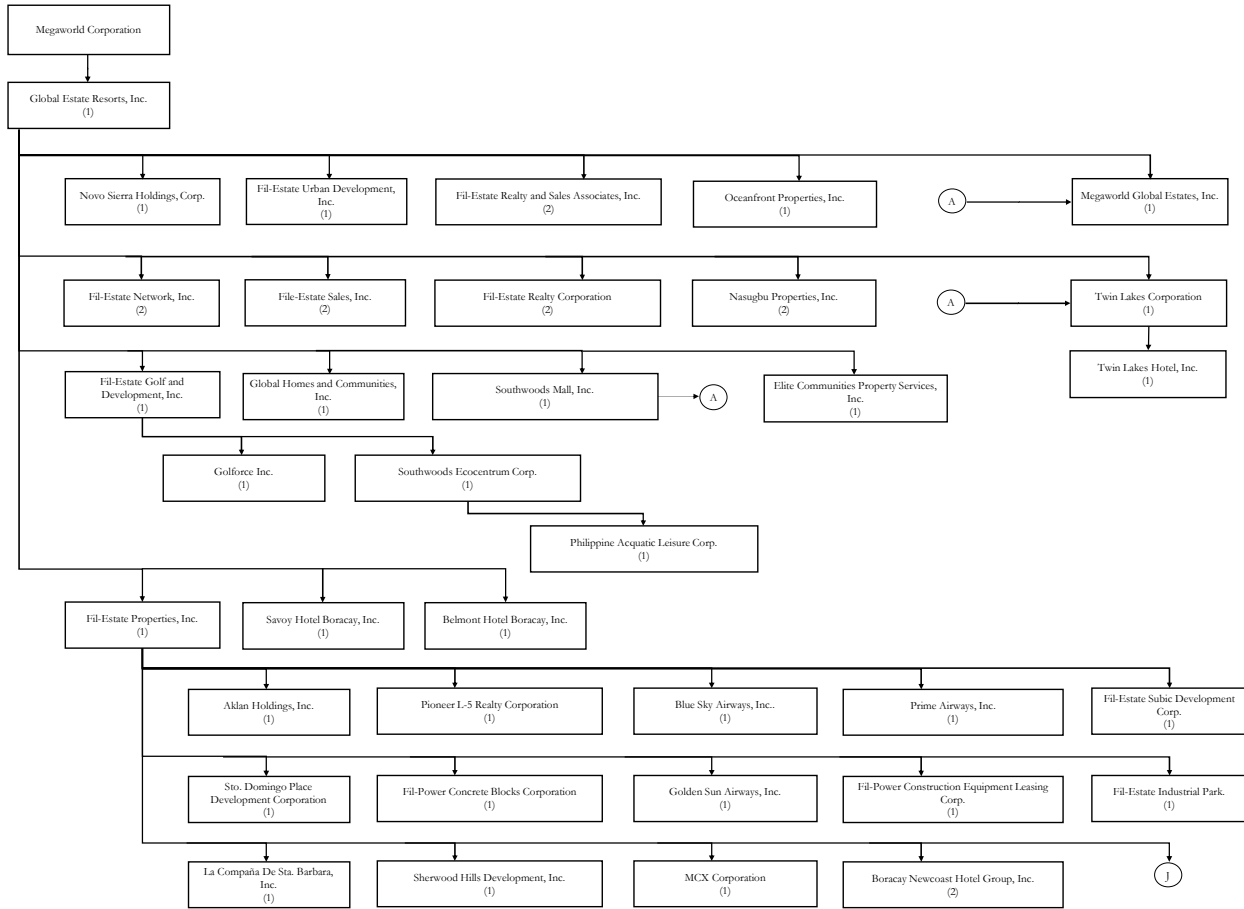
**EMPIRE EAST LAND HOLDINGS, INC.**

Map Showing the Relationship Between Alliance Global Group, Inc.  
and Golden Arches Development Corporation Group  
December 31, 2020



Legend	
<i>Relationship with Golden Arches Development Corporation</i>	
(1)	Subsidiary
(2)	Associate
(3)	Jointly Controlled Entity
A	Megaworld Corporation
B	Adams Properties, Inc.
C	First Centro, Inc.
D	Newtown Land Partners, Inc.
E	Travellers International Hotel Group, Inc.
F	Manila Bayshore Property Holdings, Inc.
G	Westside City Resorts World, Inc.
H	Townsquare Development, Inc.
I	Megaworld Resort Estates, Inc.
J	Twin Lakes Corporation
K	Megaworld Global Estates, Inc.
L	Megaworld Central Properties, Inc.
M	Shuk Success International, Ltd.
N	Dew Dreams International, Ltd.
O	Southwoods Mall, Inc.
P	Sonoma Premier Land, Inc.
Q	Gilmore Property Marketing Associates, Inc.
R	Emperor Inc.

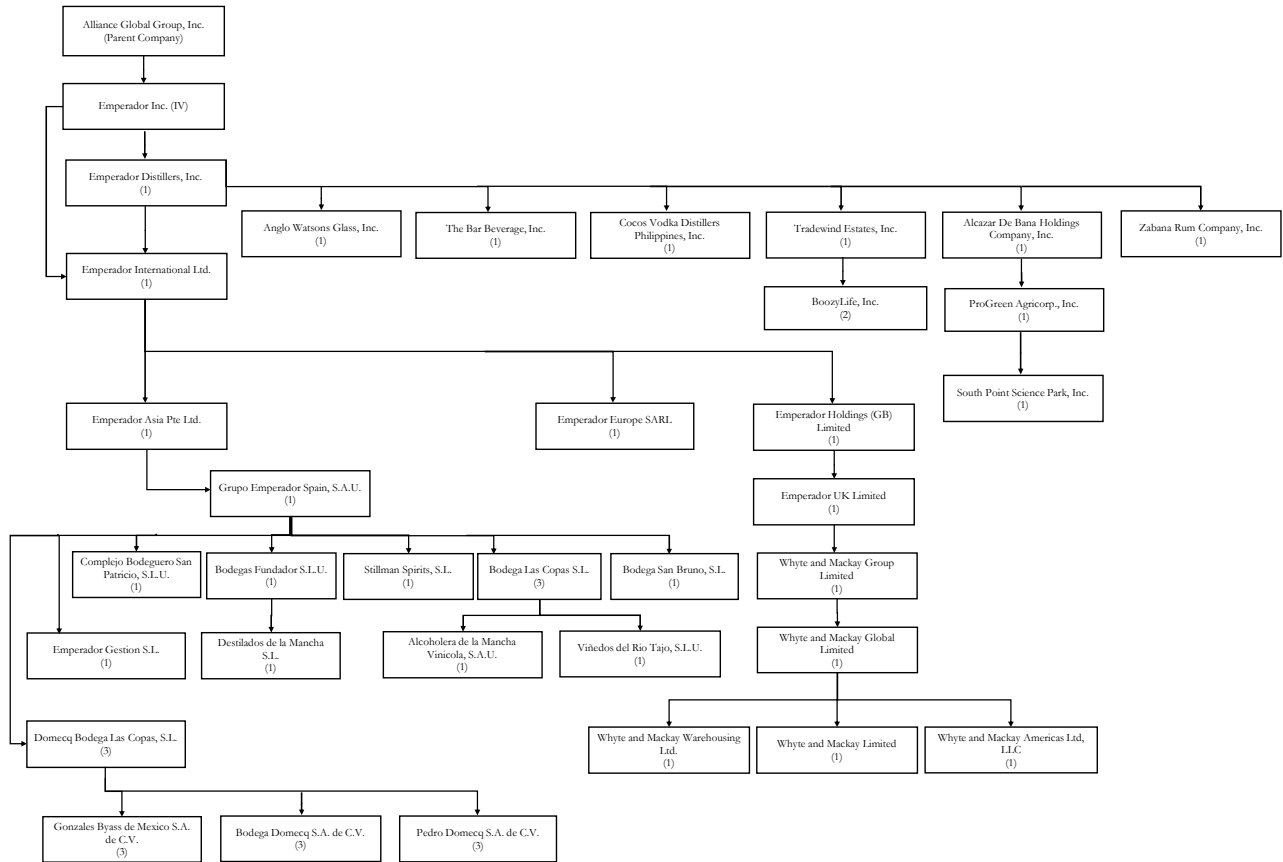
**EMPIRE EAST LAND HOLDINGS, INC.**  
 Map Showing the Relationship Between and  
 Among Megaworld and Global Estate Resorts Inc. Group  
 December 31, 2020



Legend	
(1)	Subsidiary
(2)	Associate
(3)	Jointly Controlled Entity
A	Megaworld Corporation
B	Adams Properties, Inc.
C	First Centre, Inc.
D	Newtown Land Partners, Inc.
E	Travellers International Hotel Group, Inc.
F	Manila Bayshore Property Holdings, Inc.
G	Westside City Resorts World, Inc.
H	Townsquare Development, Inc.
I	Megaworld Resort Estates, Inc.
J	Twin Lakes Corporation
K	Megaworld Global Estates, Inc.
L	Megaworld Central Properties, Inc.
M	Shiok Success International, Ltd.
N	Dew Dreams International, Ltd.
O	Southwoods Mall, Inc.
P	Sonoma Premier Land, Inc.
Q	Gilmore Property Marketing Associates, Inc.
R	Empendor Inc.

**EMPIRE EAST LAND HOLDINGS, INC.**

Map Showing the Relationship Between Alliance Global Group, Inc.  
and Emperor Group  
December 31, 2020



Legend	
<i>Relationship with Emperor Inc.</i>	
(1)	Subsidiary (100%)
(2)	Subsidiary (51%)
(3)	Subsidiary (50%)
(4)	Jointly Controlled Entity



## Report of Independent Auditors on Components of Financial Soundness Indicators

**Punongbayan & Araullo**  
20th Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 8988 2288

**The Board of Directors and the Stockholders**  
**Empire East Land Holdings, Inc. and Subsidiaries**  
**(A Subsidiary of Megaworld Corporation)**  
12<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street cor. 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Empire East Land Holdings, Inc. and Subsidiaries (the Group) for the year ended December 31, 2020 and 2019, on which we have rendered our report dated April 7, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, is the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019 and for the years then ended and no material exceptions were noted.

### **PUNONGBAYAN & ARAULLO**



By: **Renan A. Piamonte**  
Partner

CPA Reg. No. 0107805  
TIN 221-843-037  
PTR No. 8533237, January 4, 2021, Makati City  
SEC Group A Accreditation  
Partner - No. 107805-SEC (until Dec. 31, 2023)  
Firm - No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002511-037-2019 (until Sept. 4, 2022)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 7, 2021

**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Megaworld Corporation)*  
**Supplemental Schedule of Financial Soundness Indicators**  
**December 31, 2020 and 2019**

Ratio	Formula	2020	Formula	2019
Current ratio	Total Current Assets divided by Total Current Liabilities  Total Current Assets 40,513,752,019 Divide by: Total Current Liabilities <u>13,531,102,626</u> Current ratio 2.99	2.99	Total Current Assets divided by Total Current Liabilities  Total Current Assets 39,673,863,735 Divide by: Total Current Liabilities <u>12,966,482,953</u> Current ratio 3.06	3.06
Acid test ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities  Total Current Assets 40,513,752,019 Less: Inventories (23,424,845,196) <u>Other Current Assets (7,517,013,131)</u> Quick Assets 9,571,893,692 Divide by: Total Current Liabilities <u>13,531,102,626</u> Acid test ratio 0.71	0.71	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities  Total Current Assets 39,673,863,735 Less: Inventories (25,236,564,577) <u>Other Current Assets (6,411,412,895)</u> Quick Assets 8,025,886,262 Divide by: Total Current Liabilities <u>12,966,482,953</u> Acid test ratio 0.62	0.62
Solvency ratio	Total Liabilities divided by Total Assets  Total Liabilities 16,386,056,078 Divide by: Total Assets <u>45,407,006,729</u> Solvency ratio 0.36	0.36	Total Liabilities divided by Total Assets  Total Liabilities 16,238,341,134 Divide by: Total Assets <u>44,842,066,190</u> Solvency ratio 0.36	0.36
Debt-to-equity ratio	Total Liabilities divided by Total Equity  Total Liabilities 16,386,056,078 Divide by: Total Equity <u>29,020,950,651</u> Debt-to-equity ratio 0.56	0.56	Total Liabilities divided by Total Equity  Total Liabilities 16,238,341,134 Divide by: Total Equity <u>28,603,725,055</u> Debt-to-equity ratio 0.57	0.57
Assets-to-equity ratio	Total Assets divided by Total Equity  Total Assets 45,407,006,729 Divide by: Total Equity <u>29,020,950,651</u> Assets-to-equity ratio 1.56	1.56	Total Assets divided by Total Equity  Total Assets 44,842,066,190 Divide by: Total Equity <u>28,603,725,056</u> Assets-to-equity ratio 1.57	1.57
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest expense  EBIT 1,012,955,508 Divide by: Interest expense <u>359,195,589</u> Interest rate coverage ratio 3.07	3.07	Earnings before interest and taxes (EBIT) divided by Interest expense  EBIT 1,234,265,086 Divide by: Interest expense <u>398,820,922</u> Interest rate coverage ratio 3.09	3.09
Return on equity	Net Profit divided by Average Total Equity  Net Profit 524,942,327 Divide by: Average Total Equity <u>28,812,337,854</u> Return on equity 0.02	0.02	Net Profit divided by Average Total Equity  Net Profit 615,563,311 Divide by: Average Total Equity <u>28,149,407,432</u> Return on equity 0.02	0.02
Return on assets	Net Profit divided by Average Total Assets  Net Profit 524,942,327 Divide by: Average Total Assets <u>45,124,536,460</u> Return on assets 0.01	0.01	Net Profit divided by Average Total Assets  Net Profit 615,563,311 Divide by: Average Total Assets <u>43,721,128,963</u> Return on assets 0.01	0.01
Net profit margin	Net Profit divided by Total Revenue  Net Profit 524,942,327 Divide by: Total Revenue <u>5,110,355,460</u> Net profit margin 0.10	0.10	Net Profit divided by Total Revenue  Net Profit 615,563,311 Divide by: Total Revenue <u>5,141,414,743</u> Net profit margin 0.12	0.12

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 31 March 2021
2. Commission Identification Number: AS094-006430
3. BIR Tax Identification No. 003-942-108
4. EMPIRE EAST LAND HOLDINGS, INC.  
Exact name of issuer as specified in its charter
5. Metro Manila  
Province, Country or other jurisdiction of incorporation or organization
6. (SEC Use Only)  
Industry Classification Code
7. 12<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street cor. 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City 1634  
Address of issuer's principal office
8. (632) 85544800  
Issuer's telephone number, including area code
9. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Class	Number of Shares of Common Stock Outstanding
<b>Common</b>	<b>14,676,199,167</b>

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

Yes  No

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

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

11. Indicate by check mark whether the issuer:

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

Yes  No

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

Yes

No

## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements

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

Exhibit 1 – Consolidated Statements of Financial Position as of December 31, 2020 and March 31, 2021

Exhibit 2 - Consolidated Statements of Comprehensive Income as of March 31, 2020 and March 31, 2021

Exhibit 3 - Comparative Statements of Changes in Equity as of March 31, 2020 and March 31, 2021

Exhibit 4 - Comparative Consolidated Statements of Cash Flows as of March 31, 2020 and March 31, 2021

Exhibit 5 - Notes to Interim Financial Statements

Exhibit 6 - Management's Discussion and Analysis of Results of Operations and Financial Condition

### Item 2. Aging of Accounts Receivable as of March 31, 2021

Please refer to Exhibit 7 hereof.

### Item 3. Schedule of Financial Soundness Indicators

Please refer to Exhibit 8 hereof.

## PART II – OTHER INFORMATION

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

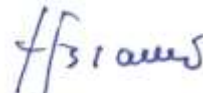
## SIGNATURE

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

**EMPIRE EAST LAND HOLDINGS, INC.**

Issuer

By:



**EVELYN G. CACHO**

Senior Vice President (Principal Financial Officer) and Duly Authorized Officer

May 7, 2021

**EXHIBIT 1**

**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Megaworld Corporation)*  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**As at March 31, 2021 and December 31, 2020**  
*(All amounts in thousands Philippine Peso)*

	<b>Unaudited</b>	<b>Audited</b>
	<b>31-Mar-21</b>	<b>31-Dec-20</b>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	P 2,730,286	P 2,129,721
Trade and other receivables - net	7,464,956	7,442,173
Contract assets	2,378,526	2,373,435
Advances to related parties	4,485,314	4,428,734
Real estate inventories	23,122,021	23,424,845
Prepayments and other current assets	<u>748,560</u>	<u>714,844</u>
Total Current Assets	<u>40,929,663</u>	<u>40,513,752</u>
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables - net	2,138,412	2,132,911
Contract assets	12,527	15,341
Financial asset at fair value through other comprehensive income (FVOCI)	1,198,064	1,193,560
Advances to landowners and joint ventures	226,429	226,429
Investment in an associate	272,801	275,482
Property and equipment - net	235,601	251,102
Intangible assets	120,733	122,101
Investment property - net	663,845	671,138
Other non-current assets	<u>5,191</u>	<u>5,191</u>
Total Non-current Assets	<u>4,873,603</u>	<u>4,893,255</u>
<b>TOTAL ASSETS</b>	<b><u>P 45,803,266</u></b>	<b><u>P 45,407,007</u></b>



	Unaudited 31-Mar-21	Audited 31-Dec-20
<b><u>LIABILITIES AND EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Interest-bearing loans and borrowings	P 333,333	P 933,333
Trade and other payables	1,099,202	1,196,578
Lease liabilities	35,797	35,797
Customers' deposits	4,956,706	5,146,952
Advances from related parties	5,309,295	5,237,760
Contract liabilities	45,656	50,029
Other current liabilities	<u>920,252</u>	<u>930,653</u>
 Total Current Liabilities	 <u>12,700,241</u>	 <u>13,531,102</u>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing loans and borrowings	1,166,667	250,000
Contract liabilities	182,739	167,640
Lease liabilities	23,847	23,847
Retirement benefit obligation	202,811	201,253
Deferred tax liabilities - net	<u>2,287,617</u>	<u>2,212,214</u>
 Total Non-current Liabilities	 <u>3,863,681</u>	 <u>2,854,954</u>
 Total Liabilities	 <u>16,563,922</u>	 <u>16,386,056</u>
<b>EQUITY</b>		
Equity attributable to Parent Company's shareholders	26,439,018	26,215,320
Non-controlling interest	<u>2,800,326</u>	<u>2,805,631</u>
 Total Equity	 <u>29,239,344</u>	 <u>29,020,951</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P <u>45,803,266</u></b>	<b>P <u>45,407,007</u></b>

## EXHIBIT 2

**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Megaworld Corporation)*  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**For each of the three months ended March 31, 2021 and 2020**  
*(All amounts in thousand Philippine Peso, except earnings per share)*

	Unaudited Jan to March 2021	Unaudited Jan to March 2020
<b>REVENUES</b>		
Real estate sales	P 1,035,180	P 1,217,691
Finance income	46,948	64,156
Commissions & other incomes	<u>58,513</u>	<u>135,555</u>
	<u>1,140,641</u>	<u>1,417,402</u>
<b>COST &amp; EXPENSES</b>		
Cost of real estate sales	470,392	685,051
Finance costs	77,259	64,430
Equity share in net losses of an associate	2,681	6,652
Operating expenses	300,849	332,886
Income taxes	<u>75,570</u>	<u>107,161</u>
	<u>926,751</u>	<u>1,196,180</u>
<b>NET PROFIT</b>	<b>213,890</b>	<b>221,222</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Fair value gains (losses) on financial assets at FVOCI	<u>4,504</u>	<u>(526,968)</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b><u>218,394</u></b>	<b><u>(305,746)</u></b>
<b>Net profit attributable to:</b>		
Parent Company's shareholders	219,195	220,546
Non-controlling interest	<u>(5,305)</u>	<u>676</u>
	<u>213,890</u>	<u>221,222</u>
<b>Total comprehensive income (loss) attributable to:</b>		
Parent Company's shareholders	223,699	(306,422)
Non-controlling interest	<u>(5,305)</u>	<u>676</u>
	<u>218,394</u>	<u>(305,746)</u>
<b>Earnings Per Share</b>		
Basic	<u>0.0149</u>	<u>0.0150</u>
Diluted	<u>0.0149</u>	<u>0.0150</u>

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES  
*(A Subsidiary of Megaworld Corporation)*  
 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
 For each of the three months ended March 31, 2021 and 2020  
*(All amounts in thousands Philippine Peso)*

	Unaudited Jan to March 2021	Unaudited Jan to March 2020
CAPITAL STOCK	P 14,803,455	P 14,803,455
ADDITIONAL PAID-IN CAPITAL	4,307,888	4,307,888
TREASURY SHARES	(102,107)	(102,107)
REVALUATION RESERVES		
Balance at beginning of period	475,161	582,666
Net unrealized fair value gains(losses) on financial assets at FVOCI	<u>4,504</u>	<u>(526,968)</u>
Balance at end of period	479,665	55,698
OTHER RESERVES	(292,118)	(292,118)
RETAINED EARNINGS	7,242,235	6,712,154
NON-CONTROLLING INTEREST	<u>2,800,326</u>	<u>2,813,009</u>
TOTAL EQUITY	<u>P 29,239,344</u>	<u>P 28,297,979</u>

**EXHIBIT 4****EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES***(A Subsidiary of Megaworld Corporation)***CONSOLIDATED STATEMENTS OF CASH FLOWS**

For each of the three months ended March 31, 2021 and 2020

*(All amounts in thousands Philippine Peso)*

	Unaudited 31-Mar-21	Unaudited 31-Mar-20
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before tax	P 289,460	P 328,383
Adjustments for:		
Depreciation and amortization	25,374	28,292
Finance costs	77,259	64,430
Finance income	(46,948)	(64,156)
Equity in net loss of an associate	2,681	6,652
Operating income before working capital changes	347,826	363,601
Net changes in operating assets and liabilities		
Decrease/(Increase) in current and non-current assets	223,282	(632,743)
Increase/(Decrease) in current and non-current liabilities	(284,877)	307,188
Cash from operations	286,231	38,046
Interest received	5,218	6,225
Cash paid for income taxes	(167)	(17,875)
Net Cash From Operating Activities	291,282	26,396
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>	(796)	(1,568)
<b>CASH FLOWS FROM IN FINANCING ACTIVITIES</b>	310,079	125,446
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	600,565	150,274
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	2,129,721	1,145,333
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	P 2,730,286	P 1,295,607

**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Megaworld Corporation)*  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020**  
**(UNAUDITED)**  
*(Amounts in Philippine Pesos)*

**1. CORPORATE INFORMATION**

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

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

**1.1 Composition of the Group**

As of March 31, 2021 the Company holds ownership interests in the following entities:

<u>Subsidiaries/ Associate</u>	<u>Explanatory Notes</u>	<u>Percentage of Ownership</u>
Subsidiaries:		
Eastwood Property Holdings, Inc. (EPHI)	(a)	100%
Valle Verde Properties, Inc. (VVPI)	(b)	100%
Sherman Oak Holdings, Inc. (SOHI)	(b)	100%
Empire East Communities, Inc. (EECI)	(c)	100%
20 <sup>th</sup> Century Nylon Shirt Co., Inc. (20 <sup>th</sup> Century)	(d)	100%
Laguna BelAir Science School, Inc. (LBASSI)	(e)	72.50%
Sonoma Premier Land, Inc. (SPLI)	(b)	60%
Pacific Coast Megacity, Inc. (PCMI)	(f)	40%
Associate –		
Gilmore Property Marketing Associate, Inc. (GPMAI)	(b)	47%

Explanatory Notes:

- (a) Subsidiary incorporated to market real estate properties of the Group and other related parties.
- (b) Subsidiaries/associate incorporated in prior years but have not yet started commercial operations as of March 31, 2020.
- (c) Subsidiary incorporated in prior year but ceased its operations as a marketing arm of real estate properties in 2014.
- (d) Subsidiary acquired in 2015 which is yet to resume its operations, which is primarily to manufacture, distribute, and buy and sell wearing apparel and its accessories such as zipper, buttons, etc.
- (e) Subsidiary primarily engaged in operating a school for primary and secondary education.
- (f) Subsidiary of the Company starting 2018 when the Company obtained de facto control over the entity and was accounted for under the pooling-of-interest method (see Note 1.2).

The registered office address, which is also the place of operations, of the Company's subsidiaries and associates, except for EPHI, LBASSI, 20<sup>th</sup> Century and PCMI, is located at 12<sup>th</sup> Floor, Alliance Global Tower, 36<sup>th</sup> Street corner 11<sup>th</sup> Avenue, Uptown Bonifacio, Taguig City. Below is the summary of the registered office address of the other subsidiaries, which is also the place of their operation.

- (a) EPHI – #188 EC Information Center, E. Rodriguez Jr. Ave., Eastwood CyberPark City, Bagumbayan, Quezon City
- (b) LBASSI – Brgy. Don Jose, Sta. Rosa, Laguna
- (c) 20<sup>th</sup> Century – 632 Shaw Blvd. Highway Hills, Mandaluyong City
- (d) PCMI – 7<sup>th</sup> Floor, 1880 Building Eastwood City E. Rodriguez Jr. Ave. Bagumbayan, Quezon City

In prior years, the Company increased its ownership interest in VVPI and LBASSI, resulting in 100% and 73% ownership interest, respectively, over the respective subsidiaries. This resulted in the recognition of goodwill which amounted to P77.3 million as of March 31, 2021 and 2020, and shown as part of Intangible Assets – net account in the interim consolidated statements of financial position.

In 2015, the Company invested in PCMI amounting to P877.8 million in exchange for 750,000,000 shares, representing 20% ownership interest in the said company. In 2018, the Company has obtained de facto control over PCMI; hence, the investment is accounted for as an investment in a subsidiary. Further, in 2019, the Company obtained additional shares of PCMI, increasing its ownership interest to 40% (see Note 1.2).

Megaworld Corporation (Megaworld or parent company) is the parent company of Empire East Land Holdings, Inc. and subsidiaries (the Group). Megaworld is presently engaged in property-related activities, such as, project design, construction and property management. Megaworld is 68.56% owned by Alliance Global Group, Inc. (AGI), the Company's ultimate parent company. AGI is a holding company with diversified investments in food and beverage, real estate, tourism-entertainment and gaming and quick service restaurant businesses. The shares of common stock of both Megaworld and AGI are also listed at the PSE.

The Company's registered office address, which is also its principal place of business, is located on 12<sup>th</sup> Floor, Alliance Global Tower, 36<sup>th</sup> Street cor. 11<sup>th</sup> Avenue, Uptown Bonifacio, Taguig City. Megaworld's registered office address is located on the 30<sup>th</sup> Floor of the same building as that of the Company. AGI's registered office is located at 7<sup>th</sup> Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City. These entities' registered office addresses are also their respective principal places of business.

## ***1.2 Acquisition of PCMI***

PCMI became a subsidiary on December 31, 2018 when the Company obtained de facto control when the latter gained the power to govern over the financial and operating policies of the former. The acquisition was accounted for under the pooling-of-interest method of accounting as PCMI was acquired from a related party under common control. Moreover, there was no consideration paid in 2018 when the Company obtained de facto control over PCMI. Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting; hence, the assets and liabilities reflected in the interim consolidated financial statements are at carrying values and no adjustments are made to reflect fair values or recognized any new assets or liabilities, at the date of the combination that otherwise would have been done under the acquisition method. No restatements are

made to the financial information in the interim consolidated financial statements for periods prior to the business combination as allowed under *Philippine Interpretations Committee PIC Q&A No. 2012-01*, PFRS 3.2; *Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements*, (Amended by PIC Q&A No. 2015-01 and PIC Q&A No. 2018-13); hence, the profit and loss of PCMI is included in the consolidated financial statements for the full year and interim period, irrespective of when the combination took place. Aggregate financial information, at historical cost, of PCMI as at acquisition date is presented below.

Total assets acquired	P 2,429,036,789
Total liabilities assumed	( <u>8,447,960</u> )
Net assets acquired	<u>P 2,420,588,829</u>

Significant assets acquired pertain to real estate inventories (land for future development) amounting to P1.4 billion. In addition, the consideration transferred in relation to the acquisition amounted to P870.1 million while non-controlling interest and other reserves amounting to P1.9 billion and P0.4 billion, respectively, were also recognized in the 2018 audited consolidated statement of changes in equity.

In January 2019, the Company acquired an additional 20% ownership interest over PCMI for P886.3 million, increasing its total ownership interest over PCMI to 40%. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid is recognized directly in other reserves. The effective ownership of the Company over PCMI after the transaction is 40%.

### **1.3 Impact of COVID-19 Pandemic on the Group's Business**

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020. The measures taken by the government to contain the virus have affected economic conditions and the Group's business operations.

The following are the impact of the COVID-19 pandemic on the Group's business:

(a) Real Estate Sales

Real estate sales dropped by 15% or P182.5 million for the comparative three-month periods ending March 31, 2021 and 2020 given the continued fewer reservations, limited selling activities, and restricted construction activities. Other observations are presented below.

- sales recognized for the year mostly came from completed projects with additional collections during the year allowing to meet the revenue recognition criteria;
- construction activities were slowly resumed in selected areas but suspended during the enhanced community quarantine (ECQ) period; and,
- new project launches were put on hold as work stoppage on-site could result in project completion risk.

(b) Lease of Office and Commercial Spaces

Rental income dropped by 66% or P45.6 million for the comparative three-month periods ending March 31, 2021 and 2020 primarily due to the temporary closure of retail stores, commercial spaces, rent concessions, and lower number of customers who enter these establishments upon reopening. Concession of rent and other related charges amounted to P6.1 million. Other observations are presented below.

- offered deferment of monthly rent without penalty until the end of the reporting period;
- non-renewal and registered early termination and restructuring of lease contracts;
- various community quarantine measures resulted in the temporary store closures except for essential establishments, resulting in a decline in available customers; and,
- during the reimposition of the ECQ, approximately 49% of the total leased out gross leasable area were unable to operate. Retail establishment gradually resumed operations after thereafter based on government guidelines.

(c) Tuition and Miscellaneous Fees

Tuition and Miscellaneous Fees declined by 26% or P3.5 million for the comparative three-month periods ending March 31, 2021 and 2020 due to lower enrollees for the school year 2020 - 2021. Other observations are presented below.

- no increase in school fees for the school year 2020 - 2021; and,
- teachers and instructors shifted to online learning, with the Company incurring additional annual subscription fees to online platforms.

The Group has taken the further following actions:

- implemented flexible and remote working arrangements for employees;
- negotiated for longer payment terms from suppliers and implemented cost-savings measures such as reduction in marketing and advertising expenses, and relocation certain offices to Company-owned properties to manage the Group's cash flows;
- additional administrative expenses were incurred to ensure the health and safety of its employees and customers such as the frequent disinfection of facilities and COVID-19 testing for employees reporting to the offices;
- deferred scheduled price increases, offered discounts and flexible payment terms combinations to accommodate more buyers;
- implemented transmutation to online selling with the use of virtual platforms and video materials for project walkthrough and condo tour for client presentations, and fully digitized reservation process;
- launched digital payment platform to enable customers to pay online; and,
- obtained lower-cost funding through bank financing to support its business operations, such as financing capital expenditures and refinancing of loans, and maintaining its cash preservation objective.

Based on the above actions and measures taken by management to mitigate the adverse effect of the pandemic, it projects that the Company would continue to report positive results of operations and would remain liquid to meet the current obligation as it falls due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.



## 2. BASIS OF PREPARATION OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These interim consolidated financial statements of the Group for the three months ended March 31, 2021 and 2020 have been prepared in accordance with Philippine Accounting Standard (PAS) 24: Interim Financial Reporting. They do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Group as at and for the year ended December 31, 2020.

The preparation of interim consolidated financial statements in accordance with Philippine Financial Reporting Standards (PFRS) requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

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

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

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

### *3.1 Critical Judgments in Applying Accounting Policies*

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

#### *(a) Determination of Lease Term of Contracts with Renewal and Termination Option*

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated and the renewal of the contract is not subject to mutual agreement of both parties.

The renewal and termination option for the lease of office space was not included as part of the lease term due to the provisions in its contract that require mutual agreement of both parties on the terms and agreements of the renewal and termination of the lease contract.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

*(b) Evaluation of Timing of Satisfaction of Performance Obligations*

*(i) Real Estate Sales*

The Group exercises significant judgment in determining whether each performance obligation to develop properties promised in its contracts with customers is satisfied over time or at a point in time. In making this judgment, the Group considers the factors enumerated below.

- any asset created or enhanced as the Group performs;
- the ability of the customer to control such asset as it is being created or enhanced;
- the timing of receipt and consumption of benefits by the customer; and,
- the Group's enforceable right for payment for performance completed to date.

The Group determines that its performance obligation for pre-completed real estate inventories is satisfied over time, while its performance obligation for completed real estate inventories is satisfied at a point in time, since it does not have an alternative use of the specific property sold as it is precluded by its contract from redirecting the use of the property for a different purpose. Further, the Group has rights over payment for development completed to date as the Group can choose to complete the development and enforce its rights to full payment under its contracts even if the customer defaults on amortization payments.

*(ii) Marketing, Management Fees and Commission*

The Group determines that its revenue from marketing, management fees and commission shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group applies the practical expedient to recognize revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the entity's performance completed to date i.e., generally when the customer has acknowledged the Group's right to invoice.

*(iii) Tuition fees*

The Group determines that its revenue from tuition fees shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the counterparties. The Group renders services without the need for reperformance of other companies. This demonstrates that the counterparties simultaneously receive and consume the benefits of the Group's rendering of services as it performs.

*(c) Estimation of Collection Threshold for Revenue Recognition*

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

*(d) Determination of ECL on Trade and Other Receivables, Contract Assets and Advances to Related Parties*

The Group uses a provision matrix to calculate ECL for trade receivables, contract assets and other receivables. The provision rates are based on days past due for groups of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions).

With respect to advances to related parties and other related party receivables, the Group uses the liquidity approach as the receivables are collectible on demand.

Details about the ECL on the Group's trade and other receivables, contract assets and advances to related parties are disclosed in Notes 9.2.

*(e) Distinction Among Investment Property and Owner-managed Properties*

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

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Based on management's assessment, properties held for lease and for capital appreciation qualifies as investment property.

*(f) Distinction Between Real Estate Inventories and Investment Property*

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

*(g) Distinction Between Operating and Finance Leases*

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

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

Distinction between operating and finance leases is applicable only to lease agreements as a lessor. All leases entered into as a lessee, except for those qualified under the optional exemptions as provided by the standard, are required to be recognized on-balance sheet.

*(h) Distinction Between Asset Acquisition and Business Combinations*

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

In 2018, the Group acquired de facto control over PCMI as described in Note 1.2. The acquisitions are accounted for as business combinations.

*(i) Consolidation of Entities in which the Group Holds 50% or Less*

Management considers that the Group has de facto control over PCMI even though it holds less than 50% of the ordinary shares and voting rights in that subsidiary. The Group considers its ability to exercise control over these entities through voting rights held by its subsidiaries or through interlocking directors.

*(j) Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies.

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the interim consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that does not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the interim consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

Disclosures on relevant contingencies are presented in Note 7.

### ***3.2 Key Sources of Estimation Uncertainty***

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

#### *(a) Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

#### *(b) Revenue Recognition for Performance Obligation Satisfied Over Time*

In determining the amount of revenue to be recognized for performance obligations satisfied over time, the Group measures progress on the basis of actual costs incurred relative to the total expected costs to complete such performance obligations. Specifically, the Group estimates the total development costs with reference to the project development plan and any agreement with customers. Management regularly monitors its estimates and applies changes as necessary. A significant change in estimated costs would result in a significant change in the amount of revenue recognized in the year of change.

(c) *Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of counterparties defaulting and the resulting losses).

(d) *Determination of Net Realizable Value of Real Estate Inventories*

In determining the net realizable value of real estate inventories, management takes into account the most reliable evidence available at the times the estimates are made. The future realization of the carrying amounts of these assets is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's Inventories within the next reporting period.

Considering the Group's pricing policy, the net realizable value of the Real Estate Inventories is higher than their related carrying values as of the end of the reporting periods.

(e) *Estimation of Useful Lives of Property and Equipment, Intangible Assets, and Investment Properties*

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

Based on management's assessment as at March 31, 2021 and December 31, 2020, there is no change in estimated useful lives of property and equipment, and investment property during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

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

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the balance of deferred tax assets recognized as at March 31, 2021 and December 31, 2020 will be utilized in the succeeding years.

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

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

Material amount of goodwill amounting to P77.3 million arising from the acquisition of LBASSI has been tested for impairment. The discount rates and growth rate are the key assumptions used by management in determining the recoverable amount of cash generating units. Management believes that the key assumptions used are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse effect on the results of operations. Management has also determined that a reasonably possible change in these key assumptions would not cause the carrying amount of the cash generating unit exceed their respective recoverable amounts. Based on management's assessment, no impairment loss needs to be recognized on goodwill since the recoverable amount of the cash generating units is greater than their carrying amount in both years presented (see Note 1).

No impairment losses were recognized on advances to landowners and joint ventures, investment in an associate, property and equipment, intangible assets, investment properties, and other non-financial assets as at March 31, 2021 and December 31, 2020.

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

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

*(i) Determination of Fair Value of Investment Properties*

Investment properties are measured using the cost model. The Group determines the fair values of building and building improvements using either thru the discounted cash flows valuation technique (income approach) or market based valuation technique (market approach). The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and, appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

For land, the Company determines the fair value using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

A significant change in these elements may affect prices and the value of the assets.

## 4. SEGMENT INFORMATION

### ***4.1 Business Segments***

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

### ***4.2 Segment Assets and Liabilities***

Segment assets include all operating assets used by a segment and consist principally of operating receivables, contract assets and real estate inventories. Excluded from segment assets are cash and cash equivalents, advances to related parties, prepayments, advances to landowners and joint ventures, investments in an associate, property and equipment, intangible assets, investment properties and other assets which are considered corporate assets and are not allocated to any segment's assets.

Segment liabilities include all operating liabilities incurred by management in each particular segment and consist principally of contract liabilities and customers' deposits. Excluded from segment liabilities are interest-bearing loans and borrowings, trade and other payables, lease liabilities, advances from related parties, deferred tax liabilities and retirement benefit obligation as the Group's management determined that these accounts are not directly related to the Group's segment.

### ***4.3 Intersegment Transactions***

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

### ***4.4 Analysis of Segment Information***

The tables presented in the succeeding pages present the revenue and profit information for the three months ended March 31, 2021 and 2020, and certain asset and liability information regarding segments as at March 31, 2021 and December 31, 2020.



	High Rise Projects		Horizontal Projects		Total	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
<b>REVENUES</b>						
Real estate sales	P 931,187,650	P 1,185,883,801	P 103,992,346	P 31,807,168	P 1,035,179,996	P 1,217,690,969
Finance income	4,696,476	5,522,505	275,488	423,270	4,971,964	5,945,775
Rental income	3,770,493	3,496,452	-	-	3,770,493	3,496,452
Commission and other income	12,890,157	30,376,355	187,489	1,545,120	13,077,646	31,921,475
	<u>952,544,776</u>	<u>1,225,279,113</u>	<u>104,455,323</u>	<u>33,775,558</u>	<u>1,057,000,099</u>	<u>1,259,054,671</u>
<b>COSTS AND OPERATING EXPENSES</b>						
Cost of real estate sales	445,929,915	668,498,858	24,262,519	16,551,995	470,392,434	685,050,853
Operating expenses	101,726,363	136,148,371	11,781,289	10,836,872	113,507,652	146,985,243
	<u>547,656,278</u>	<u>804,647,229</u>	<u>36,243,808</u>	<u>27,388,867</u>	<u>583,900,086</u>	<u>832,036,096</u>
<b>SEGMENT OPERATING PROFIT</b>	<u>P 404,888,498</u>	<u>P 420,631,884</u>	<u>P 68,211,515</u>	<u>P 6,386,691</u>	<u>P 473,100,013</u>	<u>P 427,018,575</u>
	High Rise Projects		Horizontal Projects		Total	
	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
<b>SEGMENT ASSETS AND LIABILITIES</b>						
Segment assets	P 23,591,611,855	P 23,889,201,226	P 7,210,385,495	P 7,188,329,385	P 30,801,997,350	P 31,007,530,661
Segment liabilities	5,064,756,292	4,892,259,636	287,330,845	303,766,808	5,352,087,137	5,196,026,444

#### 4.5 Reconciliations

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

	<u>March 31, 2021</u>	<u>March 31, 2020</u>
<b>Revenues</b>		
Total segment revenues	<b>P 1,057,000,099</b>	P 1,259,054,671
Other unallocated revenues	<u>83,641,042</u>	<u>158,347,500</u>
Revenues as reported in the interim consolidated statements of comprehensive income	<b>P 1,140,641,141</b>	<b>P 1,417,402,171</b>
<b>Profit or loss</b>		
Segment operating profit	<b>P 73,100,013</b>	P 427,018,575
Other unallocated incomes	<u>83,641,042</u>	<u>158,347,500</u>
Other unallocated expenses	<u>(342,851,262)</u>	<u>(364,144,258)</u>
Net profit as reported in the interim consolidated statements of comprehensive income	<b>P 213,889,793</b>	<b>P 221,221,817</b>
	<u>March 31, 2021</u>	<u>December 31, 2020</u>
<b>Assets</b>		
Segment Assets	<b>P 30,801,997,350</b>	P 31,077,530,611
Unallocated Assets	<u>15,001,268,365</u>	<u>14,329,476,118</u>
Total assets as reported in the interim consolidated statements of financial position	<b>P 45,803,265,715</b>	<b>P 45,407,006,729</b>
<b>Liabilities</b>		
Segment Liabilities	<b>P 5,352,087,137</b>	P 5,196,026,444
Unallocated Liabilities	<u>11,211,834,135</u>	<u>11,190,029,634</u>
Total liabilities as reported in the interim consolidated statements of financial position	<b>P 16,563,921,272</b>	<b>P 16,368,056,078</b>

## 5. EQUITY

### 5.1 Capital Stock

Capital stock as of March 31, 2021 and December 31, 2020 consists of:

	<u>No. of Shares</u>	<u>Amount</u>
Common shares – P1 par value		
Authorized	<u>31,495,200,000</u>	<u>P31,495,200,000</u>
Issued	14,803,455,238	P14,803,455,238
Treasury shares – at cost	( <u>127,256,071</u> )	( <u>102,106,658</u> )
Total outstanding	<u>14,676,199,167</u>	<u>P14,701,348,580</u>
Preferred shares – P1 par value		
Authorized	<u>2,000,000,000</u>	<u>P 2,000,000,000</u>

Megaworld has 81.72% ownership interest in the Group as of March 31, 2021 and December 31, 2020.

The Series B preferred shares are nonredeemable, convertible into common shares and are nonvoting. The shares have zero coupon rates and shall not be entitled to dividends. The Series B preferred shares shall be convertible to common shares anytime after the end of the 18 months from the implementation date, May 29, 1998, as defined in the subscription agreements. There are no subscribed and issued preferred shares as of March 31, 2021 and December 31, 2020.

On April 24, 1996, the SEC approved the listing of the Group's shares totaling 425,000,000. The shares were issued at an offer price of P12.90 per share.

### ***5.2 Additional Paid-in Capital***

The additional paid-in capital (APIC) pertains to the excess of the total proceeds received from the Group's shareholders over the total par value of the common shares. There were no movements in the Group's APIC accounts for the end of the reporting periods.

### ***5.3 Treasury Stock***

On March 23, 2006, the Company's BOD authorized the buy-back of up to P1.0 billion worth of Group's shares of common stock within a 24-month period under certain terms and conditions as the Group's senior management may deem beneficial to the Group and its stockholders.

As of March 31, 2021 and December 31, 2020, the Group's treasury shares amounted to P102.1 million, representing the cost of 127,256,071 shares reacquired by the Company.

### ***5.4 Revaluation Reserves***

Revaluation reserves of the Group are composed of remeasurements on its retirement benefit obligation and fair value movements of the Group's financial assets at FVOCI.

### ***5.5 Other Reserves***

Other reserves of the Group pertains to the difference between the fair value of consideration paid and the relevant share in the carrying value of the net assets of PCMI as a result of obtaining de facto control over PCMI in 2018 and any subsequent change in ownership interest in the subsidiary (see Notes 1.2).

### ***5.6 Retained Earnings***

Retained earnings are restricted in the amount of P102.1 million representing the cost of 127,256,071 shares held in treasury as of the end of the reporting periods.

## 6. EARNINGS PER SHARE

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

Basic and diluted earnings per share amounts were computed as follows:

	<u>March 31, 2021</u>		<u>March 31, 2020</u>
Net profit attributable to parent Group's shareholders	<b>P 219,194,750</b>	P	220,545,864
Number of issued and outstanding common shares	<u>14,676,199,167</u>		<u>14,676,199,167</u>
Basic and diluted earnings per share	<u><b>P 0.0149</b></u>	P	<u>0.0150</u>

Diluted earnings per share equal the basic earnings per share since the Group does not have dilutive shares as of March 31, 2021 and December 31, 2020.

## 7. COMMITMENTS AND CONTINGENCIES

There are commitments, guarantees, and contingent liabilities that arise in the normal course of operations of the Group, which are not reflected in the accompanying unaudited interim consolidated financial statements. The Group's management's opinion, that losses, if any, from these items will not have any material effect on its interim consolidated financial statements.

In addition, there are no material off-balance sheet transactions, arrangements, obligations and other relationship of the Group with unconsolidated entities or other persons created during the reporting period.

## 8. SEASONAL FLUCTUATIONS

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

## 9. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from its operating, investing, and financing activities. Risk management is carried out by a central treasury department under policies approved by the BOD, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns. The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The financial risks to which the Group is exposed to are described below and in the succeeding pages.

### *9.1 Market Risk*

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, and interest rate risk which results from both its operating, investing and financing activities.

*(a) Foreign Currency Risk*

There is no significant exposure to foreign currency risks since most of the Group's transactions are denominated in Philippine peso, which is its functional currency. The Group's financial asset denominated in foreign currency only pertains to cash and cash equivalents. However, the amount is insignificant to the financial statements as of March 31, 2021 and December 31, 2020. The Group has no financial liabilities denominated in foreign currency.

*(b) Interest Rate Risk*

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long-term borrowings are therefore usually obtained and negotiated at fixed rates. As of March 31, 2021 and December 31, 2020, the Group is only exposed to changes in market interest through its cash and cash equivalents and long-term borrowings, which are deemed by management to be not significant.

All other financial assets and liabilities have either short-term maturities, noninterest-bearing or are subject to fixed rates (e.g. related party advances).

*(c) Other Price Risk*

The Group's market price risk arises from its investments carried at fair value (classified as financial assets at FVOCI). It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

For equity securities listed in the Philippines, the observed volatility rates of the fair values of the Group's investment held at fair value is determined based on the average market volatility in quoted prices, using standard deviation, estimated at 99% level of confidence. An average volatility of 18.4% and 53.1% has been observed during the period ending March 31, 2021 and December 31, 2020, respectively. The impact on the Group's interim consolidated other comprehensive income and interim consolidated equity would have increased or decreased by P219.9 million and P633.8 million as at March 31, 2021 and December 31, 2020, respectively.

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

The Group is not subject to commodity price risk.

## 9.2 Credit Risk

The maximum credit risk exposure of the Group is the carrying amount of the financial assets and contract assets as shown on the face of the interim consolidated statements of financial position (or in the detailed analysis provided in the notes to the interim consolidated financial statements), as summarized below.

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Cash and cash equivalents	P 2,730,285,920	P 2,129,720,752
Trade and other receivables – net (excluding advances to suppliers and contractors, and advances to condominium associations)	6,997,173,970	6,939,710,083
Contract assets	2,378,525,846	2,388,755,680
Advances to related parties	4,485,314,333	4,428,734,137
	<u>P 16,591,300,069</u>	<u>P 15,886,920,652</u>

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents, and trade receivables, as described below and in the succeeding pages.

### (a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

### (b) Trade and Other Receivables and Contract Assets

Trade and other receivables (excluding Advances to suppliers and contractors and advances to condominium associations) and contract assets are subject to credit risk exposure. The Group, however, does not identify specific concentrations of credit risk with regard to trade receivables and contract assets, as the amounts recognized resemble a large number of receivables from various customers. The Group also retains the titles to the property until such time that the trade receivables are fully collected. Repossessed properties are offered for sale to other customers.

Credit risk of receivables from sale of real estate properties is managed primarily through credit reviews and analyses of receivables on a regular basis. The Group undertakes credit review procedures for all installment payment terms. Customer payments are facilitated through the use of post-dated checks. Exposure to doubtful accounts is not substantial as title to real estate properties are not transferred to the buyers until full payment of the amortization has been made and the requirement for remedial procedures is negligible considering the Group's buyers' profile.

The Group has used the simplified approach in measuring ECL and has calculated ECL based on lifetime ECL. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rate is based on days past due of all customers as they have similar loss patterns. The credit enhancements such as advance payment and value of the real estate for sale are considered in the calculation of impairment as recoveries.

The Group considers trade receivables in default when contractual payments are 90 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. Furthermore, 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.

The management determined that there is no required ECL to be recognized since the real estate sold is collateralized to the related receivable arising from sale. Therefore, expected loss given default is nil as the recoverable amount from subsequent resale of the real estate is sufficient.

Other components of receivables such as rental receivables and others are also evaluated by the Group for impairment and assessed that no ECL should be provided. A significant portion of the Group's rental receivables are from Megaworld, wherein the impairment of receivables is assessed using the latter's ability to pay. The remaining rental receivables are secured to the extent of advance rental and rental deposit received from the lessees, which are on average equivalent to six months.

Some of the unimpaired trade receivables and other receivables, which are mostly related to real estate sales, are past due as at the end of the reporting period. The trade receivables that are past due but not impaired are as follows:

	<b>March 31, 2021</b>	December 31, 2020
Not more than three months	<b>P 121,656,752</b>	P 104,230,372
More than three months but not more than six months	<b>215,401,417</b>	182,085,683
More than six months but not more than one year	<b>240,443,983</b>	205,054,965
More than one year	<b>85,506,110</b>	71,431,466
	<b><u>P 663,008,262</u></b>	<b><u>P 562,802,486</u></b>

(c) *Advances to Related Parties and Rent Receivable and Management Fee Receivable from Related Parties*

ECL for advances to related parties, including rent and management fee receivables, are measured and recognized using the liquidity approach. Management determines possible impairment based on the related party's ability to repay the advances upon demand at the reporting date taking into consideration the historical defaults from the related parties.

The Group does not consider any significant risks in the advances to other related parties with financial difficulty since Megaworld, whose credit risk for liquid funds is considered negligible, have committed to financially support these related parties as part of AGI and its long-term corporate strategy. As of March 31, 2021 and December 31, 2020, the aggregate impairment allowance on balances from Megaworld and other related parties is identified to be not material.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

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

### 9.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for 6-month and one-year periods are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at March 31, 2021 and December 31, 2020, the Group's financial liabilities have contractual maturities which are presented below.

	<u>Within 12 months</u>		<u>After 12 months</u>	
<i>March 31, 2021</i>				
Interest-bearing loans and borrowings	P	353,561,065	P	1,259,544,687
Trade and other payables		916,005,963		-
Lease liabilities		40,705,632		24,373,279
Advances from related parties		5,308,954,941		-
Other current liabilities		752,208,790		-
	<b>P</b>	<b>7,371,436,391</b>	<b>P</b>	<b>1,283,917,966</b>
<i>December 31, 2020</i>				
Interest-bearing loans and borrowings	P	965,307,138	P	257,707,050
Trade and other payables		1,122,234,079		-
Lease liabilities		40,359,015		24,719,896
Advances from related parties		5,237,759,982		-
Other current liabilities		752,315,411		-
	<b>P</b>	<b>8,117,975,625</b>	<b>P</b>	<b>282,426,946</b>

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

## 10. FAIR VALUE MEASUREMENT AND DISCLOSURES

### 10.1 Fair Value Hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;



- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

### ***10.2 Financial Instruments Measured at Fair Value***

As of March 31, 2021 and December 31, 2020, only the equity securities classified as financial assets at FVOCI in the interim consolidated statements of financial position is classified as Level 1. These securities were valued based on their market prices quoted in the PSE at the end of each reporting period. There were no other financial assets measured at fair value on these dates. Further, the Group has no financial liabilities measured at fair value as of March 31, 2021 and December 31, 2020.

There were no transfers between Levels 1 and 2 in both years.

### ***10.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed***

Management considers that due to the short duration of these financial assets (except long-term receivables) and financial liabilities measured at amortized cost, their carrying amounts as of March 31, 2021 and December 31, 2020 approximate their fair value. Except for cash and cash equivalents which are classified under Level 1, all other financial instruments are classified under Level 3 wherein inputs are not based on observable data.

The fair values of the financial assets and financial liabilities included in Level 3 which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

#### ***10.4 Fair Value Measurement of Non-Financial Assets***

The table below and on the succeeding page shows the Levels within the hierarchy of investment properties for which fair value is disclosed as of March 31, 2021 and December 31, 2020.

As at March 31, 2021 and December 31, 2020, the fair value of the Group's investment properties is classified within Level 3 of the fair value hierarchy. The Group determines the fair value of the investment property using market-based approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property. On the other hand, if the observable recent prices of the reference properties were not adjusted, the fair value is included in Level 2. The most significant input into this valuation approach is the price per square meter; hence, the higher the price per square meter, the higher the fair value.

Also, there were no transfers into or out of Level 3 fair value hierarchy as of March 31, 2021 and December 31, 2020.

### **11. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Capital components for cost of capital purposes include loans and borrowings, preferred stock, common equity and retained earnings. The Group may issue new shares and may prepay some of its interest-bearing loans. Further, it intends to allocate its earnings and available cash in the acquisition and development of new/existing properties to ensure continuous business activities.

The Group has complied with its covenant obligations, including maintaining the required debt-to-equity ratio as of March 31, 2021 and December 31, 2020.

**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES**  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND  
FINANCIAL CONDITION

**RESULTS OF OPERATIONS**

Review of 31 March 2021 versus 31 March 2020

During the three-month period, the consolidated net profit amounted to P213.9 million, 3.3% lower than the previous year's net profit of P221.2 million. Consolidated revenues, composed of real estate sales, finance income, commissions, and other income decreased by 19.5% from P1.4 billion in 2020 to P1.1 billion in 2021.

Real Estate Sales

The Group registered Real Estate Sales of P1.0 billion and P1.2 billion for three months ended 31 March 2021 and 2020, respectively. The sales were derived from various projects including, Little Baguio Terraces, San Lorenzo Place, The Cambridge Village, The Sonoma, Greenhills Garden Square, Covent Garden, Kasara Urban Resort, California Garden Square, The Rochester Gardens, and Pioneer Woodlands.

The Cost of Real Estate Sales amounted to P470.4 million in 2021 and P685.1 million in 2020, or 45.4% and 56.3% of Real Estate Sales for the three months ended 31 March 2021 and 2020, respectively. The change was primarily due to the different composition of products sold for each year.

Gross Profit was P564.8 million in 2021 and P532.6 million in 2020, or 54.6% and 43.7% of Real Estate Sales, for the three months ended 31 March 2021 and 2020, respectively. The gross profit margin varies depending on the product mix and the competitiveness in pricing.

Other Revenues

The Finance Income amounted to P46.9 million and P64.1 million for the three months ended 31 March 2021 and 2020 respectively, were derived mostly from in-house financing and various advances from related parties which accounts for 4.1% and 4.5% of total revenues for 2021 and 2020, respectively.

Additional sources of revenue were commissions of a subsidiary, rentals of investment properties, and those obtained from other sources. Commission and other income totaling P58.5 million in 2021 and P135.6 million in 2020, representing 5.1% and 9.6% of total revenues for 2021 and 2020, respectively.

Operating Expenses

Operating Expenses posted a decrease from P332.9 million in 2020 to P300.8 million in 2021. Finance Cost posted an increase from P64.4 million in 2020 to P77.3 million in 2021.

## **FINANCIAL CONDITION**

### Review of 31 March 2021 versus 31 December 2020

Total Assets of the Group as of 31 March 2021 and 31 December 2020 amounted to P45.8 billion and P45.4 billion, respectively. Cash and Cash Equivalents increased from P2.1 billion to P2.7 billion as of 31 March 2021 and 31 December 2020, respectively.

The Group remains liquid with Total Current Assets of P40.9 billion in 2021 and P40.5 billion in 2020, which accounted for 89.4% and 89.2% of the Total Assets as of 31 March 2021 and 31 December 2020, respectively. While, Total Current Liabilities amounted to P12.7 billion as of 31 March 2021 as compared with P13.5 billion as of December 31, 2020.

Total Equity increased from P29.0 billion as of 31 December 2020 to P29.2 billion as of 31 March 2021 is mainly due to net profit for the period and revaluation of equity investments.

Consistently the Group still sources its major working capital requirements from internally generated funds and partly from borrowings.

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

## **KEY PERFORMANCE INDICATORS**

For the three-month period ending 31 March 2021, the following are the top key performance indicators of the Group:

### **1) Prudent Cash Management**

The Group implemented cost-saving measures, negotiated for longer payment terms from suppliers, and obtained lower-cost funding through bank financing to support operations to maintain management's cash preservation objective.

### **2) Ability to repay loan obligations**

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

### **3) Continuous Customer Collections**

The Group implemented collection efficiency initiatives and launched an online digital payment platform to enable continuous customer payments despite quarantine restrictions.

## Material Changes as of 31 March 2021 Interim Consolidated Financial Statements

### Statements of Financial Position (Increase or decrease of 5% or more versus 31 December 2020)

- 28.2% increase in Cash and cash equivalents  
Mainly due to prudent cash management and availment of loan for the period
- 6.2% decrease in Property and equipment - net  
Primarily due to depreciation for the period
- 26.8% increase in Interest-bearing loans and borrowings  
Mainly due to availment of loan for the period
- 8.1% decrease in Trade and other payables  
Mainly due to payments made to various contractors and suppliers

### Statements of Comprehensive Income (Increase or decrease of 5% or more versus 31 March 2020)

- 14.9% decrease in Real estate sales  
Due to lower sales recognized for the period
- 26.8% decrease in Finance income  
Primarily due to varying payment terms of accounts under in-house financing
- 56.8% decrease in Commissions and other income  
Mainly due to a decrease in revenues derived from other related sources
- 31.3% decrease in Cost of real estate sales  
Due to a decrease in real estate sales for the period
- 19.9% increase in Finance costs  
Mainly due to availment of loan for the period
- 9.6% decrease in Operating expenses  
Mainly due to a decrease in marketing and administrative expenses
- 59.7% decrease in Equity in net losses of an associate  
Due to lower net losses of the associate for the period
- 29.5% decrease in Income Taxes  
Mainly due to lower taxable income and corporate income tax rate

The Company allocates P25.0 billion in capital expenditures over the next 5 years and is expected to be funded by collections, borrowings, and other sources.

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

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

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

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

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

The Group is aggressively marketing its products especially the new projects. It continuously offers competitive prices, more easy payment schemes under in-house financing and has strong relationships with reputable banks for the financing requirements of its customers.

**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Megaworld Corporation)*  
**ACCOUNTS RECEIVABLE AGING**  
 For each of the three months ended March 31, 2021  
*(All amounts in thousands Philippine Peso)*

1) Aging of Accounts Receivable

Type of Receivables	Total	Current / Not Yet Due	1-3 Months	4-6 Months	7 Months - 1 Year	Above 1 Year	Past due accounts & Items in Litigation
a) Trade Receivables	5,481,050	4,818,042	121,657	215,401	240,444	85,506	-
b) Other Receivables	4,122,318	4,122,318	-	-	-	-	-
Net Receivables	9,603,368						

2) Accounts Receivable Description

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

3) Normal Operating Cycle: 3 to 15 years

**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Megaworld Corporation)*  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**As at March 31, 2021 and December 31, 2020**

	31-Mar-2021	31-Dec-2020
Current ratio	3.22	2.99
Quick ratio	0.80	0.71
Debt-to-equity ratio	0.57	0.56
Interest-bearing debt to total capitalization ratio	0.05	0.04
Asset-to-equity ratio	1.57	1.56
		31-Mar-2020
Interest rate coverage ratio	475%	610%
Net profit margin	18.75%	15.61%
Return on assets	0.47%	0.50%
Return on equity/investment	0.73%	0.78%
Return on equity/investment of owners	0.83%	0.87%

LIQUIDITY RATIOS measure the business' ability to pay short-term debt.

Current ratio - computed as current assets divided by current liabilities

Quick ratio - computed as cash, marketable securities, accounts receivable divided by current liabilities

SOLVENCY RATIOS measure the business' ability to pay all debts, particularly long-term-debt.

Debt-to-equity ratio-computed as total liabilities divided by total equity.

Interest-bearing debt to total capitalization ratio-computed as interest-bearing debt divided by interest-bearing debt + stockholder's equity attributable to controlling interest.

ASSET-TO-EQUITY RATIOS measure financial leverage and long-term solvency.

It shows how much of the assets are owned by the company. It is computed as total assets divided by total equity.

INTEREST RATE COVERAGE RATIOS measure the business' ability to meet its interest payments.

It is computed as earnings before income tax and interest expense ("EBIT") divided by interest.

PROFITABILITY RATIOS

Net profit margin - computed as net profit divided by total revenues

Return on assets - net profit divided by average total assets

Return on investment - net profit divided by total stockholders' equity

Return on investment of equity owners - net profit attributable to owners of the parent divided by equity attributable to owners of the parent company