



Eton Properties Philippines, Inc.

STABILITY, GROWTH, VALUE CREATION

2020 ANNUAL REPORT





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FINANCIAL HIGHLIGHTS



Despite the economic challenges brought about by the Covid-19 pandemic, Eton Properties' leasing income from rental properties in 2020 grew by 2.9 % to P1.76 billion from last year's Php 1.71 billion. By partnering with established and sustainable brands and companies, the Company remains consistent with its aim to improve the quality of revenue earnings coming from its real estate portfolio.

Similar with the general industry performance, while Eton Properties' total revenues of 2.6 billion and net income in 2020 reached Php 802 million, this is an 11% decrease from the Php 900 million reported in the previous year. This is largely attributable to a slow real estate sales take up brought about by the pandemic.

Although quarantine restrictions affected consumer activity for most of 2020, new commercial tenants managed to open their doors to the public in the third quarter. This list includes America's favorite fried chicken, Popeyes; local favorite, Pares Retiro; IQOS and Maxicare Primary Care Center, which all opened in the BPO-IT lifestyle hub, Eton Centris in Quezon City.

With the pandemic, more and more businesses are finding great value in Eton Properties' flagship projects —Eton Centris and Eton City in Sta. Rosa, Laguna; that both offer wide open spaces, having been created with health and safety in mind. As the economy looks forward to recovery, Eton Properties is at the forefront of helping rebuild the nation by developing communities and maintaining environments that adapt to the new normal and are well-positioned to capture business opportunities across all real estate sectors.

At the end of 2020, Eton Properties has a leasing portfolio of approximately 181,000 square meters of office space and over 45,000 square meters of retail space.

On the other hand, construction work has resumed ongoing projects after a respite due to quarantine restrictions.

This includes Blakes Tower, a 36-storey office and residential building in Makati City, which will have 11,400 square meters of office space and 14,000 square meters of residential space once completed; and Eton City Square 1, the 4.3 hectare neighborhood retail and commercial center in Sta. Rosa, Laguna, which, when its first phase is

completed, will add 7,200 square meters of gross leasable area to Eton's commercial leasing portfolio.

As the pandemic provided the rare opportunity for the Company to realign its business priorities with the current market needs, NXTower I, located between Emerald Avenue and Ruby Road in Ortigas, which was initially planned as an office building, is currently being assessed and considered as a dynamic mixed-use development which will offer 21,000 square meters of gross leasable area.

With our well-balanced portfolio of office, commercial, residential, and serviced residences projects, coupled with Management's prudence as it moves forward, Eton is confident that it can sustain its growth momentum despite the uncertainties ahead.

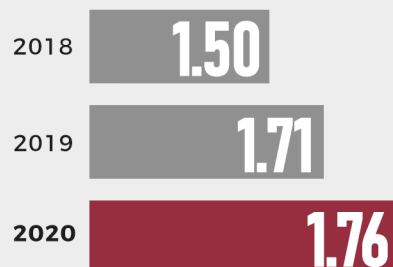
CONSOLIDATED STATEMENTS OF INCOME

(In Million Pesos)	2020	2019	2018
Revenues	2,605	3,314	1,704
Gross Profit Margin	1,790	2,074	1,657
Net Income	802	900	492
EBITDA	1,815	2,038	1,273

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Million Pesos)	2020	2019	2018
Current Assets	8,832	9,230	10,587
Non-Current Assets	22,989	22,598	20,736
Total Assets	31,822	31,828	31,323
Total Liabilities	13,180	13,992	14,326
Stockholders' Equity	18,641	17,835	16,996

LEASING REVENUE (In Billions)

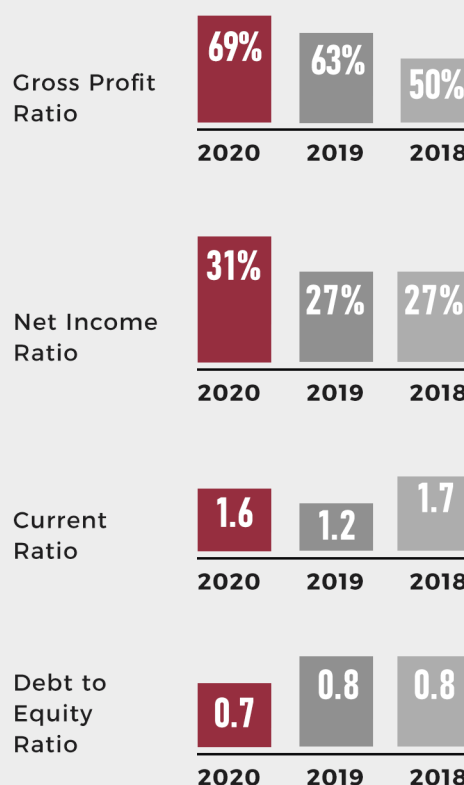


2.9% ↑

Increase in
Lease Revenue

P2.6 Billion
GROSS REVENUES

FINANCIAL RATIOS



“In the face of the Covid-19 pandemic, our Company resolved that we will not let this get in the way of our goals. Rather, we took the pandemic as an opportunity to demonstrate our commitment to service and rebuilding the nation.”

-Dr. Lucio C. Tan

The year 2020 may have been full of challenges, but for us at Eton Properties Philippines, it was also an opportunity to be of service to our clients and most importantly, the nation.

In the face of the Covid-19 pandemic, our Company resolved that we will not let this get in the way of our goals. Rather, we took the pandemic as an opportunity to demonstrate our commitment to service and rebuilding the nation.

Navigating the quarantine restrictions, we endeavored to be of assistance to all those who live and work in Eton developments by making available a host of services within our properties. To support economic recovery efforts, we safely reopened our commercial and office spaces while closely adhering to health standards and regulations. We have likewise worked together and strengthened our partnership with our tenants by offering them alternative business options, including provisions for concessions, as well as much-needed assistance for digital transformation by partnering with like-minded organizations.

This enabled a number of new commercial tenants to open their doors to the public, thereby providing jobs, building consumer confidence, and reigniting economic activity.

I am proud to note that despite challenging economic conditions, Eton Properties Philippines managed to stay on the growth path in 2020. More and more businesses are even finding great value to invest and lease in our wide-open spaced developments as these were created with the health and safety of everyone in mind.

Eton Properties' respectable performance in 2020 is a testimony to our financial strength as a company. It also demonstrates the wisdom of our efforts to rebalance our portfolio and optimize income streams. Through this, we managed to build a solid foundation that kept Eton Properties strong in the face of adversity.

Let me take this opportunity to express my deepest appreciation to the shareholders, management, and staff of Eton Properties for their extraordinary service and commitment to excellence at this most difficult time for the world. In particular, allow me to recognize the company frontliners whose dedication and hard work allowed us to maintain our operations, helped our transition to the new normal, and kept Eton on the growth path.



Dr. Lucio C. Tan
Chairman

A portrait of an elderly man with grey hair, wearing a black suit, white shirt, and a blue patterned tie. He is standing in an office environment with a blurred background showing a desk and a black office chair. The text "CHAIRMAN'S MESSAGE" is overlaid on the left side of the image.

CHAIRMAN'S MESSAGE

PRESIDENT'S REPORT

For Eton Properties Philippines, Inc., the year 2020 was all about stability, growth, and value creation.

Despite uncertainties worldwide due to the Covid-19 pandemic, we forged ahead with the same vision that has steered us throughout the years. We were guided by our chairman's vision and business model, which kept the Company stable amidst the economic headwinds and served as a solid foundation for our continued growth.

In 2020, rental income reached Php 1.76 billion, a 2.9% increase compared to last year as a result of office, commercial and residential leasing revenue, as well as hotel room sales. Together with other income segments, the Company delivered a gross revenue of 2.6 billion.

Recognizing the impact of the pandemic early on, the Company instituted efficient measures to improve its margin while also recognizing corporate provisions as a requirement for financial reporting. As a result, the Company was able to mitigate the adverse impacts of the pandemic and still attained an improvement of 11% on its gross profit margin and achieved an EBITDA of Php 1.8 billion and a net income of Php 802 million for the year 2020.

Although the Covid-19 pandemic and quarantine restrictions presented difficulties, we chose to be proactive in our response while focusing on our clients. We rolled out initiatives to mitigate the impact of the virus with health and safety protocols in our buildings, strict physical distancing measures, and digital access to services to reduce personal contact. More so, the pandemic proved how our developments have become more attractive to business locators as we offer the market flexible units and wide-open common spaces, putting the health and safety of our patrons is our top priority.

These enabled our customers to resume operations as the economy gradually reopened.

In the third quarter, new commercial tenants opened their doors to the public, among them Popeyes and Maxicare in Eton Centris, Quezon City. More spaces from our existing projects also came on stream. We are proud to say that we have maintained a healthy level of renewals mainly because we have developed a strong partnership with our tenants.

Today, we continue to forge ahead. Our ongoing projects include Blakes Tower, a 36-storey office and residential building in Makati City, which will have 11,400 square meters of office space and 14,000 square meters of residential space once completed.

Eton Properties currently has a leasing portfolio of around 181,000 square meters of office space and over 45,000 square meters of retail space.

With our healthy pipeline of projects, Eton Properties is well-positioned to capture business opportunities as more retail and office tenants are expected to come on stream in the coming months. More so, further company growth is expected with the launch of Eton City Square 1, the 4.3 hectare neighborhood retail and commercial center in Sta. Rosa, Laguna. Its first phase will add 7,200 square meters of gross leasable area to our commercial leasing portfolio. We anticipate new rental revenues from Eton City Square, as we engage with pandemic-resistant tenants that offer essentials and medical services to locate here. NXTower I in Ortigas is also underway, which will add an additional 21,000 square meters of gross leasable area. As the pandemic provided the rare opportunity for the Company to realign its business priorities, NXTower I, which was envisioned as an office building, is currently being considered as a mixed-use development to cater to the current needs of the market.

Amidst the disruptions in the global environment, we will carry on the commitment of Lucio "Bong" Tan, Jr., our beloved late President, to seek out and create long term value and to bring about

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-Ramon S. Pascual

continuous prosperity to communities where Eton deploys its investment resources. We face uncertainties ahead with cautious persistence and adjustments to management and operations. We will also continue to research models from around the world to further strengthen our company in preparation for the challenges ahead.

Through all these, our key strategies remain focused. We will further increase leasing revenue by expanding our portfolio of leasable space to further strengthen our consistent revenue streams.

We will continue to unlock the value of our landholdings, converting them into producers of cash flow with real estate that will fulfill the demands of our markets. Stability, growth, and value creation will be our guiding principles.

Moving forward, we will remain focused on enhancing our customers' experience through services and offerings that are relevant to their needs.

As we carry on with our growth journey, we are confident that we can take the company to new heights in these extraordinary times.

Needless to say, we can only achieve this with the usual strong support that our colleagues, partners, and shareholders have given us throughout the years. With your support, we will find the strength to grow despite the disruptions around us.

Thank you, our shareholders, our board of directors, our management team, and our colleagues for giving us the opportunity to serve the Company and our fellow Filipino at the most challenging time for the country and the world.

Salamat po at mabuhay ang Pilipino.


Mr. Ramon S. Pascual
President

BOARD OF DIRECTORS



Lucio C. Tan is the Chairman of the Board. He is also the Chairman of Philippine Airlines, Inc., Asia Brewery Inc., LT Group, Inc., MacroAsia Corp., Fortune Tobacco Corp., PMFTC, Inc., Grandspan Development Corp., Himmel Industries Inc., Lucky Travel, PAL Holdings, Inc., Air Philippines Corporation, Tanduay Distillers, Inc., The Charter House, Inc., AlliedBankers Insurance Corp., Absolut Distillers, Inc., Progressive Farms, Inc., Foremost Farms, Inc., Maranaw Hotels & Resort Corporation, Eton City, Inc., Belton Communities, Inc. FirstHomes, Inc., Allianz PNB Life Insurance, Inc., and Basic Holdings Corp., Director of Philippine National Bank

Michael G. Tan is the Director of Eton Properties Philippines Inc. He is also the Director and President of LT Group, Inc., He is also the Director and Chief Operating Officer of Asia Brewery, Inc. Director of Philippine National Bank, PMFTC Inc., Tanduay Distillers, Inc., Victorias Milling Co., Eton City, Inc., PAL Holdings, Inc. (PAL), Philippine Airlines, Inc., Air Philippines Corp., Tangent Holdings Corp., Abacus Distribution Systems Philippines, Inc., AlliedBankers Insurance Corp., Maranaw Hotels & Resort Corporation (Century Park Hotel) and Pan Asia Securities, Inc.

Karlu T. Say is the Director, Chief Operating Officer and OIC-HR Head of Eton Properties Philippines Inc. She is also the Founder and Director of Dong-A Pharma Phils., Inc.; Director of Eton Properties Management Corporation; Director of AlliedBankers Insurance Corporation.

Vivienne K. Tan is the Director of Eton Properties Philippines Inc. She is also the Director of Philippine National Bank and LT Group, Inc.; Board of Trustee of University of the East and University of the East Ramon Magsaysay Memorial Medical Center; she is also the Founding Chairperson of Entrepreneurs School of Asia; Founding Trustee of Philippine Center for Entrepreneurship (Go Negosyo), Phils.

Wilfrido E. Sanchez is an Independent Director of Eton Properties Philippines Inc. He is also the Tax Counsel of Quiason Makalintal Barot Torres Ibarra & Sison Law Offices; Board of Trustees of Asian Institute of Management (AIM); Director of Amon Trading Corp., EEI Corporation, House of Investments, Inc., JVR Foundation, Inc., Kawasaki Motor Corp., Magellan Capital Holdings, Corp., Transnational Diversified Corp., Transnational Financial Services, Inc., Universal Robina Corp., LT Group, Inc.,

Asia Brewery, Inc., Tanduay Distillers, Inc., Emcor, Inc., J-Del Investment and Management Corporation, Center for Leadership & Change, Inc., K Servico, Inc., Adventure International Tours, Inc., Gokongwei Brothers Foundation, Petnet, Inc., and Transnational Plans, Inc.

Cirilo P. Noel is the Director of Eton Properties Philippines Inc. He is also the Chairman of Palm Concepcion Power Corporation; Independent Director of Globe Telecom, Inc., St. Luke's Medical Center, and San Miguel Foods and Beverage, Inc.; Director of Amber Kinetics Holdings Co., PTE Ltd., LH Paragon Inc., Cal Comp Technology (Philippines) Inc., St. Luke's Medical Center College of Medicine, JG Summit Holdings, Inc., Security Bank Corporation, St. Luke's Foundation, and Transnational Diversified Group.

Florencia G. Tarriela is an Independent Director of Eton Properties Philippines Inc. She is also the Chairman and Independent Director of the Philippine National Bank, PNB Capital and Investment Corporation, PNB-IBJL Leasing and Finance Corporation, and PNB-IBJL Equipment Rentals Corporation; Independent Director of PNB International Investments



CIRILO P. NOEL
Director

FLORENCIA G. TARRIELA
Independent Director

JUANITA T. TAN LEE
Director

MARY G. NG
Director

JOHNIP G. CUA
Independent Director

Corporation and LT Group, Inc.; Director of Bankers Association of the Philippines; Director and Vice-President of Tarriela Management Company; Director, Vice-President and Assistant Treasurer of Gozon Development Corporation; Trustee and Life Member of Financial Executives of the Philippines (FINEX); Trustee of Foundation for Filipino Entrepreneurship, Inc. (FFEI), Tulay sa Pag-unlad, Inc. (TSPI) and TSPI Development Corporation; Former Undersecretary of the Department of Finance; Board Member of the following: Monetary Board of Bangko Sentral ng Pilipinas, Land Bank of the Philippines and Philippine Deposit Insurance Corporation (PDIC); Managing Partner and Vice-President of Citibank N.A., Philippines.

Juanita T. Tan Lee is the Director of Eton Properties Philippines Inc. She is also the Director and Treasurer of LT Group, Inc.; Director of Maranaw Hotels & Resort Corp., Asia Brewery, Inc., and Tanduay Distillers, Inc.; The Charter House, Inc., Foremost Farms, Inc., Grandspan Development Corp., Himmel Industries, Inc., Landcom Realty Corp., Lucky Travel Corp., PMFTC, Inc., Digital Philippines, Inc. and Mabuhay Digital Technologies, Inc.

Mary G. Ng is an Independent Director of Eton Properties Philippines Inc. She is also the Chief Executive Officer of H&E Group of Companies; Honorary President of the Packaging Institute of the Philippines, the Philippine Plastic Industrial Association of the Philippines, and the Association of Volunteer Fire Chiefs and Firefighters of the Philippines; Chairman of the ASEAN Federation of Plastic Industries (AFPI); Executive Vice-President of Federation of Filipino-Chinese Chamber of Commerce and Industries; Tripartite Board Member of the Department of Labor and Employment; Board member of the Technical Educational and Skills Development Authority (TESDA); Vice-President of Philippine Piak O Eng Chamber of Commerce and Philippine Piak O Eng Uy's Association; Director of Philippine Dongshi Townmate Association, Inc.; Independent Director of LT Group, Inc.

Johnip G. Cua is an Independent Director of Eton Properties Philippines Inc. He is also the Chairman of the Board of Trustees of Xavier School, Inc., P&Gers Fund Inc.; Chairman & President of Taibrews Corporation; Independent Director of ALI-Eton Property Development Corporation, BDO Private Bank, Philippine Airlines,

Inc., PAL Holdings, Inc., MacroAsia Corporation, MacroAsia Catering Services, Inc., MacroAsia Airport Services Corporation, MacroAsia Properties Development Corp., PhilPlans First Inc., LT Group, Inc, Asia Brewery, Inc. and Tanduay Distillers, Inc., and Century Pacific Food, Inc.; Director of Alpha Alleanza Manufacturing, Inc., Allied Botanical Corporation, Interbake Marketing, Inc., Lartizan Corporation, Teambake Marketing, Inc., and Bakerson Corporation; Member of the Board of Trustees of Xavier School Educational & Trust Fund, and MGCC Foundation.

Ramon S. Pascual is the Director, President and Chief Executive Officer of Eton Properties Philippines Inc. He is also the Executive Director of Dynamic Holdings Limited; Director and President of Eton City, Inc., Belton Communities, Inc., FirstHomes, Inc.; Director, Chairman and President of Eton Properties Management Corporation; Director of Beijing Longfast; and Senior Executive of Eton Properties Limited in Hong Kong.

Enduring stability to empower growth and creation of value

Stability, growth, value creation. These are the precepts that have guided Eton Properties Philippines during these extraordinary times.

As one of the Philippines' largest firms, Eton Properties Philippines, Inc. has always kept true to its vision of being the most trusted property developer. Over the past years, Eton has consistently delivered high-quality projects in prime locations, allowing stakeholders to take part in the process of value creation.

As the world confronts the Covid-19 pandemic, disrupting lives and businesses, including the Philippines, Eton Properties has stayed faithful to its vision. Mindful that the safety and security of its communities are foremost priorities, the Company takes every effort to ensure that these communities are safe havens while minimizing disruptions to the lives of people who work and live there.

Even as it focuses on keeping its communities safe, Eton keeps an eye on the needs of the market, offering innovative projects that resonate with their evolving lifestyles and business requirements. Through its wide portfolio of projects, Eton is well-positioned to tap opportunities for growth that may arise on the horizon.

To achieve this, Eton endeavors to keep a balanced portfolio of development and recurring income projects, which has helped strengthen the company throughout the years. Thanks to this approach, Eton has remained financially stable, operationally resilient, and poised for continued growth amid the disruptions of 2020.

As it moves forward in the face of uncertainty and challenge, Eton's continued focus on stability, growth, and value creation will ensure that it stays true to its vision of being the most trusted property developer in the country.









2020 PERFORMANCE HIGHLIGHTS

Steadfast amidst adversity

Eton Properties reinforced its position in the office sector in 2020 as it consistently provided the Company revenue amidst the pandemic. Despite the economic setback, interest in the Company's office properties did not waver as locators find value in the flexible spaces that it offers, which can be turned into "pandemic mode". Meanwhile, its commercial segment continued to persist despite the challenges and was able to sign new tenants in its several properties. With tenant fit-outs underway, new stores are expected to open in the Company's commercial properties in the second half of 2021.

While the structural integrity and architectural design of Eton's developments contributed greatly to the confidence of its business partners and kept its revenue intact, the Company's adaptability in these trying times was exhibited through innovative marketing strategies that included a digital shift through valuable partnerships with on-demand and transport services applications, as well as, creative hybrid event executions that combined on-ground and virtual performances that created a sense of normalcy for the public and in the same way kept the Company's target markets' outlook positive.



Bayanihan spirit shines through as Eton helps rebuild the economy

The Covid-19 pandemic may have been a challenge, but it also presented an extraordinary opportunity for Eton Properties Philippines to showcase its spirit of innovation and ingenuity, especially in helping stakeholders and the nation in rebuilding during the new normal.

Within its developments, Eton Properties actively took steps to mitigate the impact of the pandemic by institutionalizing health and safety policies and standards. Enabling its continued operations was a robust business continuity plan that assured uninterrupted business across its units. To ensure safety, work-from-home arrangements were institutionalized for employees.

As a real estate developer, Eton Properties embraced its role of ensuring the health and safety

of tenants and residents in its developments. This involved strict adherence to health and safety protocols, including wearing of masks, face shields and personal protective equipment (PPE) as necessary, regular disinfection of high-contact areas, and enforcement of social distancing guidelines. The Company also conducted a rapid antibody testing for its on-site employees at the height of the community quarantine. All these helped tenants and residents transition to the new normal and resume their activities.

Further enabling tenants to move forward, the Company offered them alternative payment options, including provisions for concessions, as well as much-needed assistance for digital transformation by partnering with like-minded organizations.

For the safety and convenience of consumers, Eton Properties promoted a digital shift by partnering with an on-demand services application MyKuya for their shopping, bills payment, and dining needs at various Eton developments. The Company has likewise worked together with Transport Network Vehicle Service (TNVS), Hype to provide free convenient and safe transport to its retail clients for a period during quarantine. Beyond helping clients fulfill their errands, the service provided employment for displaced contractual workers.

To maintain a high level of safety by minimizing physical contact, Eton Properties has innovated its payment processes by accommodating electronic payments, as well as launched its efforts to develop a property management application to continuously improve the Company's customer service experience.

Recognizing the importance of green practices, Eton Properties took the quarantine as an opportunity to promote sustainable practices. For instance, residents and on-site staff at Eton City in Sta. Rosa, Laguna benefited from Eton Property Management's edible landscaping efforts that led to the planting of organic vegetables and fruits in its open spaces. This was especially advantageous to residents as they got their vegetables and mangoes from the gardens during the extended community quarantine when mobility was restricted.

Further embracing its community responsibilities, volunteers composed of employees, staff, and other concerned individuals banded together to organize feeding programs and promote the welfare of the community cats in Eton Centris, that have become an integral part of the community and whose presence provides relaxation to community members.

Beyond its developments, Eton Properties strongly supported efforts to help the nation in addressing the challenges of the Covid-19 pandemic. As part of the LT Group, Eton and its sister companies Asia Brewery, Inc., Tanduay Distillers, Inc., Philippine National Bank, PMFTC Inc.'s Embrace CSR program, and Philippine Airlines have been at the forefront of efforts to mitigate the impact of COVID-19 to its various stakeholders. Under the disaster-relief program "Help Flows", LT Group donated 190,000 liters of ethyl alcohol, 200,000 liters of bottled water, and 2,000 pieces of N95 face masks to frontline health workers leading the fight against COVID-19.

During these extraordinary times, Eton's commitment to the safety of its stakeholders remains solid than ever. With the company's proactive approach, customers are assured that all Eton Properties developments remain a healthy and sustainable environment where they can live, work and thrive.



Centris Cyberpod Five





Eton Centris Cluster 3

Charting effective return strategies for business

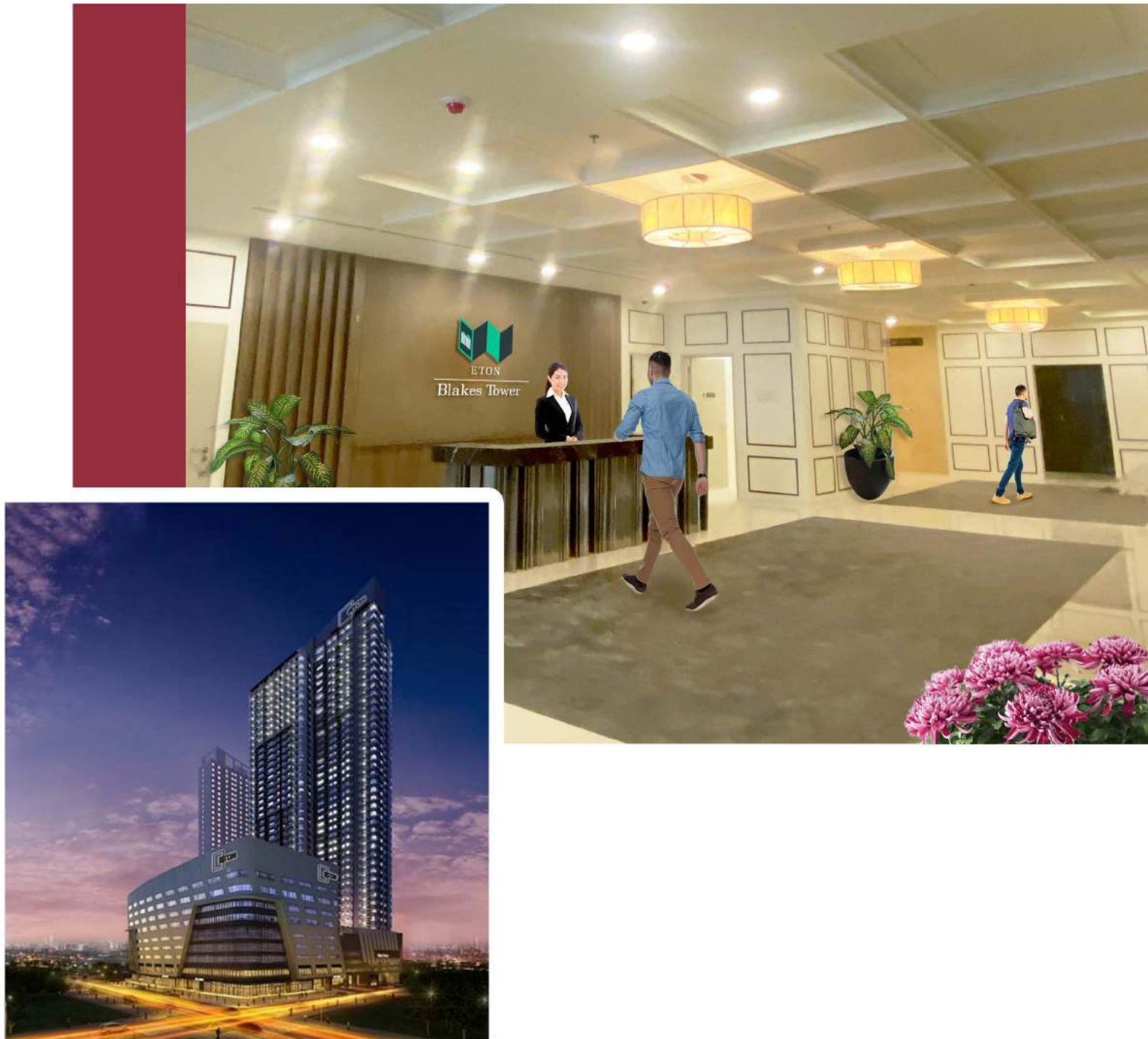
Uninterrupted services, secure operations, and assured productivity. All these were achieved despite the Covid-19 pandemic because of the proactive stance, coupled with the design features found throughout Eton Centris and the developments within it. Centris Cyberpod Five, a business process outsourcing hub within Eton Centris, benefitted from these.

Offering 42,000 square meters of space, the 24-storey Centris Cyberpod Five boasts of a strategic location and is one of the last available PEZA-registered buildings in Metro Manila. It is a top choice for companies that value flexibility in design for greater efficiency, allowing workers to work productively and enabling businesses to chart their return strategies.

With plenty of wide spaces, courtyard architectural design, and well-designed buildings, adherence to strict health protocols within Eton Centris is assured. This helped pave the way for the opening of new commercial outlets despite the pandemic. Among those that opened for business at Eton Centris were Popeyes, Pares Retiro, Maxicare Primary Care Center, and IQOS, helping generate employment and reigniting economic activity in the area.

Blakes Tower at Eton WestEnd Square





Functionality and productivity in a high-value address

Accessibility, productivity, and practicality. For those who value these and more, the 36-storey Blakes Tower at Eton WestEnd Square is a logical choice.

Now ready for lease, Blakes Tower features residential and business options all in one place. Offering both office and residential spaces for lease, it offers a high-value business and residential address at competitive lease rates. It is a 10-minute walk away from the Makati CBD, ensuring tenants are always within close proximity to the center of business.

Within the same mixed-use complex is eWestMall, a two-level commercial center that offers dining and functional service options, making work-life integration easier for all.

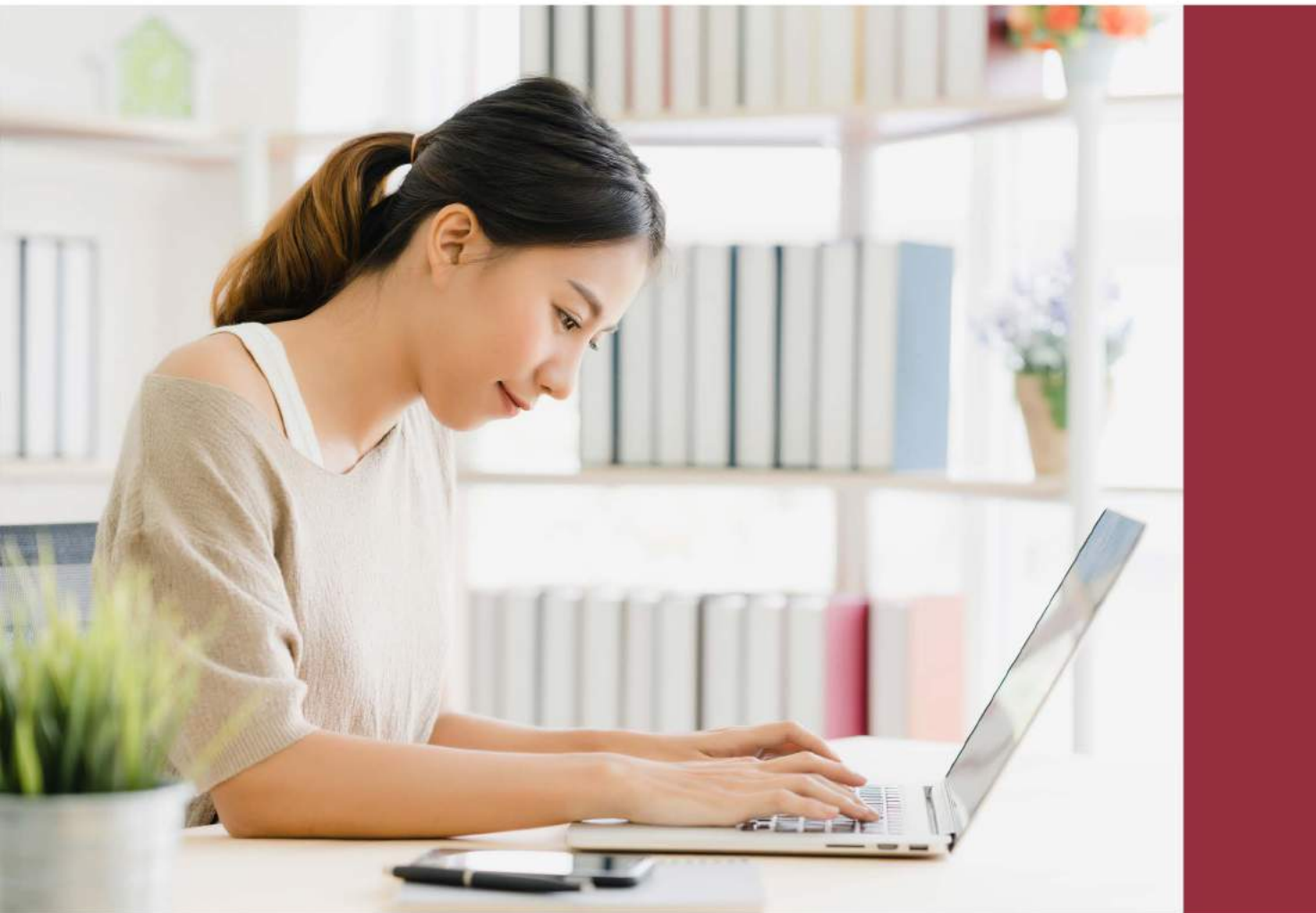




Redefining shopping and dining in the new normal

Shopping and dining amidst nature and wide-open spaces. Eton City Square is a 4.3 hectare commercial strip in Sta. Rosa, Laguna that features a courtyard architectural design appropriate for the current market's preference for open space leisure activities.

Its innovative format, which includes wide pathways and floor areas, as well as stand-alone retail structures, provides a relaxing environment for those who choose to enjoy the suburban outdoors while being engaged in diverse options of dining, shopping, leisure, and entertainment. With its accessibility and direct exit at the South Luzon Expressway, Eton City Square is expected to become a rising commercial district in the South of Metro Manila.



Elevating the customer's leasing experience

Amidst the mobility restrictions caused by the Covid-19 pandemic, Dwellings by Eton remains committed to making clients' home leasing experience simple, easy, and hassle-free. Dwellings by Eton takes pride in providing personalized services to match the requirements of clients.

A dedicated team of professional leasing specialists offers a full suite of services ranging from viewing of available units to negotiation of leasing terms to documentation including notarization of contracts, move-in form requirements, turn-over report, and even application forms for telephones, cable TV, and the like.

On moving out, Dwellings will facilitate the return of the security deposit by providing a breakdown of any deductions and corresponding receipts for your reference. All these make the clients' leasing experience seamless and convenient every step of the way.





Meeting the ever-evolving needs of enterprises

Eton Properties' landmark development in the Ortigas business district, NXTower I will bring 21,000 square meters of gross leasable area to the market. This 30-storey mixed-use commercial building will rise along Emerald Avenue and Ruby Road. Located close to commercial and lifestyle centers and public transportation options, it meets the needs of locators with 24/7 operations. With flexible spaces to meet the evolving needs of modern businesses, its large multi-functional spaces and complete provisions will ensure maximum efficiency and productivity of those that choose NXTower I to be their address.

Meanwhile, Eton Centris in Quezon City offers a multitude of business opportunities for the Company. With the redevelopment of Centris Station located within the BPO-IT lifestyle hub, growth is seen in investing in a microretail concept. As a gateway to the North of Metro Manila, another growth opportunity is perceived in Centris Cyberpod Five by converting some of its floors into a mini hotel and the other floors as a minipods compact hotel in order to cater to millennial and Gen Z reasonable travelers. With these concepts in mind, a food hub within the same building and a Centris Food Park on open grounds are also envisioned to complete this growth area.





Paving the road to recovery and sustainable growth

As Filipinos struggled with the multiple challenges of 2020, Eton Properties stood ready to provide assistance. Through the Tan Yan Kee Foundation, the Lucio Tan Group's corporate social responsibility arm, Eton Properties, was able to provide much-needed help to thousands of Filipinos.

Following the eruption of Taal Volcano, Eton Properties donated sleeping mats to displaced families in Lian and Nasugbu, Batangas. Employees of Eton Properties, Philippine National Bank, and Absolute Distillers conducted joint relief operations to distribute the sleeping mats, hygiene kits, water, and other relief goods to affected residents.

Eton Properties also actively supported agroforestry initiatives through the Dr. Lucio Tan Legacy Forest Project in Carranglan, Nueva Ecija. Vegetable crops, fruit trees, and forest trees are grown in the 980-hectare area by farmers. The farm serves as a sustainable source of livelihood for poor farmers and indigenous peoples in the surrounding communities.



The Foundation also provides training programs for the farmers, teaching them the correct way of land preparation, maintenance, and nurturing of farms. It also provides hybrid palay seeds and farm inputs to help farmers produce premium rice. Farmers also get help in selling their produce, which are distributed to public markets, corporate buyers, or employees from companies under the LTG.

In fact, last December 2020, Eton gifted building frontliners with bags of premium rice grown by the farmers and vegetables, cassava, and tomatoes from the Dr. Lucio C. Tan Legacy Forest Project. The rice came from an earlier donation of rice seedlings made to the farmers on behalf of the Company's residential tenants.

Through its CSR initiatives, Eton Properties aims to help Filipinos get back on the road to recovery and sustainable growth.

Our Sustainability Journey

Strengthening our foundations of sustainability

Sustainability is an integral part of Eton’s business. With the Covid-19 pandemic changing the business landscape, it becomes more important for all of us to work towards a sustainable recovery for the country and the whole world.

At Eton, this means continuing efforts to embed sustainability into every aspect of our business, and to strengthen our sustainable foundations. Doing so will enable us to grow in the right path, while responding to the needs of internal and external stakeholders.

Eton’s continuing efforts to build a solid financial base have helped us achieve our sustainability goals. This served us in good stead this year, allowing us to provide continuous employment to our workforce throughout the pandemic.

As we build a solid foundation, we are judiciously monitoring our consumption of resources and generation of waste to minimize our impact on the environment and society.

Our commitment to sustainability also means looking beyond our business operations, so that we can contribute to positive change in society and help alleviate the human condition. To this end, Eton continues to provide scholarships to deserving students, livelihood programs and support for our farmers, and relief operations for victims of calamities. Our response to the Covid-19 pandemic captures our commitment to rebuild society. We joined the LT Group companies in working with our partners in government and the non-profit sector to bring much-needed assistance where it was most needed.

Our journey to sustainability is an unfolding process. As the Philippines moves toward economic recovery, we remain steadfast in our commitment to sustainability and service to society. Despite the challenges ahead, we are confident that we can stay true to our commitment to do what is right, what is good, and what is sustainable.

Our approach to materiality

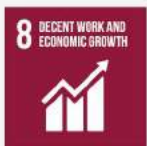
Our journey to sustainability is informed by our Materiality assessment process. We started the process in 2019, and continued this in 2020. We looked at a variety of sources and conducted workshops to assess and determine the most critical material issues that have the highest capacity to impact the Company, internally, and its stakeholders, externally.

From a long list of 44 material issues, we were able to prioritize 17 top material issues in 2019, which were validated by Management Officers. For 2020, after a series of discussions and consultations, the same 17 material topics remain to be the most important to the Group and our stakeholders.

OUR TOP MATERIAL ISSUES:

1. ECONOMIC PERFORMANCE

Maintaining profitability to return a dividend and re-invest in products and services. This also covers stable revenues in the event of political and economic uncertainties, market competition, pressure from regulatory bodies, and employing strategies to increase market share.



2. SOCIOECONOMIC COMPLIANCE

Complying with socioeconomic laws and regulations, and regulatory changes in both financial and non-financial reporting.



3. RISK MANAGEMENT

Managing risks that may greatly impact the Group's operations and performance. This includes systems and policies in place to address potential credit, market, interest rate, liquidity, security, reputation and other risks relevant to the operations of its subsidiaries.



4. EMPLOYMENT

Attracting and retaining highly capable individuals to support high performance, and includes employee wages and other forms of compensation such as bonuses and executive remuneration, as well as fostering gender equality in the workplace.



5. ANTI-CORRUPTION

Demonstrating integrity, transparency, governance, and responsible business practices, as expected by the marketplace, international norms, and stakeholders.



6. MARKETING AND LABELING

Providing customers access to accurate and adequate information on the positive and negative economic, environmental and social impacts of the products and services they use—both from a product and service labeling and a marketing communications perspective. This also includes customer protection policies and laws.



7. CUSTOMER HEALTH AND SAFETY

Protecting and promoting health and safety of our customers through assurance of product quality, effective safety risk management and promotion of a safety culture. This also refers to ensuring that products are free from toxic or hazardous contents that may endanger customer safety.



8. CUSTOMER ENGAGEMENT AND SATISFACTION

Meeting customer expectations and needs in delivery of our products, services and experiences. This also ensures that customer complaints are recorded, monitored, resolved and reported to regulatory bodies, as applicable.

9. ILLICIT TRADE

Implementing policies and measures to ensure the security of aspects in the supply chain which could be most susceptible to illegal trading and counterfeiting. This entails full cooperation with law enforcement agencies, and engagement with policymakers for a more effective and balanced regulation.



10. WATER MANAGEMENT

Optimizing the use of water resources, including management of water treatment of drinking water, industrial water, sewage or wastewater, water resources and flood protection.



11. COMMUNITY RELATIONS AND INITIATIVES

Maintaining our social license to operate through engagements with the community.



12. SAFETY AND WELL-BEING

Protecting and promoting health, safety and well-being of our employees and contractors through effective safety risk management and promoting a safety culture.



13. MANAGING WASTE

Managing and minimizing waste, including responsible waste management by resource reduction, reuse, recycling and reprocessing, waste treatment and waste disposal.



14. ENERGY EFFICIENCY

Managing and minimizing energy use, increasing efficiency measures and using low-carbon emission energy sources.



15. CLIMATE CHANGE

Ensuring that the Group is prepared to anticipate, address, and recover from impacts of climate change that might pose risks to the workforce, cause disruption to operations and/or loss of property.



16. DIGITAL TRANSFORMATION AND INNOVATION

Implementing digitalization of products and services to streamline customer experience. This also refers to other innovations that capitalize on current trends on blockchain, artificial intelligence, etc. This also includes cybersecurity and cyber resilience measures within the Group.



17. CUSTOMER DATA PRIVACY AND SECURITY

Managing the privacy of customer information and ensuring personal information is secure against fraud and theft.



Environment

We value our water resources. As such, we have instituted measures to help us manage consumption and use. We source our water primarily through third-party water distributors with a small percentage from groundwater sources. 70% of our properties have a Sewage Treatment Plant (STP) that treats wastewater before being discharged to the municipal drainage systems. Our building engineers use a daily checklist monitor to manage all water-related concerns and impacts. We comply with all policies and procedures set by DENR and other government agencies. We continue to enhance our water conservation campaign among our property tenants and residents by sending out advisories reminding them to check for leaking faucets and showerheads, and to turn them off when not in use.

We proactively address waste generation. Eton's Solid Waste Management document ensures efficient waste management practices at our property development businesses. We reduce waste by using digital platforms for internal communications, and promote two-sided printing and repurposing scratch paper for second use. We observe proper waste segregation and comply with all laws and regulations set by DENR.

We promote energy efficiency with energy conservation measures that not only help reduce our overall environmental footprint but also allows us to achieve operational efficiency. Eton's Power/Energy Management document contains guidelines on managing and controlling our energy consumption in our property development business. Energy-saving initiatives implemented at our head office include a noon break lights-off policy and regularly reminding employees to turn off and unplug all computers and equipment before leaving the office.

We take climate change seriously. Climate action at Eton includes continued use of clean and renewable energy at our office buildings in Eton Centris in Quezon City through the MakBan Geothermal Power Plant via a partnership with Cleanergy of AboitizPower. In 2021, we will expand the use of clean and renewable energy to our office buildings in Eton WestEnd Square in Makati City together with Eton Centris through a new partnership with MPower of MERALCO. We are currently studying new ways of expanding the use of clean and renewable energy for more of our properties in the future.



Employment

The safety and well-being of our workforce is a top priority for Eton. We provide a safe and secure working environment for our employees.

In response to the COVID-19 pandemic, we instituted measures that enabled us to continue operations, allowing us to provide continuous employment to our people and safe and healthy homes for their families. We heightened our protocols on workplace safety and well-being to protect our employees. A work-from-home/skeletal workforce arrangement was implemented. We also disseminated information and regular updates on health and safety including the latest DOH announcements as well as mental health and stress management articles.

A working environment that nurtures care and concern for each other with a purpose for the common good is important to us, and this is embodied by our various policies on employment and employee welfare. We remain committed to ensuring fair employment practices, gender equality, and diversity and inclusion.

We adhere to a Code of Business Conduct and Ethics, which is aligned with the standards set by the SEC in accordance with internationally accepted standards. Our gender equality and diversity and inclusion (D&I) practices remain strong, and we make sure that males and females receive the same opportunities for success.



Customers

Eton is committed to building and developing properties that positively impact the community. We observe the highest standards of quality and safety at all times, ensuring that all our products and services are safe and free from hazards that could potentially harm our customers. Our Safety and Security Manual is currently being reviewed by Management. This will allow us to further our commitment to enhancing the safety and security of our properties, as we regularly update and train our Property Managers and Health and Safety Officers. We strictly meet and observe all conditions set out by regulators and secure all needed permits as required by local zoning

laws, such as those set by the National Building Code of the Philippines, as well as policies of the DHSUD (formerly HLURB), the Bureau of Fire Protection (BFP), DENR, among others.

The trust of our customers is extremely important to us. We remain committed to serving the 'informed consumer' by observing fair and responsible marketing practices through transparent and readily accessible information for our brands and services, while continuously looking at new ways for improvement. Eton's Marketing team serve as our brand guardians, ensuring that all our marketing-related materials

are aligned with our branding guidelines and compliant with all applicable laws and regulation set by the Department of Human Settlements and Urban Development (DHSUD) [formerly the Housing and Land Use Regulatory Board (HLURB)] and DTI, among others. A review of branding guidelines is regularly conducted to address and accommodate new trends in industry branding. We also ensure that our brand logos and product names are duly registered at the Philippine Intellectual Property Office (IPO).

Our Customer Support team at Eton handles all concerns of existing clients, while our Property Management Group takes care of on-site concerns. Our Marketing team handles all feedback received from our website and social media platforms from both existing and prospective clients. We make sure that all

feedback and concerns are addressed urgently. These are also discussed at our regular meetings with the Management. In 2020, we released online surveys to gather service feedback from our existing residential leasing clients in light of the COVID-19 pandemic. We plan to conduct this online service feedback survey regularly in the future.

Eton's Data Privacy Manual is reviewed and evaluated annually to address emerging issues on security and privacy in our property business. Our Data Protection Officer works closely with our Legal Department, to ensure that our employees are aware of and compliant with all data privacy and security policies and regulations, that all data privacy concerns are resolved in a timely manner, and that all required documentation obtained from our clients is handled responsibly.



Society

Creating shared value and a positive impact in the communities we operate in and serve remains to be at the core of our business. We do our best to serve as agents of positive change and sustainable transformation because we believe that true success is one that enables other people to live better lives and have a better sense of purpose, and that the success of one is the success of all.

Eton works closely with the Tan Yan Kee Foundation, Inc. (TYKFI), the LTGroup's main corporate social responsibility (CSR) arm which pursues programs in health services, education, social welfare and the environment.

Our Anti COVID-19 Campaign, under TYKFI's flagship Hope Caravan and through the collective efforts of LTG and its subsidiaries, was a large-

scale Group-wide operation to help the fight against the pandemic. We joined the LTGroup in activities that directly help communities and support government initiatives. In these trying times, with the COVID-19 pandemic and various calamities disrupting our sense of normalcy, we have risen to the challenge and remained steadfast to our commitment to help and be of service.

We maintain regular community initiatives that allow us to engage with the communities we operate in and contribute to their progress and development. Eton's Masaganang Palayan Project saw the harvest of 214 tons of palay or over 100 tons of rice from 20 hectares of land after an initial donation in 2019 of hybrid palay seeds and farm inputs to farmers. This project is in collaboration with TYKFI.

Corporate Governance

Corporate Governance

In 2020, Eton Properties Philippines, Inc. (EPPI) developed its Revised Corporate Governance Manual (Manual) in accordance with the principles of good corporate governance and adopted provisions of the Code of Corporate Governance to achieve greater transparency and accountability in the conduct of its corporate business.

The Manual institutionalizes the principles of good corporate governance and serves as the basic reference in the implementation of the principles of good corporate governance and seeks to inform shareholders, board members, corporate officers and employees of their duties and expected norms of conduct within the corporate system.

The Manual is disclosed on the company's website.

Board of Directors

The Board of Directors elected during EPPI's Annual Stockholders Meeting serves as the highest governing body. The Board is responsible for ensuring that EPPI practices sound corporate governance. The Board sets the company's vision and mission, its strategic goals, and management policies and procedures and framework for performance evaluation.

EPPI's Board is composed of eleven (11) members or such number as the Articles of Incorporation may provide. The majority of the Board consist of Non-Executive Directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgement on corporate affairs and to substantiate proper checks and balances.

The Board of Directors are Lucio C. Tan, Ramon S. Pascual, Karlu T. Say, Michael G. Tan, Vivienne K. Tan, Juanita T. Tan Lee, Cirilo P. Noel, and with independent directors, Wilfrido E. Sanchez, Johnip G. Cua, Mary G. Ng, and Florencia G. Tarriela.

The Chairman of the Board is separate from the President and Chief Executive Officer (CEO), and Chief Operating Officer who are held by separate individual roles and responsibilities, to have clear defined responsibilities, effective decision making and good governance.



Board Committees

The Board is assisted by a Board of Committees to aid in complying with the principles of good corporate governance and may, from time to time, create special committees to handle certain issues of concern to the Board.

EPPI has four (4) Board Committees, namely, Audit and Risk Committee, Executive Committee, Nomination, and Remuneration Committee, and Corporate Governance Committee. Each Board Committee is created for a specific purpose and is tasked to oversee the necessary details in the operations of the Company, including compliance with its principles of good governance.

The Charters for each Board Committee are disclosed on the company's website.

Annual Stockholders Meeting (ASM)

The last EPPI Annual Stockholders Meeting was held virtually on June 29, 2020, in light of the public health emergency caused by the Covid-19 pandemic and in accordance with the applicable notice requirements, voting rights, and procedures.

Meeting and Attendance

The Corporate Secretary assists the Board and the Board Committees in the conduct of meetings, safe keep and preserve the integrity of the minutes of the meetings of the Board, Board Committees and shareholders.

EPPI believes in continuing education for its Board and personnel. All are required to undergo an orientation program to ensure that they are equipped with the needed information for the fulfillment of their duties and responsibilities.

In 2020, the EPPI new directors were provided with materials and an orientation to inform them of the Company's business, corporate structure, vision, mission and all other matters necessary for the effective performance of their duties and responsibilities. EPPI joined the Lucio Tan Group of Companies and attended the 2020 Corporate Governance Seminar held last October 20, 2020.

Annual Assessment

The Board undergoes an annual assessment that impact the fulfillment of responsibilities, processes, meetings, and performance. The Board conducted its annual assessment last December 2020.





Business Units and Subsidiaries

EPPI's main business units are: office leasing, commercial rentals, residential sales and leasing, and hotel serviced residences.

The subsidiaries of the Company are as follows:

a. Eton City, Inc. (ECI) is a wholly-owned subsidiary incorporated in 2008. It offers a first of its kind development in the country inspired by next generation waterfront cities, positioning itself for the middle to high-end market. ECI's projects for the past three years include South Lake Village, Riverbend, Village Walk and Tierrabela, all located in Sta. Rosa, Laguna. In 2018, ECI launched the construction of the first retail complex in Eton City—the Eton City Square.

b. Belton Communities, Inc. (BCI) is a wholly-owned subsidiary incorporated in 2007. It caters to the middle-income market segment. From well-located communities to exciting amenities and features, BCI's projects are ideal for families who want a home that they can proudly call their own. BCI's first foray in creating a family-centric neighborhood is North Belton Communities, a 10.8-hectare development consisting of three

residential enclaves: The Manors, West Wing Residences and West Wing Villas. A residential community in Sta. Rosa, Laguna was also developed by BCI called West Wing Residences at Eton City.

c. FirstHomes, Inc. (FHI) is a wholly-owned subsidiary incorporated in 2010. It is positioned as a brand that caters to the broad affordable market segment. FHI was originally offered to provide innovatively designed and fully furnished compact condominium units in major growth centers such as Makati and Quezon City.

d. Eton Properties Management Corporation (EPMC) is a wholly-owned subsidiary incorporated in 2011. It is a real estate management company organized to maintain the Company's residential and commercial projects located in various sites. EPMC commenced its commercial operations in 2016.

The Revised Corporate Governance Manual shall also serve as the guideline or framework for all of the subsidiaries of EPPI and to the extent possible and consistent with their own existing structures.



Responding to global demand with resilience and strength

As a key player in the Philippines' office leasing industry, Eton Properties' growing business showcases the company's ability to effectively and efficiently meet the global business sector's stringent demands. Amidst the global pandemic, Eton Properties' office leasing business showed remarkable resilience, continuing to grow as locators enjoyed uninterrupted business operations. This is the result of the company's proactive stance in ensuring the safety and security of its locators.

To date, the company's properties are home to over 12,000 workers employed by the world's largest and most reputable companies with a global footprint. Its large, flexible spaces easily meet the space requirements of locators, with well thought-out features that enable employees to reach maximum productivity.

Eton Properties' office developments are strategically located in business districts, with easy access to transportation options. As a result, locators can easily tap a large and ready pool of highly qualified workers to meet their business needs. Situated close to retail, dining, and lifestyle centers, tenants enjoy urban conveniences and come together for work and play.

Over the past few years, Eton Centris and Cyberpod Corinthian have welcomed more business partners, with strong renewal rates across all developments that reflect their enduring trust in the company's ability to meet their needs. The company's strategically located projects have also been transformed into business and lifestyle hubs where enterprises thrive and where employees can nurture their careers.

1



2



Photos (1) Eton Cyberpod Corinthian (2) Centris Cyberpod Five



Creating convergence points, lifestyle hubs

Eton Properties continues to strengthen its presence in the commercial leasing space, having steadily expanded its leasing portfolio in the past few years. The company's commercial leasing business has been built on the philosophy of providing relevant formats in growth areas and high-traffic areas, as well as its landmark developments.

Eton Properties' various commercial developments have emerged as lifestyle hubs and community centers, serving the people's need for a space where they can congregate. Even as the pandemic hit, Eton Properties' developments continued to provide safe spaces where people can safely fulfill their essential needs, by adhering to strict health and safety protocols.

With safety and consumer convenience as its goal, Eton Properties leveraged the use of digital technology innovations such as the MyKuya to support commercial leasing clients and their clients throughout and beyond the pandemic. This has introduced a new avenue for commercial leasing clients to expand their business.

Mirroring clients' confidence in the company's ability to bring value to their businesses and future-proof their businesses, uptake for commercial leases remained strong. In fact, as the economy gradually reopened, a number of establishments opened their doors to the public, such as Popeyes, Maxicare, Pares Retiro, and IQOS in Eton Centris Quezon City. More establishments are expected to commence operations as business activity picks up.



Photos (1) Eton Centris Walk (2) Eton Centris Cluster 2 (3) Eton Square Ortigas



Answering growing demand for home leases

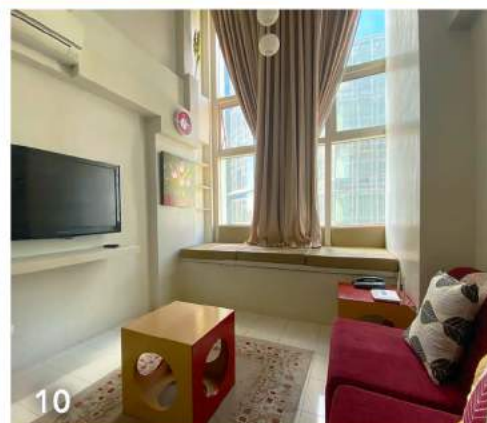
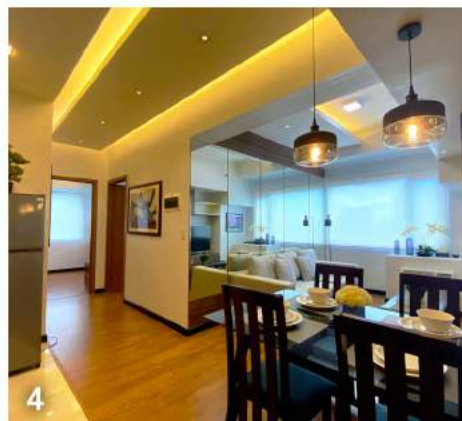
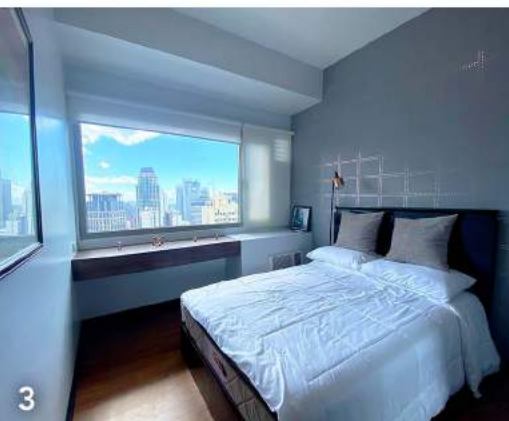
Residential leasing is an area of growth for Eton Properties, Inc., as demand for high quality home rentals emerges.

Recognizing the market's need for seamless, fuss-free residential leasing services for centrally located homes, Eton Properties created Dwellings by Eton to be its exclusive residential leasing arm.

Dwellings by Eton offers a wide portfolio of residential units for lease in strategic locations that meet various budgetary requirements.

Staffed by a dedicated team of professional leasing specialists, Dwellings by Eton supports clients in their search for a home that suits their specific lifestyle requirements.

Clients receive personalized assistance across all touchpoints, from inquiry to move-out, including documentation and coordination concerns. The leasing specialists spare the clients from the burdens of the leasing process by taking care of such requirements as gate pass, application form for maid/drivers, resident info sheet, telephone, and cable TV, if needed. With its customer-centric philosophy, clients can look forward to a pleasant stay in their address of choice.



Photos (1) Eton Residences Greenbelt Lobby (2) Eton Parkview Greenbelt (3) Eton Tower Makati (4) Belton Place Makati (5) Blakes Tower Makati (6) Eton Residences Greenbelt Amenities (7) 8 Adriatico (8) Eton Baypark Manila (9) One Archers Place (10) Eton Emerald Lofts



Building homes and communities of the future

Community-centered, strategically located, purposefully designed. Built with Filipinos' deepest aspirations in mind, Eton Properties Residential developments are havens where people can live and thrive. Located in prime areas across the country, close to or within emerging growth centers, they continue to appreciate in value.

Each residential development caters to specific lifestyle needs, life stages, and goals. Eton's residential developments are purposefully designed to foster exclusivity and privacy, while providing enough shared spaces where people can connect and develop a sense of community.

Most importantly, all developments are within easy access of modern-day conveniences that matter to people from all life stages, such as transportation hubs, schools, hospitals, and lifestyle destinations, ensuring that generations of residents experience the best of urban living.

As it builds the communities of the future, Eton Properties is committed to listening to Filipinos to build the homes that reflect their hopes and dreams.



Photos (1) South Lake Village, Sta. Rosa, Laguna (2) 68 Roces, Quezon City



Offering affordable luxury stay in the city

High-quality that is good value-for-money. This is the value proposition of the serviced residences, The Mini Suites at Eton Tower Makati. Designed for travelers and businessmen, The Mini Suites is the Company's first venture into tourism.

Patterned after Hong Kong's trendsetting chain, The Mini Suites at Eton Tower Makati has 368 rooms that answers the great demand for high-quality, affordable rooms among local businessmen and tourists.

Located in the Makati CBD, The Mini Suites offers the rare luxury of being directly connected to Makati's elevated walkways, making it comfortable to walk to and from business and commercial establishments surrounding the area.

ETON TOWER MAKATI



The Mini Suites

ETON TOWER
MAKATI

The Mini Suites
Anytime Fitness
Pacifi
BO's Coffee
Empire Sales
Lourd's High Club
Kards
Dent & Dental
The Morning After
The Pig Pen
Manila NY S
Maki Kushi
Philippine National
Scribble Optical
Caldstone



Optimizing values, creating growth opportunities

The customer is always at the heart of Eton Properties' efforts to be the most trusted property developer in the Philippines. Eton Properties Management Corporation (EPMC), a 100%-owned subsidiary, embodies this strong customer focus.

Helping clients optimize the investment potential of their properties, EPMC provides cost-effective and innovative business solutions to enhance their asset values and revenue potential of clients' investments in Eton Properties projects.

EPMC envisions itself as the resident's partner, and assists clients in all their property-related documentary needs. Each property is maintained meticulously and regularly.

Alongside this, EPMC implements measures to ensure the health, safety and security of each property. In so doing, it creates lasting value, not only for clients and their tenants, but for the community as well.







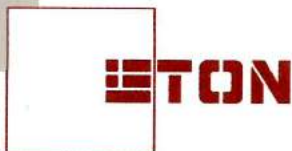
Eton Properties Philippines, Inc.

FINANCIAL STATEMENTS



ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES

**Eton Properties Philippines, Inc. and Subsidiaries
Consolidated Financial Statements
December 31, 2020 and 2019
and Years Ended December 31, 2020, 2019 and 2018
and
Independent Auditor's Report**



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

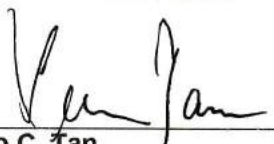
The management of **Eton Properties Philippines, Inc. and its subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

SGV & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company and its subsidiaries in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



Lucio C. Tan
Chairman



Ramon S. Pascual
President



Wilfredo Z. Pineda
Chief Financial Officer

February 17, 2021

Republic of the Philippines)

CITY OF MAKATI

) S.S.

Personally appeared before me the following persons known to me and known to be the same persons who executed the foregoing and they acknowledged to me that the same is their free and voluntary act and deed, in the capacities in which they appear.

The parties presented their respective competent evidence of identity as follows:

<u>Name</u>	<u>TIN/SSS/Passport/Driver's License No.</u>	<u>Date & Place of Issue</u>
Lucio C. Tan	X01-52-000850/Driver's License	July 17, 2016/Quezon City
Ramon S. Pascual	P9398869A/Passport	November 04, 2018/PCG Hong Kong
Wilfredo Z. Pineda	03-5991498-6/SSS	


IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal on this
MAR 16 2021 day of _____, 2021 At CITY OF MAKATI.

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Book No. W

Series of 2021


ATTY. MILAGROS B. SALVADOR-UMADHAY
NOTARY PUBLIC FOR MAKATI CITY
Appl. No. M-31 Until Jan 31, 2022 C. En Banc B.M.3791
8th Floor, 6754 Alibon Road, Makati City
ROA No. 69117 / IBP O.R.144876 1.7.2021
MCLE-V1-0014348 / PTR No. 8533384/Makati – 1.5.2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Eton Properties Philippines, Inc.
8/F Allied Bank Center, 6754 Ayala Avenue
Makati City, Metro Manila, Philippines

Opinion

We have audited the consolidated financial statements of Eton Properties Philippines, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of income, 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 (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's 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 audit 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.

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we do 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 audit, 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 PFRSs, 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.

Auditor's 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 auditor's 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 PSAs 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 PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

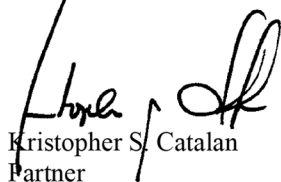
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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 auditor's 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 auditor's 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 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 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.

SYCIP GORRES VELAYO & CO.



Kristopher S. Catalan
Partner

CPA Certificate No. 109712

SEC Accreditation No. 1509-AR-1 (Group A),

October 18, 2018, valid until October 17, 2021

Tax Identification No. 233-299-245

BIR Accreditation No. 08-001998-109-2020,

November 27, 2020, valid until November 26, 2023

PTR No. 8534231, January 4, 2021, Makati City

February 17, 2021



ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	₱1,407,273,712	₱2,323,875,922
Trade and other receivables (Note 6)	1,678,222,260	923,780,710
Real estate inventories (Note 7)	4,142,251,283	4,362,518,951
Other current assets (Note 8)	1,604,706,393	1,619,726,781
Total Current Assets	8,832,453,648	9,229,902,364
Noncurrent Assets		
Receivables - net of current portion (Note 6)	632,103,555	674,304,192
Investment properties (Note 9)	20,882,736,426	20,273,173,539
Property and equipment (Note 10)	822,306,826	890,587,307
Right-of-use assets (Note 27)	247,586,055	273,259,712
Deferred income tax assets - net (Note 24)	8,733,016	9,603,650
Other noncurrent assets (Note 11)	396,017,589	476,862,486
Total Noncurrent Assets	22,989,483,467	22,597,790,886
TOTAL ASSETS	₱31,821,937,115	₱31,827,693,250
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 12)	₱3,467,003,653	₱3,531,062,295
Customers' deposits (Note 13)	997,714,294	978,617,758
Current portion of:		
Payables to landowners (Notes 15 and 17)	—	1,828,949,047
Loans payable (Notes 14 and 17)	845,122,559	1,199,758,184
Lease liabilities (Note 27)	16,965,395	16,099,500
Deposits and other current liabilities (Note 16)	229,089,463	188,945,677
Income tax payable	49,284	—
Total Current Liabilities	5,555,944,648	7,743,432,461
Noncurrent Liabilities		
Loans payable - net of current portion (Notes 14 and 17)	5,246,613,375	5,065,941,133
Payables to landowners - net of current portion (Notes 15 and 17)	1,061,190,858	—
Lease liabilities - net of current portion (Note 27)	477,074,262	482,580,982
Deferred income tax liabilities - net (Note 24)	196,439,163	63,180,440
Other noncurrent liabilities (Notes 16 and 23)	643,211,617	637,160,431
Total Noncurrent Liabilities	7,624,529,275	6,248,862,986
Total Liabilities	13,180,473,923	13,992,295,447

(Forward)



	December 31	
	2020	2019
Equity (Note 25)		
Capital stock	₱5,723,017,872	₱5,723,017,872
Additional paid-in capital	8,206,662,618	8,206,662,618
Accumulated remeasurements on retirement benefits (Note 23)	32,366,135	28,401,530
Retained earnings (Note 25)	4,679,424,522	3,877,323,738
Treasury shares	(7,955)	(7,955)
Total Equity	18,641,463,192	17,835,397,803
TOTAL LIABILITIES AND EQUITY	₱31,821,937,115	₱31,827,693,250

See accompanying Notes to Consolidated Financial Statements.

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2020	2019	2018
REVENUE			
Rental income (Notes 4, 9 and 27)	₱1,757,700,827	₱1,707,833,363	₱1,494,724,468
Real estate sales (Note 4)	641,688,855	1,424,597,666	1,704,010,551
Rooms and other operated departments (Note 4)	205,182,683	181,862,482	93,245,771
	2,604,572,365	3,314,293,511	3,291,980,790
COSTS AND EXPENSES			
Cost of real estate sales (Note 7)	239,524,318	663,788,693	1,196,125,303
Cost of rental income (Notes 9, 10 and 27)	466,591,545	446,889,183	373,553,433
Cost of rooms and other operated departments (Note 21)	108,425,233	129,621,689	65,760,756
Selling expenses (Note 19)	32,055,508	111,616,454	101,162,087
General and administrative expenses (Note 20)	584,141,096	675,260,330	780,879,312
	1,430,737,700	2,027,176,349	2,517,480,891
OTHER INCOME (CHARGES) - Net			
Finance charges (Note 18)	(272,686,173)	(364,339,771)	(291,172,496)
Interest income (Notes 5 and 18)	19,847,363	105,948,308	57,320,230
Foreign exchange gains (losses) - net	(4,292,774)	(2,228,301)	4,756,636
Other income - net (Note 22)	247,119,420	252,244,330	136,021,890
	(10,012,164)	(8,375,434)	(93,073,740)
INCOME BEFORE INCOME TAX	1,163,822,501	1,278,741,728	681,426,159
PROVISION FOR INCOME TAX (Note 24)			
Current	229,291,476	264,979,692	203,190,763
Deferred	132,430,241	113,378,237	(13,497,170)
	361,721,717	378,357,929	189,693,593
NET INCOME	₱802,100,784	₱900,383,799	₱491,732,566
BASIC/DILUTED EARNINGS			
PER SHARE (Note 26)	₱0.1402	₱0.1573	₱0.0859

See accompanying Notes to Consolidated Financial Statements.

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2020	2019	2018
NET INCOME	₱802,100,784	₱900,383,799	₱491,732,566
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gains (losses) on defined benefit obligations (Note 23)	5,663,721	(87,350,040)	54,475,585
Deferred income tax effect	(1,699,116)	26,205,012	(16,342,675)
	3,964,605	(61,145,028)	38,132,910
TOTAL COMPREHENSIVE INCOME	₱806,065,389	₱839,238,771	₱529,865,476

See accompanying Notes to Consolidated Financial Statements.

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

	Capital Stock (Note 25)	Additional Paid-in Capital (Note 25)	Accumulated Remeasurements on Retirement Benefits (Note 23)	Retained Earnings (Note 25)	Treasury Shares (Note 25)	Total
BALANCES AS AT DECEMBER 31, 2017	₱5,723,017,872	₱8,206,662,618	₱51,413,648	₱2,485,207,373	(₱7,955)	₱16,466,293,556
Net income for the year	-	-	-	491,732,566	-	491,732,566
Other comprehensive income	-	-	38,132,910	-	-	38,132,910
Total comprehensive income	-	-	38,132,910	491,732,566	-	529,865,476
BALANCES AS AT DECEMBER 31, 2018	5,723,017,872	8,206,662,618	89,546,558	2,976,939,939	(7,955)	16,996,159,032
Net income for the year	-	-	-	900,383,799	-	900,383,799
Other comprehensive loss	-	-	(61,145,028)	-	-	(61,145,028)
Total comprehensive income	-	-	(61,145,028)	900,383,799	-	839,238,771
BALANCES AS AT DECEMBER 31, 2019	5,723,017,872	8,206,662,618	28,401,530	3,877,323,738	(7,955)	17,835,397,803
Net income for the year	-	-	-	802,100,784	-	802,100,784
Other comprehensive income	-	-	3,964,605	-	-	3,964,605
Total comprehensive income	-	-	3,964,605	802,100,784	-	806,065,389
BALANCES AS AT DECEMBER 31, 2020	₱5,723,017,872	₱8,206,662,618	₱32,366,135	₱4,679,424,522	(₱7,955)	₱18,641,463,192

See accompanying Notes to Consolidated Financial Statements.

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱1,163,822,501	₱1,278,741,728	₱681,426,159
Adjustments for:			
Depreciation and amortization (Notes 9, 10, 11 and 27)	408,182,521	402,200,736	312,968,180
Interest expense and other finance charges - net of capitalized interest (Note 18)	272,686,173	382,892,437	290,711,789
Retirement benefits cost (Notes 21 and 23)	28,201,280	11,315,607	17,987,399
Interest income (Note 18)	(19,847,363)	(105,948,308)	(57,320,230)
Gain on retirement and disposal of property and equipment (Note 10)	(4,575,086)	(362,393)	(775,687)
Unrealized foreign exchange losses (gains) - net	4,292,774	2,228,301	(4,756,636)
Operating income before working capital changes	1,852,762,800	1,971,068,108	1,240,240,974
Decrease (increase) in:			
Trade and other receivables	(711,446,530)	87,360,348	368,140,294
Real estate inventories	220,267,668	615,294,894	988,757,635
Other assets (current and non-current)	27,834,804	9,076,267	181,758,146
Increase (decrease) in:			
Trade and other payables	(104,509,002)	266,318,241	106,485,677
Customers' deposits	19,096,536	(136,488,469)	51,183,377
Deposits and other liabilities	23,657,413	28,263,629	23,067,127
Cash generated from operations	1,327,663,689	2,840,893,018	2,959,633,230
Income taxes paid, including final tax and creditable withholding taxes	(164,593,987)	(228,168,609)	(310,455,852)
Interest received	19,052,980	111,199,703	65,503,966
Net cash from operating activities	1,346,716,669	2,723,924,112	271,4681,344
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment properties (Notes 9 and 32)	(745,696,590)	(1,498,609,428)	(2,223,440,917)
Property and equipment (Notes 10 and 32)	(11,257,974)	(19,455,772)	(33,659,748)
Software (Note 11)	(2,593,054)	(17,782,888)	(411,260)
Proceeds from disposal of property and equipment	4,097,298	1,529,675	—
Net cash used in investing activities	(755,450,320)	(1,534,318,413)	(2,257,511,925)

(Forward)

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Loans payable (Notes 14 and 32)	(P1,975,400,000)	(P932,300,000)	(P387,047,059)
Payables to landowners (Notes 15, 17 and 32)	(767,758,189)	(55,926,349)	(52,692,924)
Interest	(377,682,784)	(516,133,134)	(398,908,083)
Transaction costs (Note 14)	(13,500,000)	–	(11,250,000)
Principal portion of lease liabilities (Note 27)	(4,640,825)	(1,685,063)	–
Proceeds from availment of loans (Note 14)	1,800,000,000	–	1,500,000,000
Net cash from (used in) financing activities	(1,338,981,798)	(1,506,044,546)	650,101,934
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(4,292,774)	(2,228,301)	4,756,636
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(916,602,210)	(318,667,148)	1,112,027,989
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,323,875,922	2,642,543,070	1,530,515,081
CASH AND CASH EQUIVALENTS AT END OF YEAR (Notes 5 and 32)	P1,407,273,712	P2,323,875,922	P2,642,543,070

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information and Authorization for Issuance of the Consolidated Financial Statements

Corporate Information

Eton Properties Philippines, Inc. (“Eton” or “the Parent Company”) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on April 2, 1971, under the name “Balabac Oil Exploration & Drilling Co., Inc.” to engage in oil exploration and mineral development projects in the Philippines. On May 12, 1988, the Philippine SEC approved the Parent Company’s registration and licensing as a listed company.

On August 19, 1996, the Parent Company’s Articles of Incorporation (the Articles) was amended to (a) change the Parent Company’s primary purpose from oil exploration and mineral development to that of engaging in the business of a holding company; and (b) include real estate development and oil exploration as among its secondary purposes.

On February 21, 2007, the Parent Company’s Board of Directors (BOD) adopted the following amendments: (a) change the corporate name to Eton Properties Philippines, Inc.; (b) change the primary purpose to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent, or otherwise deal in and dispose of, for itself or for others, residential, including, but not limited to, all kinds of housing projects, commercial, industrial, urban, or other kinds of real property, improved or unimproved; to acquire, purchase, hold, manage, develop and sell subdivision lots; to erect, construct, alter, manage, operate, lease buildings and tenements; and to engage or act as real estate broker; (c) increase the number of directors from 11 to 15; and, (d) change of financial year-end from April 30 to December 31.

The above amendments were adopted by the Parent Company's shareholders on April 19, 2007 and approved by the Philippine SEC on June 8, 2007.

On October 6, 2009, the Parent Company's BOD approved the acquisition of an approximately 12-hectare property, with an appraised value of ₱3,953.2 million, owned by Paramount Landequities, Inc. (Paramount), where the Eton Centris projects are situated in exchange for the issuance of 1,600 million shares to Paramount at ₱2.50 per share. On October 22, 2009, the Parent Company and Paramount executed a Deed of Conveyance pertaining to the asset-for-share swap (see Note 25). As approved by the Philippine SEC in July 2011, the property was recognized by the Parent Company at the value of ₱4,000 million (see Notes 7 and 25).

Prior to restructuring in 2012, Paramount and Saturn Holdings, Inc. (Saturn) had ownership interest of 55.07% and 42.39%, respectively, in Eton.

On September 17, 2012, LT Group, Inc. (LTG)'s BOD approved the assumption by LTG of certain liabilities of Paramount from Step Dragon Co. Ltd. and Billinge Investments Ltd., British Virgin Island (BVI)-based companies, and Saturn from Penick Group Ltd., also a BVI-based company, amounting to ₱1,350.8 million and ₱521.3 million, respectively. LTG is a publicly listed company incorporated and domiciled in the Philippines.

On September 25 and September 26, 2012, LTG subscribed to 1,350,819,487 common shares of Paramount and 490,000,000 common shares of Saturn, respectively, with a par value of ₱1.00 per share, which were issued to LTG from the increase in Paramount's and Saturn's authorized capital stock. LTG paid for the subscription in full by way of conversion into equity of LTG's advances to Paramount and Saturn amounting to ₱1,350.8 million and ₱490.0 million, respectively. On the same dates, Paramount and Saturn filed their application for increase in authorized capital with the Philippine SEC in order to accommodate LTG's investment.

Upon the Philippine SEC's approval on October 10, 2012, Paramount and Saturn became subsidiaries of LTG with 98.18% and 98.99% ownership interests, respectively, thus, giving LTG a 98.00% effective ownership in Eton.

On October 30, 2012, LTG entered into deeds of sale of shares with the controlling shareholders of Paramount and Saturn for the remaining issued and outstanding shares of the said companies. Thus, Paramount and Saturn became wholly owned subsidiaries of LTG.

On October 22, 2012, the Parent Company's BOD approved to voluntarily delist the Parent Company from the Philippine Stock Exchange (PSE) in light of the Parent Company's inability to comply with the minimum public ownership requirement of PSE within the allowed grace period. On December 8, 2012, Paramount made a tender offer to buy back shares of the Parent Company traded in the PSE resulting in the increase in its ownership interest from 55.07% to 56.86%, thus, increasing LTG's effective ownership interest in Eton to 99.30%. The delisting of the Parent Company became effective on January 2, 2013.

On November 14, 2014, Paramount and Saturn authorized the conversion of its advances to the Parent Company amounting to ₱3,150.0 million and ₱2,350.0 million, respectively, into equity by way of subscription to 2,067,669,172 shares of stock at an issue price of ₱2.66 per share. On January 14, 2015, the Parent Company filed the application for conversion with the SEC which was subsequently approved on January 23, 2015.

On March 2, 2015, the Parent Company's BOD approved the increase of its authorized capital stock from ₱5.0 billion divided into 5.0 billion common shares with a par value of ₱1.00 per share to ₱8.0 billion divided into 8.0 billion common shares with a par value of ₱1.00 per share.

On September 28, 2015, Eton filed an application with the Philippine SEC to increase its authorized capital stock which was subsequently approved by the Philippine SEC on September 30, 2015. Out of the increase of 3.0 billion common shares, 419 million common shares and 331 million common shares have been subscribed by Paramount and Saturn, respectively, at a subscription price of ₱2.72 per share.

As of December 31, 2020 and 2019, Eton is 55.97% owned by Paramount. Eton's ultimate parent company is Tangent Holdings Corporation, a company incorporated and domiciled in the Philippines.

The Parent Company's registered business address is 8/F Allied Bank Center, 6754 Ayala Avenue, Makati City, Metro Manila, Philippines.

Subsidiaries

Below are the Parent Company's ownership interests in its subsidiaries:

Subsidiaries	Percentage of Ownership
Belton Communities, Inc. (BCI)	100%
Eton City, Inc. (ECI)	100%
FirstHomes, Inc. (FHI)	100%
Eton Properties Management Corporation (EPMC)	100%

BCI was incorporated and registered with the Philippine SEC on November 5, 2007. On February 18, 2008, the BOD of BCI approved the increase of its capital stock from 20,000 shares to 100,000,000 shares at ₱1.00 par value per share and the subscription of the Parent Company for 24,995,000 shares, which, in addition to 5,000 common shares originally subscribed, would equal to 25% of the authorized capital stock.

On October 15, 2014, the BOD of BCI approved the increase of its authorized capital stock from ₱20,000 divided into 20,000 common shares with a par value of ₱1.00 per share to ₱800,000,000 divided into 800,000,000 common shares with a par value of ₱1.00 per share. On December 23, 2014, BCI filed an application with the Philippine SEC to increase its authorized capital stock which was subsequently approved by the Philippine SEC on January 7, 2015. Out of the increase in authorized capital stock, 199.995 million common shares have been subscribed by the Parent Company with deposit for future stock subscription as payment for the subscribed common shares.

ECI was incorporated and registered with the Philippine SEC on October 8, 2008. On October 15, 2014, the BOD of ECI approved the increase of its authorized capital stock from ₱100,000,000 divided into 100,000,000 common shares with a par value of ₱1.00 per share to ₱1,000,000,000 divided into 1,000,000,000 common shares with a par value of ₱1.00 per share. On December 23, 2014, ECI filed an application with the Philippine SEC to increase its authorized capital stock which was subsequently approved by the Philippine SEC on January 6, 2015. Out of the increase in authorized capital stock, 225.0 million common shares have been subscribed by the Parent Company with deposit for future stock subscription as payment for the subscribed common shares.

On October 15, 2010, FHI was incorporated and registered with the Philippine SEC as a wholly owned subsidiary of the Parent Company with a total subscribed capital stock of ₱1.3 million.

EPMC was incorporated and registered with the Philippine SEC on September 29, 2011 to manage, operate, lease, in whole or in part, real estate of all kinds, including buildings, house, apartments and other structures.

On June 14, 2017, the BOD of EPMC approved the increase in its authorized capital stock from ₱1,000,000 divided into 1,000,000 common shares with a par value of ₱1.00 per share to ₱20,000,000 divided into 20,000,000 common shares with a par value of ₱1.00 per share. The increase in authorized capital stock was approved by the Philippine SEC on September 19, 2017. Out of the increase in authorized capital stock, 4.75 million common shares have been subscribed by the Parent Company.

On December 4, 2019, the Board of Directors of EPPI approved the additional investment/purchase of 15.0 million shares of EPMC, with par value of ₱1.00 per share, amounting to ₱15.0 million.

All subsidiaries, except for EPMC, are engaged in real estate development. All subsidiaries' registered business address is 8/F Allied Bank Center, 6754 Ayala Avenue, Makati City, Metro Manila.

Authorization for Issuance of the Consolidated Financial Statements

The consolidated financial statements of Eton Properties Philippines, Inc. and its subsidiaries (the "Group") as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 were authorized for issuance by the BOD on February 17, 2021.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation and Statement of Compliance

The consolidated financial statements have been prepared under the historical cost basis and are presented in Philippine peso (Peso), which is the Parent Company's functional and presentation currency. All values are rounded to the nearest Peso, except when otherwise indicated.

The accompanying consolidated financial statements have been prepared under the going concern assumption. The Group believes that its businesses would remain relevant despite challenges posed by the COVID-19 pandemic. Despite the adverse impact of the COVID-19 pandemic on short-term business results, long-term prospects remain attractive.

The consolidated financial statements of the Parent Company and its subsidiaries (collectively referred to as the Group) have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs) as issued by the Financial Reporting Standards Council (FRSC), which include the availment of the reliefs granted by the SEC under Memorandum Circulars (MC) Nos. 14-2018 and 3-2019, to defer the implementation of the following accounting pronouncements until December 31, 2020. These accounting pronouncements address the issues of PFRS 15, Revenue from Contracts with Customers affecting the real estate industry. PFRSs include statements named PFRSs, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) issued by FRSC.

Deferral of the following provisions of Philippine Interpretations Committee (PIC) Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry

- a. Assessing if the transaction price includes a significant financing component (as amended by PIC Q&A 2020-04);
- b. Treatment of land in the determination of the percentage-of-completion (POC);
- c. Treatment of uninstalled materials in the determination of the POC (as amended by PIC Q&A 2020-02); and
- d. Accounting for Common Usage Service Area (CUSA) charges.

Items b and c were already implemented by the Group prior to the issuance of the PIC Q&A 2018-12 and the Group continued its accounting treatment despite the deferral mentioned.

The details and the impact of the adoption of the above financial reporting reliefs are discussed in the *Future Changes in Accounting Policy* section.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020. The financial statements of the subsidiaries are prepared for the same financial reporting year as the Parent Company, using consistent accounting policies.

A subsidiary is an entity over which the Parent Company has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect that return through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and,
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group. The financial statements of the subsidiaries were prepared for the same reporting years as the Parent Company which were presented as at and the years ended December 31, 2020 and 2019.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but are considered as an impairment indicator of the assets transferred.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year. Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Adoption of PIC Q&A 2020-03, Q&A No. 2018-12-D: STEP 3- On the accounting of the difference when the percentage of completion is ahead of the buyer's payment

PIC Q&A 2020-03 was issued by the PIC on September 30, 2020. The latter aims to provide an additional option to the preparers of financial statements to present as receivables, the difference between the POC and the buyer's payment, with the POC being ahead. This PIC Q&A is consistent with the PIC guidance issued to the real estate industry in September 2019.

The adoption of this PIC Q&A did not impact the consolidated financial statements since it has previously adopted the additional guidance issued by the PIC in September 2019.

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

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic.

A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

Group as Lessee. No concessions as lessees were granted to the Group.

Group as Lessor. Throughout the government-imposed community quarantine, the Group waived rentals amounting to ₱107.2 million which reduced rental income. Such rental waivers and deferrals are not accounted as a lease modification under PFRS 16 since COVID-19 is a force majeure under the general law.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*
- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

Future Changes in Accounting Policy

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities 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 costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- Annual Improvements to PFRSs 2018-2020 Cycle

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

- Amendments to PFRS 9, *Financial Instruments, Fees in the ‘10 per cent’ test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively.

- PFRS 17, *Insurance Contracts*

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

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

Deferred effectivity

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

- Deferral of Certain Provisions of PIC Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 08, 2019, the Philippine SEC issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023. A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

	Deferral Period
1. Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023
2. Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E	Until December 31, 2023
3. Treatment of uninstalled materials in the determination of the POC discussed in PIC Q&A 2018-12-E (as amended by PIC Q&A 2020-02)	Until December 31, 2020
4. Accounting for CUSA Charges discussed in PIC Q&A No. 2018-12-H	Until December 31, 2020

The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

- The accounting policies applied.
- Discussion of the deferral of the subject implementation issues in the PIC Q&A.
- Qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted.
- Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

In November 2020, the PIC issued the following Q&As which provide additional guidance on the real estate industry issues covered by the above SEC deferrals:

- PIC Q&A 2020-04, which provides additional guidance on determining whether the transaction price includes a significant financing component
- PIC Q&A 2020-02, which provides additional guidance on determining which uninstalled materials should not be included in calculating the POC

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any

subsequent amendments thereto retrospectively or as the SEC will later prescribe.

The Group availed of the deferral of adoption of the following specific provisions of PIC Q&A. Had these provisions been adopted, it would have the following impact in the consolidated financial statements:

- a. The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell would constitute a significant financing component. Interest income would have been recognized for contract assets and interest expense for contract liabilities using the effective interest rate method and this would have impacted retained earnings as at January 1, 2018 and the revenue from real estate sales in 2020, 2019 and 2018. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.
- b. The Group is acting as a principal for the provision of air-conditioning services, common usage services and administration and handling services. This would have resulted to the gross presentation of the related revenue and the related cost and expenses. Currently, the related revenue is presented net of costs and expenses. These would not result to any adjustment in the retained earnings as of January 1, 2018 and net income for the years ended December 31, 2020, 2019 and 2018.

The above would have impacted the cash flows from operations and cash flows from financing activities for all years presented.

- Deferral of PIC Q&A 2018-14, Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05)

On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC MC No. 3-2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively from approval date of the Financial Reporting Standards Council which was November 11, 2020.

The Group availed of the SEC relief to defer the adoption of this PIC Q&A until December 31, 2020. Currently, the Group records the repossessed inventory at cost. The Group is still evaluating the approach to be availed among the existing options. Had the relief not been adopted and the current practice would be different from the approach to be implemented, this could have impacted the recording of revenue, cost of sales, valuation of repossessed inventory and gain or loss from repossession in 2020.

The Group continues to assess the impact of the above new and amended accounting standards and Interpretations effective subsequent to 2020 on the Group's consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liability and the level of the fair value hierarchy.

Current versus Non-Current Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value and are acquired three months or less before their maturity.

Financial Instruments

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

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under PFRS 15. In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

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

As of December 31, 2020 and 2019, the Group's financial assets pertain to financial assets at amortized cost (debt instrument).

Subsequent measurement

The Group measures financial assets at amortized cost if both of the following conditions are met:

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

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

The Group's financial assets at amortized cost includes cash in banks and cash equivalents, trade and other receivables and refundable deposits.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognized an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Modification of financial assets

The Group derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The Group considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Group considers the following factors, among others:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered "solely payment for principal and interest"

The Group also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Group considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new ' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI).

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For contracts receivables (CR) presented under “Trade and Other Receivables”, the Group used the vintage analysis accounts for expected credit losses by calculating the cumulative loss rates of a given CR pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

In addition to life of loan loss data, primary drivers like macroeconomic indicators of qualitative factors such as forward-looking data on interest rate, unemployment rate and inflation rates were added to the expected loss calculation to reach a forecast supported by both quantitative and qualitative data points.

The probability of default is applied to the estimate of the loss arising on default which is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from the repossession of the subject real estate property, net of cash outflows. For purposes of calculating loss given default, accounts are segmented based on facility/collateral type and completion. In calculating the recovery rates, the Group considered collections of cash and/or cash from resale of real estate properties after foreclosure, net of direct costs of obtaining and selling the real estate properties after the default event such as commission, association dues, refurbishment, payment required under Maceda Law, and cost to complete (for incomplete units).

As these are future cash flows, these are discounted back to the time of default using the appropriate EIR, usually being the original EIR or an approximation thereof.

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 uses the ratings from the external credit rating agencies to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

Every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities pertain to loans and borrowings.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance charges in the consolidated statement of income.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

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

Exchange or modification of financial liabilities

The Group considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the

cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously. The Group assesses that it has currently enforceable rights of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all counterparties.

Real Estate Inventories

Real estate inventories consist of subdivision land, residential houses and lots and condominium units for sale and development. These are properties acquired or being constructed for sale in the ordinary course of business rather than to be held for rental or capital appreciation. These are held as inventory and are measured at the lower of cost and net realizable value (NRV).

Cost includes:

- Acquisition cost of subdivision land;
- Amounts paid to contractors for construction and development of subdivision land, residential houses and lots and condominium units;
- Planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs; and
- Borrowing costs capitalized prior to start of pre-selling activities for the real estate project.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less costs to complete and the estimated costs of sale. The carrying amount of inventories is reduced through the use of allowance account and the amount of loss is charged to profit or loss.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs. The total costs are allocated pro-rata based on the relative size of the property sold.

Advances to Contractors and Suppliers

Advances to contractors pertain to advance payments made to contractors at the start of each contract packages while advances to suppliers pertain mainly to the advance payments for the purchase of material and supplies. Advances to contractors is recouped every progress billing payment based on the percentage of accomplishment of each contract package. Advances to contractors related to the construction of the Group's investment properties are classified as part of noncurrent assets while advances to contractors related to construction of real estate inventories are classified as current assets.

Creditable Withholding Taxes (CWT)

CWTs are amounts withheld from income subject to expanded withholding taxes. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source, subject to the rules on Philippine income taxation. CWTs which are expected to be utilized as payment for income taxes within 12 months are classified as current assets. Otherwise, these are classified as other noncurrent asset. CWTs are classified in the "Other current assets" account in the consolidated statement of financial position.

Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable:

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

Investment Properties

Investment properties consist of properties that are held to earn rentals or for capital appreciation or both, and are not occupied by the Group.

Investment properties, except for land, are carried at cost less accumulated depreciation and any impairment in value. Land is carried at acquisition cost less any impairment in value. The cost of an investment property, except for land, includes its construction costs and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs. Additions, betterments and major replacements are capitalized while minor repairs and maintenance are charged to expense as incurred.

Construction in progress is stated at cost less any impairment in value. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant asset is completed or put into operational use. Construction in progress are carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation.

Depreciation of investment properties commences once these are available for use and is computed on a straight-line basis over the estimated useful lives of the investment properties as follows:

Category	Years
Buildings	20 to 40
Condominium units	40
Land improvements	5

Depreciation of investment properties ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The useful lives and depreciation method are reviewed annually based on expected asset utilization to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from the investment properties.

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

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

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

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The cost of property and equipment comprised construction cost, including borrowing costs, or purchase price plus any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Construction in progress is stated at cost less any impairment in value. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use. Construction in progress are carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization of property and equipment commences once the property and equipment is available for use and is computed on a straight-line basis over their estimated useful lives as follows:

Category	Years
Serviced apartments:	
Condominium units	40
Furniture, fixtures and equipment	3 to 15
Transportation equipment	5
Furniture, fixtures and equipment	3 to 10
Leasehold improvements	5 or term of the lease, whichever is shorter

Depreciation and amortization ceases at the earlier of the date that the item is classified as held for sale or included in a disposal group that is classified as held for sale in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The assets' estimated useful lives, and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment.

When a property and equipment is retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from consolidated statement of financial position and any resulting gain or loss is recognized in consolidated statement of income.

Software

Software, which is included under "Other noncurrent assets" in the consolidated statement of financial position, is measured at cost on initial recognition. Subsequently, software is carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method over the software's estimated useful life of five years.

Impairment of Noncurrent Nonfinancial Assets

The Group assesses at each financial reporting date whether there is an indication that its noncurrent nonfinancial assets, which include investment properties, property and equipment, right-of-use asset and software, may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in consolidated statement of income.

An assessment is made at each financial reporting date as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in consolidated statement of income. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life.

Security Deposits

Security deposits, included in "Deposits and other current liabilities" and "Other noncurrent liabilities" in the consolidated statement of financial position, are measured initially at fair value and are subsequently measured at amortized cost using the effective interest method.

Capital Stock and Additional Paid-In Capital

Capital stock is measured at par value for all shares subscribed and/or issued. Subscribed capital stock is the portion of the authorized capital stock that has been subscribed but not yet fully paid and therefore still unissued. The subscribed capital stock is reported net of the subscription receivable.

When the shares are subscribed or sold at a premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares shall be measured either at the fair value of the liability settled or fair value of the shares issued or, whichever is more reliably determinable.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees and taxes are chargeable to “Additional paid-in capital” account. If additional paid-in capital is not sufficient, the excess is charged against the retained earnings.

Treasury Shares

Treasury shares are carried at cost and are presented as deduction from equity. No gain or loss is recognized in consolidated statement of income on the purchase, sale, reissuance or cancellation of treasury shares. Any difference between the carrying amount and the consideration on the reissuance of treasury shares is recognized as additional paid-in capital.

Retained Earnings

Retained earnings represent the cumulative balance of periodic net income or loss, dividend distributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When the retained earnings account has a debit balance, it is called “deficit”. A deficit is not an asset but a deduction from equity.

Appropriated retained earnings represent that portion which has been restricted, and therefore, not available for dividend declaration. Unappropriated retained earnings represent that portion which can be declared as dividends to stockholders.

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Real estate sales

The Group derives its real estate sales from sale of residential lots and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group’s performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on the physical proportion of work done on the real estate project which requires technical determination by the Group’s project engineers. Based on the monthly project accomplishment report approved by the site project manager which integrates the surveys of performance to date of the construction activities.

Cost of real estate sales

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision land and condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group’s in-house technical staff.

The cost of real estate sales recognized in the consolidated statement of income on disposal is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the percentage-of-completion used for revenue recognition purposes.

Costs to obtain contract

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Selling expenses" account in the consolidated statement of income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Rental income

Rental income under non-cancellable leases of investment properties is recognized in the consolidated statement of income on a straight-line basis over the lease term or based on the terms of the lease contract or certain percentage of the gross revenue of the tenants, as applicable.

Charges and expenses recoverable from tenants

Income arising from expenses recharged to tenants recorded as "Rental dues" presented as part of "Other income" account is recognized in the period in which the compensation becomes receivable.

Cost of rental income

Cost of rental income is recognized in relation to the leasing activities of the Group. This includes depreciation of the investment properties being leased out, rental expense on the land where the property for lease is located, real property taxes and other directly attributable costs.

Rooms and other operated departments

Revenue from room rentals and other ancillary services are recognized at point in time or when the services are rendered. Revenue from other ancillary services include, among others, business center related services and car rentals, food packages, laundry service, telephone service, and spa/gym services.

Costs of services

Costs of services include expenses incurred by the Group for the generation of revenue from room rentals and other ancillary services. Costs of services are expensed as incurred.

Interest income

Interest income is recognized as it accrues.

Other income and other expenses

Other income and other expenses pertain to the gain or loss, respectively, arising from forfeiture or cancellation of prior years' real estate sales, and marketing fees.

Expense Recognition

Expenses are recognized when there is a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Selling and general and administrative expenses

Selling expenses are costs incurred to sell real estate inventories of the Group, which includes commissions, advertising and promotions, among others. General and administrative expenses constitute costs of administering the business. Selling and general and administrative expenses are expensed as incurred.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the “Investment properties” account in the consolidated statement of financial position. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

Capitalized borrowing cost is based on applicable weighted average borrowing rate for those coming from general borrowings and the actual borrowing costs eligible for capitalization for funds borrowed specifically.

All other borrowing costs are recognized as an expense in the period in which they are incurred.

Retirement Benefits Cost

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

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

Retirement benefits costs comprise the following:

- service cost;
- net interest on the net defined benefit liability or asset; and
- remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to the consolidated statement of income in subsequent periods.

The Group’s right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursements is virtually certain.

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the financial reporting date.

Deferred income tax

Deferred income tax is determined at the financial reporting date using the balance sheet liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) [excess MCIT] and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences, excess MCIT and unused NOLCO can be utilized before their expiration.

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

Deferred income tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the financial reporting date. Movements in the deferred tax assets and liabilities arising from changes in tax rates are charged or credited to the income for the period.

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

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Other Comprehensive Income

Other comprehensive income comprises items of income and expense that are not recognized in the consolidated statement of income for the year in accordance with PFRSs.

Basic/Diluted Earnings Per Share

Basic earnings per share is computed by dividing net income for the year attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, after giving retroactive effect to any stock dividends or stock splits, if any, declared during the year.

Diluted earnings per share is computed in the same manner, with the net income for the year attributable to equity holders of the Parent Company and the weighted average number of common shares outstanding during the year, adjusted for the effect of all dilutive potential common shares.

Foreign Currency-Denominated Transactions and Translations

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the exchange rate at the financial reporting date. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any foreign exchange component of that gain or loss shall be recognized in the consolidated statement of comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in the consolidated statement of income, any exchange component of that gain or loss shall be recognized in the consolidated statement of income.

Leases

The Group as Lessee

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

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

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

Right-of-use assets. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follow:

Category	Years
Land	20 to 40
Leasehold improvements	5 or term of the lease, whichever is shorter

Right-of-use assets are subject to impairment. Refer to the accounting policies in the Impairment of Non-financial Assets section.

Lease liabilities. At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease

payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

The Group as Lessor

Leases where the Group does not transfer substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Fixed lease payments for non-cancellable lease are recognized in the consolidated statement of income on a straight-line basis over the lease term. Any difference between the calculated rental income and amount actually received or to be received is recognized as deferred rent in the consolidated statement of financial position. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Variable rent is recognized as income based on the terms of the lease contract.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized under “Other income” account in the consolidated statement of income.

Lease Modification. Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (e.g., addition or termination of the right to use one or more underlying assets, or the extension or shortening of the contractual lease term).

In case of a lease modification, the lessor shall account for any such modification by recognizing a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. In case of change in lease payments for an operating lease that does not meet the definition of a lease modification, the lessor shall account for any such change as a negative variable lease payment and recognize lower lease income.

Effective prior to January 1, 2019

The Group as lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Fixed lease payments for non-cancellable lease are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term while the variable rent is recognized as an expense based on terms of the lease contract.

for a lease, that was not part of the original terms and conditions of the lease (e.g., addition or termination of the right to use one or more underlying assets, or the extension or shortening of the contractual lease term).

In case of a lease modification, the lessor shall account for any such modification by recognizing a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. In case of change in lease payments for an operating lease that does not meet the definition of a lease modification, the lessor shall account for any such change as a negative variable lease payment and recognize lower lease income.

Effective prior to January 1, 2019

The Group as lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Fixed lease payments for non-cancellable lease are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term while the variable rent is recognized as an expense based on terms of the lease contract.

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

Events After the Financial Reporting Date

Events after the financial reporting date that provide additional information about the Group's financial position at the financial reporting date (adjusting events) are reflected in the consolidated financial statements. Events after the financial reporting date that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements requires the Group to exercise judgments, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which

will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the consolidated financial statements. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effect of any change in accounting estimates is reflected in the consolidated financial statements as they become reasonably determinable.

Revenue recognition

Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of real estate property that would meet the requirements of PFRS 15; (b) assessment of the probability that the entity will collect the consideration from the buyer; (c) determination of the transaction price; (d) application of the output/input method as the measure of progress in determining real estate revenue; (e) determination of the actual costs incurred as cost of sales; and (f) recognition of cost to obtain a contract.

a) Existence of a contract

The Group's primary document for a contract with a customer is a signed contract to sell. In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

b) Revenue recognition method and measure of progress

The Group concluded that revenue for real estate sales is to be recognized over time because (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date.

The Group has determined that the output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customer.

c) *Identifying performance obligation*

The Group has various contracts to sell covering residential lots and condominium units. The Group concluded that there is one performance obligation in each of these contracts because: (i) for residential lots, the developer integrates the plots it sells with the associated infrastructure to be able to transfer the serviced land promised in the contract; (ii) for the contract covering house or condominium units, the developer has the obligation to deliver the house or condominium unit duly constructed on a specific lot and fully integrated into the serviced land in accordance with the approved plan. Included also in this performance obligation is the Group's service to transfer the title of the real estate unit to the customer.

Provision for expected credit losses of cash and cash equivalents, trade and other receivables and refundable deposits

The Group uses a provision matrix to calculate ECLs for trade and other receivables, except for contract receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, property collaterals and coverage by letters of credit and other forms of credit insurance). The provision matrix is initially based on the Group's historical observed default rates.

The Group uses vintage analysis approach to calculate ECLs for contract receivables. The vintage analysis accounts for expected credit losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

The Group uses low credit risks simplification for cash and cash equivalents and refundable deposits.

The assessment of the correlation between historical observed default rates, forecast economic conditions (i.e., gross domestic product and inflation rate) and ECLs are significant estimates. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future. The information about the ECLs on the Group's trade and other receivables and refundable deposits is disclosed in Note 28.

Operating lease commitments - the Group as lessor

The Group has entered into commercial property leases of its investment properties. The Group has determined that it retains all significant risks and rewards of ownership of these properties which are leased out on operating leases. Rental income recognized by the Group amounted to ₱1,757.7 million, ₱1,707.8 million and ₱1,494.7 million in 2020, 2019 and 2018, respectively (see Notes 9 and 27).

Lease Modification - as Lessor. Throughout the government-imposed community quarantine, the Group waived rentals and offered deferral of payments to certain tenants. Such rental waivers and deferrals are not accounted as a lease modification under PFRS 16 since COVID-19 is a force majeure under the general law.

Determination of lease term of contracts with renewal options - Group as a lessee – effective January 1, 2019

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold).

Refer to Note 27 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

Operating lease commitments – the Group as lessee – prior to January 1, 2019

Currently, the Group has land lease agreements with several non-related parties and office lease agreement with a related party. The Group has determined that all significant risks and rewards of ownership of these properties are retained by the lessors. Thus, the Group considers these lease agreements as operating leases. Rental expense included in “Outside services” under “General and administrative expenses” in the consolidated statements of income amounted to ₱27.4 million in 2018 (see Notes 20 and 27). Additional rental expense amounting to ₱41.9 million recognized in 2018, included under “Cost of rental income” account in the consolidated statements of income, relates to the lease of a parcel of land where one of the Parent Company’s projects is located.

In determining whether a lease contract is cancellable or not, either acting as a lessor or a lessee, the Group considered, among others, the probability of the cancellation and the significance of the penalty, including economic consequences, to the Group.

Classification of properties

The Group determines whether a property is classified as investment property or real estate inventory as follows:

- Investment property comprises land, condominium units and buildings (principally offices, commercial and retail property) 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 for capital appreciation.
- Real estate inventory comprises property that is held for sale in the ordinary course of business. Principally, this is a residential property that the Group develops and intends to sell before or on completion of construction.

The carrying values of the Group’s investment properties and real estate inventories amounted to ₱20,882.7 million and ₱4,142.3 million as of December 31, 2020 and ₱20,273.2 million and ₱4,362.5 million as of December 31, 2019, respectively (see Notes 7 and 9).

Distinction between investment properties and owner-occupied properties

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

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately as of the financial reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or 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.

The carrying values of the Group’s investment properties and property and equipment amounted to ₱20,882.7 million and ₱822.3 million as of December 31, 2020 and ₱20,273.2 million and ₱890.6 million as of December 31, 2019, respectively (see Notes 9 and 10).

Determination of fair value of financial and nonfinancial instruments

Where the fair values of financial and nonfinancial instruments recorded or disclosed in the consolidated financial statements cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values (see Notes 9 and 28).

Provisions and contingencies

The Group is currently involved in legal proceedings. Management and its legal counsels believe that the Group has substantial legal and factual bases for its position and is of the opinion that losses arising from these legal actions, if any, will not have a material adverse impact on the Group's financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of strategies relating to these proceedings. The Group did not recognize any provision in 2020 and 2019.

Accounting Estimates and Assumptions

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

Revenue and cost recognition

The Group derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses the output method.

Real estate sales and cost of real estate sales amounted to ₱641.7 million and ₱239.5 million in 2020, ₱1,424.6 million and ₱663.8 million in 2019 and ₱1,704.0 million and ₱1,196.1 million in 2018, respectively.

Estimation of allowance for expected credit losses of debt instruments at amortized cost

The level of allowance for loans and receivables is evaluated by management based on past collection history and other factors which include, but are not limited to the length of the Group's relationship with the customer, the customer's payment behavior, known market factors that affect the collectability of the accounts. As of December 31, 2020 and 2019, the Group recognized allowance for impairment on its contracts receivables; lease receivables and refundable deposits amounting to ₱0.6 million, ₱57.6 million, ₱5.6 million and ₱50.5 million, ₱7.6 million, ₱5.4 million, respectively (see Notes 6 and 28).

Measurement of net realizable value of real estate inventories

The Group adjusts the cost of its real estate inventories to net realizable value (NRV) based on its assessment of the recoverability of cost of the inventories. NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. NRV in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

As of December 31, 2020 and 2019, real estate inventories, which are carried at cost, amounted to ₱4,142.3 million and ₱4,362.5 million, respectively (see Note 7).

Leases - Estimating the IBR – effective January 1, 2019

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as risk-free interest rates) when available and is required to make certain entity-specific estimates (such as the Group's stand-alone credit risk rating).

The Group's lease liabilities amounted to ₱494.0 million and ₱498.7 million as of December 31, 2020 and 2019, respectively (see Note 27).

Estimation of useful lives of investment properties, and property and equipment excluding land and construction in progress, right-of-use assets, and software

The Group estimates the useful lives of its investment properties, property and equipment, right-of-use assets and software based on the period over which the assets are expected to be available for use. The estimated useful lives of the investment properties, property and equipment, right-of-use assets and software are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned above. A reduction in the estimated useful lives of investment properties, property and equipment, right-of-use assets and software would increase depreciation and amortization expense and decrease noncurrent assets.

There were no changes in the estimated useful lives of depreciable investment properties, property and equipment, right-of-use assets and software in 2020 and 2019. The carrying values of the Group's investment properties (excluding land and construction in progress), property and equipment, right-of-use assets and software amounted to ₱9,211.3 million, ₱822.3 million, ₱247.6 million and ₱12.4 million, respectively, as of December 31, 2020 and ₱9,470.5 million, ₱890.6 million, ₱273.3 million and ₱16.6 million, respectively, as of December 31, 2019 (see Notes 9, 10, 11 and 27).

Assessment of impairment of noncurrent nonfinancial assets and estimation of recoverable amount

The Group evaluates its nonfinancial assets, which include investment properties, property and equipment, right-of-use assets, and software, for any impairment in value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating and significant negative industry or economic trends.

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the asset's fair value less costs to sell and value-in-use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

The Group did not identify any indications of impairment, thus, it believes that the carrying amounts of its investment properties, property and equipment, right-of-use assets, and software amounting to ₱20,882.7 million, ₱822.3 million, ₱247.6 million and ₱12.4 million, respectively, as of December 31, 2020 and ₱20,273.2 million, ₱890.6 million, ₱273.3 million and ₱16.6 million, respectively, as of December 31, 2019 approximate their recoverable amounts (see Notes 9, 10, 11 and 27).

Estimation of retirement benefits costs and liability

The determination of the Group's retirement benefits costs and liability is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 23 and include among others, discount rate and salary increase rate. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions will materially affect retirement benefits obligations.

As of December 31, 2020 and 2019, retirement benefits liability amounted to ₱143.7 million and ₱128.7 million, respectively. Retirement benefits cost amounted to ₱28.2 million, ₱11.0 million and ₱18.0 million in 2020, 2019 and 2018, respectively (see Note 23).

Considering the nature of the business segments, there were no intersegment revenues generated for all years.

2020

	Residential Developments	Leasing Activities	Serviced Apartments	Unallocated Corporate Balance	Consolidated
Revenue from external customers	₱641,688,855	₱1,757,700,827	₱205,182,683	–	₱2,604,572,365
Direct costs	(239,524,318)	(466,591,545)	(108,425,233)	–	(814,541,096)
Gross profit	402,164,537	1,291,109,282	96,757,450	–	1,790,031,269
Selling, general and administrative expenses	(28,568,043)	–	–	(605,064,437)	(633,632,480)
Operating income	373,596,494	1,291,109,282	96,757,450	(605,064,437)	1,156,398,789
Interest income	4,528,868	–	–	15,318,495	19,847,363
Other income (charges) - net	(16,853,200)	219,410,406	12,522,935	45,182,381	260,262,522
Finance charges	–	–	–	(272,686,173)	(272,686,173)
Provision for income tax	–	–	–	(361,721,717)	(361,721,717)
Segment profit	₱361,272,162	₱1,510,519,688	₱109,280,385	₱(1,178,971,451)	₱802,100,784
Other information					
Segment assets	₱6,485,348,153	₱13,157,108,390	₱857,977,895	₱11,321,502,677	₱31,821,937,115
Segment liabilities	₱2,169,779,605	₱899,966,707	₱32,623,664	₱10,078,103,947	₱13,180,473,923
Segment additions to property and equipment, investment properties and software					
	₱11,919,762	₱906,080,178	₱1,931,265	–	₱919,931,205
Depreciation and amortization	30,486,723	322,190,948	55,504,850	–	408,182,521

2019

	Residential Developments	Leasing Activities	Serviced Apartments	Unallocated Corporate Balance	Consolidated
Revenue from external customers	₱1,424,597,666	₱1,707,833,363	₱181,862,482	–	₱3,314,293,511
Direct costs	(663,788,693)	(446,889,183)	(129,621,689)	–	(1,240,299,565)
Gross profit	760,808,973	1,260,944,180	52,240,793	–	2,073,993,946
Selling, general and administrative expenses	(101,545,050)	–	–	(685,331,734)	(786,876,784)
Operating income	659,263,923	1,260,944,180	52,240,793	(685,331,734)	1,287,117,162
Interest income	7,622,941	–	–	98,325,367	105,948,308
Other income (charges) - net	(54,378,733)	187,819,037	13,441,069	103,134,656	250,016,029
Finance charges	–	–	–	(364,339,771)	(364,339,771)
Provision for income tax	–	–	–	(378,357,929)	(378,357,929)
Segment profit	₱612,508,131	₱1,448,763,217	₱65,681,862	₱(1,226,569,411)	₱900,383,799
Other information					
Segment assets	₱6,485,023,714	₱12,176,934,241	₱734,354,747	₱12,431,380,548	₱31,827,693,250
Segment liabilities	₱2,473,487,917	₱872,932,010	₱12,846,748	₱10,633,028,772	₱13,992,295,447
Segment additions to property and equipment, investment properties and software					
	₱38,012,369	₱1,651,590,991	₱296,174	–	₱1,689,899,534
Depreciation and amortization	58,571,631	297,735,706	45,893,399	–	402,200,736

2018

	Residential Developments	Leasing Activities	Serviced Apartments	Unallocated Corporate Balance	Consolidated
Revenue from external customers	₱1,704,010,551	₱1,494,724,468	₱93,245,771	–	₱3,291,980,790
Direct costs	(1,196,125,303)	(373,553,433)	(65,760,756)	–	(1,635,439,492)
Gross profit	507,885,248	1,121,171,035	27,485,015	–	1,656,541,298
Selling, general and administrative expenses	(85,455,109)	–	–	(796,586,290)	(882,041,399)
Operating income	422,430,139	1,121,171,035	27,485,015	(796,586,290)	774,499,899
Interest income	14,323,845	–	–	42,996,385	57,320,230
Other income (charges) - net	(79,591,452)	158,982,530	6,907,990	54,479,458	140,778,526
Finance charges	–	–	–	(291,172,496)	(291,172,496)
Provision for income tax	–	–	–	(189,693,593)	(189,693,593)
Segment profit	₱357,162,532	₱1,280,153,565	₱34,393,005	(₱1,179,976,536)	₱491,732,566
Other information					
Segment assets	₱7,085,118,799	₱10,471,730,968	₱901,805,312	₱12,830,283,438	₱31,288,938,517
Deferred income tax assets - net	–	–	–	33,596,435	33,596,435
Total segment assets	₱7,085,118,799	₱10,471,730,968	₱901,805,312	₱12,863,879,873	₱31,322,534,952
Segment liabilities	₱2,667,485,585	₱1,059,603,144	₱7,769,427	₱10,591,517,764	₱14,326,375,920
Segment additions to property and equipment, investment properties and software	₱34,793,143	₱2,358,291,442	₱71,429	–	₱2,393,156,014
Depreciation and amortization	37,213,019	222,311,452	53,443,709	–	312,968,180

The Company's disaggregation of each sources of revenue from contracts with customers are presented below:

	2020	2019	2018
Segments			
Residential developments	₱641,688,855	₱1,424,597,666	₱1,704,010,551
Leasing activities	1,757,700,827	1,707,833,363	1,494,724,468
Serviced apartments	205,182,683	181,862,482	93,245,771
	₱2,604,572,365	₱3,314,293,511	₱3,291,980,790
Timing of revenue			
Over time	₱2,399,389,682	₱3,132,431,029	₱3,198,735,019
Point in time	205,182,683	181,862,482	93,245,771
	₱2,604,572,365	₱3,314,293,511	₱3,291,980,790

5. Cash and Cash Equivalents

	2020	2019
Cash on hand and in banks	₱639,565,398	₱816,639,952
Cash equivalents	767,708,314	1,507,235,970
	₱1,407,273,712	₱2,323,875,922

Cash in banks earn interest at the prevailing bank deposit rates (see Note 18). Cash equivalents earn interest at the prevailing short-term investment rates ranging from 0.25% to 3.50% in 2020 and 0.10% to 6.00% in 2019.

Interest income from cash and cash equivalents amounted to ₱15.3 million, ₱98.3 million and ₱43.0 million in 2020, 2019 and 2018, respectively (see Note 18).

6. Trade and Other Receivables

	2020	2019
Contracts receivables	₱1,165,660,669	₱898,385,608
Receivables from buyers	460,064,791	462,812,332
Lease receivables	314,084,896	21,088,635
Receivable from related party (Note 17)	25,000,000	–
Receivables from tenants	22,046,442	11,404,683
Others	381,650,839	262,523,527
	2,368,507,637	1,656,214,785
Less allowance for expected credit losses (Note 28)	58,181,822	58,129,883
	2,310,325,815	1,598,084,902
Less noncurrent portion of contracts receivables	632,103,555	674,304,192
	₱1,678,222,260	₱923,780,710

- a. Contracts receivables consist of revenues recognized to date based on the percentage-of-completion less collections received from the respective buyers.

Interest from contracts receivables amounted to ₱4.5 million, ₱7.6 million and ₱14.3 million in 2020, 2019 and 2018, respectively (see Note 18).

- b. Receivables from buyers include receivables relating to registration of titles, turnover fees and advances paid for on behalf of buyers whereas receivables from tenants represent charges to tenants for utilities normally collectible within a year.
- c. Other receivables include accrued interest receivable pertaining to interest earned from cash and cash equivalents and contracts receivables. Included also in other receivables are the advances to officers and employees which pertain to unliquidated cash advances that are due within one year. Unliquidated cash advances to officers and employees are recoverable through salary deduction.

7. Real Estate Inventories

	2020	2019
Condominium and residential units	₱179,126,696	₱217,620,008
Land held for development	217,541,962	217,541,962
Subdivision projects under development	3,745,582,625	3,927,356,981
	₱4,142,251,283	₱4,362,518,951

- a. A summary of the movements in real estate inventories is set out below:

	2020	2019
Beginning of year	₱4,362,518,951	₱4,958,558,533
Development costs incurred (Notes 12, 15 and 17)	19,256,650	262,303,031
Transfer from investment properties (Note 9)	–	2,038,096
Disposals and others	(239,524,318)	(860,380,709)
End of year	₱4,142,251,283	₱4,362,518,951

- b. Real estate inventories recognized as part of cost of real estate sales amounted to ₱239.5 million, ₱663.8 million and ₱1,196.1 million in 2020, 2019 and 2018, respectively.

8. Other Current Assets

	2020	2019
Input VAT	₱993,311,306	₱979,140,918
Deferred rent assets	309,209,687	244,206,352
Creditable withholding taxes	171,027,464	235,675,669
Advances to contractors and suppliers (Notes 11 and 17)	98,109,615	112,520,486
Prepayments	33,048,321	48,183,356
	₱1,604,706,393	₱1,619,726,781

- a. Deferred rent asset is used to record rental income on a straight-line basis over the lease term.
- b. Advances to contractors are recouped every settlement of progress billings based on percentage of accomplishment of each contract package. The activities related to these advances will be completed within the Group's normal operating cycle.
- c. Prepayments consist of prepaid insurance, taxes and licenses and other prepaid expenses. Prepaid taxes and licenses consist of unamortized portion of taxes and licenses such as business permit and real estate taxes.

9. Investment Properties

As of December 31, 2020:

	Land	Land Improvements and Buildings	Condominium Units	Construction in Progress	Total
Cost					
Beginning of year	₱8,340,155,114	₱9,139,918,174	₱1,715,446,515	₱2,462,488,937	₱21,658,008,740
Additions	10,693,725	37,318,421	–	858,068,032	906,080,178
End of year	8,350,848,839	9,177,236,595	1,715,446,515	3,320,556,969	22,564,088,918
Accumulated Depreciation					
Beginning of year	–	1,346,736,127	38,099,074	–	1,384,835,201
Depreciation (Note 20)	–	250,455,955	46,061,336	–	296,517,291
End of year	–	1,597,192,082	84,160,410	–	1,681,352,492
Net Book Values	₱8,350,848,839	₱7,580,044,513	₱1,631,286,105	₱3,320,556,969	₱20,882,736,426

As of December 31, 2019:

	Land	Land Improvements and Buildings	Condominium Units	Construction in Progress	Total
Cost					
Beginning of year	₱8,337,895,739	₱5,811,997,325	₱1,680,970,519	₱4,177,592,262	₱20,008,455,845
Additions	2,259,375	34,334,930	35,551,448	1,579,445,238	1,651,590,991
Reclassifications	—	3,294,548,563	—	(3,294,548,563)	—
	Land	Land Improvements and Buildings	Condominium Units	Construction in Progress	Total
Transfer from real estate inventories (Note 7)	—	(962,644)	(1,075,452)	—	(2,038,096)
End of year	8,340,155,114	9,139,918,174	1,715,446,515	2,462,488,937	21,658,008,740
Accumulated Depreciation					
Beginning of year	—	1,011,323,862	86,210,104	—	1,097,533,966
Depreciation (Note 20)	—	335,412,265	(48,111,030)	—	287,301,235
End of year	—	1,346,736,127	38,099,074	—	1,384,835,201
Net Book Values	₱8,340,155,114	₱7,793,182,047	₱1,677,347,441	₱2,462,488,937	₱20,273,173,539

- a. In 2019, the Parent Company reclassified from investment properties to real estate inventory the costs of condominium units and parking slots for sale totaling to ₱2.0 million (see Note 7).
- b. Rental income and direct operating expenses arising from the investment properties amounted to ₱1,757.7 million and ₱466.6 million in 2020, ₱1,707.8 million and ₱446.9 million in 2019, and ₱1,494.7 million and ₱373.6 million in 2018, respectively.

Depreciation of investment properties amounting to ₱287.9 million, ₱284.4 million and ₱220.1 million were recognized as part of cost of rental income in 2020, 2019 and 2018, respectively.

- c. Borrowing costs capitalized as cost of investment properties for the year ended December 31, 2020, 2019 and 2018 amounted to ₱160.4 million, ₱153.0 million and ₱134.8 million, respectively (see Notes 14, 15 and 18).
- d. The estimated fair value of land, condominium units, and buildings for lease are as follows:

Property	Approach	Fair Value	Valuation Report Date
Land and land improvements	Market approach	₱32,111,712,000	January 8, 2020
Condominium units	Market approach	3,659,914,279	January 8, 2020
Buildings for lease	Cost approach	5,591,796,200	December 13, 2019
Building for lease	Cost approach	1,333,664,400	April 25, 2019
		₱42,697,086,879	

The estimated fair value of the land and condominium units was arrived at using the Market Approach. In this approach, the value of the land and building were based on sales and listings of comparable property registered within the vicinity. The approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. For the valuation of the buildings for lease, the Cost Approach method of valuation is used. This method is based on the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction. In estimating the cost of replacement of the new building and other land improvements, the Modified Quantity Survey Method is adopted.

The valuations were performed by Philippine SEC-accredited and independent valuer. The valuation model used in accordance with that recommended by the International Valuation Standards Council has been applied. These valuation models are consistent with the principles in PFRS 13, *Fair Value Measurement*.

The fair values of land and condominium units for lease were updated to reflect the value of comparable property registered within the vicinity as of December 31, 2020. The valuation of the buildings for lease has been updated to reflect utilization from the dates of the latest valuation. Fair values of land and land improvements and condominium and valuation of the buildings for lease amounted to ₱35,771.63 million and ₱6,925.46 million, respectively, as of December 31, 2020.

10. Property and Equipment

As of December 31, 2020:

	Serviced Apartments	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost					
Beginning of year	₱990,444,851	₱70,547,322	₱213,978,867	₱24,377,920	₱1,299,348,960
Additions	1,931,265	–	9,196,365	130,344	11,257,974
Retirement/Disposal	–	(16,536,521)	–	–	(16,536,521)
End of year	992,376,116	54,010,801	223,175,232	24,508,264	1,294,070,413
Accumulated Depreciation and Amortization					
Beginning of year	140,452,023	55,216,432	189,936,601	23,156,597	408,761,653
Depreciation and amortization (Note 20)	55,504,850	5,654,641	17,346,092	678,096	79,183,679
Retirement/Disposal	–	(16,181,745)	–	–	(16,181,745)
End of year	195,956,873	44,689,328	207,282,693	23,834,693	471,763,587
Net Book Values	₱796,419,243	₱9,321,473	₱15,892,539	₱673,571	₱822,306,826

As of December 31, 2019:

	Serviced Apartments	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost					
Beginning of year	₱990,148,677	₱69,903,755	₱199,742,065	₱23,306,491	₱1,283,100,988
Additions	296,174	4,921,250	14,236,802	1,071,429	20,525,655
Retirement/Disposal	–	(4,277,683)	–	–	(4,277,683)
End of year	990,444,851	70,547,322	213,978,867	24,377,920	1,299,348,960
Accumulated Depreciation and Amortization					
Beginning of year	94,558,624	50,761,084	160,864,178	22,079,449	328,263,335
Depreciation and amortization (Note 20)	45,893,399	7,289,430	29,072,423	1,077,148	83,332,400
Retirement/Disposal	–	(2,834,082)	–	–	(2,834,082)
End of year	140,452,023	55,216,432	189,936,601	23,156,597	408,761,653
Net Book Values	₱849,992,828	₱15,330,890	₱24,042,266	₱1,221,323	₱890,587,307

In 2020 and 2019, the Group purchased property and equipment amounting to ₱11.3 million and ₱20.5 million, respectively. As of December 31, 2020 and 2019, unpaid portion amounted to nil and ₱1.1 million, respectively.

In 2020, 2019 and 2018, the Group recognized as part of “Cost of rental income” the depreciation and amortization of equipment and leasehold improvements used in leasing activities amounting to ₱14.7 million, ₱16.4 million and ₱12.5 million, respectively.

11. Other Noncurrent Assets

	2020	2019
Advances to contractors and suppliers	₱214,746,241	₱286,116,256
Refundable deposits - net	162,363,932	159,606,281
Software	12,357,223	16,572,063
Deferred input VAT	3,650,193	4,414,057
Creditable withholding taxes	–	7,253,829
Others	2,900,000	2,900,000
	₱396,017,589	₱476,862,486

- a. Refundable deposits consist principally of amounts paid to utility providers for service applications and guarantee deposit required by the Makati Commercial Estate Association (MACEA). Deposits paid to utility companies will be refunded upon termination of the service contract while guarantee deposit paid to MACEA will be refunded upon project completion.
- b. The rollforward analysis of the Group's software follows:

	2020	2019
Cost		
Beginning of year	₱81,299,095	₱63,516,207
Additions	2,593,054	17,782,888
End of year	83,892,149	81,299,095
Accumulated Amortization		
Beginning of year	64,727,032	58,833,588
Amortization (Note 20)	6,807,894	5,893,444
End of year	71,534,926	64,727,032
Net Book Values	₱12,357,223	₱16,572,063

In 2020, 2019 and 2018, the Group recognized as part of "Cost of rental income" the amortization of software used in leasing activities amounting to ₱0.36 million.

12. Trade and Other Payables

	2020	2019
Accounts payable	₱1,148,407,084	₱1,163,255,228
Retentions payable	630,023,201	771,080,486
Taxes payable	316,965,968	267,299,817
Accrued expenses:		
Real estate development costs	1,022,530,674	1,024,700,141
Utilities, outside services and others	185,669,603	181,769,860
Interest	163,407,123	122,956,763
	₱3,467,003,653	₱3,531,062,295

- a. Accounts payable includes amount payable to contractors for the construction and development costs. Retention payable pertains to the amount withheld from progress billings of the contractors as a guaranty for any claims against them. Accounts payable and retentions payable are normally settled within the Group's normal operating cycle.
- b. Accrued expenses represent various accruals of the Group for its expenses and real estate projects. Accrued real estate development costs are construction-related accruals for the real estate projects of the Group.

13. Customers' Deposits

Customers' deposits represent payments received from buyers of condominium and residential units and are measured equal to the amounts received from customers. These will eventually be applied against the corresponding contracts receivables following the revenue recognition policy of the Group.

As of December 31, 2020 and 2019, customers' deposits amounted to ₱997.7 million and ₱978.6 million, respectively.

14. Loans Payable

	2020	2019
Bank loans	₱6,112,900,000	₱6,288,300,000
Less unamortized transaction costs	21,164,066	22,600,683
	6,091,735,934	6,265,699,317
Less current portion	845,122,559	1,199,758,184
Noncurrent portion	₱5,246,613,375	₱5,065,941,133

- a. In 2018, Parent Company entered into an unsecured term loan agreement with Bank of the Philippine Islands (BPI) amounting to ₱5,000.0 million to finance the construction of the Parent Company's projects. On July 31, 2018, ₱500.0 million was initially drawn and an additional ₱1,000.0 million on September 26, 2018. The term loan with BPI has a nominal rate of 6.8% and 7.9% for the first and second drawdown, respectively. However, on March 30, 2020, the Parent Company has paid in full the principal amount of the first two drawdowns. In the same year, the Parent Company have availed of the loan in three drawdowns totaling ₱1,800.0 million with a nominal rate of 5% for each of the drawdown. Principal repayments will commence a year from the date of initial borrowing and due quarterly, while an interest payments are due quarterly.
- b. In 2016, the Parent Company entered into a loan agreement with Philippine National Bank (PNB) amounting to ₱4,500.0 million secured by a certain parcel of land located in Sta. Rosa, Laguna and an office building in Ortigas Avenue, Quezon City. In the same year, the Parent Company have availed of the loan in two drawdowns totaling ₱2,000.0 million. In 2017, the Parent Company had a third drawdown of the loan with the amount of ₱2,490.0 million, bringing the total cash received through PNB loan to ₱4,490.0 million. The term loans with PNB bears nominal interest rate of 5.0% and will mature on May 31, 2023. Principal repayments will commence two years from the date of initial drawdown and due quarterly while interest payments are due quarterly starting August 31, 2016 (see Note 17).
- c. The Parent Company entered into an unsecured term loan agreement with Asia United Bank (AUB), in 2016, amounting to ₱1,500.0 million to finance the construction of the Parent Company's projects. The term loans with AUB bear nominal interest rate of 5.0% and will mature on September 28, 2023. Principal repayments commenced two years from the date of availment and due quarterly while interest payments are due quarterly starting December 28, 2016.
- d. On January 28, 2013, the Parent Company entered into an unsecured term loan agreement with BDO amounting to ₱2,000.0 million to finance the construction of the Parent Company's projects. Principal repayments will start one year from the date of availment and are due quarterly while interest payments are due quarterly starting April 28, 2013. The term loan bears a nominal interest rate of 5.53%. On October 28, 2013, the Parent Company and BDO agreed to the new interest rate of 4.75%. The Parent Company settled the outstanding loans upon their maturity in January 2018.
- e. The Parent Company is required to maintain certain financial ratios, such as current ratio, debt service cost coverage and debt equity ratio, and comply with non-financial covenants for each bank loan. As at December 31, 2020 and 2019, the Parent Company is in compliance with the financial and non-financial loan covenants.

The transaction costs representing fees, taxes and other charges incurred in obtaining the loan were deferred and amortized using the effective interest method. The amortization of transaction costs is recognized as part of "Finance charges" account in the consolidated statements of income.

Movements in the unamortized transaction costs of bank loans are as follows:

	2020	2019
Balances at beginning of year	₱22,600,683	₱29,634,654
Additions	13,500,000	–
Amortization of transaction costs	(14,936,617)	(7,033,971)
Balances at end of year	₱21,164,066	₱22,600,683

an Interest expense related to loans payable amounted to ₱151.8 million, ₱253.3 million and ₱224.7 million, net of capitalized portion of ₱150.3 million, ₱139.5 million and ₱121.3 million in 2020, 2019 and 2018, respectively (see Notes 9 and 18).

15. Payables to Landowners

	Note	2020	2019
Three-year floating rate promissory note, quarterly installment	a	₱1,061,190,858	₱1,061,190,858
3.95%-promissory note (Note 17)	b	–	444,000,000
Five-year 6%-promissory note, quarterly installment (Note 17)	c	–	323,758,189
		1,061,190,858	1,828,949,047
Less current portion			1,828,949,047
Noncurrent portion		₱1,061,190,858	–

- On various dates in 2014, ECI and BCI executed ₱1,061.2 million promissory notes, subject to an interest rate of PDSTF 3 years + 0.50%, to various landowners in relation to their purchased parcels of land located in Sta. Rosa, Laguna, with total purchase price of ₱1.4 billion. The promissory notes are due on the third year of its execution date. In June 2017, the payment of the various promissory notes was extended for another three years. In 2020, various landowners requested for extension, and the payment of the various promissory notes was extended for another three years.
- In 2017, the Parent Company reclassified the outstanding notes payable to Asia Brewery, Incorporated (ABI) amounting to ₱444.0 million from “Due to related parties” to “Payable to landowners”. In December 2020, the principal amount of the note payable was fully paid by the Parent Company.
- In December 2015, the Parent Company executed contracts to sell, subject to an interest rate of 6%, to PNB, a related party, amounting to ₱754.0 million in relation to its purchase of parcels of land located in San Juan City, Pasig City and Pasay City with a total purchase price of ₱984.0 million. The promissory note is payable quarterly for five years from execution of the note. In December 2020, the principal amount of the note payable was fully paid by the Parent Company.
- Interest expense related to payables to landowners amounted to ₱50.3 million, ₱62.7 million and ₱65.9 million, net of capitalized portion of ₱10.1 million in 2020 and ₱13.5 million in 2019 and 2018 (see Notes 9 and 18).

16. Other Noncurrent Liabilities

	2020	2019
Security deposits	₱588,966,496	₱560,671,576
Advance rentals	67,994,117	65,710,240
Deferred rental income	71,607,287	70,996,435
Retirement benefits liability (Note 23)	143,733,180	128,727,857
	872,301,080	826,106,108
Less current portion of:		
Security deposits	217,142,862	145,720,092
Advance rentals	11,946,601	43,225,585
	229,089,463	188,945,677
	₱643,211,617	₱637,160,431

Security deposits pertain to the amounts paid by the tenants at the inception of the lease which are refundable at the end of the lease term. Security deposits are initially recorded at fair value, which was obtained by discounting future cash flows using the applicable rates of similar types of instruments.

Advance rentals pertain to deposits from tenants which will be applied against receivables either at the beginning or at the end of lease term based on the lease contract.

17. Related Party Transactions

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. This includes (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; and (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. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The table below shows the details of the Group's transactions with related parties.

	Financial Statement Account	Amount/Volume		Outstanding Balance		Terms and Conditions
		2020	2019	2020	2019	
Subsidiaries of LTG	Cash and cash equivalents	₱750,128,751	₱172,400,939	₱1,136,378,650	₱1,886,507,401	Deposits and placements; interest-bearing
	Payable to landowners	323,758,189	205,041,811	–	(323,758,189)	Unsecured; interest bearing
	Payable to landowners	444,000,000	–	–	(444,000,000)	Unsecured; interest bearing
	Payable to landowners	–	–	(149,364,930)	(149,364,930)	Unsecured; interest bearing
	Loans payable	381,650,000	651,050,000	(3,187,900,000)	(3,569,550,000)	Secured; interest bearing
Entities under Common Control	Payables to related parties	–	(71,667,965)	(7,760,000)	(7,760,000)	Management fee; non-interest bearing
	Advances to contractors	–	–	641,898	641,898	Unsecured; non-interest bearing
Parent Company	Receivable from related parties	25,000,000	–	25,000,000	–	Non-interest bearing

As of December 31, 2020 and 2019, the outstanding related party balances are unsecured and settlement occurs in cash, unless otherwise indicated. The Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which these related parties operate.

Other terms and conditions related to the above related party balances and transactions are as follows:

Transactions with Subsidiaries of LTG

- Portion of the Group's cash and cash equivalents is deposited with PNB.
- In 2017 and 2016, the Parent Company entered into an unsecured term loan agreement with PNB amounting to ₱2,490.0 million and ₱2,000.0 million, respectively, to finance the construction of the Parent Company's projects. Total outstanding payables amounting to ₱3,187.9 million and ₱3,569.6 million were recorded under "Loans payable" in the consolidated statements of financial position as of December 31, 2020 and 2019, respectively (see Note 14).
- In 2016 and 2015, the Parent Company purchased parcels of land from PNB for its future projects. The total price of the parcels of land amounted to ₱1,900.0 million and ₱1,394.0 million, respectively. Outstanding payable amounting to ₱323.8 million was recorded under "Payables to landowners" as of December 31, 2019. In December 2020, the outstanding payable was fully paid by the Parent Company.
- In 2014, ECI purchased parcels of land from related parties amounting to ₱201.8 million. Total outstanding payables amounting to ₱149.4 million were recorded as part of "Payables to landowners" as of December 31, 2020 and 2019 (see Note 15).
- On October 1, 2013, the Parent Company purchased a parcel of land from ABI with total lot area of 10,000 square meters for ₱600.0 million. Of this amount, the Group paid ₱156.0 million as down payment and issued a promissory note for the remaining balance of ₱444.0 million with a 3.95% interest rate per annum. In December 2020, the outstanding payable on demand was fully paid by the Parent Company.
- The Group has a lease agreement with PNB for the use of the latter's common area as office space of the former (see Note 20). Total rental expense recognized by the Group included in "Outside services" in 2018 amounted to ₱17.5 million (see Note 27).

Transactions with Entities under Common Control

- The Group has outstanding advances to Grandspan Development Corporation pertaining to the development of the Group's projects and is included as part of "Other current assets" account (see Note 11).
- In 2011, the Group entered into a management contract agreement with Basic Holdings Corporation. Total management fee recognized by the Group included in "Outside services" amounted to ₱96.0 million, ₱73.9 million and ₱71.9 million in 2020, 2019 and 2018, respectively (see Note 20).

Transactions with Parent Company

- The Group has non-interest bearing advances to its ultimate parent, Tangent Holding Corporation, amounting to ₱25.0 million as of December 31, 2020 (see Note 6).

- The following are the transactions and balances among related parties which are eliminated in the consolidated statements of financial position:

Amounts owed by:	Amounts owed to:	Terms and Conditions	2020	2019
ECI	EPPI	Advances; noninterest-bearing	₱608,961,786	₱766,534,646
ECI	BCI	-do-	51,733,203	51,911,693
FHI	EPPI	-do-	51,157,056	50,704,824
BCI	EPPI	-do-	733,524	299,790
EPMC	EPPI	-do-	38,570	—
EPMC	BCI	-do-	8,000	—

Key Management Personnel

Compensation of key management personnel are as follows:

	2020	2019
Salaries and wages	₱16,293,464	₱14,031,030
Retirement benefits costs	4,556,980	2,271,471
	₱20,850,444	₱16,302,501

18. Interest Income and Finance Charges

	2020	2019	2018
Interest income:			
Cash and cash equivalents (Note 5)	₱15,318,495	₱98,325,367	₱42,996,385
Contracts receivables (Note 6)	4,528,868	7,622,941	14,323,845
	₱19,847,363	₱105,948,308	₱57,320,230
Finance charges:			
Interest expense on:			
Loans payable (Note 14)	₱302,078,443	₱392,788,177	₱346,013,592
Payables to landowners (Notes 14 and 15)	60,436,225	76,069,633	79,443,944
Lease liabilities (Note 27)	41,870,959	42,116,703	—
Security deposits	9,279,076	5,943,986	—
	413,664,703	516,918,499	425,457,536
Capitalized interest in investment properties (Notes 9, 14 and 15)	(160,383,588)	(152,981,564)	(134,850,525)
	253,281,115	363,936,935	290,607,011
Bank charges and others	19,405,058	402,836	565,485
	₱272,686,173	₱364,339,771	₱291,172,496

Capitalization rates for general borrowing in 2020, 2019 and 2018 were 5.33%, 5.85% and 3.95%, respectively, and capitalization rates for specific borrowing in 2020, 2019 and 2018 were 3.95%, 5.11% and 3.95%, respectively (see Notes 9, 14 and 15). Others include penalties and surcharges which are individually not material as to amounts.

19. Selling Expenses

	2020	2019	2018
Commissions	₱28,568,043	₱101,545,050	₱85,455,109
Advertising and promotions	3,487,465	10,071,404	15,706,978
	₱32,055,508	₱111,616,454	₱101,162,087

20. General and Administrative Expenses

	2020	2019	2018
Personnel costs (Note 21)	₱200,043,355	₱192,981,562	₱184,155,265
Outside services (Note 17)	136,258,742	124,976,566	156,639,731
Depreciation and amortization (Notes 10 and 11)	85,648,031	86,566,021	77,381,351
Taxes and licenses	82,810,912	111,745,045	96,179,467
Repairs and maintenance	40,077,342	58,317,960	82,824,722
Communication, light and water	13,156,613	27,137,497	42,763,711
Professional fees	7,395,392	15,450,949	14,893,689
Travel and transportation	3,061,124	24,840,231	32,442,689
General insurance	3,305,862	6,083,634	6,056,306
Office supplies	2,339,997	3,069,988	6,784,646
Entertainment, amusement and recreation	1,361,757	8,853,166	14,245,209
Others	8,681,969	15,237,711	66,512,526
	₱584,141,096	₱675,260,330	₱780,879,312

Others include expenditures training and seminar fees, provision for estimated credit loss, membership fees and research and development costs which are individually not material.

21. Personnel Costs

	2020	2019	2018
Salaries and wages	₱133,951,121	₱142,518,112	₱133,731,032
Employee benefits	38,734,930	40,337,530	33,280,810
Retirement benefits cost (Note 23)	28,201,280	10,969,896	17,987,399
	₱200,887,331	₱193,825,538	₱184,999,241

The Group recognized ₱1.5 million in 2020 and ₱0.8 million personnel cost under “cost of rooms and other operated departments” in 2019 and 2018, respectively.

22. Other Income (Charges)

	2020	2019	2018
Rental dues	₱219,410,406	₱187,819,037	₱158,982,530
Management fees	31,915,511	24,170,203	16,043,229
Penalty income and late payment charges	3,975,340	6,707,032	7,104,003
Loss on cancelled contracts	(16,853,200)	(54,378,733)	(79,591,452)
Others - net	8,671,363	87,926,791	33,483,580
	₱247,119,420	₱252,244,330	₱136,021,890

Rental dues pertain to income arising from charges and expenses recharged to tenants. Loss on cancelled contracts represents the loss incurred by the Group as a result of cancellation of contracts to sell by the buyer or the Group in general.

Others include penalties and late payment charges, gain or loss on disposal of fixed assets, day 1 gain on security deposits and miscellaneous income.

23. Retirement Benefits

RA No. 7641 ("Retirement Pay Law"), an Act Amending Article 287 of Presidential Decree No. 442 ("Labor Code of the Philippines"), requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

On June 26, 2018, the Board of Directors approved the new retirement plan for the Group's employees. The key differences between the new and old retirement plans are as follows:

- The new retirement plan provides early retirement benefit.
- The old retirement plan provides an employee 17.50 days final basic salary for every year of service with a fraction of six months considered as one year, while the new retirement plan provides 22.5 day-final monthly salary for every year of service upon normal or late retirement and a percentage of the accrued retirement benefits for early retirement.

In 2019, the Group has implemented a Multi-Employer Retirement plan which is noncontributory and based on the final salary defined benefit type.

The retirement fund of the Group is maintained by PNB as the trustee bank. The Group's transactions with the fund mainly pertain to contribution made for the year. The cost of defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations.

The tables summarize the components of the net retirement benefits costs recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated statements of financial position.

	2020		
	Present Value of Defined Benefit Obligations	Fair Value of Plan Assets	Net Accrued Retirement Benefits
Beginning balances	₱129,733,063	(₱1,005,206)	₱128,727,857
Net retirement benefits costs recognized in the consolidated statement of income:			
Current service cost	21,050,604	–	21,050,604
Net interest cost (income)	7,206,364	(55,688)	7,150,676
	28,256,968	(55,688)	28,201,280
Benefits paid directly by the Company	(1,440,224)	–	(1,440,224)
Settlement benefits paid directly by the Company	(6,092,012)	–	(6,092,012)
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from:			
Change in financial assumptions	(1,435,186)	45,637	(1,389,549)
Change in demographic assumptions	50,867,680	–	50,867,680
Experience adjustments	(55,141,852)	–	(55,141,852)
	(5,709,358)	45,637	(5,663,721)
Ending balances	₱144,748,437	(₱1,015,257)	₱143,733,180

	2019		
	Present Value of Defined Benefit Obligations	Fair Value of Plan Assets	Net Accrued Retirement Benefits
Beginning balances	₱31,753,633	–	₱31,753,633
Net retirement benefits costs recognized in the consolidated statement of income:			
Current service cost	8,560,241	–	8,560,241
Net interest cost (income)	2,448,205	(38,550)	2,409,655
	11,008,446	(38,550)	10,969,896
Benefits paid directly by the Company	(345,712)	–	(345,712)
Remeasurement losses (gains) in other comprehensive income – actuarial changes arising from:			
Change in financial assumptions	387,750	33,344	421,094
Change in demographic assumptions	65,208,466	–	65,208,466
Experience adjustments	21,720,480	–	21,720,480
	87,316,696	33,344	87,350,040
Contributions	–	(1,000,000)	(1,000,000)
Ending balances	₱129,733,063	(₱1,005,206)	₱128,727,857

	2018		
	Present Value of Defined Benefit Obligations	Fair Value of Plan Assets	Net Accrued Retirement Benefits
Beginning balances	₱68,241,819	–	₱68,241,819
Net retirement benefits costs recognized in the consolidated statement of income:			
Current service cost	7,799,917	–	7,799,917
Past service cost	6,290,875	–	6,290,875
Net interest cost (income)	3,896,607	–	3,896,607
	17,987,399	–	17,987,399
Remeasurement losses (gains) in other comprehensive income – actuarial changes arising from:			
Change in financial assumptions	(18,093,240)	–	(18,093,240)
Change in demographic assumptions	(43,888,054)		(43,888,054)
Experience adjustments	7,505,709	–	7,505,709
	(54,475,585)	–	(54,475,585)
Ending balances	₱31,753,633	–	₱31,753,633

The retirement benefits liabilities recognized as part of “Other noncurrent liabilities” in the consolidated statements of financial position amounted to ₱143.7 million, ₱128.7 million and ₱31.8 million as of December 31, 2020, 2019 and 2018, respectively.

The fair value of the plan assets amounting to ₱1.0 million is comprised of financial assets measured at fair value through profit or loss.

The principal assumptions used in determining retirement benefits cost as of January 1 follow:

	2020	2019	2018
Discount rate	4.10%	5.54%	7.71%
Salary increase rate	10.00%	10.00%	8.00%
Average future working years of service	13.3	27.0	27.0

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	2020		2019		2018	
Discount rate	+1.0%	(₱24,990,901)	+0.5%	(₱11,294,255)	+0.5%	(₱1,834,203)
	-1.0%	30,140,973	-0.5%	12,809,898	-0.5%	1,999,038
Future salary increase rate	+1.0%	25,435,937	+1.0%	25,738,907	+1.0%	4,126,958
	-1.0%	(66,059,220)	-1.0%	(20,936,014)	-1.0%	(3,540,995)

Shown below is the maturity analysis of the undiscounted benefit payments:

	2020	2019	2018
Less than 1 year	₱3,052,431	₱4,493,280	₱2,974,126
More than 1 year up to 5 years	19,009,302	8,627,125	5,041,772
More than 5 years up to 10 years	40,688,442	70,174,558	38,027,368

24. Income Taxes

- a. Details of the Group's provision for current income tax follow:

	2020	2019	2018
RCIT	₱224,883,991	₱244,411,922	₱187,974,412
Final	4,407,485	20,567,770	6,917,525
Adjustment in the current period for income tax of prior period	–	–	4,905,338
MCIT	–	–	3,393,488
	₱229,291,476	₱264,979,692	₱203,190,763

- b. The Group's recognized net deferred income tax liability as of December 31, 2020 and 2019 follow:

	2020	2019
Deferred income taxes directly recognized in profit or loss:		
Deferred income tax assets on:		
Difference between ROU and lease liability	₱73,936,081	₱67,626,231
Retirement benefits liability	63,003,288	57,095,531
Accrued expenses	13,100,370	23,018,162
Allowance for estimated credit losses	19,137,392	19,065,427
Advance rentals	17,747,391	22,205,763
Deferred rent income	13,480,583	15,380,948
Accrued commission	12,864,712	–
Other deferred rent income	3,970,803	–
	217,240,620	204,392,062
Deferred income tax liabilities on:		
Capitalized borrowing cost	(164,578,614)	(100,465,797)
Difference between tax basis and book basis of accounting for real estate transactions	(111,375,674)	(44,161,882)
Deferred rental income	(91,487,748)	(71,986,748)
Day 1 gain on security deposits	(13,094,899)	(13,200,242)
Unamortized portion of debt issue cost	(4,750,540)	(5,600,212)
Others	(3,157,156)	(6,610,084)
	(388,444,631)	(242,024,965)
	(171,204,011)	(37,632,903)
Deferred income tax liability on gains arising from changes in actuarial assumptions directly recognized in equity	(16,502,136)	(15,943,887)
	(₱187,706,147)	(₱53,576,790)

As of December 31, 2020 and 2019, the Group has not recognized deferred income tax assets on the carryforward benefits of NOLCO and excess MCIT totaling to ₱11.0 million and ₱0.7 million, respectively, based on the assessment that sufficient taxable profit will not be available to allow the deferred income tax assets to be utilized.

Deferred income tax assets and liabilities reflected in the consolidated balance sheets are as follows:

	2020	2019
Deferred income tax assets - net	₱8,733,016	₱9,603,650
Deferred income tax liabilities - net	(196,439,163)	(63,180,440)
	(₱187,706,147)	(₱53,576,790)

- c. On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2020, the Group has incurred NOLCO in taxable year 2020 amounting to ₱36.6 million that can be carried forward and deducted from future taxable profits and income tax until 2025.

Details of the Group’s excess MCIT follow:

Year Incurred	Amount	Additions/ (Expiration)	Applied	Balance as of December 31, 2019	Available Until
2016	₱995,414	(₱995,414)	–	–	2019
2017	3,240,356	–	(3,240,356)	–	2020
2018	3,393,488	–	(3,393,488)	–	2021
	₱7,629,258	(₱995,414)	(₱6,633,844)	–	

- d. A reconciliation of the provision for income tax at the applicable statutory income tax rate to the provision for income tax as shown in the consolidated statements of income follows:

	2020	2019	2018
Provision for income tax at the statutory income tax rate	₱349,146,750	₱383,622,519	₱204,427,848
Adjustments for:			
Nondeductible expenses	10,665,050	10,679,429	7,121,365
Deductible temporary differences, NOLCO and excess MCIT for which no deferred income tax assets were recognized	2,097,981	18,554,135	13,679,206
Interest income subjected to final tax	(188,064)	(8,929,839)	(5,981,391)
Application of NOLCO for which no deferred income tax asset was recognized in prior years	–	(25,568,315)	(32,033,621)
Adjustment in the current period for income tax of prior period	–	–	4,905,338
Impact of adoption of PFRS 15 and PFRS 9	–	–	(2,425,152)
Provision for income tax	₱361,721,717	₱378,357,929	₱189,693,593

- e. On February 3, 2021, the House of Representatives and the Senate have ratified the Bicameral Committee’s version of the proposed “Corporate Recovery and Tax Incentives for Enterprises Act” or “CREATE”, reconciling the disagreeing provisions of Senate Bill No. 1357 and House Bill No. 4157. The said Act aims to:

1. Improve the equity and efficiency of the corporate tax system by lowering the rate, widening the tax base, and reducing tax distortions and leakages;
2. Develop, subject to the provisions of this Act, a more responsive and globally competitive tax incentives regime that is performance-based, targeted, time-bound, and transparent;
3. Provide support to businesses in their recovery from unforeseen events such as an outbreak of communicable diseases or a global pandemic and strengthen the nation's capability for similar circumstances in the future; and
4. Create a more equitable tax incentive system that will allow for inclusive growth and generation of jobs and opportunities in all the regions of the country and ensure access and ease in the grant of these incentives especially for applicants in least developed areas.

The enrolled bill will be submitted to the President for his approval and upon receipt of the bill, the President may do any of the following:

1. Sign the enrolled bill without vetoing any line or item therein;
2. Sign the enrolled bill with line or item veto which veto may be overridden by Congress; or
3. Inaction within 30 days from receipt which would result to the automatic approval of the enrolled bill as it is.

Once signed, the measure is set to take effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation.

Among the salient provisions of the aforementioned Bicameral version is the reduction in the corporate income tax rate as follows:

Domestic Corporation

For a company with total assets of ₱100 million and below:

- 20% - if the net taxable income is ₱5 million and below
- 25% - if the net taxable income is more than ₱5 million

For a company with total assets of more than ₱100 million, corporate income tax rate is 25% based on net taxable income. Total assets are exclusive of the value of the land on which the particular company's office, plant and equipment are situated.

The target effectivity date is on July 1, 2020.

Also, there is a reduction of minimum corporate income tax from 2% to 1% for a period of three years (i.e., July 1, 2020 until June 30, 2023).

As at February 17, 2021, the bill has not been passed into a law.

25. Equity

Capital Stock

Details of the Parent Company's capital stock as of December 31, 2020 and 2019 are as follows:

	Number of Shares
Authorized capital stock at ₱1 par value	
Beginning and end of year	8,000,000,000
Issued and outstanding capital stock at ₱1 par value	
Issued capital stock	5,723,017,872
Treasury shares	(10,000)
Outstanding capital stock	5,723,007,872

On May 12, 1988, the Philippine SEC approved the registration and licensing of the 30.0 billion authorized capital stock of the Parent Company with a total par value of ₱300.0 million divided into 18 billion Class "A" shares with par value of ₱0.01 per share and 12.0 billion Class "B" shares with par value of ₱0.01 per share. The Parent Company's management does not have the necessary information on the issue/offer price of these shares. On May 12, 1988, the Philippine SEC issued a certificate of permit to offer securities for sale to the Parent Company authorizing the sale of the ₱300.0 million worth of shares of the latter and issuance of certificates of stock for the shares already subscribed and paid for.

On February 21, 1994, the Philippine SEC approved the increase in the authorized capital stock of the Parent Company from ₱300.0 million to ₱1.0 billion divided into 60.0 billion Class "A" shares with par value of ₱0.01 per share and 40.0 billion Class "B" shares with par value of ₱0.01 per share.

The Parent Company's management does not have the necessary information on the issue/offer price of these shares. On March 11, 1994, the Philippine SEC issued a certificate of permit to offer securities for sale to the Parent Company authorizing the sale of the latter's shares.

On June 25, 1996, by majority vote of the BOD and stockholder representing at least two-thirds votes of the outstanding capital stock, an amendment on the articles of incorporation of the Parent Company was adopted. The amendment among others includes the changing of the par value of the authorized capital stock of the Parent Company from ₱0.01 per share to ₱1.00 per share. The amendment was approved by the Philippine SEC on August 12, 1997.

In the stockholders meeting held on January 14, 2003, a quasi re-organization was approved which includes a reduction in the authorized capital stock of the Parent Company from ₱1,000.0 million to ₱73.8 million and subsequently, an increase in the authorized capital stock of the Parent Company, after decrease is effected, to ₱5,000.0 million divided into 5,000.0 million shares having a par value of ₱1.00 per share.

On October 8, 2003, the Philippine SEC approved the decrease in the total authorized capital stock of the Parent Company from ₱1,000.0 million to ₱73.8 million consisting of 73.8 million shares with par value of ₱1.00 per share. On the same day, the Philippine SEC approved the increase in the total authorized capital stock of the Parent Company from ₱73.8 million to ₱5,000.0 million consisting of 5,000.0 million shares with par value of ₱1.00 per share. Saturn subscribed to ₱1,231.6 million out of the ₱4,926.2 million increase in the authorized capital stock.

On March 2, 2015, the Parent Company's BOD approved the increase in its authorized capital stock from ₱5,000.0 million divided into 5,000.0 million common shares with a par value of ₱1.00 per share to ₱8,000.0 million divided into 8,000.0 million common shares with a par value of ₱1.00 per share. On September 28, 2015, the Parent Company filed an application with the Philippine SEC to increase its authorized capital stock which was subsequently approved by the Philippine SEC on September 30, 2015. Out of the increase of 3,000.0 million common shares, 419 million common shares and 331 million common shares have been subscribed by Paramount and Saturn, respectively, at a subscription price of ₱2.72 per share (see Note 1).

The issued and outstanding registered shares are held by 1,668 and 1,667 stockholders as of December 31, 2020 and 2019, respectively.

Asset-for-Share Swap

On October 6, 2009, the Parent Company's BOD approved the acquisition of an approximately 12-hectare property, with an appraised value of ₱3,953.2 million, owned by Paramount where the Eton Centris projects are situated in exchange for the issuance of 1.6 billion shares to Paramount at ₱2.50 per share. On October 22, 2009, the Parent Company and Paramount executed a Deed of Conveyance pertaining to the asset-for-share swap. In 2011, the property and the deposit for future stock subscription were adjusted by the Parent Company to reflect the amount equal to ₱4.0 billion as approved by Philippine SEC. Accordingly, the Parent Company reclassified the deposit for future stock subscription into subscribed capital stock and additional paid-in capital amounting to ₱1.6 billion and ₱2.4 billion, respectively. The subscribed capital stock was issued as of December 31, 2012.

In 2012, subscription receivable from Paramount amounting to ₱573.7 million was collected. The corresponding subscribed shares were issued as of December 31, 2012.

Retained Earnings

The retained earnings are restricted for payment of dividends to the extent of the amount of treasury shares amounting to ₱7,955 as of December 31, 2020 and 2019. Portion of the retained earnings pertaining to undistributed earnings of subsidiaries amounting to ₱383.6 million and ₱376.4 million as of December 31, 2020 and 2019, respectively, and unrealized items amounting to ₱188.1 million and ₱175.3 million as of December 31, 2020 and 2019, respectively, are not available for dividend declaration.

26. Basic/Diluted Earnings Per Share

Basic/diluted earnings per share were calculated as follows:

	2020	2019	2018
Net income	₱802,100,784	₱900,383,799	₱491,732,566
Divided by weighted average number of common shares	5,723,007,872	5,723,007,872	5,723,007,872
Basic/diluted earnings per share	₱0.1402	₱0.1573	₱0.0859

In 2020, 2019, and 2018, there are no potential dilutive common shares, thus, basic and diluted earnings per share are the same.

27. Leases

The Group as lessor

The Group entered into lease agreements with third parties covering its investment property portfolio. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher. The Group records rental income on a straight-line basis over the lease term and a certain percentage of gross revenue of tenants, as applicable, on a non-cancellable lease term. The Group recognized variable rental income amounting to ₱10.5 million, ₱20.5 million and ₱19.4 million in 2020, 2019 and 2018, respectively.

In May and November 2020, the Group granted discounts to its lessees totaling to ₱107.2 million (nil in 2019 and 2018).

Future minimum rentals receivables under non-cancellable operating leases as of December 31 follow:

	2020	2019
Within one year	₱1,273,598,447	₱1,381,387,862
After one year but not more than five years	2,397,557,411	3,350,919,496
More than five years	51,580,655	73,412,854
	₱3,722,736,513	₱4,805,720,212

The Group as lessee

- i. The Group entered into a renewable cancellable lease agreement with PNB, which generally provides for a fixed monthly rent for the Group's office spaces (see Note 17).
- ii. The Parent Company also entered into various lease agreements as follows:
 - a. Lease agreements with third parties for the lease of parcels of land in Ortigas Avenue, Quezon City where one of the Parent Company's projects is located. The lease agreement shall be for the period of 20 years which commenced on January 1, 2011 renewable for another 20 years at the option of the lessee, the Parent Company, with lease payment subject to 5% escalation annually.
 - b. Lease agreement for the lease of parcels of land in San Juan City where one of the Parent Company's projects is located. The lease agreement shall be for the period of 15 years commencing on June 1, 2017 renewable at the option of the lessor with lease payment subject to 5% escalation annually.

The rollforward analysis of the right-of-use assets (ROU) account follows:

As of December 31, 2020:

	Land	Leasehold Improvements	Total
Cost			
Beginning and end of year	₱235,436,760	₱63,496,609	₱298,933,369
Accumulated Depreciation and Amortization			
Beginning of year	10,434,471	15,239,186	25,673,657
Amortization (Note 20)	10,434,471	15,239,186	25,673,657

	Land	Leasehold Improvements	Total
End of year	20,868,942	30,478,372	51,347,314
Net Book Values	₱214,567,818	₱33,018,237	₱247,586,055

As of December 31, 2019:

	Land	Leasehold Improvements	Total
Cost			
Beginning of year			
Additions	235,436,760	63,496,609	298,933,369
End of year	235,436,760	63,496,609	298,933,369
Accumulated Depreciation and Amortization			
Beginning of year			
Amortization (Note 20)	10,434,471	15,239,186	25,673,657
End of year	10,434,471	15,239,186	25,673,657
Net Book Values	₱225,002,289	₱48,257,423	₱273,259,712

The following are the amounts recognized in consolidated statement of income for the year ended December 31:

	2020	2019
Interest expense on lease liabilities (Note 18)	₱41,870,959	₱42,116,703
Amortization expense of right-of-use assets	25,673,657	25,673,657
	₱67,544,616	67,790,360

Rent expense incurred in 2018 accounted for in accordance with PAS 17 amounted to ₱26.51 million.

The rollforward analysis of lease liabilities as at and for the year ended December 31 follows:

	2020	2019
At beginning of year	₱498,680,482	₱501,716,769
Interest expense (Note 18)	41,870,959	42,116,703
Rental payments/payable	(46,511,784)	(45,152,990)
At end of year	494,039,657	498,680,482
Less current portion	16,965,395	16,099,500
Noncurrent portion	₱477,074,262	₱482,580,982

The Group has lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 2).

Shown below is the maturity analysis of the undiscounted lease payments:

	2020	2019
1 year	₱47,938,516	₱45,152,990
More than 1 year to 2 years	49,436,585	112,427,427
More than 2 years to 3 years	36,028,618	67,488,076
More than 3 years to 4 years	34,684,052	71,102,306
More than 5 years	1,409,924,261	1,373,506,006

As of December 31, 2020 and 2019, the Group's maximum exposure to credit risk for the components of the consolidated statements of financial position follows:

	2020	2019
Financial assets at amortized cost		
Cash in banks and cash equivalents	₱1,404,157,944	₱2,320,454,688
Trade and other receivables:		
Contracts receivables	1,165,037,396	847,873,946
Receivable from buyers	460,064,791	462,812,332
Lease receivables	256,526,347	13,470,414
Receivables from related party	25,000,000	—
Receivable from tenants	22,046,442	11,404,683
Others*	381,208,743	261,644,925
Refundable deposits	162,363,932	159,606,281
	₱3,876,405,595	₱4,077,267,269

*Excluding advances to officers and employees amounting to ₱0.4 million and ₱0.9 million as of December 31, 2020 and 2019, respectively.

Set out below is the information about the credit risk exposure on the Group's financial assets using a provision matrix.

As of December 31, 2020:

	Cash in banks and cash equivalents	Refundable deposits	Trade and other receivables					Totals
			Current	Days past due				
				<30 days	30-60 days	61-90 days	> 91 days	
Expected credit loss rate	—%	27.00% - 100.00%	0.01% - 15.66%	0.03%- 39.47%	0.05%- 100.00%	0.09%- 100.00%	2.00%- 100.00%	
Estimated total gross carrying amount at default	₱1,404,157,944	₱167,973,417	₱437,569,104	₱137,367,260	₱82,563,031	₱170,043,197	₱716,771,029	₱1,544,313,621
Expected credit loss	₱—	₱5,609,485	₱213,332	₱8,391,114	₱2,427,553	₱27,778,816	₱19,371,007	₱58,181,822

As of December 31, 2019:

	Cash in banks and cash equivalents	Refundable deposits	Trade and other receivables					Totals
			Current	Days past due				
				<30 days	30-60 days	61-90 days	> 91 days	
Expected credit loss rate	—%	4.48%	0.13% - 82.00%	0.13% - 78.94%	0.13% - 36.00%	0.13% - 93.06%	5.00% - 47.00%	
Estimated total gross carrying amount at default	₱2,320,454,688	₱131,263,814	₱338,613,040	₱38,777,830	₱47,785,653	₱10,153,300	₱180,484,064	₱615,813,887
Expected credit loss	₱—	₱5,475,241	₱916,104	₱1,757,614	₱2,299,921	₱1,249,066	₱51,907,178	₱58,129,883

Movement of the allowance for expected credit losses in 2020 and 2019 follow:

	2020	2019
Beginning balances	₱63,605,124	₱88,637,337
Provision for the year	20,032,103	11,015,308
Reversals for the year	(19,845,920)	(36,047,521)
Ending balances	₱63,791,307	₱63,605,124

The Group is not exposed to concentration risk because it has a diverse base of counterparties.

Liquidity risk

Liquidity risk is defined as risk that the Group would not be able to settle or meet its obligations on time. The Group maintains sufficient cash in order to fund its operations.

In mitigating liquidity risk, management measures and forecasts its cash commitments, matches debt maturities with the assets being financed, maintains a diversity of funding sources with its unhampered access to bank financing and the capital markets and develops viable funding alternatives through its customers' deposits arising from the Group's pre-selling activities.

The tables below show the maturity profile of the Group's other financial liabilities (undiscounted amounts of principal and related interest) as well as the undiscounted cash flows from financial assets used for liquidity management.

As of December 31, 2020:

	On demand	Less than 1 year	1 - 5 years	Total
Financial liabilities:				
Trade and other payables:				
Accounts payables*	–	₱1,143,897,246	–	₱1,143,897,246
Retentions payable	–	630,023,201	–	630,023,201
Accrued expenses	–	1,371,607,400	–	1,371,607,400
Loans payable	–	845,122,559	5,267,777,441	6,112,900,000
Payable to landowners	–	₱	1,061,190,858	1,061,190,858
Security deposits***	–	217,142,862	371,823,634	588,966,496
		₱4,207,793,268	₱6,700,791,933	₱10,908,585,201
Financial assets:				
Cash and cash equivalents	₱636,449,630	₱767,708,314	–	₱1,404,157,944
Trade and other receivables**	–	1,677,780,164	632,103,555	2,309,883,719
	₱636,449,630	₱2,445,473,478	₱632,103,555	₱3,714,026,663

*Excluding payable to government agencies amounting to ₱4.5 million.

**Excluding advances to officers and employees amounting to ₱0.4 million.

***Including interest to maturity amounting to ₱29.2 million.

As of December 31, 2019:

	On demand	Less than 1 year	1 - 5 years	Total
Financial liabilities:				
Trade and other payables:				
Accounts payables*	–	₱1,161,230,533	–	₱1,161,230,533
Retentions payable	–	771,080,486	–	771,080,486
Accrued expenses	–	1,329,426,764	–	1,329,426,764
Loans payable	–	1,199,758,184	5,065,941,133	6,265,699,317
Payable to landowners	444,000,000	1,384,949,047	–	1,828,949,047
Security deposits***	–	145,720,092	414,951,484	560,671,576
	444,000,000	5,992,165,106	5,480,892,617	11,917,057,723
Financial assets:				
Cash and cash equivalents	₱813,524,184	₱1,507,235,970	–	₱2,320,760,154
Trade and other receivables**	–	922,902,108	674,304,192	1,597,206,300
	₱816,639,952	₱2,430,138,078	₱674,304,192	₱3,917,966,454

*Excluding payable to government agencies amounting to ₱2.0 million.

**Excluding advances to officers and employees amounting to ₱0.9 million.

***Including interest to maturity amounting to ₱38.4 million.

Foreign currency risk

Foreign exchange risk is the risk on volatility of earnings or capital arising from changes in foreign exchange rates, mainly US Dollar to Peso exchange rate. The Group's exposure to foreign currency risk arises from US Dollar-denominated cash and cash equivalents.

The following table shows the Group's cash and cash equivalents denominated in US dollar and their peso equivalents as of December 31, 2020 and 2019.

	US Dollar Value	Peso Equivalent
2020	\$1,571,436	₱75,460,357
2019	\$1,853,227	₱93,847,415

The exchange rate used as of December 31, 2020 and 2019 were ₱48.02 to US\$1 and ₱50.64 to US\$1.00, respectively. The Group recognized net foreign exchange loss amounting to ₱4.30 million and ₱2.23 million in 2020 and 2019, respectively.

The table below represents the impact on the Group's income before income tax as a result of a reasonably possible change in US Dollar to Peso exchange rate with all other variables held constant as of December 31, 2020 and 2019. There is no impact on the Group's equity other than those already affecting the consolidated statements of income.

	Change in Dollar Foreign Exchange Rate	Effect on Income before Income Tax
2020	(5.17%)	(₱3,901,300)
	5.17%	3,901,300
2019	(3.95%)	(₱3,706,973)
	3.95%	3,706,973

Fair Value Information

Presented below is the comparison of the carrying values and fair values of the Group's financial assets and liabilities that are presented in the consolidated statements of financial position as of December 31, 2020 and 2019.

	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash on hand	₱3,115,768	₱3,115,768	₱3,421,234	₱3,421,234
Loans and receivables:				
Cash in banks and cash equivalents	1,404,157,944	1,404,157,944	2,320,454,688	2,320,454,688
Contracts receivables	1,165,037,396	1,165,037,396	847,873,946	847,873,946
Receivables from buyers	460,064,791	460,064,791	462,812,332	462,812,332
Lease receivables	256,526,347	256,526,347	13,470,414	13,470,414
Refundable deposits**	162,363,932	162,363,932	159,606,281	159,606,281
Receivable from related party	25,000,000	25,000,000	-	-
Receivables from tenants	22,046,442	22,046,442	11,404,683	11,404,683
Others*	381,208,743	381,208,743	261,644,925	261,644,925
	₱3,879,521,363	₱3,879,521,363	₱4,080,688,503	₱4,080,688,503

* Excluding advances to officers and employees amounting to ₱0.4 million and ₱0.9 million as of December 31, 2020 and 2019, respectively.

** Presented as part of "Other noncurrent assets" account.

	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Liabilities				
Other financial liabilities:				
Trade and other payables:				
Accounts payable*	₱1,143,881,136	₱1,143,881,136	₱1,161,230,533	₱1,161,230,533
Retentions payable	630,023,201	630,023,201	771,080,486	771,080,486
Accrued expenses	1,371,607,400	1,371,607,400	1,329,426,764	1,329,426,764
Loans payable	6,091,735,934	6,105,612,559	6,265,699,317	6,282,408,184
Payables to landowners	1,061,190,858	1,061,190,858	1,828,949,047	1,828,949,047
Security deposits**	588,966,496	618,126,629	560,671,576	566,615,562
	₱10,887,405,025	₱10,930,441,783	₱11,917,057,723	₱11,939,710,576

* Excluding payable to government agencies amounting to ₱4.5 million and ₱2.0 million as of December 31, 2020 and 2019, respectively.

** Presented as part of "Deposits and other liabilities" and "Other noncurrent liabilities" accounts.

The following methods and assumptions are used to estimate the fair value of each class of financial and non-financial instruments:

Cash and cash equivalents, trade and other receivables, trade and other payables

The carrying values of cash and cash equivalents, trade and other receivables and trade and other payables, approximate their fair values due to the short-term nature of these financial instruments. The noncurrent portion of trade receivables is interest-bearing with interest rates that approximate market interest rates as of December 31, 2020 and 2019.

Refundable deposits

The carrying value of deposits is the best estimate of its fair value since the related contracts and agreements pertaining to these deposits have indeterminable terms.

Loans payable, payables to landowners and security deposits

The fair values of loans payable, payables to landowners and security deposits are estimated using the discounted cash flow method based on the discounted value of future cash flows using the applicable risk-free rates for similar types of instruments. The discount rates used range from 3.43% to 6.00% as of December 31, 2020 and 2019, respectively. Management has determined the inputs to be Level 3.

The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

- quoted prices in active markets for identical assets (Level 1);
- those involving inputs other than quoted prices included in Level 1 that are observable for the asset, either directly (as prices) or indirectly (derived from prices) (Level 2); and,
- those inputs for the asset that are not based on observable market data (unobservable inputs) (Level 3).

In 2020 and 2019, there were no transfers between Levels 1 and 2 fair value measurements, and no transfers into and out of Level 3 measurements.

29. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating, complies with externally imposed capital requirements and maintain healthy capital ratios in order to support its business and maximize stockholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended December 31, 2020 and 2019. Accordingly, the Group is not subject to externally imposed capital requirements.

The table below summarizes the total capital considered by the Group:

	2020	2019
Capital stock	₱5,723,017,872	₱5,723,017,872
Additional paid-in capital	8,206,662,618	8,206,662,618
Retained earnings	4,679,424,522	3,877,323,738
Treasury shares	(7,955)	(7,955)
	₱18,609,097,057	₱17,806,996,273

30. Registration with Philippine Economic Zone Authority (PEZA)

The Group's projects namely, Eton Cyberpod Corinthian and Eton Centris, were registered with PEZA on August 27, 2008 and September 19, 2008, respectively, as non-pioneer "ecozone developer/ operator". The locations are created and designated as Information Technology Park.

31. Contingencies

The Group has various contingent liabilities from legal cases arising from the normal course of business which are currently being contested by the Group. The outcomes of these cases are not currently determinable. Management and its legal counsel believe that the eventual liability from these legal cases, if any, will not have a material effect on the consolidated financial statements.

32. Notes to Consolidated Statements of Cash Flows

The principal non-cash investing and financing activities of the Group follow:

- Borrowing costs capitalized as cost of investment properties in 2020 and 2019 amounted to ₱160.4 million and ₱153.0 million, respectively (see Notes 7 and 9).
- Non-cash financing activity of the Group pertains to the amortization of transaction costs amounting to ₱14.9 million in 2020, ₱7.0 million in 2019 and ₱9.1 million in 2018 (see Note 14).
- Reconciliation of the movements of liabilities arising from financing activities are as follows:

As of December 31, 2020:

	Loans payable	Payables to landowners	Lease liabilities	Total
Beginning balances	₱6,265,699,317	₱1,828,949,047	₱498,680,482	₱8,593,328,846
Cash movements:				
Availment of an additional loan	1,800,000,000	–	–	1,800,000,000
Cash settlements during the year	(1,975,400,000)	(767,758,189)	–	(2,743,158,189)
Payment of principal portion of lease liabilities	–	–	(4,640,825)	(4,640,825)
Payment of interest	–	–	(41,870,959)	(41,870,959)
Payment of transaction costs	(13,500,000)	–	–	(13,500,000)
Non-cash movement:				
Amortization of transaction costs	14,936,617	–	–	14,936,617
Accretion of interest	–	–	41,870,959	41,870,959
Ending balances	₱6,091,735,934	₱1,061,190,858	₱494,039,657	₱7,646,966,449

As of December 31, 2019:

	Loans payable	Payables to landowners	Lease liabilities	Total
Beginning balances	₱7,190,965,346	₱1,884,875,396	₱501,716,769	₱9,577,557,511
Cash movements:				
Cash settlements during the year	(932,300,000)	(55,926,349)	–	(988,226,349)
Payment of principal portion of lease liabilities	–	–	(1,685,063)	(1,685,063)
Payment of interest	–	–	(42,116,703)	(42,116,703)
Non-cash movement:				
Amortization of transaction costs	7,033,971	–	–	7,033,971
Accretion of interest	–	–	42,116,703	42,116,703
Unpaid portion of lease liabilities	–	–	(1,351,224)	(1,351,224)
Ending balances	₱6,265,699,317	₱1,828,949,047	₱498,680,482	₱8,593,328,846

As of December 31, 2018:

	Loans payable	Payables to landowners	Total
Beginning balances	₱6,080,146,174	₱1,937,568,320	₱8,017,714,494
Cash movements:			
Availment of an additional loan	1,500,000,000	–	1,500,000,000
Cash settlements during the year	(387,047,059)	(52,692,924)	(439,739,983)
Payment of transaction costs	(11,250,000)	–	(11,250,000)
Non-cash movement:			
Amortization of transaction costs	9,116,231	–	9,116,231
Ending balances	₱7,190,965,346	₱1,884,875,396	₱9,075,840,742

33. Other Matters

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020 and further extended to May 15, 2020. The ECQ shifted to modified enhanced community quarantine (MECQ) until May 31, 2020 and to general community quarantine (GCQ) for NCR and certain provinces until the first of the third quarter. Subsequently, MECQ was once again imposed on select areas including Metro Manila and a few other provinces in the National Capital Region from August 4 to 18, 2020 then back again to GCQ until December 31, 2020.

The COVID-19 pandemic has caused disruptions in the Group's business activities. As this global problem evolves, the Group will continually adapt and adjust its business model according to the business environment in the areas where the Group operates, in full cooperation with the national and local government units.

