

# COVER SHEET

SEC Registration Number

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COMPANY NAME

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D	I	A	R	I	E	S																							

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

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Form Type

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Department requiring the report

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Secondary License Type, If Applicable

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## COMPANY INFORMATION

Company's Email Address

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Company's Telephone Number

**7918-8188**

Mobile Number

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No. of Stockholders

**5,645**

Annual Meeting (Month / Day)

**Every 2nd to the last Friday  
of April Each Year**

Fiscal Year (Month / Day)

**12/31**

## CONTACT PERSON INFORMATION

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

Name of Contact Person

**Ms. Venus A. Mejia**

Email Address

**venus.mejia@filinvestg  
roup.com**

Telephone Number/s

**7918-8188**

Mobile Number

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## CONTACT PERSON'S ADDRESS

**79 EDSA, Brgy. Highway Hills, Mandaluyong City**

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

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

**SECURITIES AND EXCHANGE COMMISSION**  
**SEC FORM 17-A**

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATIONS CODE  
AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

For the calendar year ended **December 31, 2020**

SEC Identification Number **170957**

BIR Tax ID **000-533-224**

Exact name of registrant as specified in its charter

**FILINVEST LAND, INC.**

Province, Country or other jurisdiction of incorporation or organization

**Philippines**

**Filinvest Bldg., #79 EDSA, Highway Hills, Mandaluyong City, Metro Mla.**

**1550**

Address of principal office

Postal Code

Registrant 's telephone number, including area code

**02-7918-8188 / 02-7588-1678**

**N/A**

Former name, former address, and former fiscal year, if changed since last report

Securities registered pursuant to Section 8 and 12 of the SRC

<b><u>Title of Each Class</u></b>	<b><u>Number of shares of Common Stock Outstanding</u></b>	<b><u>Amount of Long-Term Debt Outstanding</u></b> In Php thousands
Common Stock, P 1.00 par value	24,249,759,506	₱69,768,551

Are any or all of these securities listed on the Philippine Stock Exchange

Yes

☒

No

☐

Check whether the issuer:

- (a) has filed reports required to be filed by Section 17 of the SRC Rule 17 thereunder or Section 11 of the RSA Rule 1(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes

☒

No

☐

- (b) has been subject to such filing requirements for the past 90 days.

Yes

☒

No

☐

State the aggregate market value of the voting stock held by non-affiliates. **₱12.14 Billion**

**APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION  
OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEAR:**

Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court of the Commission.

Yes ☐ Not Applicable No ☐

If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-1 into which the document is incorporated.

- a) Any annual report to security holders;
- b) Any proxy or information statement filed pursuant to SRC Rule 20 and 17.1(b);
- c) Any prospectus filed pursuant to SRC Rule 8.1-1

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## **Part 1 – BUSINESS AND GENERAL INFORMATION**

### **Item 1. BUSINESS**

#### **1. 1. Brief Description and Recent Developments**

Filinvest Land Inc. (“FLI” or “the Parent Company”) is one of the leading real estate developers in the country, providing a wide range of real estate products to residential and commercial customers. FLI (including its predecessor’s operations) has over 50 years of real estate expertise and has developed over 2500 hectares of land, having provided home/home sites for over 200,000 families.

FLI is one of the largest nationwide residential developers in 55 cities and towns in 22 provinces in the Philippines. It is also one of the largest mid-rise building (MRB) developers in the country today and a market leader in the affordable and middle-income residential segments. It currently owns land bank of 1,650 hectares and has joint ventures arrangement for another 691 hectares, totaling 2,341 hectares under its control and management for sustainable future growth .

The Parent Company and its subsidiaries (collectively referred to as “the Group”) offer a range of real estate products from socialized and affordable housing to middle-income and high-end housing, various types of subdivision lots, medium-rise residential buildings, farm estates, industrial parks, residential resort projects and condominium buildings. The Group also leases out commercial and office spaces in Muntinlupa City, Makati City, Pasay City, Cebu City, Tagaytay City, Cavite, and Clark Mimosa, its major locations for leasing currently. Upcoming locations are New Clark city, Dumaguete, Ortigas, Manila, among others in the pipeline.

FLI now operates 31 office buildings totaling 523,904 square meters. For retail, FLI has 256,830 square meters GLA in the retail portfolio in 2020 from 243,215 square meters in 2019.

With a more diversified portfolio, FLI expects to generate stable recurring revenue from its retail and office investment properties. These recurring revenues can, in turn, be used to provide internally generated funding for other projects. FLI is not and has never been a subject of any bankruptcy, receivership, or similar proceedings.

#### **19.2-hectare South Road Properties**

In July 2015, FLI, CPI and FAI (collectively referred to as “Filinvest Consortium”) won the bidding for a 19.20-hectare lot in Cebu’s SRP. Thereafter, on August 7, 2015, Filinvest Consortium entered into a Deed of Sale on Installment (DSI) with the Cebu City Government. In a letter dated January 6, 2017, the Cebu City Mayor questioned the validity of the sale and gave the buyers the option to withdraw from the sale at buyer’s discretion. In a letter to the Cebu City Mayor dated February 7, 2017 (the Letter), Filinvest Consortium expressed its intention to rescind the DSI. Under the DSI, Cebu City undertook to comply with several covenants, undertakings and obligations no later than February 7, 2016 (or 180 days from execution of the DSI). The Letter pointed out that as of February 7, 2017, the said covenants, undertakings and obligations have not been complied with and it does not appear that these will be complied with within a foreseeable reasonable period of time.

The rescission of the DSI shall only take effect upon return by Cebu City of the down payment and installment payments made to Cebu City by Filinvest Consortium, plus interests, within ninety (90) days from receipt of the Letter in accordance with Section 5.7 of the DSI. Pending receipt of such payments, the DSI shall remain valid and subsisting by and among the parties.

As of February 27, 2019, such payment has not been received and no formal and definitive legal proceeding has been undertaken by the parties on this matter. Consequently, as of said date, the DSI remains valid and Filinvest Consortium has the sole and rightful claim over the property.

The 19.2-hectare property mentioned above is a separate property from the other two (2) properties within the SRP which were acquired from Cebu City: a) the 40-hectare property under a joint venture

undertaking with Cebu City; and b) the 10-hectare property which was already paid in full by FLI to Cebu City.

On August 2, 2019, Filinvest Consortium informed Cebu City that the payments will be judicially consigned in accordance with law considering that to date, Cebu City has not yet returned the payments with interest, thus, the conditional rescission has already expired. In response, Cebu City issued a letter dated October 4, 2019 to FLI Consortium and insisted that the latter has no longer any debt to Filinvest Consortium as the DSI was effectively rescinded. Cebu City reiterates its willingness to reconstitute the Filinvest Consortium of the amount it has already paid prior the rescission.

The Cebu City Government and Filinvest Consortium came to a resolution on January 8, 2020 with the full payment and the signing of the Deed of Absolute Sale. The Filinvest Consortium paid on December 17, 2019 the full amount of the purchase price of the lot plus the accumulated interest for the unpaid installments since 2017. Accordingly, the matter has been resolved.

The carrying value of the property amounted to ₱1.20 billion as of December 31, 2020.

## 1.2. Form and Date of Organization

FLI was incorporated in the Philippines on November 24, 1989 as Citation Homes, Inc. and later changed its name to FLI on July 12, 1993. It started commercial operations in August 1993 after Filinvest Development Corporation (FDC), the Parent Company, spun off its real estate operations and transferred all related assets and liabilities to FLI in exchange for shares of stock of FLI. FLI was listed on the PSE on October 25, 1993.

As of December 31, 2020, FDC owns 65% of Common Stock and 100% of Preferred Stock of FLI. FDC is the holding company for real estate and other business activities of the Gotianun Family. FDC traces its origin to the consumer finance business established by Mr. Andrew Gotianun Sr. and his family in 1955. The shares of FDC and FLI are both listed in the Philippine Stock Exchange. The ultimate parent company of FLI is A. L. Gotianun, Inc.

## 1.3. Subsidiaries

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries. The nature of business and the corresponding percentages of ownership over these entities as at December 31, 2020, 2019 and 2018 are as follows. The voting rights held by the Group in these subsidiaries are in proportion to its ownership interest.

Subsidiaries	Nature of Business	2020	2019	2018
Filinvest AII Philippines, Inc. (FAPI)	Real estate developer	100%	100%	100%
Filinvest BCDA Clark, Inc. (FBCI) <sup>1</sup>	Real estate developer	55%	55%	55%
FCGC Corporation (FCGCC)	Real estate developer	100%	100%	100%
Gintong Parisukat Realty and Development Inc. (GPRDI)	Real estate developer	100%	100%	100%
Homepro Realty Marketing, Inc. (Homepro)	Real estate developer	100%	100%	100%
Cyberzone Properties, Inc. (CPI)	Leasing	100%	100%	100%
Filinvest Asia Corporation (FAC)	Leasing	60%	60%	60%
Filinvest Cyberparks, Inc. (FCI)	Leasing	100%	100%	100%
Filinvest Cyberzone Mimosa, Inc. (FCMI)	Leasing	100%	100%	100%
Festival Supermall, Inc. (FSI)	Property management	100%	100%	100%
Filinvest Lifemalls Corporation (FLC)	Property management	100%	100%	100%
Filinvest Lifemalls Mimosa, Inc. (FLMI)	Property management	100%	100%	100%
Filinvest Lifemalls Tagaytay, Inc. (FLTI)	Property management	100%	100%	100%
Pro-Excel Property Managers, Inc. (Pro-Excel) <sup>2</sup>	Property management	33%	33%	74%
ProOffice Works Services, Inc. (ProOffice) <sup>3</sup>	Property management	100%	100%	—

Subsidiaries	Nature of Business	2020	2019	2018
Property Specialist Resources, Inc. (Prosper)	Property management	100%	100%	100%
FSM Cinemas, Inc. (FSM Cinemas) <sup>4</sup>	Theater operator	60%	60%	60%
Philippine DCS Development Corporation (PDDC)	District cooling systems, builder and operator	60%	60%	60%
Timberland Sports and Nature Club, Inc. (TSNC) <sup>5</sup>	Recreational Sports and Natures Club	98%	98%	98%
Dreambuilders Pro, Inc. (DPI) <sup>6</sup>	Construction	45%	100%	100%
ProMixers Aggregates Corp. (PMAC) <sup>7</sup>	Construction	45%	100%	—
Leisurepro, Inc. (Leisurepro)	Marketing	100%	100%	100%
Proleads Philippines, Inc. (PPI)	Marketing	100%	100%	100%
Property Leaders International Limited (PLIL)	Marketing	100%	100%	100%
Property Maximizer Professional Corp. (Promax)	Marketing	100%	100%	100%
Realpros Philippines, Inc. (RPI)	Marketing	100%	100%	100%
Nature Specialists, Inc. (NSI)	Recreational Sports and Natures Club	75%	—	—

1. *FBCI is owned indirectly through FCGCC.*
2. *Deconsolidated in 2019. CPI and FCI sold its ownership in Pro-Excel to FAI (see Note 1). The effective ownership interest of the Parent Company was reduced to 33%.*
3. *CPI assigned its 60% interest in ProOffice to FLI. 40% remaining interest is owned by FCI. Effectively, FLI owns 100% of ProOffice.*
4. *FSM Cinemas is owned indirectly through FSI.*
5. *In 2018 and 2017, the Parent Company acquired noncontrolling interest in TSNC representing additional 1% and 5% ownership interest, respectively, for a total consideration of ₱16.09 million and ₱138.85 million, respectively.*
6. *Deconsolidated in 2020.*
7. *PMAC is a wholly-owned subsidiary of DPI.*
8. *Filinvest Cyberzone Mimosa, Inc. (FCMI) was renamed Filinvest Clark Mimosa Inc. on February 15, 2021.*

Except PLIL which was incorporated in British Virgin Islands, all of the Parent Company's subsidiaries were incorporated in the Philippines. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company using consistent accounting policies.

Detailed discussion of each subsidiary follows:

- FAPI was incorporated on September 25, 2006 to develop the TSNC and Phase 2 of Timberland Heights
- FCGCC was incorporated on February 11, 2016 to undertake the development of the Clark Green City (*now New Clark City*) Project under the Joint Venture Agreement with Bases Conversion and Development Authority (BCDA). On March 16, 2016, FBCI, a joint venture company with BCDA, was incorporated to handle the aforementioned development. FBCI is 55%-owned by FCGCC and 45%-owned by BCDA. As of December 31, 2020, FCGCC and FBCI have not started commercial operations.
- On January 19, 2018, FLI entered into a Share Sale and Purchase Agreement to purchase 100% of the total outstanding shares of GPRDI for a total consideration of ₱1.71 billion. The primary purpose of GPRDI is to hold, purchase, lease, contract otherwise acquire any and all real and personal properties. GPRDI has not started its commercial operations as of December 31, 2020.
- Homepro was incorporated on March 25, 1997 and started commercial operations on January 1, 2004.
- CPI was incorporated on January 14, 2000 and began commercial operations on May 1, 2001. CPI is registered with the PEZA as an Economic Zone Facilities Enterprise, which entitles CPI to certain tax benefits and non-fiscal incentives such as paying a 5% tax on its modified gross income in lieu of of national and local taxes. CPI is also entitled to zero percent value-added tax on sales made to other PEZA-registered enterprises. CPI owns and operates the IT buildings in Northgate Cyberzone, located in a 10-hectare parcel of land within Filinvest City owned by the

parent Company, FLI. CPI also leases a parcel of land measuring 2,831 sq.m. located in EDSA on which CPI built a 5-storey BPO building with a total GLA of 7,358 sq.m.

- FAC was incorporated on January 22, 1997 and as at date of this report is 60%-owned by FLI and 40%-owned by Reco Herrra Pte.Ltd. (RHPL). RHPL is 100% beneficially owned by the Government of Singapore Investment Corporation Pte. Ltd (GIC). FAC owns 50% of the 52-storey PBCom Tower, which is strategically located at the corner of Ayala Avenue and V. A. Rufino Streets in the Makati City Central Business District. FAC owns 36,000 sq. m. of leasable office space. The remaining 50% of PBCom Tower is owned by the Philippine Bank of Communications.
- The PBCom Tower is registered as an information technology building by PEZA. Consequently, tenants occupying space in PBCom Tower are entitled to avail of certain fiscal incentives, such as a 5% tax on modified gross income in lieu of the national and local taxes, income tax holidays and zero rated vat in certain cases.
- FCI was incorporated on February 4, 2014. Its primary purpose is to acquire by purchase, lease, donate and/or to own, use, improve, develop, subdivide, sell, mortgage, exchange, hold for investment and deal with real estate of all kinds.
- FCMI was incorporated on January 23, 2017. Its primary purpose is to acquire by purchase, lease except financial leasing, donation or and hold for investment or otherwise deal in real estate of all kinds, nature, purpose and/or any interest or right therein. FCMI started its commercial operations in May 2018. FCMI is registered with Clark Development Corporation (CDC) as a Clark Freeport Enterprise enjoying the incentives similar to PEZA such as zero percent VAT on its revenues and 5% income tax on modified gross income, in lieu of local and national taxes.
- FSI is the property manager of Festival Supermall and other commercial centers of the Group. FSI also owns 60% equity interest in FSM Cinemas, Inc. which is engaged in theater operations. The transaction was accounted for using the pooling of interest method wherein the assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts.
- FLC, formerly Whiluc Realty & Mgt., Inc., is organized to invest in, purchase, hold, use, develop, lease, sell, assign, transfer mortgage, enjoy or otherwise dispose of, as may be permitted by law, all properties of every kind, nature and description and wherever situated, of any corporation.
- FLMI was incorporated on January 23, 2017. Its primary purpose is to acquire by purchase, lease except financial leasing, donation, or otherwise, and/or to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop and hold for investment or otherwise deal in real estate of all kinds, nature and purpose and/or any interest or right therein. FLMI has not started its commercial operations as of December 31, 2020.
- FLTI was incorporated on November 20, 2017. Its primary purpose is to acquire by purchase, lease (except financial leasing), donation or otherwise, and to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop and hold for investment or otherwise deal in real estate of all kinds in order to develop, conduct, operation, lease, and maintenance of retail and commercial space for rent, restaurants, function halls, amusement centers, movie or cinema theaters within the compound to premises of the shopping centers. FLTI started its commercial operations in March 2018.
- On December 26, 2019, CPI and FCI, wholly owned subsidiaries of the Parent, entered into a Deed of Assignment to sell its ownership in Pro-Excel to FAI. The sale resulted in a loss of control in Pro-Excel and deconsolidation by the Group. The remaining ownership of the Parent Company in Pro-Excel is 33%. Subsequently after disposal, the investment in Pro-excel is accounted as investment in associate under the equity method.

- ProOffice was incorporated on March 18, 2019 to engage in the business of administration, maintenance and management of real estate developments and projects. ProOffice started commercial operations in August 2019.
- Prosper was incorporated on June 10, 2002 and started commercial operations on January 01, 2004. Prosper is engaged in the purchase, lease and management of hotel and resort properties, and is currently managing the condotel operations of a high-rise condominium (Grand Cenia) and hotel project (Quest Hotel) of the Parent Company. Prior to Prosper's condotel and hotel management business, Prosper was engaged in the business of real estate marketing.
- FSM Cinemas was incorporated on April 23, 1998 to engage in servicing, booking, and arranging of films, programs, shows, plays, and movies of all kinds, types, makes, and colors for movie houses, theaters, or cinemas and to exhibit, lease, rent, run or operate movie houses, theaters, cinemas, as well as, supply equipment, machines and accessories needed in cinemas, theaters or movie houses. FSM Cinemas is owned indirectly through FSI.
- On April 15, 2015, FLI and Engie Services Philippines (ENGIE) entered into a joint venture agreement to establish PDDC. On July 31, 2015, PDDC was registered with the SEC to engage in the business of building and operating a district cooling system within existing and future buildings at Northgate Cyberzone Area, Filinvest City, Alabang, Muntinlupa City. PDDC is 60% owned by FLI and 40% owned by ENGIE.
- On July 18, 2018, the SEC approved TSNC's application on voluntary revocation of its secondary registration which allowed TSNC to proceed with the transition to its new business model. On November 15, 2018, the Board of Directors (BOD) approved the amendment to change the primary purpose of the Club from an exclusive recreational sports club to a for profit commercial facility. On July 24, 2019, TSNC submitted its Amended Articles of Incorporation to SEC. The amendments include (a) change of the primary purpose of TSNC from that of an exclusive recreational sports club to a real estate development Company; (b) change of TSNC's principal address from No. 173 P. Gomez Street, San Juan, Metro Manila to Timberland Heights, Barangay Malanday, San Mateo Rizal; (c) converting of TSNC's capital stock from no par value club shares to par value shares; (d) removal of provisions which characterizes TSNC as an exclusive nonprofit association; and (e) removal of paragraphs which relate to the operations of an exclusive recreational sports club. On August 1, 2019, the SEC approved TSNC's application for voluntary revocation of its secondary registration. On August 18, 2019, the SEC approved TSNC's Amended Articles of Incorporation.
- PMAC was incorporated on October 11, 2019 mainly to operate concrete batching plant, manufacture and supply of precast and construction equipment supply and rental. PMAC has not started commercial operations as of December 31, 2020.
- Leisurepro was incorporated on April 21, 2004 and started commercial operations on January 1, 2006. The company is inactive since 2010.
- PPI was incorporated on March 29, 2017 to provide management, organizational, and other administrative services and training. PPI started its commercial operations in November 2017.
- PLIL, a company limited by shares, was registered at the territory of the British Virgin Islands on February 7, 2017. PLIL has not started its commercial operations as of December 31, 2020.
- Promax was incorporated on October 3, 1997. It is engaged in real estate marketing business and handle the marketing and sale of socialized, affordable, middle income, high-end and farm estate property development projects of FLI.
- RPI was incorporated on August 3, 2017 to provide administrative support services and skills

training primarily through the use of information technology, licensed software, and systems. RPI has started its commercial operations in November 2017.

- NSI was incorporated on August 24, 2018 to conduct real estate activities primarily focusing on hotels, inns, resorts, lodging houses and all adjunct accessories thereto, including restaurants, cafes, bars, stores, offices, etc.. NSI has not started its commercial operations in as of December 31, 2020.

#### **1.4. Equity Investments in CTI, Pro-Excel, FAI and FMI**

##### CTI

As of December 31, 2018, investment in Corporate Technologies, Inc. (CTI) was reported under “Other noncurrent assets” due to pending SEC approval and issuance of amended articles of incorporation. In 2019, the 30% interest in CTI of the Parent Company was classified as an investment in associate. CTI is primarily involved in information technology service management.

##### Pro-Excel

On December 26, 2019, CPI and FCI, wholly owned subsidiaries of the Parent, entered into a Deed of Assignment to sell ownership in Pro-Excel to FAI. The sale resulted to a loss of control in Pro-Excel and deconsolidation by the Group. As of December 31, 2019, the remaining ownership of the Parent Company in Pro-Excel is 33%. No significant transaction transpired between the date of sale and reporting date resulting in no share in net earnings of Pro-Excel for the year ended December 31, 2019. Pro-Excel is engaged in the business of administration, maintenance and management of real estate development, controlled development projects and subdivision projects.

##### FAI

FAI was incorporated on August 25, 1993 and started commercial operations in October 1995. FLI has a 20% equity interest in FAI. FAI’s current project is the master-planned development of Filinvest City, a 244-hectare premier satellite city development project which has been designed using modern and state of the art, ecological, urban planning with a mixed-use integrated development with office, retail, residential, institutional, leisure and hospitality projects in southern Metro Manila. Located at the southern end of Metro Manila and adjacent to the South Expressway, Filinvest City is approximately 16 kilometers south of Makati, the central business district in Manila and 10 kilometers from the Ninoy Aquino International Airport. Filinvest City is surrounded by over 2,800 hectares of developed high-end and middle-income residential subdivisions and commercial developments. The said project is under a joint venture agreement with the Government.

##### FMI

FMI was incorporated on March 31, 2016 and started commercial operations in June 2016. FLI has a 47.5% equity interest in FMI. FMI entered into a long-term lease of the Mimosa Leisure Estate after it bagged the rights to lease, develop and operate the 202 hectare estate development. FMI subleases to FCMI the development of residential, office, retail and co-living leasing segments of the Estate while another affiliate MCI, sub-leases the leisure, hospitality segments of the estate.

##### DPI

DPI was incorporated on January 11, 2017 to engage in and carry on a general construction business. DPI started its commercial operations in February 2017. DPI was deconsolidated from the Group and became associate effective December 17, 2020

#### **1.5. Business Groups, Product Categories, Target Markets and Revenue Contribution**

FLI is now composed of two business segments with corresponding product categories, target markets and revenue contributions as follows:

### **1.5.1 Real Estate Sales Segment**

FLI's main real estate activity since it started operations has been the development and sale of residential property, primarily housing units and subdivision lots; in certain cases, provision of financing for unit sales.

#### **Residential Projects**

FLI is able to tap the entire residential market spectrum with the following range of housing units catering to various income segments:

- *Socialized housing:* These developments are marketed and sold under FLI's Pabahay brand and consist of projects where lots typically sell for ₱160,000 or less per lot and housing units typically sell for ₱580,000 or less per unit. Buyers for these projects are eligible to obtain financing from the Government-mandated PAGIBIG Fund. Maximum sale prices for the Company's specialized housing products do not exceed the Government-mandated ceiling of ₱580,000 per unit. Any income realized from the development and improvement of socialized housing sites are exempt from taxation.
- *Affordable housing:* These developments are marketed and sold under FLI's Futura Homes brand and consist of projects where lots are typically sold at prices ranging from above ₱160,000 to ₱750,000 and housing units from above ₱580,000 to ₱1,700,000. FLI designs and constructs homes in this sector with the capacity and structural strength to give the owner the option to place an additional storey, which can double the available floor area. Affordable housing projects are typically located in provinces bordering Metro Manila, including Bulacan, Laguna, Batangas and Cavite, and in key regional cities and provinces such as Tarlac, Cebu, Davao, Palawan, Bacolod and Koronadal. Construction of a house in this sector is usually completed approximately six months from the completion of the required down payment.
- *Middle-income housing:* These developments are marketed and sold under FLI's Aspire brand and consist of projects where lots are typically sold at prices ranging from above ₱750,000 to ₱1,200,000 and housing units from above ₱1,500,000 to ₱4,000,000. Middle-income projects are typically located within Metro Manila, nearby provinces such as Rizal, Cavite, Pampanga and Laguna, and major regional urban centers in Cebu, Davao, and Zamboanga.
- *High-end housing:* Marketed under Filinvest Prestige brand, these developments consist of projects where lots are sold at prices above ₱1,200,000 and housing units for above ₱4,000,000. FLI's high-end projects are located both within Metro Manila and in areas immediately outside Metro Manila.

#### **Other Real Estate Projects**

In order to achieve product and revenue diversification, FLI has added the following projects so as to cater to other market niches:

##### **a. Townships**

Townships are master-planned communities to include areas reserved for the construction of anchor facilities and amenities. FLI believes that these facilities and amenities will help attract buyers to the project and will serve as the nexus for the township's community. Anchor developments could include schools, hospitals, churches, commercial centers, police stations, health centers and some other government offices

### ***Filinvest at New Clark City***

This 288-hectare property will be transformed into a vibrant mixed-use master planned metropolis that is in harmony with its natural setting. The BCDA, FLI's partner in the development, has completed the construction of the SCTEX-NCC Road and is now completing the Airport-NCC Road that will directly connect the project to the Clark Freeport Zone. New Clark City will be built around four pillars: world center, multi-gen metropolis, eco-efficient capital and strategic base – the cohesive foundation of a globally-competitive city. It will be shaped around the existing terrain, with meandering waterways and a Loop Park to connect its various pedestrian-friendly districts. Green path walks, bike lanes, e-transport systems and other innovative features are expected to set the benchmark for this pioneering development in the Philippines. The development will have 100 hectares of industrial park area, over 100 hectares of mixed-use commercial office, retail and residential developments, all interspersed with over 80 hectares of greens and open spaces.

### ***Filinvest Mimosa+ Leisure City***

As the winning bidder in the privatization of the Mimosa estate in Pampanga, Filinvest is currently developing the 201-hectare property under Filinvest Mimosa, Inc., a new company formed by the consortium of FLI and FDC. FLI will handle the retail, office and residential components through its subsidiary FCMI, while FDC will undertake the hospitality, leisure and gaming segments, through its subsidiary FCMI. Envisioned to be a top-of-mind, year-round business and leisure destination, the sprawling Filinvest Mimosa+ Leisure City is being transformed into a vibrant and green central township that is home to various industries such as BPO, hospitality, retail, real estate, golf and gaming. Its location in Clark Freeport Zone allows FLI to take advantage of the growing interest of tourists and investors in the progressing Clark City. In addition to the renowned golf course, its components include a lifestyle and retail strip, a pavilion and grounds for events and an office campus called Workplus. This business hub will be composed of eight mid-rise buildings with fiber-optic facilities, podium parking and ground retail area. Also part of the design is a lovely promenade that will connect all buildings and serve as a place for employees to enjoy the serene outdoor environment of Mimosa. To complement the business and commercial district, the Quest Hotel and Conference Center Clark will be joined by a residential area of mid- to high-rise buildings for investment or end-use. The existing green resort environment will be further enhanced with parks, walking paths and bike trails to encourage wellness through nature and outdoor activities.

### ***Ciudad de Calamba***

Ciudad de Calamba is a 350-hectare development located in Calamba, Laguna. This township project is anchored by the Filinvest Technology Park-Calamba which is a PEZA-registered special economic zone. Ciudad de Calamba provides both industrial-size lots and ready-built factories to domestic and foreign enterprises engaged in light to medium non-polluting industries. FLI also donated to the city government of Calamba a parcel of land located within the Ciudad de Calamba, which will be used for a city health center and police station. The Parent Company also intends to develop the Ciudad de Calamba Commercial Center as part of this township project.

### ***Havila***

Havila, or formerly, Filinvest East County is a 335-hectare township along the eastern edge of Metro Manila, which traverses the municipalities of Taytay, Antipolo and Angono. It is anchored by two educational institutions: San Beda College – Rizal and the Rosehill School. The master plan for Havila provides for a mix of affordable, middle-income and high-end subdivisions on rolling terrain overlooking Metro Manila at an elevation of 200 meters above sea level.



## ***Timberland Heights***

Timberland Heights is a 677-hectare township project anchored by the Timberland Sports and Nature Club. It is located in the municipality of San Mateo, which is just across the Marikina river from Quezon City, and has been designed to provide residents with leisure facilities and resort amenities while being located near malls, hospitals and educational institutions located in Quezon City.

## ***City di Mare***

Inspired by the world's best-loved coastal cities, City di Mare, or "City by the Sea", spans across 50.6 hectares at Cebu's South Road Properties.

It is a master-planned development composed of different zones catering to a wide array of lifestyles and activities - Il Corso, the 10.6-hectare waterfront lifestyle strip; the 40-hectare residential clusters; and The Piazza, nestled at the heart of the residential enclaves puts lifestyle essentials such as school, church, shops, and restaurants within the neighborhood. City di Mare is envisioned to be a destination in itself, takes full advantage of the coastal ambience featuring seaside shopping, dining, beach and water sports and more, right by the water's edge.

The 10.6-hectare retail development known as Il Corso shall have a gross leasable area of approximately 32,000 square meters. City di Mare has four resort-themed residential enclaves inspired by world-class resorts, with each 10-hectare development flaunting a distinct architectural character. With over 65% of the property allocated for wide, open areas and landscaped greens, City di Mare provides the generous amenity of breathing space and a refreshing dose of nature throughout the site. Residences are spread out over the sprawling development, maximizing the abundant sunlight and allowing the invigorating sea air to circulate freely.

### **b. Leisure projects**

FLI's leisure projects consist of its residential farm estate developments and residential resort development.

#### ***1. Residential farm estates***

FLI's residential farm estate projects serve as alternative primary homes near Metro Manila to customers, such as retirees and farming enthusiasts. Customers can purchase lots (with a minimum lot size of 750 square meters) on which they are allowed to build a residential unit (using up to 25.0% of the total lot area). The remaining lot area can be used for small-scale farm development, such as fish farming or vegetable farming. Residential farm estates are sold on a lot-only basis, with buyers being responsible for the construction of residential units on their lots. To help attract buyers, FLI personnel are available on site to provide buyers with technical advice on farming as well as to maintain demonstration farms.

At present, FLI has three residential farm estates:

- *Nusa Dua Farm Estate ("Nusa Dua")* located in Cavite province just south of Metro Manila. The amenities at the Nusa Dua development include a two-storey clubhouse and a 370 square meter swimming pool.
- *Mandala Residential Farm Estate ("Mandala")* located in Rizal province as part of the FLI's Timberland Heights township project. It offers hobby farmers generous lot cuts and Asian-inspired homes that complement the mountain lifestyle.
- *Forest Farms Residential Farm Estate ("Forest Farms")* located in Rizal province as part of Company's Havila township project. It is an exclusive mountain retreat and nature park, nestled between the hills of Antipolo and forested area of Angono.

## 2. Residential resort development

*Kembali Coast* on Samal Island, Davao is a beachfront residential resort development. This 50-hectare Asian-Balinese inspired island getaway offers low-density exclusivity and comes with a 1.8 km beach line that offers unobstructed view of the sea.

*Laeuna de Taal* (“*Laeuna*”) is located in Talisay Batangas with a view of the Taal lake and a lakeside residential community, about a ten-minute drive from the popular tourist destination of Tagaytay. *Laeuna* is an Asian Tropical-inspired community which offers three (3) residential enclaves (Arista, Bahia and Orilla) with a range of property choices for every family. Located on the water front is the Lake Club, a lakeside amenity designed for wellness, recreation and celebration.

### c. Medium Rise Buildings

Medium Rise Buildings (MRB) projects are five-storey to ten-storey buildings clustered around a central amenity area. The buildings occupy 30% to 35% of the land area, providing a lot of open spaces. FLI currently has the following MRB projects:

Project Name	Location
<b>Metro Manila/ Luzon</b>	
Asiana Oasis	Paranaque City
Bali Oasis	Pasig City
Bali Oasis 2	Pasig City
Capri Oasis	Pasig City
Fora	Tagaytay
Fortune Hill	San Juan City
Futura East	Cainta, Rizal
Maui Oasis	Sta. Mesa, Manila
One Oasis Ortigas	Pasig City
One Spatial	Pasig City
Panglao Oasis	Taguig
Sorrento Oasis	Pasig City
The Signature	Balintawak, Quezon City
Verde Spatial	Quezon City
Alta Spatial	Valenzuela City
Centro Spatial	Manila
Belize Oasis	Muntinlupa
<b>Visayas</b>	
Amalfi Oasis	City di Mare, Cebu
Marina Spatial	Dumaguete
One Oasis Cebu	Mabolo, Cebu City
One Spatial Iloilo	Iloilo
San Remo Oasis	City di Mare, Cebu
Umi Garden	City di Mare, Cebu
<b>Mindanao</b>	
Centro Spatial	Davao City
Eight Spatial	Maa, Davao
One Oasis Cagayan de Oro	Cagayan de Oro
One Oasis Davao	Davao City
Veranda Resort Condos	Davao
Maldives Aspire	Davao
Futura Vinta	Zamboanga

### d. High Rise Buildings

#### The Linear

*The Linear*, a master-planned residential and commercial hub in Makati City. Two-L-shaped towers, each 24-storeys high, comprise this dynamic condominium community that perfectly caters to the needs of young urban professionals.

### Studio City

Studio City is a community composed of five-tower residential condominium complex within the Filinvest City to serve the demand for housing of the growing number of professionals working within Filinvest City and in the nearby Madrigal Business Park.

Since it is located within the Filinvest City, residents will enjoy proximity to Festival Supermall, Westgate Center, Northgate Cyberzone, Asian Hospital and Medical Center, and other commercial, educational and medical institutions. The development consists of 18-storeys per building with commercial units at the ground floor. All residential floors will have 25 studio units per floor. Studio Tower 5 is under construction.

### The Levels

Located at one of the highest points of Filinvest City at around 23 meters above sea level, The Levels is a one-block, four-tower residential condominium development that features laidback suburban living inside a fast-paced business district. The residential development is set in a tropical landscape, with four towers uniquely designed with terracing levels, giving it a castle-effect look. The high-rise sections will be set in lush greenery, providing residents with views of the gardens. The second tower has just been launched.

### Vinia Residences

Vinia is a 25-storey condominium development located along EDSA in Quezon City, right across TriNoma and just steps away from the MRT-North Avenue station. With its coveted location, it offers a world of ease and convenience to yuppies and families looking for quality homes, as well as budding entrepreneurs who want to start a home-based business at the heart of the city.

### Studio Zen

Studio Zen is a 21-storey condominium development located along Taft Avenue in Metro Manila. Student-oriented amenities, Zen-inspired features, and functional building facilities makes it an ideal residence for students living independently and a great investment opportunity for entrepreneurs who want to take advantage of the ready rental market in the area.

### Studio A

Studio A is a single tower 34-storey hi-rise residential condominium located in Loyola Heights in Quezon City. A community conveniently situated near premier universities, the LRT 2 line and other commercial establishments.

### 100 West

100 West is a single tower 38-storey high-rise commercial and residential condominium with office spaces located in Gen. Gil Puyat Avenue corner Washington St. in Makati City. 100 West is in the Makati Business District and accessible to both north and south of Metro Manila.

### Studio 7

Studio 7 is a mixed-use development that will have office and residential towers complemented with retail outlets, located in Quezon City along EDSA very close to the GMA-Kamuning MRT station. Studio 7 will have studios as well as one-bedroom residential units.

### Activa

Activa is a mixed use development with residential, office, retail and hotel components.

It is entrenched in the heart of Quezon City's busiest and liveliest district, Cubao. Situated at the crossroads of two of the metro's most vital thoroughfares. Activa connects to the north and south via EDSA, and to the east and west via Aurora Boulevard. It also has direct access to the MRT and LRT lines, and accessible by various modes of transportation like buses and jeepneys.

## Analysis of Real Estate Sales

The table below shows a comparative breakdown of FLI's journalized real estate sales by product categories for the years ended December 31, 2020 and 2019 (in Thousands).

Category	Years ended December 31			
	2020		2019	
	Amount	% to total	Amount	% to total
Residential Lots and House & Lot Packages				
Socialized	<b>₱102,308</b>	<b>1.04%</b>	₱345,195	2.03%
Affordable	<b>2,630,267</b>	<b>26.74%</b>	5,415,691	31.83%
Middle Income	<b>6,043,733</b>	<b>61.44%</b>	9,432,647	55.44%
High-end & Others	<b>771,538</b>	<b>7.84%</b>	1,477,759	8.69%
Industrial Lots	<b>5,905</b>	<b>0.06%</b>	—	0%
Residential Farm Lots	<b>246,310</b>	<b>2.50%</b>	278,006	1.63%
Leisure	<b>37,061</b>	<b>0.38%</b>	63,822	0.38%
Total	<b>₱9,837,122</b>	<b>100.00%</b>	₱17,013,120	100.00%

## Analysis of Cost of Sales

The table below shows a comparative breakdown of FLI's journalized cost of sales into various categories for the years ended December 31, 2020, 2019 and 2018 (in thousands):

	2020	2019	2018
Land acquisition cost	<b>₱839,222</b>	<b>₱2,491,305</b>	₱1,926,515
Land development and construction cost	<b>4,747,612</b>	<b>7,362,566</b>	6,412,693
	<b>₱5,586,834</b>	<b>₱9,853,871</b>	₱8,339,208

## 1.5.2. Leasing Segment

FLI's investment properties are categorized as retail and office segments.

### Commercial Retail Leasing Properties

#### *Festival Mall Alabang*

The landmark project, Festival Supermall, carries on its position as the prime destination for recreation and retail in southern Metro Manila. With more 'firsts' on its offerings and a better shopping ambiance, the mall has elevated the retail experience in the south. It is one of the country's largest shopping malls with more than 1,000 shops.

Major improvements have been undertaken and continue to be undertaken for the existing mall and its facilities. New interiors give the mall a refreshed look and modern ambiance, complementing the recently completed 46,000 sq.m. expansion wing. Decathlon, a French sporting goods retailer, opened a 5,000 sq.m. store in the original mall. New lifestyle and food tenants continue to open in the expansion wing. French sports retail giant, Go Sport, opened its first ever store in Southeast Asia in the expansion with an area close to 1,000 sq.m.

The introduction of new and unique food establishments has made Festival a gastronomic destination ushering in new traffic and strengthening its appeal to its core target market. The Water Garden, a new distinctly refreshing outdoor amenity and convergence zone in the expansion wing, continues to be favorite among mall patrons. Uniqlo opened its first ever roadside store in the country in Westgate, Festival's affiliated lifestyle development in Filinvest City.

#### *Fora Mall*

Conveniently located right by Tagaytay Rotunda is Fora Mall, the first regional mall in the area. This prime retail destination provides about 26,000 sq. m of leasable space amidst nature, open spaces, and a beautifully-landscaped amphitheater. It primarily serves the local market and Tagaytay bound

tourists. A number of local and popular food concepts, along with national brands, have opened in the mall. Super Metro, a 24-hour hypermarket, serves as its anchor. Other notable shops include Ace Hardware, Power Mac, Own Days, Anello and La Sedia. The mall also has four (4) digital cinemas which have become the go to place for Tagaytay City and surrounding towns for recreation.

### *Main Square*

With a smaller format of over 18,000 sq. m leasable area, Main Square is the first and only mall along Bacoar Blvd, close to Bacoar City Hall and fronting Princeton Heights. Positioned as the reliable one-stop hub for neighboring gated villages of Bacoar, it provides basic shopping, wellness, service and convenience offerings from partner brands such as Anytime Fitness, Watson's, Ace Hardware, Western Appliances, Japan Home, and DIY. The mall's anchor for this development is Robinsons Supermarket, which has become the most convenient essentials shopping option in the area.

### *Il Corso*

Il Corso is a retail development with an estimated 34,000 sq. m of leasable area in the City di Mare estate development of Filinvest in the South Reclamation Area of Cebu City. It's opened restaurants facing the sea have become destinations in the southern edge of Cebu City. The cinema has also opened. A 10,000 sq.m. portion of the mall is being reconfigured to accommodate Business Process Outsourcing Companies.

### **Commercial Office Properties**

As of December 31, 2020, the Group owns commercial office spaces for lease to several BPO and other office locators. Primarily, they are located in Northgate Cyberzone in Filinvest City, Alabang, Muntinlupa. Northgate is an 18-hectare PEZA zone that enjoys developer incentives. Among the Group's portfolio is the PBCom tower where FLI owns 60.0% through FAC, which owns 50.0% of the 52-storey PBCom Tower in the Makati CBD. PBCom Tower is a Grade A-PEZA-registered, IT/office building on Ayala Avenue, Makati City with a GLA of 35,148 sq.m.

The Group also owns several completed office developments, in Bay City, Pasay, EDSA near Ortigas MRT station, Clark Mimosa and Cebu IT Park. A summary of the GLA is set forth below:

<b>Location</b>	<b>Number of Buildings</b>	<b>GLA (sq.m.)</b>
Northgate Cyberzone, Filinvest City	19	334,912
Metro Manila outside of Filinvest City	7	116,070
Outside Metro Manila	5	72,922
<b>Total</b>	<b>31</b>	<b>523,904</b>

The office buildings of Filinvest are mainly located in business parks or in mixed-used complexes highly accessible to public transport. The Group believes its business park model, wherein the Group builds on areas specifically suited for business and industrial establishments supported, in certain cases, by incentives from the Government, gives it a competitive advantage as business parks are the preferred site of major BPO tenants. Being located in a major business park allow the tenants assurance of expansion options within close proximity thereby giving the Group an advantage over stand-alone developments.

- Northgate Cyberzone, an 18-hectare, PEZA-registered IT park located in Filinvest City in Alabang. The office buildings of the Group sit within the 10-hectare parcel of land in the Northgate district owned by FLI.
- Mimosa Workplus, an office village that is comprised of eight buildings set amidst the lush natural environment of the Filinvest Mimosa+ Leisure City.

- Cyberzone Cebu and Filinvest IT Park are two distinct developments on two separate Build-Transfer-Operate (BTO) arrangements with the Cebu Province. The two parcels of land totaling 2.9 hectares are in close proximity to the city center located along Banilad and Salinas Avenue in Cebu. Together these comprise 7 office towers, a mall and a hotel development. The office and mall portions are pre-certified LEED Gold rating.
- Filinvest Cyberzone Bay City, a 4-tower office complex in the bustling section of the Bay Area. Its four towers are already completed and operating, and fully leased by POGOs. The complex is also certified LEED Silver rating.
- 100 West is part of a mixed used building in the Makati Central Business District. Office space allocated is approximately 14,333 sq. m.

#### *Ongoing Construction*

- Activa is a 1.37 hectare mixed use development at the corner of EDSA and Aurora Boulevard and lies in close proximity to the Cubao LRT and Cubao MRT Stations. The development will have the following: BPO office tower, a traditional office tower, residential tower, hotel and a retail mall. The designs for the BPO office and mall portions are pre-certified with LEED Gold rating.
- Studio 7 is a two (2)-tower mixed-use complex comprising of residential and office buildings on a retail and parking podium. Located along major thoroughfare EDSA in Quezon City, it is strategically located close to the GMA Kamuning Metro Rail Transit 3 Station and is a pre-certified LEED Silver rating.

The Group will continue to carry out an intensive marketing campaign so to maintain high occupancy rates in its investment properties to maximize leasing revenues.

The table below shows a breakdown of FLI's recorded gross leasing related revenues for the year ended December 31, 2020 and 2019 (amounts in Thousands of Pesos, except percentages).

	Years ended December 31			
	2020		2019	
	Amount	% to total	Amount	% to total
Office	<b>P5,558,845</b>	<b>87.04%</b>	P5,170,892	64.30%
Retail/Commercial	<b>827,374</b>	<b>12.96%</b>	1,837,850	35.70%
Total	<b>P6,386,219</b>	<b>100.00%</b>	P7,008,742	100.00%

## **1.6. Marketing and Sales**

### **1.6.1 Real Estate Sales Segment**

FLI develops customer awareness through marketing and promotion efforts and referrals from satisfied customers. The Parent Company has a real estate marketing team, a network of sales offices located in the Philippines and tie-ups with independent brokers/marketing partners in other countries such as Europe, Hongkong, the Middle East, Japan, and Singapore. FLI's marketing personnel, together with in-house sales agents and accredited agents, gather demographic and market information to help assess the feasibility of new developments and to assist in future marketing efforts for such developments.

FLI conducts advertising and promotional campaigns principally through print and broadcast media, including billboards, fliers, and brochures designed specifically for the target market. Advertising and promotional campaigns are conceptualized and conducted by FLI's marketing personnel and by third-party advertising companies. These campaigns are complemented with additional advertising efforts,

including booths at shopping centers, such as Festival Supermall, and other high traffic areas, to promote open houses and other events.

FLI also believes that the OFW population, as well as expatriate Filipinos, constitute a significant portion of the demand for affordable and middle-income housing either directly or indirectly by remitting funds to family members in the Philippines to purchase property. To this end, the Parent Company has appointed and accredited independent brokers in countries and regions with large concentrations of OFWs and expatriate Filipinos, such as Italy, Japan, Singapore, Hongkong, the United Kingdom and the Middle East. These brokers act as the Parent Company's marketing and promotion agents in these territories to promote the Parent Company and its products. The Parent Company also sponsors road shows in countries to promote its projects, targeting potential buyers, especially the OFW and Filipino expatriate markets. FLI also markets its properties using the Internet or via Digital marketing platforms.

Sales for FLI's housing and land development projects are made through both in-house sales agents and independent brokers. Both FLI's in-house sales agents and independent brokers are compensated through commissions on sales. In-house sales agents also receive a monthly allowance and are provided administrative support by FLI, including office space and expense allowances.

In addition to in-house sales agents and independent brokers, FLI also employs representatives who staff its sales offices and provide customers with information about FLI's products, including financing and technical development characteristics. FLI also assigns each project a sales and operations coordinator who will provide customers with assistance from the moment they make their sales reservation, during the process of obtaining financing, and through the steps of establishing title on their new home. FLI also has personnel who can advise customers on financing options, collecting necessary documentation and applying for a loan. FLI also helps design down payment plans for its low-cost housing customers that are tailored to each customer's economic situation. Further, once a house is sold and delivered, FLI has customer service personnel who are available to respond to technical questions or problems that may occur after delivery of the property.

### **1.6.2 Leasing Segment**

Various professional, multinational commercial real estate leasing agents (including, but not limited to Jones Lang LaSalle, Santos Knight Frank and Colliers) are accredited to find tenants for its office space. These brokers work on a non-exclusive basis and earn commissions based on the term of the lease.

FLI also maintains, through its subsidiaries, an in-house leasing team to do marketing and administration of its office & commercial spaces.

### **1.7. Customer Financing for Real Estate Projects**

The ability of customers to obtain financing for purchases of subdivision lots or housing units is a critical element in the success of FLI's housing and land development business. Customer financing is particularly important in relation to sales of FLI's socialized housing projects, where most prospective buyers require financing for up to 100% of the purchase price. FLI therefore assists qualified homebuyers in obtaining mortgage financing from government-sponsored mortgage lenders, particularly for its socialized housing projects, and from commercial banks. FLI also provides a significant amount of in-house financing to qualified buyers.

#### ***In-house financing***

FLI offers in-house financing to buyers who chose not to avail of Government or bank financing. FLI typically finances 80% of the total purchase price, which is secured primarily by a first mortgage over the property sold. The loans are then repaid through equal monthly installments over periods mostly

from 5 to 10 years. The interest rates charged by FLI for in-house financing typically range from 11.5% per annum to 19.0% per annum, depending on the term of the loan.

### ***PAG-IBIG Fund***

A substantial number of buyers of the Parent Company's socialized housing units finance their purchases through the Home Development Mutual Fund, or PAGIBIG Fund. To provide a liquidity mechanism to private developers, the PAGIBIG Fund has instituted a take-out mechanism for conditional sales, installment contract receivables and mortgages and repurchases of receivables from housing loans of its members.

### ***Mortgage loans***

Mortgage loans from commercial banks are usually available to individuals who meet the credit risk criteria set by each bank and who are able to comply with each bank's documentary requirements. In addition to taking security over the property, a bank may also seek repayment guarantees from the Philippine Guarantee Corporation (PhilGuarantee). To assist prospective buyers, obtain mortgage financing from commercial banks, FLI also has arrangements with several banks to assist qualified customers to obtain financing for housing unit purchases.

### ***Deferred cash purchases***

In addition to the aforementioned financing arrangements, FLI has offered so-called "deferred cash" purchases, particularly for its high-end and leisure developments. Under this arrangement, the entire purchase price is amortized in equal installments over a fixed period, which is typically 24 months. Title to the property passes to the buyer only when the contract price is paid in full or when the buyer executes a real estate mortgage in favor of the Parent Company which can be annotated on the title to the property.

## **1.8. Real Estate Development**

FLI's real estate development activities principally include the purchase of undeveloped land or entering into joint venture agreements covering undeveloped land, the development of such land into residential subdivisions or other types of development projects, the sale of lots, the construction and sale of housing units and the provision of financing for some sales.

The development and construction work is contracted out to a number of qualified independent contractors on the basis of either competitive bidding or the experience FLI had with a contractor on prior project. FLI weighs each contractor's experience, financial capability, resources and track record of adhering to quality, cost and time of completion commitments.

FLI maintains relationships with over 100 independent contractors and deals with them on an arm's length basis.

FLI does not enter into long-term arrangements with contractors. Construction contracts typically cover the provision of contractor's services in relation to a particular project or phase of a project. Progress payments are made to contractors during the course of a project development upon the accomplishment of pre-determined project performance milestones. Generally, FLI retains 10% of each progress payment in the form of a guarantee bond or cash retention for up to one year from the date the contracted work is completed and accepted by FLI to meet contingency costs.

FLI is not and does not expect to be dependent upon one or a limited number of suppliers or contractors. Its agreements with its contractors are in the nature of supply of labor and materials for the development and/or construction of its various real estate projects.



## **1.9. Competition**

### **1.9.1. Real Estate Sales Segment**

Real estate development and selling is very competitive. FLI believes it is strongly positioned in the affordable to middle-income residential market segments. Success in these market segments depends on acquiring well-located land at attractive prices often in anticipation of the direction of urban growth.

The Parent Company believes that the name and reputation it has built in the Philippine property market contributes to its competitive edge over the other market players. On the basis of publicly available information and its own market knowledge, FLI's management believes that it is among the leading housing and land / project developers in the Philippines. FLI's management also believes that FLI is able to offer competitive commissions and incentives for brokers, and that FLI is able to compete on the basis of the pricing of its products, offering a wider range of product types for different market sectors. Its brand name and its track record of successfully completing quality projects also give credibility to our products.

FLI directly competes with other major real estate companies positioned either as a full range developer or with subsidiary companies focused on a specific market segment and geographic coverage. Its direct competitors include Ayala Land Inc., Vista Land, Robinsons Land, SMPHI and DMCI Homes.

The Parent Company faces significant competition in the Philippine property development market including land acquisition. This is particularly true for land located in Metro Manila and its surrounding areas, as well as in urbanized areas throughout the Philippines.

FLI's continued growth also depends in large part on its ability either to acquire quality land at attractive prices or to enter into joint venture agreements with land-owning partners under terms that can yield reasonable returns. Based on the Parent Company's current development plans, the Parent Company believes that it has sufficient land reserves for property developments for the next several years. If the Philippine economy continues to grow and if demand for residential properties remains relatively strong, the Parent Company expects that competition among developers for land reserves that are suitable for property development (whether through acquisitions or joint venture agreements) will intensify and that land acquisition costs, and its cost of sales, will increase as a result.

### **1.9.2. Leasing Segment**

With regard to the Parent Company's assets dedicated to office space leasing and shopping mall operations, the Parent Company competes with property companies such as Ayala Land Inc., Robinsons Land Corp. and SM Prime Holdings in retail space leasing. In office space leasing, particularly to call centers and other BPO operators, the Parent Company competes with companies such as Robinsons Land, Inc., Ayala Land, Inc., Eton Corporation, SM Prime, and Megaworld Corporation.

## **1.10. Related-Party Transactions**

The Parent Company is a member of the Filinvest Group. The Parent Company and its subsidiaries, in their ordinary course of business, engage in transactions with FDC and its subsidiaries. The Parent Company's policy with respect to related-party transactions is to ensure that these transactions are entered into on terms comparable to those available from unrelated third parties.

Significant related party transactions for the year ended 31 December 2019 are as follows:

*a. Transactions with bank under common control of the ultimate parent (EWBC)*

On 03 January 2012, the Group entered into a Receivable Purchase Agreement with EWBC, an

entity under common control of the ultimate parent. The Group agreed to sell, assign, transfer and convey to EWBC all of its rights, titles and interest on certain contracts receivables. The contracts receivables sold to EWBC will be serviced by the Group under an Accounts Servicing Agreement.

Under this agreement, the Group shall be responsible for the monitoring and collection of contracts receivables sold to EWBC, including safekeeping of the collections in trust until these are remitted to EWBC, ten (10) days after the beginning of each month.

For the performance of the said services, the Group charges EWBC a service fee equivalent to a certain percentage of amounts actually received and collected. Although the Group retains the contractual rights to receive cash flows from the contracts receivables sold to EWBC, this will be subsequently distributed to EWBC under a “pass-through arrangement”.

In this transaction, the risk of default and non-payment of buyers of contracts receivable is assumed by EWBC and the Group has no liability to EWBC for such events. Due to this, the Group derecognized the contracts receivables sold and did not recognize any liability in its consolidated financial statements.

The Group’s plan assets in the form of cash equivalents amounting to P38.29 million and P70.86 million as of December 31, 2020 and 2019, respectively, are maintained with EWBC. The Group also maintains cash and cash equivalents with EWBC.

On September 20, 2018, FLI acquired a lot from a third party seller. Total consideration is payable on installment basis until 2022 (presented as “Accounts payable and accrued expenses” in the Audited Financial Statements). On September 21, 2018, the third party seller entered into a Receivable Purchase Agreement with EWBC for the purchase of the remaining amounts receivable from FLI amounting to P3.79 billion, on a without recourse basis. The amounts receivable from FLI was sold to EWBC for a total consideration of P3.13 billion.

As of December 31, 2020, the amounts payable to Seller (effectively to EWBC) related to the above purchase of land amounted to P2.33 billion and is presented as part of accounts payable and accrued expenses in the statement of financial position.

*b. Transactions with Ultimate Parent (ALG)*

Transactions with the Group’s ultimate parent company relates to sharing of common expenses.

*c. Transactions with Parent Company (FDC)*

The Parent Company charged FDC certain common expenses paid by the Parent Company on its behalf.

In 2020, certain employees of FLI were transferred to FDC. The related retirement benefits of these employees amounting to P12.07 million as of December 31, 2020 was also transferred with a corresponding payable to the FDC.

In 2009, Promax was appointed by FDC as the marketing agent to act for and on behalf of FDC in promoting the marketing and sale of the Beaufort project. Accordingly, FDC pays Promax a marketing fee equivalent to a certain percentage of the net selling price.

*d. Transactions with an Associates*

*Filinvest Alabang, Inc (FAI)*

‘Due from Associate’ include noninterest-bearing cash advances and various charges for management fees, marketing fees, share of expenses and commission charges. The account also includes dividend receivable amounting to nil and P404.00 million as of December 31, 2020 and 2019, respectively, declared by FAI both years 2020 and 2019 (see Note 12).

*Pro-excel*

Transactions from Pro-Excel relates to sharing of common expenses and management fee for managing the buildings of FLI.

*DPI*

Transactions from DreamBuilders Pro, Inc. relates to sharing of common expenses and noninterest-bearing cash advances

*FMI*

Transactions with Filinvest Mimosa Inc. relates to sharing of common expenses.

*CTI*

Transactions with Corporate Technologies, Inc. relates to sharing of common expenses and service fee for information and technology services.

*e. Transactions with Affiliates*

Transactions with affiliate relates to sharing of common expenses paid by the Parent Company on their behalf.

CPI entered into a service agreement with FDC Retail Electricity Sales whereby CPI shall engage and pay the services rendered by the latter to provide the electricity requirements of its facilities.

CPI also entered into a service agreement with Professional Operations Maintenance Experts Incorporated. whereby CPI shall engage and pay the services rendered by the latter to operate and maintain its equipment and premises.

CPI also entered into a service agreement with its affiliate, Parking Pro, Inc., to operate and maintain the CPI's parking facilities.

- f.* The compensation of key management personnel consists of short-term employee salaries and benefits amounting to ₱28.08 million, ₱34.17 million and ₱32.83 million in 2020, 2019 and 2018, respectively. Post-employment benefits of key management personnel amounted to ₱18.77 million, ₱22.41 million and ₱21.00 million in 2020, 2019 and 2018, respectively.

*g. Leases with related parties - Group as lessee*

The Group has several land lease transactions with related parties:

1. Mall lease with FAI

The Parent Company, as lessee, entered into a lease agreement with FAI on a portion of the land area occupied by the Festival Supermall and its Expansion. The lease term will expire on September 30, 2056.

2. Land lease with FAI

The Parent Company, as lessee, entered into a lease agreement with FAI for a portion of land area occupied by a third party lessee. . The lease term will expire on December 31, 2034.

3. FCMI lease with FMI

FCMI, a wholly owned subsidiary of the Parent Company, subleases the Mimosa Leisure Estate from FMI, an associate of the Parent Company. The original lessor is Clark Development Corporation. The lease term is 50 years, renewable by another 25 years upon mutual agreement by parties.

4. PDDC lease with FAI

PDDC, a 60% owned subsidiary of the Parent Company, leases Block 50 Lot 3-B-2, Northgate District from FAI. The lease term is twenty (20) years from the date on which the Chilled Water production plants starts supplying chilled water.

As of December 31, 2020 and 2019, the amount included in lease liabilities payable to related parties is ₱5,566.3 million and ₱5,293.5 million, respectively (see Note 15).

### 1.11. Intellectual Property

The “Filinvest” trademark was registered with the Intellectual Property Office (“IPO”) on September 15, 2011. “Filinvest” is the brand FLI uses and by which it is known to the public.

Below are FLI service marks registered with the IPO:

Trademark	Date Of Registration	Trademark	Date Of Registration
One Oasis	10 Dec 2009	Maui Oasis	20 Oct 2016
One Oasis Ortigas	10 Dec 2009	Ashton Fields	03 Nov 2016
We Build the Filipino Dream (Slogan)	10 Dec 2009	Sandia Homes	24 Nov 2016
The Linear Makati & Design	12 Aug 2010	Valle Alegre	24 Nov 2016
Filinvest (New Logo)	15 Sep 2011	Valle Dulce	24 Nov 2016
Studio A	20 Dec 2012	Havila	08 Dec 2016
The Signature	17 Apr 2014	Princeton Heights	08 Dec 2016
Fortune Hill	22 May 2014	Asenso Village	29 Dec 2016
Fora Rotunda Tagaytay	14 Aug 2014	Hampton Orchards	29 Dec 2016
The Leaf	20 Nov 2014	Tierra Vista	29 Dec 2016
Vinia	20 Nov 2014	Blue Isle	19 Jan 2017
Citi di Mare	25 Dec 2014	Palmridge	19 Jan 2017
One Binondo	12 Feb 2015	Cyberzone Properties, Inc.	16 Feb 2017
I-Go	20 Feb 2015	Spring Heights	27 Apr 2017
Bali Oasis	26 Feb 2015	The Enclave at Filinvest Heights	27 Apr 2017
Bali Oasis 2	26 Feb 2015	Filinvest International	04 May 2017
Citi di Mare (Logo and Tagline)	26 Feb 2015	The Filinvest IT Zone	11 May 2017
Kembali	26 Feb 2015	8 Spatial	22 Jun 2017
One Spatial	26 Feb 2015	Ciudad de Calamba	06 Jul 2017
Serulyan Mactan	26 Feb 2015	Verde Spatial	06 Jul 2017
Capri Oasis	05 Mar 2015	One Filinvest	14 Jul 2017
Timberland Heights (Horizontal	14 May 2015	Marina Town	30 Jul 2017
Timberland Heights (Stacked	14 May 2015	The Levels	30 Jul 2017
Kembali (Reversed Logo)	25 Jun 2015	Studio City	29 Dec 2019
The Glades	09 Jul 2015	Marina Spatial	10 Aug 2017
100 West	23 Jul 2015	Grand Cenia Residences	17 Aug 2017
Activa	13 Aug 2015	Sanremo Oasis	17 Aug 2017
The Veranda	27 Aug 2015	East Spatial	24 Aug 2017
Studio 7	12 Nov 2015	Phuket Oasis	24 Aug 2017
Umi Garden Suites	11 Feb 2016	Sorrento Oasis	24 Aug 2017
The Enclave Alabang	11 Feb 2016	Studio Zen	24 Aug 2017
Filinvest (Reversed Logo)	24 Mar 2016	Austine Homes	14 Sep 2017
Filinvest Premiere	24 Mar 2016	Eastbay Palawan	07 Mar 2020
Futura	24 Mar 2016	Palm Estates	14 Sep 2017
The Ranch	12 May 2016	Filinvest Futura	07 Dec 2017
The Prominence	26 May 2016	Filinvest Prestige	07 Dec 2017
Aldea Real	07 Jul 2016	Futura by Filinvest	07 Dec 2017
Filinvest Technology Park	07 Jul 2016	Prestige by Filinvest	07 Dec 2017
La Brisa Townhomes	07 Jul 2016	Brentville International	17 Dec 2017
Montebello	07 Jul 2016	New Leaf	04 Jan 2018
Punta Altezza	07 Jul 2016	The Wood Estates	18 Jan 2018
Springfield View	07 Jul 2016	Asiana Oasis	15 Feb 2018
The Glens	07 Jul 2016	Ventura Real	29 Mar 2018

<b>Trademark</b>	<b>Date Of Registration</b>	<b>Trademark</b>	<b>Date Of Registration</b>
Vista Hills	07 Jul 2016	Nature Grove	19 Apr 2018
Woodville	07 Jul 2016	Belize Aspire	19 Apr 2018
Panglao Oasis	14 Jul 2016	Southwind	12 Jul 2018
Amare Homes	04 Aug 2016	Centro Spatial	02 Sep 2018
Nusa Dua	04 Aug 2016	Laeuna de Taal	14 Feb 2019
Pine View	04 Aug 2016	Amalfi	14 Feb 2019
Santoso Villas	04 Aug 2016	Futura East	02 Sep 2018
Blue Palm Estate	11 Aug 2016	Futura Tierra	02 Sep 2018
Bluegrass County	11 Aug 2016	Manna East by Filinvest	04 Oct 2018
Pueblo Solana	11 Aug 2016	Futura Vinta	02 Jun 2019
Summerbreeze	11 Aug 2016	Belize Oasis	02 Jun 2019
Savannah Fields	01 Sep 2016	Futura Centro	16 May 2019
Park Spring	02 Nov 2017	venti-lite	08 Feb 2020
Aspire by Filinvest	07 Dec 2017	Filinvest Gaia New Clark City	08 Feb 2020
Filinvest Aspire	07 Dec 2017	Columna	20 Nov 2020
Meridian Place	08 Sep 2016	Studio N	11 Sep 2020
Alta Spatial	30 Sep 2016	Studio N (Tradename)	11 Sep 2020
Kembali Coast	30 Sep 2016	Futura One Fora Dagupan	10 Jan 2021
The Tropics	30 Sep 2016	Perth Oasis City Di Mare	10 Jan 2021

The Company has pending applications with the IPO for the following trademarks:

Brentville International Community
Filinvest Cyberzone

The Company has likewise filed an application with the World Intellectual Property Office (WIPO) for the international registration of the “Filinvest” trademark under the Madrid Protocol. Accordingly, “Filinvest” is now registered in the following countries:

<b>COUNTRY</b>	<b>DATE REGISTERED</b>
Malaysia	04 Mar 2015
United States of America	08 Mar 2016
Qatar	15 May 2016
Kuwait	04 Sept 2016
United Arab Emirates	22 Mar 2017
Thailand	22 May 2017
Singapore	24 Aug 2017
Japan	22 June 2018
Taiwan	01 July 2018
Cambodia	19 July 2018
Hong Kong	24 Aug 2018
China	21 Sept 2018 (Class 37); 14 October 2018 (Class 42); 28 October 2018 (Class 42);
Korea	19 Nov 2018

Statements of Certificate of Protection of the “Filinvest” trademark have also been issued by the following countries:

COUNTRY	DATE
United Kingdom	14 Apr 2015
Australia	01 July 2015
Denmark	14 Sept 2015
Norway	16 Sept 2015
Switzerland	11 Dec 2015
Austria	16 Aug 2018
Benelux	20 Aug 2018
Sweden	14 Nov 2018

### 1.12. Government and Environmental Regulations

The real estate business in the Philippines is subject to significant Government regulations over, among other things, land acquisition, development planning and design, construction and mortgage financing and refinancing.

After the project plan for subdivision is prepared, FLI applies for a development permit with the local government. If the land is designated agricultural land, FLI applies with the Department of Agrarian Reform (DAR) for a Certificate of Conversion or Exemption, as may be proper. A substantial majority of FLI’s existing landbank is subject to the DAR conversion process.

Approval of development plans is conditioned on, among other things, completion of the acquisition of the project site and the developer’s financial, technical and administrative capabilities. Approvals must be obtained at both the national and local levels. Evidently, the Parent Company’s results of operations are expected to continue to be affected by the nature and extent of the regulation of its business, including the relative time and cost involved in procuring approvals for each new project, which can vary for each project.

The Parent Company is also subject to the application of the Maceda Law, which gives purchasers of real property on an installment basis certain rights regarding cancellations of sales and obtaining refunds from developers.

FLI believes that it has complied with all applicable Philippine environmental laws and regulations. Compliance with such laws, in FLI’s opinion, is not expected to have a material effect on FLI’s capital expenditures, earning or competitive position.

### 1.13. Employees and Labor

As of December 31, 2020, FLI Group had a total of 1,268 full-time employees. This includes 57 executives, 235 managers, 257 supervisors and 719 rank and file employees. Management believes that FLI’s current relationship with its employees is generally good and neither FLI nor any of its subsidiaries have experienced a work stoppage or any labor related disturbance as a result of labor disagreements. None of FLI’s employees or any of its subsidiaries belongs to a union. FLI currently does not have an employee stock option plan.

FLI anticipates that there will be no significant change in the number of its employees in 2021.

FLI provides managers, supervisors and general staff the opportunity to participate in both in-house and external training and development programs which are designed to help increase efficiency and to prepare employees for future assignments. FLI has also provided a mechanism through which managers and staff are given feedback on their job performance, which FLI believes will help to

ensure continuous development of its employees. FLI also offers employees benefits and salary packages that it believes are in line with industry standards in the Philippines and which are designed to help it compete in the marketplace for quality employees.

#### **1.14. Major Risk Factors**

There are major risk factors that may affect the Parent Company or its operations. Property values in the Philippines are influenced by the general supply and demand of real estate as well as political and economic developments in the country. In the event new supply exceeds demand as a result of economic uncertainty or slower growth, political instability, or increased interest rates, the financial condition and results of operations of FLI will be materially affected.

Demand for, and prevailing prices of, developed land and house and lot units are directly related to the strength of the Philippine economy (including overall growth levels and interest rates), the overall levels of business activity in the Philippines and the amount of remittances received from overseas Filipino workers (“OFWs”). Demand for the Parent Company’s housing and land developments is also affected by social trends and changing spending patterns in the Philippines, which in turn are influenced by economic, political and security conditions in the Philippines. The residential housing industry is cyclical and is sensitive to changes in general economic conditions in the Philippines such as levels of employment, consumer confidence and income, availability of financing for property acquisitions, construction and mortgages, interest rate levels, inflation and demand for housing.

The demand for the Parent Company’s projects from OFWs and expatriate Filipinos may decrease as a result of the following possibilities, i.e. reduction in the number of OFWs, the amount of their remittances and the purchasing power of expatriate Filipinos. Factors such as economic performance of the countries and regions where OFWs are deployed, changes in Government regulations such as taxation on OFWs’ income, and, imposition of restrictions by the Government/other countries on the deployment of OFWs may also affect the demand for housing requirements.

There are risks that some projects may not attract sufficient demand from prospective buyers thereby affecting anticipated sales. Stringent government requirements for approvals and permits of new projects may take substantial amount of time and resources. In addition, the time and the costs involved in completing the development and construction of residential projects can be adversely affected by many factors, including unstable prices and supply of materials and equipment and labor, adverse weather conditions, peso depreciation, natural disasters, labor disputes with contractors and subcontractors, accidents, changes in laws or in Government priorities and other unforeseen problems or circumstances. Further, the failure by the Parent Company to substantially complete construction of a project to its planned specifications or schedule may result in contractual liabilities to purchasers and lower returns.

The Parent Company’s cost of sales is affected by volatility in the price of construction materials such as lumber, steel and cement. While the Parent Company, as a matter of policy, attempts to fix the cost of materials component in its construction contracts, in cases where demand for steel, lumber and cement are high or when there are shortages in supply, the contractors the Parent Company hires for construction or development work may be compelled to raise their contract prices. As a result, rising cost of any construction materials will impact the Parent Company’s construction costs, and the price for its products. Any increase in prices resulting from higher construction costs could adversely affect demand for the Parent Company’s products and the relative affordability of such products as compared to competitors’ products. This could reduce the Parent Company’s real estate sales.

The Parent Company is also exposed to risks associated with the ownership and operation of its investment properties. Financial performance of the Parent Company’s leasing segment, could be affected by a number of factors, including:

1. the national and international economic climate;

2. changes in the demand for call center and other BPO operations as well as gaming operations in the Philippines and around the world;
3. trends in the Philippine retail industry, insofar as retail malls are concerned;
4. changes in laws and governmental regulations in relation to real estate, including those governing usage, zoning, environment, taxes and government charges;
5. the inability to collect rent due to bankruptcy of tenants or otherwise;
6. competition for tenants;
7. changes in market rental rates;
8. the need to periodically renovate, repair and re-let space and the costs thereof;
9. the quality and strategy of management; and,
10. FLI's ability to provide adequate maintenance and insurance.

On known trends, events or uncertainties that have had or are reasonably expected to have favorable or unfavorable impact on net sales or revenues or income from continuing operations of FLI, the Covid-19 global pandemic which started to occur in the Philippines in January of 2020. In a move to contain the COVID-19 pandemic in the Philippines, 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 (NCR) 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 ECQ 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 part 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. On January 1, 2021, the Office of the President issued a Memorandum from the Executive Secretary placing the NCR and other highly urbanized cities and independence component cities under GCQ and MGCQ until January 31, 2021, which was further extended until February 28, 2021 and March 31, 2021 for certain parts of the country, including the NCR.

The company expects that these developments are unfavorable to the company's overall financial performance as follows:

1. Decline in presales for both the domestic and the OFW market
2. Decline in revenues from our retail operations as a result of decline in foot traffic and temporary suspension of mall operations except for outlets offering basic services like supermarkets, banks and healthcare centers, as mandated by the government.
3. Delay in the completion of housing and office and retail buildings
4. Pre-leasing and occupancy of new buildings will be lower than expected
5. Some tenants might reduce or in worst case, pre-terminate space to adopt a work-from-home scheme or other flexible working arrangements.
6. Possible cancellation of lease negotiations for either new space or expansion due to internal business decision of the client.

## **Item 2. PROPERTIES**

### **2.1. Land Bank**

Since its incorporation, the Parent Company has invested in properties situated in what the Parent Company believes are prime locations across the Philippines for existing and future housing and land development projects. It is important for the Parent Company to have access to a steady supply of land for future projects. In addition to directly acquiring land for future projects, the Parent Company has also adopted a strategy of entering into joint venture arrangements with landowners for the development of raw land into future project sites for housing and land development projects. This



allows FLI to reduce its capital expenditures for land and substantially reduces the financial holding costs resulting from owning land for development.

Under the joint venture agreements, the joint venture partner contributes the land free from any lien, encumbrance, tenants or informal settlers and the Parent Company undertakes the development and marketing of the products. The joint venture partner is allocated either the developed lots or the proceeds from the sales of the units based on pre-agreed distribution ratio.

Potential land acquisitions and participation in joint venture projects are evaluated against a number of criteria, including the attractiveness of the acquisition price relative to the market, the suitability or the technical feasibility of the planned development. The Parent Company identifies land acquisitions and joint venture opportunities through active search and referrals.

As of December 31, 2020, the Parent Company had a land bank of approximately 1,851 hectares of raw land for the development of its various projects, including approximately 201 hectares of land under joint venture agreements, which the Parent Company's management believes is sufficient to sustain several years of development and sales.

Details of the Parent Company's raw land inventory as of December 31, 2020 are set out in the table below:

<b>FLI Land Bank as of December 31, 2020</b>				
<b>In Hectares</b>				
<b>Location</b>	<b>Company Owned</b>	<b>Under Joint Venture</b>	<b>Total</b>	<b>% to Total</b>
<b>Luzon</b>				
Metro Manila	35.7	-	35.7	1.9%
Rizal	690.9	9.2	700.1	37.8%
Bulacan	252.1	-	252.1	13.6%
Bataan	12.3	-	12.3	0.7%
Pampanga	-	24.9	24.9	1.3%
Camarines Sur	1.9	-	1.9	0.1%
Pangasinan	3.5	-	3.5	0.2%
Cavite	299.5	58.8	358.3	19.4%
Laguna	226.7	0.7	227.4	12.3%
Batangas	45.6	42.1	87.7	4.7%
	<b>1,568.1</b>	<b>135.7</b>	<b>1,703.8</b>	<b>92.0%</b>
<b>Visayas</b>				
Cebu	1.5	35.7	37.2	2.0%
Negro Occidental	4.7	-	4.7	0.3%
	<b>6.2</b>	<b>35.7</b>	<b>41.9</b>	<b>2.3%</b>
<b>Mindanao</b>				
Davao	5.5	29.6	35.1	1.9%
South Cotabato	70.3	-	70.3	3.8%
	<b>75.8</b>	<b>29.6</b>	<b>105.4</b>	<b>5.7%</b>
<b>Total</b>	<b>1,650.1</b>	<b>201.0</b>	<b>1,851.1</b>	<b>100.0%</b>

In addition to above, FLI has the ff land under a joint development or long term leasing agreement, available to FLI for development

<b>Location</b>	<b>Area in has.</b>	<b>Remarks</b>
Filinvest Mimosa Plus	201.6	Being developed with FDC
New Clark City	288.0	Being developed with BCDA
<b>Total</b>	<b>489.6</b>	

## 2.2. Current Development Projects

The following are the most recently launched projects and projects with new phases and buildings:

PROJECT	LOCATION	PROJECT	LOCATION
<b>HORIZONTAL</b>		<b>MRB</b>	
Amarilyo Crest	Rizal	One Oasis Cebu	Cebu
Pineview	Cavite	One Oasis Cagayan de Oro	Cagayan de Oro
Sandia	Batangas	Panglao Oasis	Taguig
Tierra Vista	Bulacan	One Spatial	Pasig
The Grove	Rizal	San Remo	Cebu
Savannah Place	Cavite	Centro Spatial	Davao
Futura Homes Palm Estates	Bacolod	One Spatial Iloilo	Iloilo
Futura Homes Mactan	Cebu	Marina Spatial	Dumaguete
Futura Homes Iloilo	Iloilo	8 Spatial	Davao
Futura Homes Koronadal	South Cotabato	Maui Oasis	Manila
Anila Park Residences	Rizal	Alta Spatial	Valenzuela City
Aria at Serra Monte	Rizal	Bali Oasis	Pasig
The Prominence	Quezon City	Maldives Oasis	Davao
Futura Homes Davao	Davao	Sorrento Oasis	Pasig
New Fields at Manna	Rizal	Veranda	Davao
Meridian Place	Cavite	Futura East	Cainta
Valle Dulce	Laguna	Centro Spatial	Manila
Ventura Real	Rizal	Belize	Muntinlupa
Claremont Expansion	Pampanga	Futura Vinta	Zamboanga
Southwinds	Laguna	<b>HRB</b>	
Futura Zamboanga	Zamboanga	Activa	Quezon City
Enclave	Muntinlupa	Levels	Alabang
New Leaf	Cavite	Studio City	Alabang
Mira Valley	Rizal	Studio N (Block 50)	Alabang
Hampton Orchard	Pampanga		
Futura Mira	Calamba		
Futura Plains	Rizal		
Tropics 4	Cainta		

On-going developments of the abovementioned projects are expected to require additional funds but FLI believes that it will have sufficient financial resources for these anticipated requirements, both from debt financing and generation from operations.

## 2.3. Investment Properties

FLI has the following operating strategic investment properties: Festival Supermall, Fora Mall, Main Square Molino, Il Corso, PBCom Tower, Northgate Cyberzone, EDSA Transcom Building, Cebu Cyberzone, Pasay Cyberzone (Bay Area) and Clark Mimosa Cyberzone.

FLI has currently several projects under development that will be rental assets when completed. Please refer to Section 1.5.2 for a detailed discussion of these properties.

## **2.4. Property and Equipment**

FLI's corporate headquarters is located along EDSA, Mandaluyong City. It also owns a property in SMPC being used as sales training headquarters. FLI is also renting spaces for its sales offices in Quezon City, Rizal, Pampanga, Tarlac, Bulacan, Puerto Princesa City, Davao City, Butuan, Tagum, Cagayan de Oro, and Zamboanga City. The terms of the leases are usually for one year, and thereafter, the terms of the lease shall be on short term basis or upon the option of both parties, a new contract is drawn. The Parent Company does not intend to acquire properties for the next 12 months except as needed in the ordinary course of business.

Part of the PPE of the company are the tractor and equipment being used for construction works under supervision by DPI, and the plant for DCS as owned and operated by its subsidiary PDDC.,

### Item 3. LEGAL PROCEEDINGS

FLI and its subsidiaries and affiliates are subject to various civil and criminal lawsuits and legal actions arising in the ordinary course of business. Typical cases in the real estate development segment include adverse claims against FLI's title over parcels of land and claims brought by buyers seeking the return of deposits or cancellations of sales. From time to time, FLI also disputes taxes that have been assessed against it by the BIR. In the opinion of FLI's management, none of the lawsuits or legal actions to which it or any of its subsidiaries is currently subject will materially affect the daily operations of its business nor will they have a material adverse effect on FLI's consolidated financial position and results of operations. Noteworthy are the following cases involving the Company, among others:

*a) FLI vs. Abdul Backy Ngilay, et al., G.R. No. 174715 Supreme Court*

This is a civil action for the declaration of nullity of deeds of conditional and absolute sale of certain real properties located in Tambler, General Santos City, covered by free patents and executed between FLI and the plaintiff's patriarch, Hadiji Gulam Ngilay. The Regional Trial Court ("RTC") of Las Piñas City (Br. 253) decided the case in favor of FLI and upheld the sale of the properties. On appeal, the Court of Appeals ("CA") rendered a decision partly favorable to FLI but nullified the sale of some properties involved. FLI filed a petition for review on certiorari to question that portion of the decision declaring as void the deeds of sale of properties covered by patents issued in 1991. The Supreme Court ("SC") affirmed the decision of the CA but declared with finality that FLI's purchase of sales patents issued in 1991 was void and ordered the Ngilays to return P14,000,000.00 to FLI. The RTC issued a Writ of Execution dated 16 February 2015. To satisfy the monetary judgment in favor of FLI, four parcels of land owned by the Ngilays and covered by Transfer Certificates of Title ("TCT") Nos. P-6886, 147-201005034, 147-2014000465, and 147-2014000468, were levied on execution and sold at public auction to FLI as highest bidder. The Sheriff's Certificate of Sale over the properties was registered with the Registry of Deeds of General Santos City. FLI filed a motion for the surrender of the certificates of titles of the Ngilays so that FLI's affidavit of consolidation of ownership can be annotated on the titles and new certificates of title will be issued in FLI's name. This motion was partially granted; 3 titles, namely Transfer Certificates of Title ("TCT") Nos. 147-2014005034, 147-2014000465, and 147- 2014000468, are surrendered to the Register of Deeds of General Santos City. But the sale by the Sheriff of the property covered by TCT No. P-6886 was declared invalid, because the sale of the property covered by said title was not one of the sales previously declared by the SC as invalid. The Sheriff was ordered to look for another property of Ngilay for execution and to issue an amended certificate of sale for the 3 Ngilay properties in favor of FLI. We are awaiting the Court's issuance of an order approving the amended certificate of sale along with resolution of the Court on the Moner Ngilay's Motion to Exclude his property from execution, with FLI's opposition already filed.

*b) Republic of the Philippines vs. Rolando Pascual, et al., G.R. No. 222949 Supreme Court*

The National Government through the Office of the Solicitor General filed suit against Rolando Pascual, Rogelio Pascual, and FLI for cancellation of title and reversion in favor of the Government of properties subject of a joint venture agreement between the said individuals and FLI. The Government claims that the subject properties covering about 73.33 hectares are not alienable and disposable being forest land. The case was dismissed by the RTC Branch 36 of General Santos City on 16 November 2007 for lack of merit. On appeal, the Court of Appeals reversed the Decision of the RTC and ordered the case to be remanded for a full-blown trial on the merits. FLI filed a Motion for Partial Reconsideration, which was denied by the CA. On 4 April 2016, FLI filed its Petition for Review with the SC, but the latter also affirmed the Decision of the CA remanding the case for reversion filed by the Republic of the Philippines to the RTC of General Santos City for further proceedings. In an Order dated 18 September 2018, the hearing was reset to 19 March 2019, the RTC set the case for Judicial Dispute Resolution on 20 August 2019. The Judicial Dispute Resolution was terminated. Pre-Trial is set on 14 April 2020 was cancelled due to the quarantine/lockdown as a result of the corona virus pandemic and was reset to 18 March 2021 at 8:45 am.

*c) Antonio E. Cenon and Filinvest Land, Inc. vs. San Mateo Landfill, Mayor Rafael Diaz, Brgy. Pintong Bukawe, Director Julian Amador and the Secretary, Department of Environment and Natural Resources SC-G.R. No. 251303 Supreme Court*

On 9 February 2009, FLI and its First Vice President, Engr. Antonio E. Xenon (“Plaintiffs”) filed an action for injunction and damages against the respondents to stop and enjoin the construction of a 19-hectare landfill in a barangay in close proximity to Timberland Heights in San Mateo, Rizal. Plaintiffs sought preliminary and permanent injunctive relief and damages and the complete and permanent closure of the dump site. After presenting evidence, plaintiffs rested their case. Defendant San Mateo Sanitary Landfill and defendant Mayor separately filed a Demurrer to Evidence. In an Order dated 22 August 2016, the Court granted both Demurrers to Evidence and dismissed the case for insufficiency of evidence. Plaintiffs appealed to the CA. In the Decision dated May 31, 2019, the CA denied the plaintiffs’ appeal. Plaintiffs filed a Motion for Reconsideration. The Motion for Reconsideration was denied in a Resolution of the CA dated January 6, 2020. A Petition for Review on Certiorari was filed by plaintiffs with the SC on March 6, 2020. On November 10, 2020, plaintiffs received a copy of the July 13, 2020 Resolution of the SC which denied the Petition. Plaintiffs filed a Motion for Reconsideration of the said Resolution which is pending with the SC.

*d) Manila Paper Mills International, Inc. vs. Filinvest Land, Inc., et al., Civil Case No. DC-721-17 Regional Trial Court Branch 90, Dasmariñas City, Cavite*

In its Complaint dated 14 July 2017, Manila Paper Mills International, Inc. (“MPMII”) claims it owns three parcels of land in Dasmariñas City, Cavite covered by TCT Nos. T-636128, T-636130 and T-636131 with the following respective areas: 79,999 square meters, 40,000 square meters, and 104,340 square meters, or a total area of 224,339 square meters. These areas allegedly overlap with FLI’s lots which now form part of FLI’s project, The Glens located in San Pedro Laguna. According to MPMII, plotting for The Glens conducted by a Licensed Geodetic Engineer through Google Maps revealed that portions of the project encroached on said MPMII properties for a total of 208,256 square meters. The Complaint prays for the cancellation of FLI’s certificates of title that overlap with MPMII’s as well as the payment of damages. MPMII also prayed for the issuance of a temporary restraining order or preliminary injunction to enjoin FLI from possessing, altering, transferring ownership, or disposing of the subject properties. MPMII subsequently amended its complaint to address issues raised by FLI in its first Motion to Dismiss. The main subject of the amendment was the change in the plaintiff from MPMII to “Trustees and Shareholders of MPMII.” In response to the amended complaint, FLI filed its second Motion to Dismiss, where FLI argued, among others, that: (a) the court has no jurisdiction over the amended complaint’s prayer for injunctive relief; (b) the amended complaint should be dismissed because the original complaint lacks cause of action (because MPMII’s corporate personality has ceased in 2004) and may not therefore be subject to amendment; (c) the correct filing fees were not paid and in view of its impropriety, the amendment circumvents the need for separate filing and payment of new docket fees.

During the proceedings, the court allowed MPMII to present evidence on its prayer for injunction even before the resolution of FLI’s motions to dismiss which raised serious grounds. The Presiding Judge proceeded with the hearing of the latter’s evidence without the presence and participation of FLI’s counsel. Thus, FLI filed a Motion to Recuse which the Presiding Judge granted. In the meantime, the proceedings are suspended by the assignment of the case to another judge. The case was then assigned to an Acting Presiding Judge and a hearing was set on 23 January 2019 for the cross-examination of MPMII’s witnesses. FLI filed an Omnibus Motion to nullify the proceedings where MPMII presented the above-said evidence/witnesses, to resolve pending motions and to suspend further proceedings. In an Order dated May 15, 2019, the court denied the Omnibus Motion. FLI filed a Motion for Reconsideration dated July 10, 2019, which is now pending before the court. On November 3, 2020, the Court issued its Order addressing multiple pending pleadings, including the Motion for Reconsideration dated July 10, 2019 and Motion to Admit Amended Complaint dated August 2, 2017. The Court resolves to deny the Motion for Reconsideration and at the same time admits the Amended Complaint filed by the Plaintiff. The hearing for preliminary injunction is set on March 5, 2020.

#### Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There was no matter which was submitted to a vote of security holders in 2020.

## Part II – OPERATIONAL AND FINANCIAL INFORMATION

#### Item 5. MARKET FOR ISSUER'S COMMON EQUITY & RELATED STOCKHOLDER MATTERS

The shares of the Company were listed on the Philippine Stock Exchange (PSE) in 1993 under the symbol “FLI”. The following table shows, for the periods indicated, the high, low and period end closing prices of the shares as reported in the PSE.

Period		High	Low	End
2020	4th Quarter	1.19	0.91	1.12
	3rd Quarter	1.03	0.82	0.91
	2nd Quarter	1.10	0.89	0.99
	1st Quarter	1.56	0.77	0.91
2019	4th Quarter	1.66	1.45	1.50
	3rd Quarter	2.05	1.56	1.57
	2nd Quarter	1.99	1.50	1.88
	1st Quarter	1.66	1.42	1.52
2018	4th Quarter	1.51	1.40	1.41
	3rd Quarter	1.55	1.40	1.43
	2nd Quarter	1.79	1.40	1.40
	1st Quarter	1.94	1.62	1.65

On 22 March 2021, FLI's shares closed at the price of Php1.12 per share. The number of shareholders of record as of said date was 5,645. Common shares outstanding as of 22 March 2021 is 24,249,759,506.

The top 20 Stockholders of FLI's common shares as of 22 March 2021 are as follows:

	Name	No. of Shares	% to Total
1	Filinvest Development Corporation	15,681,457,022	64.67%
2	PCD Nominee Corporation (Filipino)	4,460,284,165	18.39%
3	PCD Nominee Corporation (Non-Filipino)	3,787,795,590	15.62%
4	Philippines International Life Insurance Co., Inc.	60,000,000	0.25%
5	F. Yap Securities, Inc.	32,000,000	0.13%
6	Michael Edward T. Gotianun	11,235,913	0.05%
7	Lucio W. Yan &/or Clara Y. Yan	10,687,500	0.04%
8	Joseph M. Yap &/or Josephine G. Yap	7,694,843	0.03%
9	Joseph M. Yap	6,444,115	0.03%
10	Executive Optical, Inc.	5,040,647	0.02%
11	Jonathan Dee Co	5,000,000	0.02%
13	R Magdalena Bosch	4,877,928	0.02%
12	Veronica P. Fernandez	4,064,940	0.02%
14	Enrique P. Fernandez	4,064,940	0.02%
15	Luis Rodrigo P. Fernandez	4,064,940	0.02%
16	Luis L. Fernandez	4,064,940	0.02%
17	Team Gladiola, Inc.	3,828,000	0.02%
18	Emily Benedicto	3,468,750	0.01%
19	Carlo Bernardo P. Fernandez	3,251,952	0.01%
20	Marco Vicente P. Fernandez	3,251,952	0.01%

No securities were sold within the past three years which were not registered under the Revised Securities Act and/or the Securities Regulation Code (“Code”).

The holder of 8,000,000,000 of preferred shares is FDC.

### **Recent Sale of Unregistered Securities**

No securities were sold by FLI in the past three (3) years which were not registered under the Code.

### **Declaration of Dividends to Common Shareholders**

On June 11, 2020 the BOD approved the declaration and payment of cash dividend of Php0.0648 per share or total of Php1.57 billion for all common shareholders of record as of July 10, 2020. The Group has remaining unpaid cash dividend amounting to Php49.0 million as of December 31, 2020.

On June 11, 2020 the BOD approved the declaration and payment of cash dividend of Php0.0006 per share or a total of Php5.10 million for all preferred shareholders of record as of July 10, 2020. The Group also paid dividends amounting Php42.4 million for dividends in arrears for preferred shareholders.

In 2019, FLI declared cash dividends to all stockholders of record as of 22 May 2019 in the amount of Php0.0619 per share, broken down as follows: a) Regular Cash Dividend of Php0.0486 per share; (b) Special Cash Dividend of Php0.0132 per share. Payment date was set on 17 June 2019.

In 2018, FLI declared cash dividends to all stockholders of record as of 20 April 2018 in the amount of Php0.0618 per share, broken down as follows: a) Regular Cash Dividend of Php0.0469 per share; (b) Special Cash Dividend of Php0.0149 per share. Payment date was set on 14 June 2018.

In 2017, FLI declared cash dividends to all stockholders of record as of 21 May 2017 in the amount of Php0.0613 per share, broken down as follows: a) Regular Cash Dividend of Php0.0430 per share; (b) Special Cash Dividend of Php0.0183 per share. Payment date was set on 14 June 2017.

The declaration of dividends is contingent upon FLI’s earnings, cash flow, financial condition, capital investment requirements and other factors (including certain restrictions on dividend declaration imposed by the terms of agreements to which FLI is a party).

Pursuant to the loan agreements entered into by the Company and certain financial institutions, the Company needs the lenders’ prior consent in cases of cash dividend declaration.

### **Item 6. BOND ISSUANCES**

On November 18, 2020, the Parent Company issued to the public unsecured fixed rate bonds with an aggregate principal amount of ₱8.1 billion comprising of ₱6.3 billion, 3-year fixed rate bonds due in 2023 and ₱1.8 billion, 5.5-year fixed rate bonds due in 2026. The 3-year bonds carry a fixed rate of 3.34% per annum, while the 5.5-year bonds have a fixed rate of 4.18% per annum.

On July 7, 2017, CPI issued to the public unsecured fixed rate bonds with an aggregate principal amount of ₱6.00 billion and term of five and a half (5.5) years due in 2023. The bonds carry a fixed rate of 5.05% per annum, payable quarterly in arrears starting on October 7, 2017.

These bonds require the Group to maintain certain financial ratios which include maximum debt-to-equity ratio of 2.0x; minimum current ratio of 2.0x; and minimum debt service coverage ratio (DSCR) of 1.0x (except for CPI bonds which requires maximum debt-to-equity ratio of 2.33x and DSCR of 1.1x). As of December 31, 2019 and 2018, the Group is not in breach of any of these debt covenants.

## **Item 7. MANAGEMENT DISCUSSION AND ANALYSIS AND PLAN OF OPERATION**

### **Plan of Operations for 2021**

In terms of real property trading business segment, FLI's business strategy has placed emphasis on the development and sale of residential lots and housing units mainly to lower and middle-income markets throughout the Philippines as its core. This business segment which includes landed housing, medium-rise buildings (MRB) and high-rise condominium projects, residential farm estates, entrepreneurial communities, and leisure developments in response to the demands of the Philippine market.

In 2021, FLI intends to retain its dominant position as the leader in MRB projects by launching 5 new projects nationwide and 11 additional buildings of existing projects. Aside from the MRBs, FLI has pipelined 11 horizontal residential projects and 2 HRB projects.

As far as leasing business is concerned, the Parent Company continues the build-up of its leasing projects for both retail and office- portfolio to generate recurring revenues. Included in its pipeline expected to be completed in 2021, are 5 office spaces located in Makati City, Quezon City, Dumaguete, and Clark Mimosa; and 3 retail spaces in Quezon City, Clark Mimosa, and Cebu City. The Company is also expected to start the leasing operations of its first Co-living project, the "Crib" in Clark Mimosa, and Innovation Park in Filinvest at New Clark City.

### **Results of Operations for 2020**

#### **Year ended December 31, 2020 compared to year ended December 31, 2019**

For the year ended December 31, 2020, FLI's net income registered a year on year decline of 39.30% or P2,562.05 million from P6,519.80 million in 2019 to P3,957.75 million in 2020.

#### **Revenues and other income**

Total consolidated revenues went down by P7,798.52 million or 32.46%, from P24,021.86 million in 2019 to P16,223.34 million in 2020 due to lower revenues generated from both business segments of real estate sales and rental and related services..

Real estate sales decreased by P7,176.00 million or by 42.18%, from P17,013.12 million in 2019 to P9,837.12 million in 2020. Real estate sales booked during the current period broken down by product type are as follows: Middle Income 75% (inclusive of MRB and HRB); Affordable and low affordable 14%; High-End 10%; Socialized and others 1%. The lower real estate sales can be attributed to lower construction percentage of completion primarily due to temporary suspension of construction activities and decreased collections reaching the required threshold for revenue recognition, as a result of extension of payment due dates, respectively in compliance to "Bayanihan Act" in response to Covid-19 pandemic.

Rental and related services decreased by P622.52 million or by 8.88%, from P7,008.74 million in 2019 to P6,386.22 million in 2020 due to lower revenues from mall and other commercial centers which declined by 55% as a result of their closure and limited operations during quarantine period imposed to control the spread of COVID-19 pandemic. This is partially offset by 8% increase in office leasing revenue which continued to be 100% operational during the quarantine period.

Interest income decreased by P167.56 million or by 29.31%, from P571.70 million in 2019 to P404.14 million in 2020. The decrease was due to lower interest income derived from contract receivables as more buyers opt to avail of bank financing schemes instead of in-house payment schemes.



Other income decreased by ₱337.51 million or by 49.76% from ₱678.22 million in 2019 to ₱340.71 million in 2020. The decrease was due to lower income generated from service fees, processing fees, and management, leasing and other related fees.

#### Costs and Expenses

Cost of real estate sales decreased by ₱4,267.04 million or by 43.30%, from ₱9,853.87 million in 2019 to ₱5,586.83 million in 2020 due to lower real estate revenues booked during the period .

Total operating expenses decreased to ₱3,321.88 million in 2020 from ₱3,923.30 million in 2019. General and administrative expenses decreased by ₱231.12 million or by 9.34% to ₱2,243.60 million in 2020 from ₱2,474.72 million in 2019. The decrease was mainly due to the lower spending during the year as a consequence of Covid-19 pandemic i.e. limited economic activities due to quarantine restrictions. Selling and marketing expenses decreased by ₱370.30 million or by 25.56%, from ₱1,448.57 million in 2019 to ₱1,078.27 million in 2020 due to lower broker's commission, service fees and direct costs of sales offices as a result of limited selling activities brought about by quarantine measures.

#### Interest and other finance charges

Interest and other finance charges increased by ₱696.50 million or by 27.94%, from ₱2,492.97 million in 2019 to ₱3,189.46 million in 2020 due to the increase in loan and bonds payables as of December 31, 2020

#### Provision for Income Tax

Total provision for income tax decreased by ₱1,334.58 million or by 76.05% from ₱1,754.97 million in 2019 to ₱420.39 million in 2020. The provision for current income tax decreased by ₱ 677.22 million or by 53.17 %, from ₱ 1,273.75 million in 2019 to ₱596.53 million in 2020 due to lower taxable income as a result of decreased revenues. Provision for deferred income tax was transformed to a tax benefit of ₱176.14 million or movement of ₱657.35 million or by 136.60%, from ₱481.21 million in 2019 . This is a result of temporary differences between financial and taxable income.

#### Financial Condition

As of December 31, 2020, FLI's total consolidated assets increased to ₱181.00 billion from the ₱173.70 billion balance as of December 31, 2019, an increase by ₱7.31 billion or by 4.21%. The following are the material changes in account balances:

##### ***40.22% Increase in Cash and cash equivalents***

Primarily due to lower net cash used in investing activities as a result of suspension of construction activities and higher net cash provided by financing activities for the P8.1 billion bond issuance last November 2020 despite decline in net cash provided by operating activities on account of extension of payment due dates.

##### ***10.10% Increase in Contract assets and contract receivables***

Primarily due to delayed collections of accounts as a result of Bayanihan Act and delayed takeout from banks and HDMF because of disruption in office operations due to observance of office closures and density and other safety protocols to avoid spread of covid19.

##### ***5.89% Increase in Other receivables***

Mainly due to higher receivables from mall and office tenants.

##### ***4.01% Increase in Real estate inventories***

Due to lower cost of real estate sales as a result of lower sales revenues recognized during the period, and additional spending for project development costs

**5.67% Increase in Other current assets**

Primarily due to higher prepayments and cost to obtain contract. The increase in cost to obtain contract was mitigated by decreased input taxes, advances to contractors / suppliers and short-term deposits.

**14.80% Increase in Investment in Associates**

On December 21, 2020, FDC subscribed to 110,000,000 common shares of Dreambuilders Pro, Inc. (DPI) with par value of Php1.00 per share amounting ₱110.0 million and equivalent to 55% of DPI's outstanding shares. This resulted in the dilution of FLI's interest in DPI to 45% and deconsolidation by the Group. As a result of the dilution, the investment in DPI amounting to ₱90 million is accounted as investment in associate under the equity method under FLI's books. This also includes the share of FLI in the associates' net income. During the year 2020, no dividends were recorded from the investments.

**4.22% Increase in Investment property**

Mainly due to the additional construction costs of new buildings for office and commercial lease amounting to ₱4.55 billion. These are primarily located in Northgate Cyberzone in Alabang, Filinvest Mimosa, Makati City, Quezon City and Ortigas City.

**7.39 Increase in Other noncurrent assets**

Primarily due to additional construction costs of Filinvest Cebu Cyberzone (known as "BTO rights") covered by the BTO agreement with the Government of Cebu.

**15.06% Increase in Contract liability**

Principally due to the increased contracts with buyers whose purchased units had lower percentage-of-completion due to suspension of construction activities during quarantine periods.

**11.16% Increase in Due to related parties**

Mostly due to increase in unpaid shared expenses among related parties which includes share in salaries charged by the Parent Company (FDC). The remaining unpaid charges are expected to be paid or liquidated within the following year.

**79.67% Decrease in Income tax payable**

Primarily due to the lower taxable income for the year.

**7.25% Increase in Loans payable**

Mainly due to the ₱10.68 billion newly availed loans offset by ₱8.22 billion repayments of existing loans.

**13.55% Increase in Bonds payable**

Largely due to additional issuance amounted to P8.1Bn in November 2020, netted by ₱4.3 billion matured bond on the same month of November 2020.

**4.82% Increase in Lease liabilities**

Largely due to additional parcel of land in Alabang, leased from FAI and sublet by FLI to a third party.

**13.21 % Increase in Retirement liabilities**

The increase was due to actuarial valuation adjustment on the present value of defined benefit obligation.

<b>Performance Indicators</b>	<b>2020</b>	<b>2019</b>
Earnings per Share - Basic <sup>1</sup>	0.15	0.26
Earnings per Share - Diluted <sup>2</sup>	0.15	0.26
Debt to Equity Ratio <sup>4</sup>	0.94	0.88
Debt Ratio <sup>5</sup>	0.59	0.58
EBITDA to Total Interest Paid	2.34	3.71
Price Earnings Ratio <sup>3</sup>	7.47	5.77

<sup>1</sup> Basic earnings per share amounts are calculated by dividing net income for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

<sup>2</sup> Diluted earnings per share amounts are calculated by dividing the net income attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

<sup>3</sup> Closing price of share used is the latest closing stock rate per PSE Edge as at December 31, 2020 and 2019 of ₱1.12 per share and ₱1.50 per share, respectively.

<sup>4</sup> Calculated as Long-term debt over total equity where long-term debt is equal to the sum of loans payable and bonds payable.

<sup>5</sup> Calculated as total liabilities over total assets

## **Other Disclosures**

Aside from the possible material increase in interest rates of the outstanding long-term debts with floating rates, there are no known trends, events or uncertainties or any material commitments that may result to any cash flow or liquidity problems of FLI within the next 12 months. The Parent Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangements requiring it to make payments, or any significant amount in its accounts payable that have not been paid within the stated terms.

On known trends, events or uncertainties that have had or are reasonably expected to have favorable or unfavorable impact on net sales or revenues or income from continuing operations of FLI, the Covid-19 global pandemic.

### **COVID-19 Pandemic**

In a move to contain the COVID-19 pandemic in the Philippines, 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 (NCR) 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 ECQ 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 part 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. On January 1, 2021, the Office of the President issued a Memorandum from the Executive Secretary placing the NCR and other highly urbanized cities and independence component cities under GCQ and MGCQ until January 31, 2021, which was further extended until February 28, 2021 and March 31, 2021 for certain parts of the country, including the NCR.

The Group continues to abide by and comply with all rules and regulations issued by the government in relation to the COVID-19 pandemic. In line with applicable rules and regulations, the said risks are mitigated by business continuity strategies set in place by the Group. Measures currently undertaken by the Group to mitigate the risks of COVID-19 pandemic on its operations include work-from-home arrangements, proper and frequent sanitation of office premises, cancellation of large group meetings in person, an internal ban on foreign business travel, and the practice of social distancing through remote communication, among others.

The quarantine restrictions and recent social distancing guidelines limit the operations of malls and construction completion. Despite the challenges, the Group prioritized easing the burden of its customers by providing payment grace periods or rental relief. Past efforts in process improvement and digitalization allowed the company to operate efficiently and effectively to continue to serve customers. Operations have adjusted to the pandemic from digital marketing and online selling

processes to the continued communication with the buyers and homeowners through the online service desk. As of date, estimate of the impact cannot be made.

The Group is taking a two-pronged strategy of (i) expanding the investment property portfolio and (ii) prudent residential development focusing on the end-user, affordable and middle-income markets. The company is concentrating on the completion of its key projects, particularly office buildings which continue to be in demand and selected residential developments across the country.

Except for income generated from retail leasing, there are no seasonal aspects that have a material effect on FLI's financial conditions or results of operations.

The operating activities of FLI are carried uniformly over the calendar year; there are no significant elements of income or loss that did not arise from its continuing operations.

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

There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships to the Parent Company with unconsolidated entities or other persons created during the reporting period, except those discussed.

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

### **Results of Operations for 2019**

#### **Year ended December 31, 2019 compared to year ended December 31, 2018**

For the year ended December 31, 2019, FLI's operating regular net income registered a year on year growth of 7.31% or P443.93 million from P6,075.87 million in 2018 to P6,519.80 million in 2019.

#### **Revenues and other income**

Total consolidated revenues went up by P3,468.12 million or 15.62%, from P22,205.19 million in 2018 to P25,673.31 million in 2019 due to higher rental and related services, and real estate sales.

Rental and related services increased by P1,400.48 million or by 24.97%, from P5,608.26 million in 2018 to P7,008.74 million in 2019. Filinvest Axis Tower 2, located in Northgate Cyberzone Alabang, was completed in 2019 adding 39,341 sq.m. of GLA to the office portfolio. FLI now operates 31 buildings totaling 523,902 sq.m. For retail, FLI has 243,215 sq.m. GLA in the retail portfolio in 2019 from 242,127 sq.m. in 2018.

Real estate sales increased by P2,608.92 million or by 18.11%, from P14,404.20 million in 2018 to P17,013.12 million in 2019. Real estate sales booked during the current period broken down by product type are as follows: Middle Income 55% (inclusive of MRB and HRB); Affordable 32%; High-End 9%; Farm Estate 2%; Socialized and others 2%. The higher real estate sales can be attributed to higher percentage of completion for MRB and HRB, and higher completion of downpayments from 2018 sales.

Interest income decreased by P405.59 million or by 41.50%, from P977.29 million in 2018 to P571.70 million in 2019. The decrease was due to lower interest income derived from cash and cash equivalents and contract receivables as more buyers opt to avail of bank financing schemes instead of in-house payment schemes.

Other income decreased by P0.20 million or by 0.03% from P678.42 million in 2018 to P678.22 million in 2019. The decrease was due to lower income generated from service fees, processing fees, and management, leasing and other related fees.

### Costs and Expenses

Cost of real estate sales increased by ₱1,514.66 million or by 18.16%, from ₱8,339.21 million in 2018 to ₱9,853.87 million in 2019. The higher cost was in line with the higher real estate sales booked during the year. Cost of rental services had a slight decrease of ₱2.10 million or 0.19%, from ₱1,130.51 million in 2018 to ₱1,128.41 million in 2019 due to the adoption of PFRS 16, Leases that resulted to the capitalization of right of use assets and recognition of related amortization expense with lower amount as compared to the supposed rent expense before the adoption.

Total operating expenses increased to ₱3,923.30 million in 2019 from ₱3,764.65 million in 2018. General and administrative expenses increased by ₱152.66 million or by 6.57% to ₱2,474.72 million in 2019 from ₱2,322.06 million in 2018. The increase was mainly due to the higher depreciation of property, plant and equipment, repairs and maintenance, insurance and other expenses. Selling and marketing expenses increased by ₱5.98 million or by 0.41%, from ₱1,442.59 million in 2018 to ₱1,448.57 million in 2019 due to higher broker's commission, service fees and direct costs of sales offices.

### Interest and other finance charges

Interest and other finance charges increased by ₱1,300.53 million or by 109.06%, from ₱1,192.44 million in 2018 to ₱2,492.97 million in 2019 due to the increase in loan payables as of December 31, 2019, lower capitalization of borrowing costs to real estate inventories and recognition of interest expenses related to the accretion of lease liability resulting from the adoption of PFRS 16, Leases.

### Provision for Income Tax

Total provision for income tax increased by ₱52.46 million or by 3.08% from ₱1,702.51 million in 2018 to ₱1,754.97 million in 2019. The provision for current income tax increased by ₱293.39 million or by 28.50%, from ₱1,029.49 million in 2018 to ₱1,322.88 million in 2019 due to higher taxable income as a result of increased revenues.

Provision for deferred income tax decreased by ₱240.93 million or by 35.80%, from ₱673.02 million in 2018 to ₱432.09 million in 2019 due to temporary differences between financial and taxable income.

### Financial Condition

As of December 31, 2019, FLI's total consolidated assets increased to ₱173.70 billion from the ₱158.86 billion balance as of December 31, 2018, an increase by ₱14.84 billion or by 9.34%. The following are the material changes in account balances:

#### ***25.64% Decrease in Cash and cash equivalents***

Although FLI's operations yielded higher operating net cash inflows directly attributable to higher net revenue, the total cash and cash equivalents declined as of December 31, 2019. The decline was due to higher net cash outflows in investing activities related to the investment properties under construction.

#### ***34.30% Increase in Contract assets and receivables***

The increase is in line with the higher revenue for the year and higher mix of cash sales.

#### ***35.20% Increase in Other receivables***

Increase is mainly due to higher receivables amounting ₱0.52 billion from the leasing segment particularly CPI. Also, there was an overall increase in occupancy of FSI Mall Expansion, Fora Mall and Main Square for the year.

#### ***7.13% Decrease in Real estate inventories***

The decrease is mainly due to the reclassification of some portion of land and land development costs related to the land located in Mandaluyong City and Cebu to investment property, pursuant to its current plan for the project which is intended to be for leasing.

***13.27% Increase in Other current assets***

The increase is mainly due to the increase in input taxes, creditable withholding taxes and cost to obtain contract in 2019. The increase in cost to obtain contract was due to the higher commission payments to brokers over what is due, as valued based on PFRS 15, Revenue from Contracts with Customers, adopted in 2018.

***2.83% Increase in Investment in Associates***

On December 26, 2019, CPI and FCI, wholly owned subsidiaries of FLI, entered into a Deed of Assignment to sell its ownership in Pro-Excel to FAI. The sale resulted in a loss of control in Pro-Excel and deconsolidation by the Group. The disposal resulted to the accounting for FLI's investment of ₱18.50 million in Pro-excel from an investment in subsidiary to an associate.

As of December 31, 2018, investment in CTI amounting to ₱51.30 million was reported under "Other noncurrent assets" due to pending SEC approval and issuance of amended articles of incorporation. In 2019, the 30% interest in CTI of FLI was classified as an investment in associate.

The investment in associate balance for FMI was also increased by ₱48.35 million upon adoption of PFRS 16, Leases. The above increases were partly netted off by the lower equity in net earnings and dividend declared for the year amounting to ₱401.53 million and ₱404.00 million, respectively, as compared to 2018's equity in net earnings and dividend declared amounting to ₱537.02 million and ₱678 million, respectively.

***22.60% Increase in Investment property***

The increase was mainly due to the additional construction costs of new buildings for office and commercial lease amounting to ₱8.16 billion. These are primarily located in Northgate Cyberzone in Alabang, Filinvest Mimosa, Makati City, Quezon City and Ortigas City.

***14.20% Decrease in Property, plant and equipment***

Apart from the annual depreciation of this asset, decrease is also attributable to the reclassification of TSNC's assets amounting to ₱0.78 billion to investment property after TSNC's change in business purpose from an exclusive recreational sports club to a profit commercial facility that accordingly changes the use of the asset from an owner-occupied property to a property for lease.

***Right-of-use assets and Lease liabilities***

Effective January 1, 2019, the Group adopted PFRS 16 Leases, under the modified retrospective approach which resulted in significant changes in the Group's accounting policy for leases. This resulted in the recognition of right of use assets amounting ₱5.40 billion and lease liability amounting to ₱5.68 billion for the Group, as of January 1, 2019, and the recognition of depreciation expense of ₱0.14 billion and interest expense of ₱0.49 billion for the Group, for the year ended December 31, 2019.

***39.01% Decrease in Deferred income tax assets***

The decrease is mainly attributed to the decrease in NOLCO by some of FLI subsidiaries by ₱41.78 million.

***5.59% Increase in Other noncurrent assets***

The increase was mainly due to the ₱0.18 billion, net of depreciation, additional construction costs of Filinvest Cebu Cyberzone (known as "BTO rights") covered by the BTO agreement with the Government of Cebu.

***7.06% Increase in Accounts payable and accrued expenses***

The increase is mainly due to ₱0.71 billion increase in payables to contractors and suppliers for the construction activities.

***45.41% Decrease in Contract liability***

The decrease is mainly due to the higher contracts with buyers that qualified for revenue recognition for the year consistent with the higher real estate sales.

**44.40% Decrease in Due to related parties**

The decrease was due to payments of liabilities to affiliates for the Group's share in expenses incurred in the regular course of business. The remaining unpaid charges are expected to be paid or liquidated within the following year.

**30.95% Increase in Income tax payable**

The increase was due to the higher taxable income for the year.

**42.41% Increase in Loans payable**

The increase is mainly due to the ₱15.4 billion newly availed loans offset by ₱4.84 billion repayments.

**19.95% Decrease in Bonds payable**

Decrease in Bonds payable is mainly due to payment of ₱7.0 billion bond that matured in June 2019.

**14.36 % Decrease in Retirement liabilities**

The decrease was due to the ₱0.18 billion experience adjustment on the present value of defined benefit obligation.

**8.33% Increase in Deferred income tax liabilities**

The increase is mainly attributed to the increased excess of real estate revenue based on financial accounting policy over real estate revenue based on tax rules.

<b>Performance Indicators</b>	<b>2019</b>	<b>2018</b>
Earnings per Share - Basic <sup>1</sup>	0.26	0.24
Earnings per Share - Diluted <sup>2</sup>	0.26	0.24
Debt to Equity Ratio	0.72	0.89
Debt Ratio	0.58	0.58
EBITDA to Total Interest Paid	3.71	3.12
Price Earnings Ratio <sup>3</sup>	5.77	5.88

<sup>1</sup> Basic earnings per share amounts are calculated by dividing net income for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

<sup>2</sup> Diluted earnings per share amounts are calculated by dividing the net income attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

<sup>3</sup> Closing price of share used is the latest closing stock rate per PSE Edge as at December 31, 2019 and 2018 of ₱1.50 per share and ₱1.41 per share, respectively.

**Other Disclosures**

Aside from the possible material increase in interest rates of the outstanding long-term debts with floating rates, there are no known trends, events or uncertainties or any material commitments that may result to any cash flow or liquidity problems of FLI within the next 12 months. The Parent Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangements requiring it to make payments, or any significant amount in its accounts payable that have not been paid within the stated terms.

On known trends, events or uncertainties that have had or are reasonably expected to have favorable or unfavorable impact on net sales or revenues or income from continuing operations of FLI, the Covid-19 global pandemic which started to occur in the Philippines in January of 2020 and accelerated by March has caused disruptions in the Company's operations. On March 15, the Philippine government implemented a "Community Quarantine" in Metro Manila. On March 17, 2020, the government expanded the scope with an "Enhanced Community Quarantine" in the entire Luzon which effectively restricted movement and mandated the temporary closure of non-essential

shops and businesses. The company expects that these developments are unfavorable to the company's overall financial performance as follows:

- a. Decline in presales for both the domestic and the OFW market
- b. Decline in revenues from our retail operations as a result of decline in foot traffic and temporary suspension of mall operations except for outlets offering basic services like supermarkets, banks and healthcare centers, as mandated by the government.
- c. Delay in the completion of housing and office and retail buildings
- d. Pre-leasing and occupancy of new buildings will be lower than expected
- e. Some tenants might reduce or in worst case, pre-terminate space to adopt a work-from-home scheme or other flexible working arrangements.
- f. Possible cancellation of lease negotiations for either new space or expansion due to internal business decision of the client.

Another event which occurred in the first quarter of 2020 is the Taal volcano eruption which affected a few selected projects in the area. However, we don't expect this to have a major impact on FLI's financial condition.

Except for income generated from retail leasing, there are no seasonal aspects that have a material effect on FLI's financial conditions or results of operations.

The operating activities of FLI are carried uniformly over the calendar year; there are no significant elements of income or loss that did not arise from its continuing operations.

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

There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships to the Parent Company with unconsolidated entities or other persons created during the reporting period, except those discussed.

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

### **Results of Operations for 2018**

#### **Year ended December 31, 2018 compared to year ended December 31, 2017**

For the year ended December 31, 2018, FLI's operating regular net income registered a year on year growth of 4.14% or P241.69 million from P5,834.18 million in 2017 to P6,075.87 million in 2018.

### **Revenues and other income**

Total consolidated revenues went up by P1,935.53 million or 9.55% from P20,269.65 million in 2017 to P22,205.19 million in 2018. Increase in revenue is attributable to increase in rental and related services of 27.04% or P1,193.59 million, from P4,414.67 million in 2017 to P5,608.26 million in 2018. Filinvest Axis Tower 1, located in Northgate Cyberzone Alabang, Filinvest Cyberzone Cebu Tower 2, located in Salinas, Cebu, Filinvest Cyberzone Mimosa Building 1 and 2 Workplus Building; located in Mimosa Clark, and Filinvest Cyberzone Bay City Buildings A and D, located in Bay City, Pasay City, have been completed bringing the total adding 136,564 sq.m. of GLA to the office portfolio. FLI now operates 30 buildings totaling 484,564 sq.m. of GLA. For retail, FLI now has 242,127 sq.m. GLA to the retail portfolio.

Real estate sales increased by P655.77 million or by 4.77% from P13,748.42 million in 2017 to P14,404.20 million in 2018. Real estate sales booked during the current period broken down by product type are as follows: Middle Income 70% (inclusive of MRB and HRB); Affordable 18%; High-End 7%; Farm Estate 1%; Socialized and others 4%.



Interest income increased by ₱41.99 million or by 4.49% from ₱935.30 million in 2017 to ₱977.29 million in 2018. The increase was due to higher interest income derived from cash and cash equivalents and contracts receivable.

Other income decreased by ₱142.63 million or by 17.37% from ₱821.05 million in 2017 to ₱678.42 million in 2018. The decrease was due to lower income generated from forfeited reservations and collections.

### **Costs and Expenses**

Cost of real estate sales increased by ₱287.30 million or by 3.57% from ₱8,051.90 million in 2017 to ₱8,339.21 million in 2018. The increase was mainly due to increase in the amount of real estate sales booked during the current period. Cost of rental services on the other hand, increased by ₱131.45 million or 13.16% from ₱999.06 million in 2017 to ₱1,130.51 million in 2018 basically due to depreciation of newly completed investment properties.

Total operating expenses increased to ₱3,764.65 million in 2018 from ₱2,860.83 million in 2017.

General and administrative expenses increased by ₱442.93 million or by 23.57% to ₱2,322.06 million in 2018 from ₱1,879.14 million in 2017. The increase was due to operating expenses related to opening of new malls and BPO buildings for lease. Likewise, business permits and real property taxes increased as a result of higher revenues and completion of more buildings during the year. Also contributed to the increase were the higher salaries, wages and other benefits due to the full operation of DPI and recognition of service fees for the service rendered by Engie O&M to PDDC. Selling and marketing expenses increased by ₱460.90 million or by 46.95% from ₱981.69 million in 2017 to ₱1,442.59 million in 2018 mainly due to higher broker's commission released during the year and managed advertising costs.

### **Provision for Income Tax**

Total provision for income tax increased by 16.53% from ₱1,460.98 million in 2017 to ₱1,702.51 million in 2018. Provision for current income tax increased to ₱1,029.49 million in 2018 from ₱705.04 million in 2017 or an increase of ₱324.46 million or by 46.02% due to higher taxable income as a result of increased revenues

Provision for deferred income tax decreased by ₱82.92 million or by 10.97% from ₱755.94 million in 2017 to ₱673.02 million in 2018 due to temporary differences between financial and taxable income.

### **Financial Condition**

As of December 31, 2018, FLI's total consolidated assets stood at ₱158.86 billion, higher by 9.47% or by ₱13.74 billion than the ₱145.12 billion total consolidated assets (as restated) as of December 31, 2017. The following are the material changes in account balances:

#### ***15.27% Decrease in Cash and cash equivalents***

Net outflows of cash mainly came from acquisition of Gintong Parisukat Realty & Dev't, Inc. (GPRDI) amounting to ₱1.90 billion and ₱1.30 billion as initial down payment for the acquisition of Cleon properties. Although the FLI's operations yielded a consolidated total of ₱11.27 billion during the year and new loan availments were made amounting to ₱5.50 billion, these were used mostly to fund new investments and construction projects amounting to ₱13.00 billion and dividend paid amounting to ₱1.50 billion.

#### ***37.05% Decrease in Contracts receivable***

Contracts receivable decreased due to strong collections during the period. Majority of collections came from middle-income projects.

***24.75% Increase in Other receivables***

Increase is mainly due to higher receivables amounting ₱0.18 billion from CPI with the newly awarded contract of lease to new tenants for Filinvest 3, Vector 3, Axis T1, Cebu T1 & T2. On the other hand, FCI recorded an increase of ₱0.23 billion for new tenants of Filinvest Cyberzone Bay City Tower A & D opened in 2018. An increase of occupancy rate of FSI Malls and Expansion was also noted amounting to ₱0.09 billion from tenants and ₱0.05 billion receivable from newly operated rental/ commercial spaces of FCMI and FLTI.

***29.74% Increase in Real estate inventories***

Inventories increased due to raw land acquisitions including acquisition of land in Mandaluyong City amounting to ₱4.74 billion and ₱1.90 billion located in Paranaque City. Moreover, real estate inventories accelerated spending on saleable real estate project costs.

***15.53% Decrease in Other current assets***

The decrease is mainly due to the adoption of PFRS 15, a new accounting standard effective in the current fiscal year resulting to transition adjustment to commission expense from prepaid commission amounting to ₱0.41 billion.

***3.36% Decrease in Investment in Associates***

The decrease in investment is due to receipt of dividends amounting to ₱0.68 billion reduced by the share in net income from FAI and FMI amounting to ₱0.54 billion.

***12.43% Increase in Investment property***

The increase was mainly due to the additional construction costs of new buildings intended for office and commercial buildings for lease with a consolidated total of ₱6.10 billion before depreciation recorded for the year amounting to ₱0.63 billion. These are primarily located in Northgate Cyberzone in Alabang, Filinvest Cyberzone in Pasay Bay Area, Filinvest Mimosa, Fora Mall in Tagaytay, Main Square in Cavite, and Il Corso in Cebu.

***12.46% Increase in Property, plant and equipment***

The increase was primarily due to the ₱0.18 billion additional improvement made for DCS plant (District Cooling System) which supplies the chilled water for the Northgate Cyberzone buildings as well as the ₱0.34 billion for the acquisition of new field machineries and construction equipment for Dreambuilders Pro, Inc.

***76.71% Increase in Deferred tax assets***

The increase was primarily due to additional advance rentals made amounting to ₱0.03 billion for new office leases opened in Alabang and Clark during the year.

***0.26% Decrease in Other noncurrent assets***

The increase is mainly attributed to the construction costs of the Filinvest Cebu Cyberzone, classified under non-current other assets pursuant to BTO agreement with the Government of Cebu amounting to ₱0.06 billion, net of depreciation.

***2.42% Increase in Accounts payable and accrued expenses***

The increase is mainly due to ₱0.20 billion increase in payables to contractors and suppliers for the construction activities.

***220.66% Increase in Other Non-current liabilities***

The increase in this account was mainly due to the accrual for the purchase of land in Mandaluyong City amounting to ₱3.5 billion, additional reserve accounts due to ₱2.0 billion net increase in additional budget set-up for the year.

***7.04% Increase in Loans payable***

The increase is mainly due to the ₱5.5 billion newly availed loans offset by ₱3.87 billion repayments.

***0.17% Increase in Bonds payable***

The increase was due to bond issuance of ₱6.0 billion during the year by CPI, a 100% subsidiary of FLI.

**9.05% Decrease in Due to related parties**

The decrease was due to payments of the liability to affiliates for the Group's share in expenses incurred in the regular course of business. The remaining unpaid charges are expected to be paid or liquidated within the following year.

**15.54 Increase in Retirement liabilities**

The increase was due to the accrual of current service cost and interest cost on the retirement fund for the year.

**13.46% Increase in Deferred Income Tax Liabilities**

The increase was mainly due to the additional capitalized borrowing cost on long-term loans amounting to ₱0.46 billion and other temporary differences between financial and taxable income.

<b>Performance Indicators</b>	<b>2018</b>	<b>2017</b>
Earnings per Share - Basic <sup>1</sup>	0.24	0.20
Earnings per Share - Diluted <sup>2</sup>	0.24	0.20
Debt to Equity Ratio	0.89	0.91
Debt Ratio	0.58	0.56
EBITDA to Total Interest Paid	3.12	3.07
Price Earnings Ratio <sup>3</sup>	5.88	8.02

<sup>1</sup> Basic earnings per share amounts are calculated by dividing net income for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

<sup>2</sup> Diluted earnings per share amounts are calculated by dividing the net income attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

<sup>3</sup> Closing price of share used is the latest closing stock rate per PSE Edge as at December 31, 2018 and 2017 of ₱1.41 per share and ₱1.88 per share, respectively.

**Other Disclosures**

Aside from the possible material increase in interest rates of the outstanding long-term debts with floating rates, there are no known trends, events or uncertainties or any material commitments that may result to any cash flow or liquidity problems of FLI within the next 12 months. The Parent Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangements requiring it to make payments, or any significant amount in its accounts payable that have not been paid within the stated terms.

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

Except for income generated from retail leasing, there are no seasonal aspects that have a material effect on FLI's financial conditions or results of operations.

The operating activities of FLI are carried uniformly over the calendar year; there are no significant elements of income or loss that did not arise from its continuing operations.

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

There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships to the Parent Company with unconsolidated entities or other persons created during the reporting period, except those discussed.

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

### **Other Disclosures**

Aside from the possible material increase in interest rates of the outstanding long-term debts with floating rates, there are no known trends, events or uncertainties or any material commitments that may result to any cash flow or liquidity problems of FLI within the next 12 months. The Parent Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangements requiring it to make payments, or any significant amount in its accounts payable that have not been paid within the stated terms.

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

### **Major Risk Factors**

There are major risk factors that may affect the Parent Company or its operations. Property values in the Philippines are influenced by the general supply and demand of real estate as well as political and economic developments in the country. In the event new supply exceeds demand as a result of economic uncertainty or slower growth, political instability, or increased interest rates, the financial condition and results of operations of FLI will be materially affected.

Demand for, and prevailing prices of, developed land and house and lot units are directly related to the strength of the Philippine economy (including overall growth levels and interest rates), the overall levels of business activity in the Philippines and the amount of remittances received from overseas Filipino workers ("OFWs"). Demand for the Parent Company's housing and land developments is also affected by social trends and changing spending patterns in the Philippines, which in turn are influenced by economic, political and security conditions in the Philippines. The residential housing industry is cyclical and is sensitive to changes in general economic conditions in the Philippines such as levels of employment, consumer confidence and income, availability of financing for property acquisitions, construction and mortgages, interest rate levels, inflation and demand for housing.

The demand for the Parent Company's projects from OFWs and expatriate Filipinos may decrease as a result of the following possibilities, i.e. reduction in the number of OFWs, the amount of their

remittances and the purchasing power of expatriate Filipinos. Factors such as economic performance of the countries and regions where OFWs are deployed, changes in Government regulations such as taxation on OFWs' income, and, imposition of restrictions by the Government/other countries on the deployment of OFWs may also affect the demand for housing requirements.

There are risks that some projects may not attract sufficient demand from prospective buyers thereby affecting anticipated sales. Stringent government requirements for approvals and permits of new projects may take substantial amount of time and resources. In addition, the time and the costs involved in completing the development and construction of residential projects can be adversely affected by many factors, including unstable prices and supply of materials and equipment and labor, adverse weather conditions, peso depreciation, natural disasters, labor disputes with contractors and subcontractors, accidents, changes in laws or in Government priorities and other unforeseen problems or circumstances. Further, the failure by the Parent Company to substantially complete construction of a project to its planned specifications or schedule may result in contractual liabilities to purchasers and lower returns.

The Parent Company's cost of sales is affected by volatility in the price of construction materials such as lumber, steel and cement. While the Parent Company, as a matter of policy, attempts to fix the cost of materials component in its construction contracts, in cases where demand for steel, lumber and cement are high or when there are shortages in supply, the contractors the Parent Company hires for construction or development work may be compelled to raise their contract prices. As a result, rising cost of any construction materials will impact the Parent Company's construction costs, and the price for its products. Any increase in prices resulting from higher construction costs could adversely affect demand for the Parent Company's products and the relative affordability of such products as compared to competitors' products. This could reduce the Parent Company's real estate sales.

The Parent Company is also exposed to risks associated with the ownership and operation of its investment properties. Financial performance of the Parent Company's leasing segment, could be affected by a number of factors, including:

11. the national and international economic climate;
12. changes in the demand for call center and other BPO operations as well as gaming operations in the Philippines and around the world;
13. trends in the Philippine retail industry, insofar as retail malls are concerned;
14. changes in laws and governmental regulations in relation to real estate, including those governing usage, zoning, environment, taxes and government charges;
15. the inability to collect rent due to bankruptcy of tenants or otherwise;
16. competition for tenants;
17. changes in market rental rates;
18. the need to periodically renovate, repair and re-let space and the costs thereof;
19. the quality and strategy of management; and,
20. FLI's ability to provide adequate maintenance and insurance.

- (c) On known trends, events or uncertainties that have had or are reasonably expected to have favorable or unfavorable impact on net sales or revenues or income from continuing operations of FLI, the Covid-19 global pandemic which started to occur in the Philippines in January of 2020 and accelerated by March has caused disruptions in the Company's operations. On March 15, the Philippine government implemented a "Community Quarantine" in Metro Manila. On March 16, 2020, the government expanded the scope with an "Enhanced Community Quarantine" in the entire Luzon which effectively restricted movement and mandated the temporary closure of non-essential shops and businesses. The company expects that these developments are unfavorable to the company's overall financial performance as follows:

7. Decline in presales for both the domestic and the OFW market

8. Decline in revenues from our retail operations as a result of decline in foot traffic and temporary suspension of mall operations except for outlets offering basic services like supermarkets, banks and healthcare centers, as mandated by the government.
9. Delay in the completion of housing and office and retail buildings
10. Pre-leasing and occupancy of new buildings will be lower than expected
11. Some tenants might reduce or in worst case, pre-terminate space to adopt a work-from-home scheme or other flexible working arrangements.

Possible cancellation of lease negotiations for either new space or expansion due to internal business decision of the client.

#### **Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANT ON ACCOUNTING AND FINANCIAL DISCLOSURE**

SyCip, Gorres, Velayo & Co (SGV) has been the duly appointed independent auditors for the years covered by this report.

SGV has been recommended for election as external auditor for the year 2020. FLI, in compliance with SRC Rule 68(3)(b)(iv) relative to the seven-year rotation requirement of its external auditors, has designated Ms. Wanessa Salvador as its engagement partner starting CY 2020. Thus, Ms. Salvador is qualified to act as such until year 2024. The representatives of SGV are expected to be present at the annual meeting where they will have the opportunity to make a statement if they desire to do so. They are expected to be available to respond to appropriate questions at the meeting.

There has been no disagreement with FLI's independent accountants on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

## PART III – CONTROL AND COMPENSATION INFORMATION

### Item 9. DIRECTORS AND PRINCIPAL OFFICERS

<b>Jonathan T. Gotianun</b> <i>Chairman of the Board</i>	Mr. Gotianun, 67, Filipino, was first elected as a Director of FLI on 17 June 1994. He also serves as the Chairman of the Board of Directors of FDC and EW, both publicly-listed companies. He is also the President of Davao Sugar Central Co., Inc. and Cotabato Sugar Central Co., Inc., and the Chairperson of the Board of Directors of FDC Utilities, Inc. (“FDCUI”) and its subsidiary power companies. He served as Director and Senior Vice President of Family Bank & Trust Co. until 1984. He obtained his Master’s Degree in Business Administration from Northwestern University in 1976.
<b>Lourdes Josephine Gotianun-Yap</b> <i>Director, President and Chief Executive Officer</i>	Mrs. Yap, 65, Filipino, was first elected as a Director of FLI on 24 November 1989. Mrs. Yap, who was elected as the President and CEO of FLI on 31 October 2012, is also a Director and the President and CEO of FDC, a publicly-listed company, and a Director in FDCUI, Filinvest Alabang, Inc. (“FAI”), Cyberzone Properties, Inc. (“CPI”) and EW, a publicly-listed company. She obtained her Master’s Degree in Business Administration from the University of Chicago in 1977.
<b>Mercedes T. Gotianun</b> <i>Chairperson Emerita</i>	Mrs. Gotianun, 92, Filipino, served as a Director of FLI from 1989 to 2019 and its Chief Executive Officer from 1997 to 2007. She also served as a Director of FDC from 1980 to 2019. She is also a Director EW, a publicly-listed company, and a Director in Filinvest Alabang, Inc. (“FAI”), Pacific Sugar Holdings Corporation (“PSHC”), FDC Utilities, Inc. (“FDCUI”) and its subsidiary power companies. She obtained her college degree from the University of the Philippines.
<b>Michael Edward T. Gotianun</b> <i>Director</i>	Mr. Gotianun, 63, Filipino, was first elected as a Director of FLI on 08 May 2015. He is also a Director of FDC, a publicly-listed company, FAI and Festival Supermall, Inc. He served as the general manager of Filinvest Technical Industries from 1987 to 1990 and as loans officer at Family Bank from 1979 to 1984. He obtained his Bachelor’s Degree in Business Management from the University of San Francisco in 1979.
<b>Efren C. Gutierrez</b> <i>Director</i>	Mr. Gutierrez, 85, Filipino, was a Director of FLI from 1994 to 2001, and was reelected to FLI’s Board in 2006. He was first elected as a Director of FLI on 17 June 1994. He served as the President of FAI from 1999 to 2005. He is currently the Chairperson of the Board of The Palms Country Club, Inc. (“TPCCI”) He is not a Director of any other publicly-listed company. He obtained his Bachelor of Laws degree from the University of the Philippines.
<b>Francis Nathaniel C. Gotianun</b> <i>Director</i>	Mr. Gotianun, 36, Filipino, was first elected as a director of FLI on 22 April 2016. He is the Senior Vice President of Filinvest Hospitality Corporation, a subsidiary of FDC, the primary role of which is to evaluate, plan, develop and optimize potential and current hospitality investments of the Filinvest Company. He serves as a director of Filinvest Mimosa, Inc. and as the President and CEO of TPCCI. He is not a Director of any other publicly-listed company. He obtained his Bachelor’s Degree in Commerce from the University of Virginia in 2005 and his Master’s in Business Administration degree in IESE Business School – University of Navarra in 2010.
<b>Nelson M. Bona</b> <i>Director</i>	Mr. Bona, 70, Filipino, was first elected as a director of FLI on 11 June 2020. He is also director of FDC and EW. He is also the Executive Vice President and CFO of Filinvest Development Corporation. He was formerly the CFO of FLI, Executive Vice President of EW and Managing Director of Millenia Broadband Communications and Filinvest Capital Inc.
<b>Francis Nathaniel C. Gotianun</b> <i>Director</i>	Mr. Gotianun, 37, Filipino, was first elected as a director of FLI on 22 April 2016. He is the Senior Vice-President of Filinvest Hospitality Corporation, a subsidiary of FDC, the primary role of which is to evaluate, plan, develop and

	optimize potential and current hospitality investments of the Filinvest Group. He serves as a director of Filinvest Mimosa, Inc. and as the President and CEO of TPCCI. He is not a Director of any other publicly-listed company. He obtained his Bachelor's Degree in Commerce from the University of Virginia in 2005 and his Master's in Business Administration degree in IESE Business School – University of Navarra in 2010.
<b>Val Antonio B. Suarez</b> <i>Lead Independent Director</i>	Mr. Suarez, 62, Filipino, was first elected as an independent director of FLI on 08 May 2015. He is also an independent director of FDC and Lepanto Consolidated Mining Company, both publicly-listed companies. He is also an independent director of CPI. He is the Managing Partner of the Suarez & Reyes Law Offices and was the former President and Chief Executive Officer of The Philippine Stock Exchange. Mr. Suarez is a member of the Integrated Bar of the Philippines (Makati Chapter) and New York Bar. He obtained his Bachelor of Laws degree from the Ateneo de Manila University School of Law and a Master of Laws degree from Georgetown University Law Center.
<b>Ernesto S. De Castro</b> <i>Independent Director</i>	Mr. De Castro, 74, Filipino, was first elected as an independent director of FLI on 22 April 2019. He is the President of ESCA, Incorporated since July 1993 and a former member consultant of the Dispute Adjudication Agreement of the Millenium Challenge Account. He is not a Director of any other publicly-listed company. He graduated from the University of the Philippines Diliman in 1967 with a bachelor's degree in Civil Engineering and obtained his Masters of Engineering in the same university in 1968. He obtained Doctor of Philosophy in Civil Engineering (Major in Structures) in Lehigh University in 1975.
<b>Gemilo J. San Pedro</b> <i>Independent Director</i>	Mr. San Pedro, 66, Filipino, was first elected as an independent director of FLI on 17 July 2019. He has 38 years of experience in public accounting and business advisory services. Prior to his retirement on June 30, 2015, he served various leadership roles at SyCip Gorres Velayo & Co. (SGV & Co.). He was a partner in SGV & Co. from 1991 to 2015 and Professional Practice Director and Quality and Risk Management Leader from 2004 to 2015. He is not a Director of any other publicly-listed company. He finished his Bachelor of Science in Commerce-Major in Accounting degree at Rizal Memorial Colleges, Davao City, in 1976. He obtained his Master of Business Administration, concentration in Finance and International Business, at the Graduate School of Business, New York University, (now Stern Graduate School) USA, in 1983.
<b>Ana Venus A. Mejia</b> <i>First Senior Vice President, Treasurer, Chief Finance Officer and Compliance Officer</i>	Ms. Mejia, 55, Filipino, has been with the Filinvest Company for 25 years and has served the Company in various capacities. She concurrently serves as CFO/Treasurer of FAI, FSI, FAC, CPI. She is a Certified Public Accountant and a magna cum laude graduate of Pamantasan ng Lungsod ng Maynila. She obtained her Master's Degree from the Kellogg School of Management of Northwestern University and the School of Business and Management at the Hong Kong University of Science and Technology.
<b>Sharon P. Pagaling-Refuerzo</b> <i>Corporate Secretary and Corporate Information Officer</i>	Atty. Pagaling-Refuerzo, 41, Filipino is concurrently Senior Assistant Vice President of the Corporate Advisory Services of the Legal Department of FLI. She is also the Corporate Secretary of FDC, CPI, TPCCI and Timberland Sports and Nature Club, Inc., as well as Corporate Secretary of various companies of the Company. Admitted to the Philippine Bar in 2006, she holds an A.B. Philosophy degree, cum laude, from the University of the Philippines and a law degree from San Beda College.
<b>Tristaneil Las Marias</b> <i>Executive Vice President and Chief Strategy Officer</i>	Mr. Las Marias, 46, Filipino, is the Executive Vice President and Chief Strategy Officer of FLI. He started in 1997 as Head of Regional Projects and went on to hold a higher position as Senior Vice President and Cluster Head for Visayas and Mindanao projects as well as Southwest and Central Luzon. He obtained his Bachelor of Arts, Major in Management Economics degree from Ateneo de Manila University.



<b>Vince Lawrence Abejo</b> <i>First Senior Vice President and Chief Sales and Marketing Officer</i>	Mr. Abejo, 48, Filipino, is the Chief Sales and Marketing Officer of FLI. He has twenty-two (22) years combined experience in sales and marketing, strategy and corporate affairs and general management. He has held various key marketing positions in the real estate industry as well as across different industries – FMCG, telecoms, tobacco and healthcare and geographies (Philippines, Switzerland, Malaysia and Vietnam). He graduated from the University of the Philippines (Diliman), with a degree in BS Administration in 1994 and completed an Advanced Management Program from Harvard Business School in 2012.
<b>Joselito Fontejon Santos</b> <i>Senior Vice President and Head of Retail and Mixed Use Business</i>	Mr. Santos, 56, Filipino, is the Head of High Rise Buildings (HRB), Niche Market, Mixed Use and Retail Business. Prior to joining Filinvest, he worked with several property developers such as Ortigas & Co., Ayala Land, Rockwell, Moldex, and a subsidiary of a Malaysian conglomerate. He graduated from De La Salle University with a degree in Bachelor of Science in Mechanical Engineering in 1984 and a Master's degree in Business Management from the Asian Institute of Management in 1990.
<b>Francis V. Ceballos</b> <i>Senior Vice President and Head of the Industrial/Logistics Business</i>	Mr. Ceballos, 55, Filipino, joined FLI last 2010 and is currently the Senior Vice President and Business Group Head focusing on Northeast Luzon areas. He graduated from Ateneo de Manila University with a degree in Management Engineering and obtained his MBA from the Asian Institute of Management.
<b>Winnifred H. Lim</b> <i>Senior Vice President and Chief Technical Planning Officer</i>	Engr. Lim, 56, Filipino, is the Senior Vice President and Chief Technical Planning Officer of FLI. He started as the company's Engineering Head last 2000 and currently leads Engineering, Architecture, Planning and Design, Survey, and Special Projects. He obtained his Master's Degree in Structural Engineering at the University of the Philippines Diliman.
<b>Edgardo C. Raymundo</b> <i>Chief Audit Executive</i>	Mr. Raymundo, 58, is the Chief Audit Executive of FLI. A certified public accountant (CPA), Mr. Raymundo was previously a Senior Auditor of Pepsi-Cola Distributors. Prior to that, he was a Senior Auditor of SGV and Co. He obtained his Bachelor's degree in Accountancy from the Polytechnic University of the Philippines.
<b>Harriet Joan C. Ducepec</b> <i>Chief Risk Officer</i>	Ms. Ducepec, 55, Filipino, is First Vice President and Chief Risk Officer of FLI. She has been with the Filinvest Group for 24 years, joining in October 1996 as Assistant Vice President and Head of Corporate Planning and Market Research. She is currently First Vice President and Chief of Staff and Head of the Executive Management Staff under the Office of the President and CEO. She has over 30 years of experience in corporate planning in both real estate and banking industries. Prior to joining Filinvest, she worked with ASB Realty, United Coconut Planters Bank, Union Bank of the Philippines, and International Corporate Bank. She obtained her Bachelor of Arts degree in Economics, cum laude, from the University of the Philippines Diliman and completed the Strategic Business Economics Program from the University of Asia and the Pacific.
<b>Melissa C. Ortiz</b> <i>Investor Relations Officer</i>	Ms. Ortiz, 50, Filipino, is the Investor Relations Officer of FLI. She was previously head of investor relations for ABS-CBN Corporation, head of corporate and financial planning for Nutriasia, Inc., and head of financial planning and investor relations for MERALCO. She is a Certified Public Accountant. She obtained her Bachelor's Degree in Business Administration from the University of the Philippines and obtained her Master's Degree in Business Administration and Master of Science degree in Computational Finance from De La Salle University.

The members of the Nomination Committee of FLI are Efren C. Gutierrez (Chair), Lourdes Josephine Gotianun Yap, Val Antonio B. Suarez (Independent Director), Gemilo S. San Pedro (Independent Director) and Rizalangela L. Reyes. Ms. Reyes sits in the committee in an ex-officio capacity as the head of FLI's Human Resources Department.

The Audit and Risk Management Oversight Committee of FLI is composed of Gemilo S. San Pedro (Chair/Independent Director), Val Antonio B. Suarez (Independent Director), Jonathan T. Gotianun and Efren C. Gutierrez.

The directors of FLI are elected at the annual stockholders' meeting to hold office for one (1) year and until their respective successors have been duly appointed or elected and qualified. Officers and committee members are appointed or elected by the Board of Directors typically at its first meeting following the annual stockholders' meeting, each to hold office until his successor shall have been duly elected or appointed and qualified.

There is no person who is not an executive officer of the Parent Company who is expected to make a significant contribution to the business. The Parent Company, however, engages the regular services of consultants. At December 31, 2019, the Parent Company had 7 consultants in the area of business development, marketing, planning and design and construction management.

Except as discussed in section 1.10, there are no transactions or any proposed transactions during the last two years, to which the Parent Company was or is to be a party, in which any director or officer, any nominee for election as a director, any security holder or any member of the immediate family or any of the persons mentioned in the foregoing had or is to have a direct or indirect material interest.

#### ***Involvement in Certain Legal Proceedings of Directors and Executive Officers***

Except for the following cases, none of the members of FLI's Board nor its executive officers are involved in any major criminal, bankruptcy or insolvency investigations or proceedings for the past five years and up to December 31, 2020, nor have they been found by judgment or decree to have violated securities or commodities laws and enjoined from engaging in any business, securities, commodities or banking activities: (a) criminal cases filed in 2007 before the DOJ in I.S. Nos. 2007-001 and 2007-011 and which were dismissed by the DOJ on 26 March 2009 and 07 April 2009, respectively; (b) criminal complaints in the Prosecutor's Office (filed against certain FLI officers) arising from alleged unlawful collection and application of subdivision dues and other charges being collected by a homeowners' association which was dismissed on 23 January 2012, and (c) the complaint for estafa filed by Manila Paper Mills International, Inc. ("MPMII") with the Office of the City Prosecutor of Dasmariñas, Cavite against certain directors and an officer of FLI, which was dismissed, although MPMII filed a Petition for Review before the Secretary of Justice

## Item 10. EXECUTIVE COMPENSATION

The aggregate compensation paid or incurred during the last two fiscal years and the estimate for this year are as follows:

(a) Name and Principal Position	(b) Year	(c) Salary (Php)	(d) Bonus (Php)	(e) Other Annual Compensation	TOTAL
Lourdes Josephine Gotianun Yap (President and Chief Executive Officer) Tristaneil D. Las Marinas (Executive Vice President, Chief Strategy Officer) Ana Venus A. Mejia (First Senior Vice President, Property Business Chief Finance Officer, Treasurer and Compliance Officer) Francis V. Ceballos (Senior Vice President) Vince Lawrence L. Abejo (First Senior Vice President, Chief Sales and Marketing Officer)					
CEO and top four (4) highest compensated officers	2021 - Estimated	26.87Mn	2.05Mn	-	28.92Mn
	2020	26.09Mn	1.99Mn	-	28.08Mn
	2019	23.31Mn	8.38Mn	-	31.69Mn
All officers and directors as a group unnamed	2021 - Estimated	21.80Mn	1.78Mn	-	23.58Mn
	2020	21.17Mn	1.73Mn	-	22.90Mn
	2019	17.23Mn	4.39Mn	-	21.62Mn

Non-executive director and independent directors receive a per diem of Php50,000.00 for every stockholders', Board and Board Committee meeting attended. For the year 2020, the total per diem for each of the non-executive director and independent directors is as follows:

Name of Director	Amount (in Php)
Jonathan T. Gotianun*	--
Lourdes Josephine Gotianun-Yap*	--
Michael Edward T. Gotianun*	--
Nelson M. Bona*	--
Francis Nathaniel C. Gotianun*	--
Efren C. Gutierrez	800,000
Val Antonio B. Suarez (Independent Director)	900,000
Ernesto S. De Castro (Independent Director)	550,000
Gemilo J. San Pedro (Independent Director)	900,000
<b>Total</b>	<b>3,150,000</b>

\* These directors do not receive per diem in their capacity as directors of the Company.

Other than as discussed in the Information Statement, there are no other existing arrangements for the payment of compensation or remuneration to the directors in their capacity as such, but the Company may, without any obligation, grant additional compensation if certain performance driven goals are met, subject to such approvals as may be required by law.

There are no outstanding warrants or options held by the Company's CEO, the above-named executive officers, and all officers and directors as a group which are subject to the approval by the stockholders at the annual stockholders' meeting.

There is no action to be taken at the annual meeting of the stockholders on 23 April 2021 with respect to any bonus, profit sharing or other compensation plan, contract or arrangement, and pension or retirement plan, in which any director, nominee for election as a director, or executive officer of FLI will participate. Neither is there any proposed grant or extension to any such persons of any option, warrant or right to purchase any securities of FLI.

## Item 11. Security Ownership of Certain Beneficial Owners and Management

### 11.1. Security Ownership of Certain Beneficial Owners as of December 31, 2020:

Title of Class of Securities	Name/ Address of Record Owner and Relationship with FLI	Name of Beneficial Owner/Relationship with Record Owner	Citizenship	No. of Shares Held	% of Ownership
Preferred	<b>Filinvest Development Corporation<sup>1</sup></b> The Beaufort, 5 <sup>th</sup> Avenue corner 23 <sup>rd</sup> Street, Bonifacio Global City, Taguig City, Metro Manila	Same as the Record Owner	Filipino	8,000,000,000	100%
Common	<b>Filinvest Development Corporation</b> The Beaufort, 5 <sup>th</sup> Avenue corner 23 <sup>rd</sup> Street, Bonifacio Global City, Taguig City, Metro Manila	Same as the Record Owner	Filipino	15,681,457,022	64.67%
Common	<b>PCD Nominee Corporation (Filipino)</b> G/F, Philippine Stock Exchange Tower, Ayala Avenue, Makati City	(No single shareholder owns at least 5% of total shares)	Filipino	4,460,284,165	18.39%
Common	<b>PCD Nominee Corporation (Non-Filipino)</b> G/F, Philippine Stock Exchange Tower, Ayala Avenue, Makati City	Invesco Hong Kong Limited (more than 5%)	Non-Filipino	3,787,795,590	15.62%

Total number of shares of all record and beneficial owners as a group is 8,000,000,000 preferred shares representing 100% of the total outstanding preferred shares, and 24,249,759,506 common shares representing 100% of the total outstanding common shares.

Ms. Josephine G. Yap is usually appointed by Filinvest Development Corporation ("FDC") as its representative with authority to vote FDC's shares in stockholders' meetings of FLI.

## 11.2. Security Ownership of Management as of December 31, 2020

Title of Class of Securities	Name	Amount	Nature of Ownership D=Direct; I=Indirect	Citizenship	Percentage of Ownership
Common	Mercedes T. Gotianun	1	D	Filipino	0.0000%
		0	I		0.0000%
Common	Lourdes Josephine Gotianun Yap	7,694,934	D*	Filipino	0.0317%
		24,577,345	I		0.1014%
Common	Jonathan T. Gotianun	61	D	Filipino	0.0000%
		225,376	I		0.0009%
Common	Michael Edward T. Gotianun	11,235,928	D	Filipino	0.0463%
		0	I		0.0000%
Common	Efren C. Gutierrez	13,083	D	Filipino	0.0001%
		0	I		0.0000%
Common	Francis Nathaniel C. Gotianun	32,518	D	Filipino	0.0001%
		0	I		0.0000%
Common	Nelson M. Bona	1	D	Filipino	0.0000%
		0	I		
Common	Val Antonio B. Suarez	1	D	Filipino	0.0000%
		0	I		
Common	Ernesto S. De Castro	1	D	Filipino	0.0000%
		0	I		
Common	Gemilo J. San Pedro	1	D	Filipino	0.0000%
		0	I		
Common	Luis L. Fernandez	4,064,940	D	Filipino	0.0168%
		0	I		0.0000%
Common	Ana Venus A. Mejia	0	D	Filipino	0.0008%
		200,000	I		
N.A.	Tristaneil D. Las Marias	0	D	Filipino	N.A.
			I		
N.A.	Vince Lawrence Abejo	0	D	Filipino	N.A.
			I		
N.A.	Francis V. Ceballos	0	D	Filipino	N.A.
			I		
N.A.	Joselito Fontejon Santos	0	D	Filipino	N.A.
			I		
Common	Winnifred H. Lim	0	D	Filipino	0.0000%
		1,026,563	I		0.0042%
N.A.	Reynaldo Juanito S. Nieva II	0	D	Filipino	N.A.
			I		
N.A.	Alexis Avalone Ojeda	0	D	Filipino	N.A.
			I		

\* Includes shares of stock in Filinvest Land, Inc. under the name Joseph &/or Josephine Yap

Total ownership of all directors and officers as a group as of 22 March 2021 is 0.20% of the total issued and outstanding common shares of stock.

No person holds more than 5% of the common stock under a voting trust or similar agreement. There has been no change in control of FLI since the beginning of last year. There were no matters submitted to a vote of the security holders during the fourth quarter of the calendar year covered by this report.

## 11.3. Voting Trust Holders of 5% or more

There are no persons holding 5% or more of a class of shares under any voting trust or similar agreement.

## 11.4. Changes in Control

There are no arrangements that may result in change in control of the Parent Company.

## **Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The Parent Company and its subsidiaries, in their normal course of business, have certain related party transactions with affiliates principally consisting of advances and intercompany charges.

Please refer to the Detailed Discussion on the Parent Company's Subsidiaries, Joint Ventures, Affiliate and Related Party Transactions in Section 1.3, 1.4, 1.5 and 1.10, respectively.

## **PART IV – COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE**

### **Item 13. CORPORATE GOVERNANCE**

#### **Compliance with Best Practices on Corporate Governance**

For the year 2020, FLI substantially complied with the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC) regulatory requirements. It is also in compliance with its Revised Manual for Corporate Governance. In particular, your Company wishes to highlight the following: (a) the election of three (3) independent directors to the Board; (b) the appointment of members of the Executive Committee, the Audit and Risk Management Oversight Committee, the Nominations Committee, the Compensation Committee, the Technical Committee and the Related-Party Transaction and Corporate Governance Committee; (c) the conduct of regular quarterly board meetings and special meetings, the faithful attendance of the directors at these meetings and their proper discharge of duties and responsibilities as such directors; (d) the adoption of the Related Party Transaction Policy; (e) the submission to the SEC of reports and disclosures required under the Securities Regulation Code; (f) FLI's adherence to national and local laws pertaining to its operations; and (g) the observance of applicable accounting standards by FLI.

In order to keep abreast of best practices in Corporate Governance, the members of the Board and top management have attended seminars on corporate governance initiated by duly accredited institutions. FLI constantly reviews its Corporate Governance practices and welcomes proposals, especially from institutions and entities such as the SEC, PSE and the Institute of Corporate Directors.

#### **Board of Directors**

Leading the practice of good Corporate Governance is the Board of Directors. Your Board of Directors is firmly committed to the adoption of and compliance with the best practices in Corporate Governance as well as the observance of all relevant laws, regulations and ethical business practices.

#### *Nominations and Voting for the Board of Directors*

The members of the Board are elected during the annual stockholders' meeting. The stockholders of FLI may nominate individuals to be members of the Board of Directors.

The Nomination Committee receives nominations for independent directors as may be submitted by the stockholders. After the deadline for the submission thereof, the Nomination Committee meets to consider the qualifications as well as grounds for disqualification, if any, of the nominees based on the criteria set forth in FLI's Revised Manual on Corporate Governance and the Securities Regulation Code. All nominations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees. The Nomination Committee shall then prepare a Final List of Candidates enumerating the nominees who passed the screening. The name of the person or group of persons who recommends nominees as independent directors shall be disclosed along with his or their relationship with such nominees.

Only nominees whose names appear on the Final List of Candidates shall be eligible for election as independent directors. No other nomination shall be entertained after the Final List of Candidates

shall have been prepared. No further nomination shall be entertained or allowed on the floor during the annual meeting.

The conduct of the election of independent directors shall be in accordance with FLI's Manual on Corporate Governance. In 2008, FLI filed with the SEC its application for the amendment of the by-laws to include the procedure that will govern the nomination and election of independent directors. This procedure is consistent with FLI's Revised Manual on Corporate Governance and Rule 38 of the Securities Regulation Code. The approval by the Commission on said application was issued on April 8, 2009. The power of the Board to amend the By-Laws has been delegated by the stockholders representing two-thirds (2/3) of FLI's outstanding capital stock in an annual meeting of said stockholders on May 27, 1994.

It shall be the responsibility of the Chairman of the annual meeting to inform all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure that independent directors are elected during the annual meeting. Specific slots for independent directors shall not be filled up by unqualified nominees. In case of failure of election for independent directors, the Chairman of the meeting shall call a separate election during the same meeting to fill up the vacancy.

A stockholder may vote such number of shares for as many persons as there are directors to be elected. He may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle among as many candidates as he shall see fit; Provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of FLI multiplied by the whole number of directors to be elected.

The directors of FLI are elected at the annual stockholders' meeting, to hold office until their respective successors have been duly appointed or elected and qualified. Vacancies in the Board occurring mid-term are filled as provided in the Corporation Code and FLI's Revised Manual on Corporate Governance. Officers and committee members are appointed or elected by the Board of Directors typically at its first meeting following the annual stockholders' meeting, each to hold office until his successor shall have been duly elected or appointed and qualified.

### *Independent Directors*

Before the annual meeting, a stockholder of FLI may nominate individuals to be independent directors, taking into account the following guidelines:

- A. "Independent director" means a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgement in carrying out his responsibilities as director in any corporation that meets the requirements of Section 17.2 of the Securities Regulation Code and includes, among others, any person who:
  - i. Is not a director or officer or substantial stockholder of FLI or of its related companies or any of its substantial shareholders (other than as an independent director of any of the foregoing);
  - ii. Is not a relative of any director, officer or substantial stockholder of FLI, any of its related companies or any of its substantial shareholders. For this purpose, "relative" includes spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
  - iii. Is not acting as a nominee or representative of a substantial shareholder of FLI, any of its related companies or any of its substantial shareholders;
  - iv. Has not been employed in an executive capacity by FLI, any of its related companies or any of its substantial shareholders within the last two (2) years;

- v. Is not related as a professional adviser of FLI, any of its related companies or any of its substantial shareholders within the last two (2) years, either personally or through his firm;
  - vi. Has not engaged and does not engage in any transaction with FLI or any of its related companies or any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms-length and are immaterial or insignificant.
- B. When used in relation to FLI, subject to the requirements above:
- i. “Related company” means another company which is: (a) its holding company, (b) its subsidiary, or (c) a subsidiary of its holding company; and
  - ii. “Substantial shareholder” means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.
- C. An independent director of FLI shall have the following qualifications:
- i. He shall have at least one (1) share of stock of FLI;
  - ii. He shall be at least a college graduate or he shall have been engaged in or exposed to the business of FLI for at least five (5) years;
  - iii. He shall possess integrity/probity; and
  - iv. He shall be assiduous.
- D. No person enumerated under Part II, Item A, Par. 8 of the Revised Manual of Corporate Governance shall qualify as an independent director. He shall likewise be disqualified during his tenure under the following instances or causes:
- i. He becomes an officer or employee of FLI, or becomes any of the persons enumerated under items (A) hereof;
  - ii. His beneficial security ownership exceeds 10% of the outstanding capital stock of FLI;
  - iii. He fails, without any justifiable cause, to attend at least 50% of the total number of board meetings during his incumbency unless such absences are due to grave illness or death of an immediate family member;
  - iv. If he becomes disqualified under any of the grounds stated in FLI’s Revised Manual on Corporate Governance.
- E. Pursuant to SEC Memorandum Circular No. 09, Series of 2011, as amended by SEC Memorandum Circular No. 04, Series of 2017, the following additional guidelines, amending the rules on the term limit of independent directors, shall be observed in the qualification of individuals to serve as independent directors:
- i. There shall be no limit in the number of covered companies that a person may be elected as independent director, except in business conglomerates where an ID can be elected to only five (5) companies of the conglomerate, i.e., parent company, subsidiary or affiliate;
  - ii. An independent director shall serve for a maximum cumulative term of nine (9) years;
  - iii. After which, the independent director shall be perpetually barred from re-election as such in the same company, but may continue to qualify as non-independent director;



- iv. In the instance that a company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting; and
- v. The reckoning of the cumulative nine-year term is from 2012.

#### *Members of the Board of Directors, Attendance and Committee Memberships*

The following table lists down the members of the Board of Directors and their attendance in Board Meetings during 2020 which was reported during the Annual Stockholders' Meeting held on June 11, 2020.

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Jonathan T. Gotianun	June 11, 2020	8	8	100%
Member	L. Josephine Gotianun-Yap	June 11, 2020	8	8	100%
Member	Nelson M. Bona*	June 11, 2020	4	4	100%
Member	Michael Edward T. Gotianun	June 11, 2020	8	8	100%
Member	Efren C. Gutierrez	June 11, 2020	8	8	100%
Member	Francis Nathaniel C. Gotianun	June 11, 2020	8	7	88%
Independent	Val Antonio B. Suarez	June 11, 2020	8	8	100%
Independent	Ernesto S. De Castro	June 11, 2020	8	8	100%
Independent	Gemilo J. San Pedro	June 11, 2020	8	8	100%

\*Mr. Nelson M. Bona was first elected as member of the Board of Directors on June 11, 2020

#### **Committee Membership**

COMMITTEE	CHAIR AND MEMBERS
Executive Committee	<b>Chair:</b> Lourdes Josephine Gotianun-Yap
	<b>Members:</b>
	Andrew T. Gotianun, Jr.
	Jonathan T. Gotianun
	Michael Edward T. Gotianun
	Francis Nathaniel C. Gotianun
Audit and Risk Management Oversight Committee	<b>Chair:</b> Gemilo J. San Pedro (Independent Director)
	<b>Members:</b>
	Val Antonio B. Suarez (Independent Director)
	Jonathan T. Gotianun
	Efren C. Gutierrez (non-executive director)
Compensation Committee	<b>Chair:</b> Val Antonio B. Suarez (Independent Director)
	<b>Members:</b>
	Jonathan T. Gotianun
	Lourdes Josephine Gotianun-Yap
	Gemilo J. San Pedro (Independent Director)
Corporate Governance Committee	<b>Chair:</b> Val Antonio B. Suarez (Independent Director)
	<b>Members:</b>
	Jonathan T. Gotianun
	Gemilo J. San Pedro (Independent Director)
	Ernesto S. De Castro (Independent Director)

COMMITTEE	CHAIR AND MEMBERS
Technical Committee	<b>Chair:</b> Ernesto S. De Castro (Independent Director)
	<b>Members:</b>
	Michael Edward T. Gotianun
	Winnifred H. Lim
Related-Party Transaction Committee	<b>Chair:</b> Val Antonio B. Suarez (Independent Director)
	<b>Members:</b>
	Gemilo J. San Pedro (Independent Director)
	Efren C. Gutierrez (non-executive director)

#### *Duties and Responsibilities of the Different Board Committees*

##### **Executive Committee**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee (*)
Chairman	L. Josephine Gotianun-Yap	June 11, 2020	5	5	100%	1 year
Member (ED)	Andrew T. Gotianun, Jr.	June 11, 2020	5	3	60%	1 year
Member (ED)	Jonathan T. Gotianun	June 11, 2020	5	5	100%	1 year
Member (ED)	Michael Edward T. Gotianun	June 11, 2020	5	5	100%	1 year
Member (ED)	Francis Nathaniel C. Gotianun	June 11, 2020	5	5	100%	1 year

*\* Committee members are appointed annually.*

The functions, duties and responsibilities of the Board of Directors may be delegated, to the fullest extent permitted by law, to an Executive Committee to be established by the Board of Directors. The Executive Committee shall consist of five (5) members, at least three (3) of whom shall be members of the Board of Directors. All members of the Executive Committee shall be appointed by and under the control of the Board of Directors.

The Executive Committee may act on such specific matters within the competence of the Board of Directors as may be delegated to it by a majority vote of the Board of Directors, except with respect to: (i) approval of any action for which shareholders' approval is also required; (ii) the filing of vacancies in the Board of Directors; (iii) the amendment or repeal of these By-Laws or the adoption of new by-laws; (iv) the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable; and (v) the distribution of cash dividends to shareholders.

The act of the Executive Committee on any matter within its competence shall be valid if (i) it is approved by the majority vote of all its members in attendance at a meeting duly called where a quorum is present and acting throughout, or (ii) it bears the written approval or conformity of all its incumbent members without necessity for a formal meeting.

The Executive Committee shall hold its regular meeting at least once a month or as often as it may determine, in the principal office of the Corporation or at such other place as may be designated in the notice. Any member of the Executive Committee may, likewise, call a meeting of the Executive Committee at any time. Notice of any meeting of the Executive Committee shall be given at least seven (7) business days prior to the meeting or such shorter notice period as may be mutually agreed. The notice shall be accompanied by (i) a proposed agenda or statement of purpose and (ii) where possible, copies of all documents, agreements and information to be considered at such meeting.

## Audit & Risk Management Oversight Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%
Chairman (ID)	Gemilo J. San Pedro	June 11, 2020	3	3	100%
Member (ID)	Val Antonio B. Suarez	June 11, 2020	3	3	100%
Member (ED)	Jonathan T. Gotianun	June 11, 2020	3	3	100%
Member (NED)	Efren C. Gutierrez	June 11, 2020	3	3	100%

\* Committee members are appointed annually.

The Audit & Risk Management Oversight Committee is composed of at least three (3) Director-members, preferably with accounting and financial background, at least one of whom must be an independent director and another should have related audit experience.

The Chairman of this Committee should be an independent director. He is responsible for inculcating in the minds of the Board members the importance of management responsibilities in maintaining a sound system of internal control and the Board's oversight responsibility.

The Audit and Risk Management Committee shall have the following duties and responsibilities:

a) Internal Audit

- Recommend the approval of the Internal Audit Charter ("IA Charter"), which formally defines the role of Internal
- Audit and the audit plan as well as oversees the implementation of the IA Charter;
- Provide oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management;
- Provide oversight of the Corporation's internal and external auditors;
- Review and approve audit scope and frequency, and the annual internal audit plan;
- Discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure coordination where more than one (1) audit firm is involved;
- Set up an internal audit department and consider the appointment of an internal auditor as well as an independent external auditor, the audit fee and any question of resignation or dismissal;
- Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system;
- Receive and review reports of internal and external auditors and regulatory agencies, where applicable, and ensure that management is taking appropriate corrective actions, in a timely manner, in addressing control and compliance functions with regulatory agencies;
- Review the quarterly, half-year and annual financial statements before submission to the Board with particular focus on the following matters:
  - Any change/s in accounting policies and practices
  - Major judgmental areas
  - Significant adjustments resulting from the audit
  - Going concern assumptions
  - Compliance with accounting standards
  - Compliance with tax, legal and regulatory requirements
- Coordinate, monitor, and facilitate compliance with existing laws, rules and regulations;
- Evaluate and determine non-audit work by external auditor and keep under review the non-audit fees paid to the external auditor both in relation to their significance to the auditor and in relation to the Corporation's total expenditure on consultancy. The non-audit work should be disclosed in the Annual Report; and
- Establish and identify the reporting line of the CAE so that the reporting level allows the internal audit activity to fulfill its responsibilities. The CAE shall report directly to the audit Committee functionally. The Audit committee shall ensure that the internal auditors shall have free and full access to the Corporation's records, properties and personnel relevant to the internal audit activity, and that the internal audit activity should be free from interference in determining the

scope of internal auditing examinations, performing work, and communicating results, and shall provide a venue for the Audit Committee to review and approve the annual internal audit plan.

b) Risk Management

- Develop and oversee the Corporation's risk management program;
- Oversee the system of limits to discretionary authority that the Board delegates to the Management, ensure that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached;
- Advise the Board on its risk appetite levels and risk tolerance limits;
- Assess the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence;
- Provides oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management; and
- Report to the Board on a regular basis, or as deemed necessary, the Corporation's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary;
- Performs other duties and responsibilities as the Committee may deem appropriate within the scope of its primary functions or as may be assigned by the Board; and

Other duties and responsibilities are provided in the Audit and Risk Management Committee Charter.

### Compensation Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%
Chairman (ID)	Val Antonio B. Suarez	June 11, 2020	1	1	100%
Member (ED)	Jonathan T. Gotianun	June 11, 2020	1	1	100%
Member (ED)	L. Josephine Gotianun-Yap	June 11, 2020	1	1	100%
Member (ID)	Gemilo J. San Pedro	June 11, 2020	1	1	100%

*\* Committee members are appointed annually.*

The Compensation Committee is composed of at least three (3) Director-members, two (2) of whom must be independent directors.

#### Duties and Responsibilities:

- Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel, ensuring that compensation is consistent with the Corporation's culture, strategy and control environment.
- Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Corporation successfully.
- Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and officers.
- Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which, among others, compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.
- Disallow any director to decide his or her own remuneration.

- Provide in the Corporation's annual reports and information and proxy statements a clear, concise and understandable disclosure of the compensation of its executive officers for the previous fiscal year and ensuing year.
- Review the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.

#### Corporate Governance Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%
Chairman (ID)	Val Antonio B. Suarez	June 11, 2020	2	2	100%
Member	Jonathan T. Gotianun	June 11, 2020	1	1	100%
Member (NED)	Efren C. Gutierrez	April 22, 2019	1	1	100%
Member (ID)	Gemilo J. San Pedro	June 11, 2020	2	2	100%
Member (ID)	Ernesto S. De Castro	June 11, 2020	1	1	100%

\* Committee members are appointed annually.

\*\*Prior to the organizational meeting of the Board held on 11 June 2020, the Corporate Governance Committee is combined with the Related-Party Transaction Committee, and the committee is referred to as the Related-Party Transaction and Corporate Governance Committee.

\*\*\*Mr. Efren C. Gutierrez was no longer appointed as member of the committee at the organizational meeting held on 11 June 2020. The attendance indicated in this report refers to the meeting of the combined Related-Party Transaction and Corporate Governance Committee.

\*\*\*\*The attendance indicated in this report refers to the meeting of the combined Related-Party Transaction and Corporate Governance Committee.

\*\*\*\*\*Mr. Ernesto S. De Castro was first appointed as member of the committee on 11 June 2020.

#### Corporate Governance Committee

The Corporate Governance Committee shall assist the Board in fulfilling its corporate governance and compliance responsibilities. The Committee shall be composed of the Chairman of the Board and at least three (3) members of the Board, all of whom shall be independent directors. The Chairman of the Committee shall be an independent director.

The Corporate Governance Committee shall have the following duties and responsibilities:

- Ensure the effectiveness and due observance of corporate governance principles and guidelines of the Board, its committees' and executive management;
- Oversee the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;
- Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- Make recommendations to the Board regarding the continuing education of directors, assignment to Board Committees and succession plan for the Board members and senior officers;
- Determine the nomination and election process for the Corporation's directors and other positions requiring appointment by the Board, define the general profile of board members that the Corporation may need and ensure that appropriate knowledge, competencies and expertise will complement the existing skills of the Board;
- Establishes a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the Corporation's culture and strategy as well as the business environment in which it operates;

- h. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance;
- i. Review with the Compliance Officer, at least on annual basis, any legal or regulatory matter that could have a significant impact on the Corporation's financial statements, compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies; and
- j. Obtain an annual report from the Compliance Officer regarding the adequacy of the Corporation's compliance program.

### **Related Party Transaction Committee**

<b>Office</b>	<b>Name</b>	<b>Date of Appointment</b>	<b>No. of Meetings Held</b>	<b>No. of Meetings Attended</b>	<b>%</b>
Chairman (ID)	Val Antonio B. Suarez	June 11, 2020	2	2	100%
Member (NED)	Efren C. Gutierrez	June 11, 2020	2	2	100%
Member (ID)	Gemilo J. San Pedro	June 11, 2020	2	2	100%

*\* Prior to the organizational meeting of the Board held on 11 June 2020, the Related-Party Transaction Committee is combined with the Corporate Governance Committee, and the committee is referred to as the Related-Party Transaction and Corporate Governance Committee.*

The Related Party Transaction Committee is composed of at least three (3) non-executive directors, two (2) of whom must be independent, including the Chairman of the Committee.

The Related Party Transaction Committee has the following duties and responsibilities:

- Conduct continuous evaluation and monitoring of existing relations among counterparties to ensure that all related parties are identified, related party transactions ("RPTs") are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board and the SEC;
- Evaluate all material RPTs to ensure that these are transacted on an arm's length basis and that no corporate or business resources of the company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions.

In evaluating RPTs, the Committee may take into account the following:

- The related party's relationship to the Corporation and interest in the transaction;
  - The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
  - The benefits to the Corporation of the proposed RPT;
  - The availability of other sources of comparable products or services; and
  - An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.
- Ensure that appropriate disclosure is made to the regulating and supervising authorities relating to the Corporation's RPT exposures and policies on conflicts of interest or potential conflicts of interest;
- Report to the Board, on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;

- Ensure that transactions with related parties, including write-off of exposures, are subject to a periodic independent review or audit process; and in case of merger or consolidation
- Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

The Corporate Governance Committee shall also serve as the Nomination Committee. It shall review and evaluate the qualifications of all persons nominated to the board as well as those nominated to other positions requiring appointment by the Board and assess the effectiveness of the Board's process and procedures in the election or replacement of directors available to an unrelated party under similar circumstances. The company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.

### Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%
Chairman (NED)	Efren C. Gutierrez	April 22, 2019**	1	1	100%
Member (ED)	L. Josephine Gotianun-Yap	April 22, 2019**	1	1	100%
Member (ID)	Val Antonio B. Suarez	April 22, 2019**	1	1	100%
Member (ID)	Gemilo J. San Pedro	April 22, 2019**	1	1	100%

\* Committee members are appointed annually.

\*\*Effective 11 June 2020, the functions of the Nomination Committee are already merged with the Corporate Governance Committee.

The Corporate Governance Committee, acting as the Nomination Committee may consider the following guidelines in the determination of the number of directorships for the Board members:

- The nature of the business of the Corporations in which he is a director;
- Age of the director;
- Number of directorships/active memberships and officerships in other corporations or organizations; and
- Possible conflict of interest.

The Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate Boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.

The Corporate Governance Committee, acting as the Nomination Committee may pre-screen and shortlist all candidates nominated to become a member of the Board of Directors, taking into account the qualifications and the grounds for disqualifications as set forth in FLI's Revised Manual of Corporate Governance and the Securities Regulation Code.

The Corporate Governance Committee, acting as the Nomination Committee promulgates the guidelines or criteria to govern the conduct of the nomination for members of the Board of Directors. The same shall be properly disclosed in the Company's information or proxy statement or such other reports required to be submitted to the Securities and Exchange Commission (SEC).

The nomination of independent directors is be conducted by the Committee before the stockholders' meeting. All recommendations should be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.

The Committee pre-screens the qualifications and prepares a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent directors as set forth in the Company's Revised Manual on Corporate Governance.

After the nomination, the Committee prepares a Final List of Candidates which contains all the information about all the nominees for independent directors, and is made available to the SEC and all stockholders through the filing and distribution of the Information Statement, or in such reports the Company is required to submit to the SEC. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report, including any relationship with the nominee.

### Technical Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%
Chairman (ID)	Ernesto S. De Castro	June 11, 2020	No meeting held		
Member (ED)	Michael Edward T. Gotianun	June 11, 2020	No meeting held		
Member (ID)	Val Antonio B. Suarez	June 11, 2020	No meeting held		

*\* Committee members are appointed annually.*

### Shareholders' Rights

The Corporation recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Therefore, the following provisions are issued for the guidance of all internal and external parties concerned, as a governance covenant between the Corporation and all its investors:

The Board shall be committed to respect the following rights of the stockholders:

#### A. Voting Right

1. Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
2. Cumulative voting is mandatory in the election of directors.
3. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

#### B. Power of Inspection

All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code, during business hours and upon prior written notice to the Corporation and for good reason.

All Shareholders shall be furnished with annual reports, including financial statements, without cost or restrictions.

#### C. Right to Information

1. The Shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among directors and key officers, and the aggregate compensation of directors and officers.



2. The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.
3. The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

#### D. Right to Dividends

1. Shareholders shall have the right to receive dividends, subject to the discretion of the Board.
2. The Commission may direct the Corporation to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: i) when justified by definite corporate expansion projects or programs approved by the Board; or ii) when the Corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or iii) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies.

#### E. Appraisal Right

The Shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under the Corporation Code of the Philippines, under any of the following circumstances:

- In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- In case of merger or consolidation.

#### F. Right to Attend and Participate in Shareholders' Meetings

The Board should be transparent and fair in the conduct of the annual and special shareholders' meetings of the corporation.

- The shareholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the By-Laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the shareholder's favor.
- The result of the votes taken during the most recent annual or special stockholders' meetings shall be made publicly available within the next working day. The minutes of such meetings shall likewise be posted on the Corporation's website within five (5) business days from the date of the meeting.

It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other

administrative or practical impediments to shareholders participating in meetings and/or voting in person or *in absentia*, as allowed under the Revised Corporation Code. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions, subject to legal constraints.

In order to keep itself abreast with the leading practices on corporate governance, FLI encourages the members of top level management and the Board to attend and participate at seminars on corporate governance initiated by accredited institutions.

FLI welcomes proposals, especially from institutions and entities such as the SEC, PSE and the Institute of Corporate Directors, to improve corporate governance.

There is no known material deviation from FLI's Revised Manual on Corporate Governance.

Per SEC Memorandum Circular No. 15, Series of 2017, the Integrated Annual Corporate Governance Report for 2019 shall be submitted to the SEC on or before May 30, 2020 and is no longer required to be attached to the Annual Report. The deadline was extended until July 30 in light of the enhanced community quarantine in Metro Manila.

## **PART V – EXHIBITS AND SCHEDULES**

### **Item 14. EXHIBITS AND REPORTS ON SEC Form 17-C**

#### **a) Exhibits**

Exhibits as indicated in the Index to Exhibits are either not applicable to the Parent Company or require no answer.

#### **b) Reports on SEC Form 17-C**

The following reports on SEC Form 17-C were filed during the last six months of 2020:

<b>Report Date</b>	<b>Items Reported</b>
November 18, 2020	Filinvest Land raises P8.1 billion in successful bond issuance
November 13, 2020	Press Release on 9-month results
November 06, 2020	Notice of Analysts'/Investors' Briefing
November 05, 2020	Issuance of Order of Registration and Certificate of Permit to Offer Securities for Sale
October 29, 2020	PhilRatings' credit rating for Cyberzone Properties, Inc.
October 29, 2020	Clarification of News Report
August 28, 2020	Filing of FLI's registration statement for shelf registration in connection with the offer and sale to the public of Peso-denominated Fixed-Rate Bonds up to an aggregate principal amount of PhP30,000,000,000.00 in one or more tranches.
August 05, 2020	Press Release on 1 <sup>st</sup> Half Results
August 05, 2020	Notice of Analysts'/Investors' Briefing
July 16, 2020	Planned application for shelf registration of planned issuance of fixed-rate peso denominated retail bonds

# **INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**

## **Form 17 A, Item 7**

### **Consolidated Financial Statements**

Statement of Management's Responsibility for Financial Statements  
Report of Independent Public Accountant  
Consolidated Statements of Financial Position as of December 31, 2020 and 2019  
Consolidated Statements of Income for the years ended December 31, 2020, 2019, and 2018  
Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019, and 2018  
Notes to Consolidated Financial Statements

### **Supplementary Schedules**

Report of Independent Auditors on Supplementary Schedules  
Report of Independent Auditors on Components of Financial Soundness Indicators  
Schedule A – Financial Assets  
Schedule B – Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (other than related parties)  
Schedule C - Amounts Receivables (Payables) from related parties which are eliminated during the consolidation of the financial statements  
Schedule D – Intangible Asset – Other Asset  
Schedule E – Long term Debt  
Schedule F- Indebtedness to Related Parties  
Schedule G – Guarantees of Securities of Other Issuers  
Schedule H – Capital Stock  
Schedule I - Retained Earnings Available for Dividend Distribution  
Schedule J – Map showing the Relationships Between and among the companies in the Group, its ultimate parent Company and Co-subsiidiaries  
Components of Financial Soundness Indicators  
Group Structure  
Schedule of Bond Issuances – Securities Offered to the Public



## ACKNOWLEDGMENT

EMBASSY OF THE PHILIPPINES )  
Consular Section ) S.S.  
Singapore )

**BEFORE ME** **LAARNI ZORAYDA S. GANDAROSA**, Consul  
in and for Singapore, duly commissioned and qualified, personally appeared

LOURDES JOSEPHINE GOTIANUN YAP

PASSPORT P1463447A

known to me and to me known as the same person(s) who executed the  
annexed instrument

### SIGNATURES

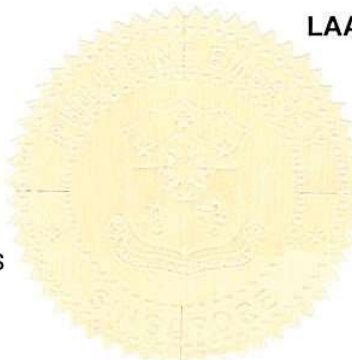
and acknowledged to me that the same was done as a free act and voluntary  
deed.

This instrument, consisting of 3 pages, including this page on  
which this acknowledgment is written, has been signed on the left margin of  
each and every page thereof by the same person(s) and witnesses.

**WITNESS MY HAND AND SEAL** at the Embassy of the Philippines  
in Singapore this day of 09 March 2021

**LAARNI ZORAYDA S. GANDAROSA**  
Consul

Doc. No. :2843  
Book No. :1  
Series of :2021  
O.R. No. :0  
Fee Paid :GRATIS

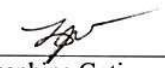


## SIGNATURES


Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong, Metro Manila on 09 MAR 2021

By:

  
Jonathan T. Gotianun  
Chairman

  
Lourdes Josephine Gotianun-Yap  
President and CEO

  
Ana Venus Mejia  
Chief Financial Officer

  
Sharon Pagaling-Refuerzo  
Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAR 15 2021 day of March affiants exhibiting to me their Competent evidence of identity as follows:

Name	Competent evidence of Identity	Issue Date	Expiry Date	Place issued
Jonathan T. Gotianun	Passport no. P5509919A	03-Jan-18	02-Jan-28	DFA/Manila
L. Josephine G. Yap	Passport no. P1463447A	7-Jan-17	6-Jan-22	DFA/NCR East
Sharon P. Refuerzo	Passport no. P2852223B	24-Aug-19	23-Aug-29	DFA/NCR East
Ana Venus Mejia	Passport no. P3387436B	30-Sep-19	29-Sep-29	DFA/NCR East

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**JOVEN G. SILLANO**  
NOTARY PUBLIC FOR CITY OF MANDALUYONG  
COMMISSION NO. 0285-19 VALID UNTIL JUNE 30, 2021  
AS PER SC EN BANC RESOLUTION DATED DECEMBER 1, 2020  
ROLL NO. 87970  
IBP LIFETIME NO. 011300; 12-13-12; RICAL  
PTR NO. 4581076; 1-4-21; MANDALUYONG  
MCLE COMPLIANCE NO. VI 6047960 14 APRIL 2022  
METRO MART COMPLEX, MANDALUYONG CITY



# SUSTAINABILITYREPORT2020



**FILINVEST**  
LAND, INCORPORATED

## Chairman's Message

Welcome to our second report on the progress of important sustainability topics in 2020. It has been over a year since the first enhanced community quarantine was announced across the country, and we have come a long way since the darkest months of the pandemic. Our dedication to acting responsibly during a challenging year never wavered. Our core values of integrity, customer service, professionalism, teamwork, innovation, and cost-effectiveness remained the guiding light for our decisions and actions.

Here at Filinvest, we have successfully navigated the complexities of living and working during this time. More than ever, we believe it's even more crucial to align our business ethics with sustainable business practices. Our Corporate Social Responsibility (CSR) initiatives are very much aligned with our company mission.

From our Board of Directors to every employee, our sense of responsibility to give back and care for our community is the very foundation of our corporate culture. Whether providing housing for the community as they dusted off Taal Volcano's disastrous eruption, or providing relief goods in the wake of Typhoon Ulysses, or our involvement in COVID-19 containment efforts throughout the year - Filinvest Land remains dedicated to our commitment to building the Filipino Dream.

Every year we take steps towards further integration of environmental, social, and governance (ESG) principles in our operations and our risk management approach. In 2020, we leveraged technology to ensure the health and safety of our workforce while also creating leaner and more transparent operations. We have kept the business running and even thriving – thanks to the power of teamwork, technology, and most especially, our proactive mindset.

The Filinvest group is in the midst of preparing our 2030 Sustainability Road Map. It is anchored on three of the core values of the Filinvest Group.

- We focus on providing superior value to our customers through cost efficiencies without sacrificing safety, quality and the environment.
- We have integrity at the core of our moral fiber. We believe that financial discipline, corporate governance and environmental protection are all grounded in integrity.
- We develop the best in our people. We work to build up an entrepreneurial and intrapreneurial team guided by the timeless philosophies of our founder, Andrew Gotianun. We are all guided to be good corporate citizens for our team, our neighbors, our community, our country and the world.

We look forward to continuing to provide high-value living and working spaces for our customers and to serving the communities in which we operate. Additionally, we are

committed to further enhancing our operations through better resource management, more transparent reporting, and improved governance.

On behalf of everyone at Filinvest Land, I would like to give my heartfelt gratitude to our clients and shareholders for their unwavering support. I am also incredibly grateful to our staff for their dedication and all the stakeholders who have accompanied us on our journey so far.

I appreciate your taking the time to read our report and look forward to hearing your feedback on our progress towards meeting our commitments on sustainability.

Jonathan T. Gotianun  
Chairman



## About this Section

Filinvest Land (“FLI” or the “Company”) is pleased to share our progress on sustainability in 2020 in this chapter, which provides an opportunity to reflect on the successes and challenges of the previous year, as well as our future plans. Now in our second year of reporting on ESG topics, this chapter details our non-financial performance across the economic, environmental, and social aspects of our business for the reporting period from 1 January through 31 December 2020. Historical data is also included for comparison where applicable.

This chapter aims to satisfy the "comply or explain" provisions in accordance with the Sustainability Reporting Guidelines for Publicly Listed Companies (the “SEC ESG Guidelines”) issued by the Philippine Security and Exchange Commission (the “SEC”) and outlined in SEC Memorandum Circular No. 4, series of 2019. It was prepared in consideration of the Global Reporting Initiative (GRI) Standards Reporting Guidelines and its principles of reporting.

## Scope

This chapter showcases the performance and initiatives of FLI’s developments in 19 provinces and 53 towns across the Philippines, including our retail and office portfolio. For a complete list of our operations, visit the [List of Operations](#) in the Appendix of this chapter.

## Materiality

In 2019, we undertook an initial assessment of our current organizational processes, procedures, and policies to better understand our current practices and how they relate to ESG issues. While a formal materiality assessment was not conducted in 2020, the content of this Chapter is informed by the principle of materiality and focuses on the economic, environmental, and social impacts of our operations and activities in the Philippines, as well as our approaches to the material topics listed below. We currently prioritize our efforts on social and economic topics.

As in our 2019 report, we have disclosed our annual progress on the following (see below) key performance metrics based on the reporting requirements of the SEC. We intend to conduct a materiality assessment in 2021 which will enable us to focus our energies and resources on a sustainability agenda that is strategic to our business, manages our impacts and minimizes risks, and contributes to sustainable development.

**Material ESG Topics and their perceived boundaries for Filinvest Land**

Material ESG Topics	Impact Location (within or outside the Company)		External Stakeholders Affected
	Within	Outside	
Governance			
Economic Performance	x	x	Investors, Communities, Government
Procurement Practices	x	x	Suppliers and Vendors
Anti-Corruption	x		Employees, Government
Environmental			
Resource Management	x		--
Environmental Impact Management	x	X	Communities, Government
Environmental Compliance	x	x	Government
Social			
Employee Management	x		Employees, Government
Supply Chain Management	x	x	Suppliers and Vendors
Relationship with Community	x	x	Communities
Customer Management		x	Customers

# We Heal As One

## Supporting customers and engaging stakeholders in trying times

Here at Filinvest, we have successfully navigated the complexities of living and working during a challenging year. We have kept the business running and even thriving – thanks to the power of teamwork, technology, and most especially, our proactive mindset.

No doubt, 2020 was a very challenging year for all of us. We experienced the Taal volcano eruption in January, typhoons Rolly and Ulysses in November, and of course the COVID-19 pandemic throughout the year. Due to the unprecedented events of 2020, we reassessed our initial plans for employee engagement and reallocated our budget for health and safety efforts of our employees and our surrounding communities.

The Filinvest group allocated P100 million for Covid-19 assistance. In-kind donations were also given in the form of data management, system app development for contact tracing, testing kits, ventilator equipment, isolation and quarantine facilities, as well as temporary accommodation for RITM workers. Overall, our response to these challenges focused on protecting our team, providing for our customers and local communities, and supporting government relief efforts.

### Our People

- Taal volcano eruption response:
  - Quickly identified employees in our offices and properties in Southern Luzon who would be affected, some of whom were temporarily seeking shelter in evacuation areas.
  - Provided relief goods and cash assistance to our affected employees who were displaced and lost homes.
  - Conducted a donation drive for our affected employees and our third-party agency personnel in Laeuna de Taal.
- COVID-19 response:
  - Reorganized our office layout to comply with reduced workplace density and created work-from-home arrangements for eligible staff.
  - Designed dual shift schedules for on-site personnel.
  - Provided rapid COVID-19 testing for essential and high-risk employees.
  - Prioritized the procurement of N95 masks for all employees reporting for work.
  - Provided food to project frontline staff and skeletal office teams during ECQ.
  - Organized a free point-to-point shuttle service for on-site personnel

### Our Customers and business partners

- Extended payment periods and waiving penalties and interest (for agreed payment schedules) for residential buyers in our low and middle-income projects and small office tenants.

- Rent holiday offered to mall tenants during mandated lockdowns.
- Expanded services on our online resources hub for buyers and homeowners, vendors, sellers and brokers. Worked closely with office building tenants to ensure the safety of their employees.  
Established building protocols and put safety measures in place such as temperature checks, sanitation facilities, and strict entry and exit protocols for workers.
- In our shopping malls, we implemented safety protocols including contact tracing processes (with online registration), offered sanitation facilities, and ran temperature checks. We also ensured that restaurants adhered to IATF capacity protocols.

### **Our Communities**

- Taal Volcano eruption response:
  - Employees were encouraged to join our relief operations #FilinvestforTaal outreach programs, wherein we provided cleaning materials and water in three major areas in Batangas.
  - Distributed relief goods (packed meals and cleaning supplies) to affected communities.
  - Launched a task force of project technical and property management heads and utility workers to assist clean-up efforts in Laeuna de Taal and the Lake Club - which were covered by mud and ashfall after the eruption. Over 230 man-days were volunteered by our team over 23 working days to help in this critical effort.
  - Employees also volunteered to prepare and distribute packed meals for hundreds of people living in hard-to-reach evacuation areas.
- COVID-19 response:
  - Support provided for the Municipality of San Mateo where our Timberland project is located included:
    - Donated P820,000 worth of coveralls and face shields.
    - Donated approximately P1.2 M worth of Rapid Antibody Test Kits and lancets in support of the San Mateo Covid-19 testing drive in collaboration with Project ARK.
- Typhoon Ulysses relief and clean-up response:
  - Donated P165,000 worth of food packs for typhoon victims and evacuees
  - Loaned out our water truck and relevant heavy equipment to aid clean-up efforts in San Mateo and affected Quezon City subdivisions - like Serra Monte Villas and Northview Villas.
  - Sent 250 food packs in support of the Marikina City relief drive.

### **Sustainability at FLI**

For over 50 years, we have been 'building the Filipino dream'. The challenges we faced in 2020 brought to light how sustainability, resiliency, and health are vital to our communal and economic success. We have learned the value of being an agile organization and we are committed to consistently instilling sustainable and environmentally-considerate practices within our company culture, across our supply chain, and for our customers.

We endeavor to continue creating healthy, sustainable, and environmentally-considerate communities - ones with strengthened measures for safety, disaster resilience, and emergency preparedness - for years to come. A key factor to achieving this will be to consistently improve our approach to ESG-related issues, especially when it comes to addressing our impacts on the environment and the communities around us.

As we progress on our sustainability journey, we are refining our data collection processes to accurately measure and therefore manage our environmental and social impacts better, particularly in the areas of customer management, resource use efficiency, employee development, and community engagement.

## Sustainability Governance

The importance of ensuring that our vision, mission, and core business are aligned to the new global economic direction has become a priority for FLI. Standing on a solid foundation of integrity, strong governance, and accountability to our stakeholders – we recognize the value of operating our business in a sustainable manner. As such, we strive to embed sustainability into our corporate culture and to ensure that everyone on the FLI team conducts business responsibly and ethically. Our Code of Conduct is observed across the company.

Our Board of Directors is responsible for setting the Company's overall approach to ESG matters, evaluating ESG-related risks, and implementing sustainability initiatives. It is supported by our senior management team and the Audit and Risk Management Oversight Committee (which is composed of an Independent Director, a Director, and the Chairman) who implement risk management and internal control systems.

Throughout 2020, the board guided strategies to help preserve the company's long-term viability. These strategies focused on fiscal prudence, sustainable development through the conservation of the natural environment, prioritization of employees' safety/wellness, and adherence to good governance practices.

We are working to strengthen our sustainability governance structures and mechanisms and to integrate ESG-related structures across our business decision-making processes at all levels. In coming years, motivated by the SEC's sustainability reporting requirements, we aim to start assessing ESG-related risks and opportunities concerning our operations, governance, and climate-related impacts.

## Anti-corruption

As core values, we are committed to always doing the right thing with integrity and to maintain the highest of business standards and moral ethics. Key to achieving this is our zero-tolerance approach to corruption and bribery – which are significant ESG risks that can undermine trust in a company and have direct impacts on its performance. We take corruption very seriously and

are committed to ensuring compliance with applicable laws and regulations (such as the Anti-Graft and Corrupt Practices Act (Republic Act No. 3019)) on anti-corruption, anti-bribery, and money laundering, among others.

Our Code of Business Conduct and Ethics (the “Code of Conduct”) provides a framework for all of the FLI’s operations and sets out standards of behavior for all employees, including day-to-day business conduct and customer service interactions. It is essentially a code of honor that every employee of the Filinvest group is expected to live by. It embodies norms of conduct within our operations and defines behavior consistent with the group’s standards for excellence, honesty, and integrity.

While this Code also outlines the processes and guidelines for the fair, uniform, impartial, open-minded, and prudent handling of infractions, it is hoped that these processes will not be resorted to if each and every employee live up to the vision, mission and values of the company. When there are changes to the Code, the Human Resources department will issue new guidelines or update our policies, then circulate the files to each department. Implementation of the Code of Conduct’s guidance on anti-bribery and anti-corruption is supported by our Whistle-Blowing Policy.

Our anti-corruption efforts are also supported by several strictly enforced policies, including our Conflict of Interest Policy, Insider Trading Policy, and Related Party Transactions Policy. We also adhere to standards of conduct that prevent or regulate the offer or receipt of gifts or other advantages that may induce dishonest, improper, or illegal conduct, or which may create an actual or potential conflict of interest. In 2020, to avoid any misunderstandings or any impressions of even a potential conflict of interest or favoritism (as outlined in our Code of Ethical Business Practices), we instituted a No Gift Policy for all our dealers, suppliers, and service providers – mandating they refrain from giving any gifts in whatever form to any of our employees.

In 2020, no incidents of fraud or misconduct that have a significant effect on the Company’s financial statements and overall operations were reported by employees, shareholders, or other stakeholders, and no Directors or employees were removed or disciplined for corruption. In coming years, we will enhance our employee development and training to include specific anti-corruption topics.

For more information on these policies and our Corporate Governance practices, please refer to [our Annual Corporate Governance Report](#).

## Our People

### Employee Wellbeing is our Priority

Becoming a trusted placemaker and creating environs that inspire and enhance a happy life starts with a great team. Our 1,262-strong team of talented, dedicated, and creative employees is what helps us to succeed.

At FLI, we believe that when people work in an environment that prioritizes their safety and offers rewarding career paths, productivity increases, creativity flourishes, and wellbeing improves. As such, we are constantly cultivating an environment where our 'Dream Builders' can be healthy, engaged, and productive.

In coming years, motivated by the SEC's sustainability reporting requirements, we seek to foster a working environment that supports everyone on our team, nurtures their talent, and provides opportunities to grow. We recognize a need to further assess ESG-related risks and opportunities as related to our team management and will survey opportunities to improve learning and development, employee engagement, workplace culture and work-life balance, operational transparency, and hiring practices where feasible.

### An Amazing Team During Challenging Times

Without the tireless dedication of our team, fulfilling our day-to-day operations in 2020 would not have been possible. At the onset of the COVID-19 pandemic, we quickly created a business continuity plan with ad hoc groups and committees to help us prepare for the worst:

- The **Work from Home / Work Shift Schedule Group** ensured that our critical business functions were sustained even during lockdown. They established and adjusted schedules to adapt to the quarantine restrictions – while making sure that FLI complies with the national guidelines. They took care of productivity tools of every employee – whether working from home, part of the skeletal workforce, or at alternative offices, in collaboration with **the IT Support Group**.
- The **IT Support Group** enabled access and connectivity to nearly 300 staff during the height of the lockdown. They provided logistics support and prompt assistance to vital employees who needed their PC equipment delivered to their homes. For those with unstable connections, the team supplied WIFI sticks. They were on-call 24/7 with skeleton crews in key offices manning the hardware and ready to troubleshoot any system, server, or user issue.
- Primed with foresight on financial movements, the **Cash Flow Group** deftly calibrated plans and the budget to be responsive to the economic impact of the pandemic.
- Members of the **Payables Group**, faced with limited personnel mobility and huge logistical challenges, continued to go to the office to enable continuous and seamless vendor payments. Even during the strictest of lockdowns in mid-March, they made sure that our contractors and vendors still got paid, following the management's Food in-Stomach mandate.

When restrictions eased and we slowly started to allow more Dream Builders to work in our offices, more committees became active, such as:

- The **Social Distancing Group** ensured that FLI complies with national social distancing policies by implementing revised floor plans of our offices, adjusting workstations, as well as rewiring the power supply and the Voice/Data networks. Even today, they continue to oversee the traffic flow in our offices so we can enjoy a truly safe workplace.
- Another team that arranged a healthy workplace for us is the **Sanitation Group**. Since sanitation has become more crucial to our well-being now more than ever, this team ensures that everyone follows the safety guidelines in our offices using science-backed and government-compliant policies on general sanitation. They posted reminders and cues in key areas, set up sanitation stations, distributed sanitation kits to employees, led weekly deep cleaning in our offices, and made sure that we are compliant with the indoor air quality standards of DOLE.
- The **Med Help Group** helped minimize the risk of our offices becoming a transmission hotspot. Their solid plans and timely responses ensured that our business remained operational during the early outbreak. They oversaw the safety and welfare of all employees by facilitating testing, coordinating with medical service providers, creating surveys to assess every Dream Builders' health and living conditions, and monitoring contact tracing. They conducted rapid testing for all employees on their first day of returning to the office.
- The **Commute Support Group** has made our daily commutes safer and more convenient. They launched and operated Filinvest's first app-enhanced employee shuttle service and helped us navigate through various roadblocks in the early days of the lockdown. For 20 weeks, they facilitated around 2,300 vehicle trips, which logged in more than 7,500 passenger rides.
- The **B2B Construction Group** was responsible for developing the Filinvest COVID-19 Protocol or Manual for the Back-to-Business in Construction. The group ensures that our project sites conform to shifting policies of various government agencies and local government units. They have also crafted exhaustive checklists, guidelines, and dashboards to help our construction activities flow smoothly in the new normal.
- Keeping us up-to-date on everything, the **Internal and External Communications Group** has spearheaded the gathering of real-time details on COVID-19, the creation of infographics, videos, and announcements, and the timely dissemination of information to FLI employees nationwide. While keeping us informed, they also rolled out communication campaigns to touch base with our customers, homeowners, and other external stakeholders, as well as to drumbeat our CSR projects in the time of the pandemic.

## In the Workplace

At FLI, our team of 'Dream Builders' has created a culture of willingness to take initiative, open-mindedness, ability to work as a team, and passion for continuous learning and improvement.



This passion and vision is what has kept us in business for over 50 years and is the same passion that drives us today.

## Our Diverse Workforce

Diversity in the property development sector is a challenge all around the world. At FLI, we believe in hiring and supporting people from diverse backgrounds so that we can incorporate more perspectives, approach problems differently, and develop the most innovative communities for our customers.

Despite international underrepresentation of women in our industry, we have a demonstrably high proportion of women among our staff - comprising 59% of our workforce, which showcases our commitment to gender diversity and fair hiring practices.

Non-executive employees by gender	1,205	100.00%
Female	734	60.91%
Male	471	39.09%

## Hiring and Benefits

We have set company-wide requirements and expectations through our Employee Handbook and various Human Resources policies to ensure that all aspects of employment, including fair hiring practices, compensation and dismissal, working hours, rest periods, anti-discrimination, and employee welfare, meet or exceed local legal requirements.

When it comes to hiring practices, it is our preference to promote from within before expanding our search outside the company. This lends itself to fostering a workplace culture in which strong bonds are formed between individuals with a keen awareness of our business and customer needs. As such, most new vacancies are filled initially by promotions and transfers from within the organization.

All full-time employees are eligible for our benefits package, which includes medical care, group life and accident insurance, and retirement benefits. In addition, we provide the paid leave for vacation, illness, maternity and paternity, change of civil status, birthday, bereavement and calamity leave, a car financing program, and a housing assistance plan.

We also offer Health Maintenance Organization (HMO) coverage for all regular employees, a loan fund for regular employees including an emergency loan to aid in the hospitalization of an employee or their family members or for immediate repair of an employee's home after a natural disaster or fire, as well as an educational loan to cover tuition fees for employees or their dependents.

## Training and Development

We believe that cultivating a highly-skilled workforce and supporting employees' long-term career goals is an integral part of sustaining our social and economic success. We achieve this by encouraging employees to continually upgrade their professional skillsets through a range of training, practical workshops, and mentorship programs. Overseen by our Learning and Development Team, in-house training is conducted regularly.

To develop the highest level of skill among employees and enhance personal and professional growth, we periodically assess the training needs of each employee. We also recognize employees with 10, 15, 20, 25, 30 years of service to celebrate the appreciation of their hard work and dedication.

In 2020, we provided nearly 6,000 training hours to 1,846 participants. Notable training included:

PROGRAM	DESCRIPTION
New Employee Orientation	A 2-day orientation for new employees designed to introduce to them the company, its vision, mission and core values, and equip them with the fundamental knowledge needed to perform their tasks.
Strategic Planning and Thinking	A three-hour course designed to help our employees understand the importance of thinking strategically in business and apply the tools to come up with successful strategies to meet their individual and group goals.
LEAD Program: What Makes a Filinvest Leader?	A series of courses launching the official Leadership Program of Filinvest entitled Filinvest LEAD (Leadership Excellence Accelerated Development) Program. The courses define what we consider to be the Core Competencies of a Filinvest Leader based on our company values and help us assess the competency levels of potential leaders.
How to Cope with Change: Making Sense of the "New Normal"	A series of 2-hour training sessions designed to support employees as they learn to cope with change and make sense of the new normal after the pandemic. Participants learn tips and exercises to manage their mental health and emotions during the pandemic.
SAVE Team Program Training	Technical training provided for staff in customer-facing positions about the different options and offerings we can provide to clients in compliance with the Bayanihan Heal as One Act.
Bits and Bytes - Customer Engagement in the Time of Pandemic	Part of the Digital Transformation Program, this course is designed to share insights on the shifts in customers' priorities and mindsets during stressful times, such as a pandemic.

The Future of Work in the New Normal	A short course highlighting in-demand skills and teaching how to develop these new skills and adapt to the future of work.
Change at Play: Engaging Millennials in a Rapidly Transforming World	A soft-skills behavioral training on how to engage well with millennials as they make up the majority of our customers.
A2E – COVID Response Edition	A comprehensive Ability to Execute (A2E) training for all Filinvest group top management, facilitated by McKinsey, on leadership approaches during a pandemic.

#### Employees Trained by gender and employment category

Employee breakdown by contract type	FLI-Resident	FLI-Office	FLI-Retail	SUM
<b>Total employees</b>	<b>1037</b>	<b>31</b>	<b>200</b>	<b>1268</b>
Executive	49	3	5	57
Manager	198	7	30	235
Supervisor	209	6	42	257
Rank and File	581	15	123	719

#### Average training hours provided to employees (by male/female)

2020			2019		
Total Average	Male	Female	Total Average	Male	Female
8.13	7.34	8.92	10.	10.95	11.04

Beyond training, all regular employees take part in an annual performance evaluation.

### Health, Safety and Wellbeing

From the ground up, our developments prioritize the health and safety of everyone who uses them, and that starts with the health and safety of our team. We value the health and wellbeing of our team members and are committed to providing all employees with a safe, secure, and healthy working environment.

The challenges experienced in 2020 put all our years of safety planning and preparedness to the test. However, our thorough set of policies and programs to uphold the occupational health and safety (OHS) of our employees – including our Safety Policy, Accident Prevention Program, OHS Program, Security, Environment, Health and Safety Policy, Code of Safe Practices, and injury and illness prevention programs enabled timely and standard-setting responses to the COVID-19 pandemic as well as the many natural disasters that affected us throughout the year.

In 2020, we had zero reportable incidents and maintained an accident frequency rate of zero. We also achieved 2,391,701 Safe Man-Hours worked without a serious work-related injury on

all large-scale projects. Our consistently low accident frequency rate is a testament to the hard work and dedication of our teams and the high standards we deliver across all of our projects.

## Employee Engagement

Every year we host an array of programs aimed at training and keeping employees engaged. With a focus on further developing the leadership skills of supervisors and managers, we provide coaching, behavioral interviewing, problem-solving, and decision-making seminars, and workshops. We believe these activities not only contribute to employee overall wellbeing, but they also create stronger connections between employees and increase employee satisfaction and productivity.

Our hybrid work setup in 2020 challenged us to get more creative with our engagement programs. Throughout the year we hosted an array of virtual activities:

- Our first virtual engagement activity held in October was a 'Mask-O-Lantern' party where we hosted a face mask and face shield decorating contest, which was attended by nine team members from various divisions and departments.
- 105 employees joined the first MS Teams Live Event we hosted to celebrate Halloween.
- Many prizes from various virtual activities were donated by winners to other employees affected by the typhoons.
- Nearly 700 employees took part in a virtual holiday party where we delivered packed food to employees and bestowed loyalty awards to exemplary team members, as detailed in the Spotlight below.

### Spotlight: Showing gratitude for each other

2020 taught us to be more appreciative of the things that we have. This was made the theme of our year-end activity – **An Afternoon of Thanksgiving and Appreciation**. Attended by almost 700 employees from FDC and FLI, our biggest virtual activity of the year was held online where we recapped the events of the year and heard stories of hope from our fellow Dream Builders and Executives.

We heard testimonies from our employees who were displaced by the recent typhoons and how they were able to cope with the help of the Company and their colleagues.

We heard stories of hope as our COVID-19 survivors shared how they battled sickness and depression and their journeys to recovery.

To show our appreciation for one another, 87 service awards were distributed to those who showed real dedication to FLI over the course of the year.

It was certainly different from our past year-end celebrations, but it was a simple yet memorable one.

## Our Customers

FLI is proud to offer differentiated and forward-thinking solutions to our customers, as we seek to maximize the positive impact we can have in every community that we create. We achieve this by conducting our business with integrity and keeping our standards high – all to better serve and retain our customer base. To ensure service quality we are guided by a suite of policies and procedures, which cover service quality improvement processes, customer satisfaction surveys and complaints, and more.

Motivated by the SEC's sustainability reporting requirements, in coming years, we aim to improve our understanding of the impact our operations have on our customers. We will also assess ESG related risks and opportunities as related to the relationships and impacts we have with our customers.

### Customer Satisfaction

Abiding by one of our core values of 'Customer Service', we seek to achieve quality excellence by thoroughly understanding the needs of customers and consistently surpassing their expectations. We believe that there is always room for improvement when it comes to improving customer health and safety, promoting responsible marketing, and keeping the information of our customers secure.

This commitment to provide excellent properties and services to our customers is achieved by taking responsibility for everything we create, and strictly following regulatory requirements, industry guidelines and internal procedures.

To better understand the needs of our customers and collect feedback regarding service and product quality, a wide array of communication channels is in place, e.g. customer satisfaction surveys. The surveys measure how our products and services meet or surpass customer expectations. If a customer is not satisfied, our Handling of High-Level Complaints Manual guides our Customer Care- Customer Fulfilment team on how to best find a resolution.

During the reporting period, the consolidated annual rating from Office Tenants Satisfaction Survey results for 2020 at our Cyberzone Properties was 3.24 out of 4, which is within our target. We also saw a reduction in substantiated complaints which were resolved promptly with rectification procedures - only received 5, a decrease by 96% from 2019.

### Protecting Privacy

FLI is committed to ensuring that all personal data that we possess, whether that of our employees, vendors, or customers, is handled correctly throughout its entire lifecycle. We do our utmost to respect and protect the privacy of individuals and keep personal information secure by complying with applicable data protection, privacy and information security laws and

regulations, namely the Republic Act No. 10173 or the Data Privacy Act of 2012, its Implementing Rules and Regulations and other issuances of the National Privacy Commission.

Our Privacy Policy, which is available on the company [website](#), describes our approach to the necessary collection, use, disclosure and safeguarding of personal information for business-related purposes. We respond to reasonable requests to review personal information collected by us and to correct any inaccuracies, amend or delete any entry per customer privacy rights under the Data Privacy Act of 2012. During the reporting period, there were no data breaches, leaks, thefts, or losses of data.

In addition, being mindful of the risks posed by the rapidly evolving digital environment, our proactive training programs reinforce our commitment to respect and embed privacy into our business practices and culture. Regular communications and outreach are provided from senior management, focused on practical examples of how employees can implement privacy and security compliance in their daily work. We also educate and empower our customers to be more risk-aware and to provide them with the requisite skills and know-how to avoid fraud, scams, and cybercrimes when using our products and services.

## Our Environmental Impact

As one of the largest property development firms in the Philippines, we recognize our responsibility in minimizing the negative environmental impacts in the built environment through both the services we provide to our clients and our own operations.

With a mission to respect and protect the environment, our environmental stewardship and sustainable building practices have become cornerstones to our success. From enhancing air quality and public safety to reducing emissions and water usage, we are committed to making our developments the best possible spaces for everyone who uses them. We recognize that since our acquisitions, divestments, and development activity within a given year can significantly impact our environmental performance, we are committed to implementing environmentally sustainable best practices for our operations and to assist our tenants in their efforts to address their environmental concerns.

To address growing stakeholder demands for transparency as well as increasingly stringent environmental reporting requirements, FLI is working to further develop and strengthen a systematic approach to data collection to enable us to better identify, disclose and manage our environmental impacts. We are also exploring innovative opportunities to address air quality, energy efficiency, and waste diversion.

## Environmental Compliance

We do our best to comply with all applicable local environmental laws and regulations. Should any violations occur, the root cause is immediately assessed, reported, and addressed.

Applicable to all FLI projects, our Environmental Compliance Policy outlines our approach to managing and preventing pollution while preserving natural resources in compliance with relevant local and national environmental laws and regulations. Approved by our President and CEO, the policy mandates compliance to local environmental laws and regulations (such as DENR and the National Building Code of the Philippines), environmental impact planning, and measures to mitigate the potentially negative aspects of a new building or community development project - for both the pre-construction and construction/operations phases. The Policy also mandates that with any new project, we establish the following :

- social development program to offer training and hiring of residents
- solid waste management program
- education and communications campaign that supports local institutions and schools

In 2020, no disputes arose for non-compliance with environmental laws and/or regulations. We did however have to pay ₱211,093.75 as a monetary fine as DENR implemented higher parameters for water quality monitoring testing in 2020 and our Cyberzone Bay City development tested with higher results than the regulatory parameters allow (under the DENR Administrative Order 2016-08 for Water Quality Guidelines and General Effluents Standards).

We recognize the need to improve our performance on this topic, particularly when it comes to managing coliform and oil. We have since put in place a monitoring system for all buildings to ensure that we comply with environmental standards at all times.

## Sustainable Building Practices

We are committed to building sustainable environments that are carefully designed, well-managed, and that save energy and reduce waste. We are also constantly exploring innovative design and construction technologies that keep us at the forefront of the industry.

Sustainable practices have been increasingly integrated into our developments for years. Just one indicator of this is our consistent achievement in attaining LEED building certifications for a number of our developments. In addition to the three buildings that already have attained LEED certification - Axis Tower One, Axis Tower Two and Vector Three all located in Northgate Cyberzone, in 2020, we are in the process of attaining:

### *Green Building Per-Certifications*

DEVELOPMENT	PRE- CERTIFICATION AWARDED
Axis Tower Four	LEEDv3 for Core and Shell - In progress
Axis Tower Three	LEEDv3 for Core and Shell - In progress
Activa - Mixed-Use	LEEDv3 Gold for Core and Shell – In progress
IT Park - Building 1	LEEDv3 Gold for Core and Shell – In progress
IT Park - Building 2	LEEDv3 for Core and Shell - In progress
One Filinvest	LEEDv3 for Core and Shell - In progress

### Spotlight: Filinvest City – built for sustainable lifestyles

While many developers are planning a single building or small neighborhood projects, a select number of companies like Filinvest are already delivering future-forward developments. Just walking around the nine districts of Filinvest City, one can discover what we at FLI consider the future of placemaking. It is a neighborhood that was designed to not only be resilient against whatever the future may bring but also a space where whole communities can thrive.

Filinvest City was designed to promote sustainable living and balancing the needs of the community with the environment. We spent years carefully crafting and building Filinvest City because we recognize that people want their communities to feature more natural green spaces for relaxation and exercise, walkable streets filled with small businesses and restaurants, easily accessible and non-polluting public transportation, energy, and water efficiency, and to be part of a community with health and wellness benefits.



This desire perfectly aligns with our corporate mission as well as the stringent design and building standards of the LEED certification process. We are delighted to have attained the LEEDv4 for Neighborhood Development (LEEDv4 ND) certification and for Filinvest City to become the largest LEEDv4 ND certified development in the Philippines and among the largest LEEDv4 ND developments in all of Southeast Asia.

The 244-hectare (603-acre) mixed-use development embodies the principles of smart growth, new urbanization, and green buildings to its neighborhood design. Key sustainable benefits and features throughout Filinvest City are hidden in plain sight. This includes:

- Open and recreational spaces
- Live-work-play environment for residents and workers
- A fleet of electric shuttle buses to serve the community
- Low-flow plumbing fixtures in all buildings and future buildings
- All building roofs use reflective materials to reduce heat island effect
- Design adjustments to improve access and usability for persons with disabilities

Filinvest City was also praised as the Best Mixed-Use Development at the Asia Pacific Property Awards in recognition of our integration of the newest best practices for urban planning and for our commitment to becoming a premier, sustainable and human-centered business district.

The scope and size of Filinvest City have raised the bar for future developments in the Philippines and throughout the Asia-Pacific Region – just as we planned all along.

Learn more about Filinvest City in the [FDC/FAI report](#).

## Environmental Stewardship

Our approach to measuring and monitoring how we manage resources starts with projects adhering to our Environmental Compliance Policy and continues throughout the lifecycle of the construction and operations phases. By adhering to this Policy, we have implemented concrete measures and initiatives in energy conservation, waste reduction, pollution prevention, and conducted periodic monitoring and reviews of relevant key performance indicators to protect the environment wherever we operate.

In 2020, with the onset of COVID-19 and in response to several natural disasters, much of our regular environmental impacts have decreased. We spent fewer days on worksites, used fewer materials, and created less waste - and while several of our projects have been delayed, we resumed regular construction when restrictions were lifted and the country slowly transitioned to general quarantine.

## Energy and GHG Emissions

Promoting energy efficiency and energy saving is critical to continuously reducing our carbon footprint. We consistently seek ways to enhance the energy efficiency of our projects while reducing our carbon emissions, wherever possible.

As mandated in our Environmental Compliance Policy, and to comply with the emissions standards of DAO 14 (Revised Air Quality Standards of 1992), we do our utmost to ensure that all emissions during the construction phase remain below the allowed parameters. All dust emissions are controlled by periodically watering roads during the dry season and delivery and transport trucks carrying filling materials are covered.

In 2020, our direct Scope 1 carbon emissions across FLI dropped by 59% to 1,489 tCO<sub>2</sub>e. This is largely due to a decrease in operations and usage during COVID-19 lockdowns. Based on a like-for-like comparison to our 2019 portfolio, overall energy consumption across our portfolio fell by 18.43%.

Energy consumption by fuel type	2020	2019	% YOY
Renewable sources (Kwh)	92.00	0.00	
Gasoline (L)	134,994.56	165,495.15	-18.43%
Diesel (L)	453,299.98	590,570.51	-23.24%
Electricity (Kwh)	133,332,336.90	192,551,750.00	-30.76%

Air emissions (in CO <sub>2</sub> e)	2020	2019	%YOY
Direct (Scope 1) GHG Emissions	1,489.00	3,689.56	-59.64%
Energy indirect (Scope 2) GHG Emissions	94,960.00	115,800.29	-18.00%

## Water

We manage water and wastewater as responsibly as we can both during the construction of our developments and for our established communities. We mainly use municipally supplied water and our Environmental Compliance Policy and local water and effluents standards keep us motivated to always seek out water-saving opportunities. All deepwater wells that we build are subject to primary water treatment and any effluent discharges must meet the Effluents Standards under DAO 35 (Revised Effluent Regulations of 1990) and DAO 34 (Revised Water Quality Criteria). We also ensure that residential units and other amenities are not built along active natural waterways and no construction or development is undertaken immediately next to rivers or streams in efforts to avoid erosion and unintended siltation of water bodies. Any temporary ditches or canals are lined with silt raps to minimize sedimentation/siltation of nearby tributary rivers and are removed after construction is completed.

In 2020, we consumed 679,571.51 cubic meters of water and withdrew 2,220,117.99 cubic meters. We recycled and reused 70,627 cubic meters of wastewater as well. Our total water use decreased by 86% from 2019.

Water consumption (in cubic meters)	2020	2019	% YOY
Water withdrawal (Cubic meters)	2,220,117.99	5,132,064.12	-56.74%
Water consumption (Cubic meters)	679,571.51	5,132,064.12	-86.76%
Water recycled and reused (Cubic meters)	70,627.00	--	--

## Materials

Sustainable buildings start with great design and all of our projects have been designed with sustainable features, including healthy, environmentally-considerate materials.

In 2020, our projects required the use of 5,570,577.91 tonnes of rebar and 12,344,524.76 tonnes of cement. This overall 10,587% increase can be attributed to the broader set of data that we are disclosing for 2020.

Material used (in kg)	2020	2019	%YOY
Material used by weight or volume	17,915,102.67	167,633.57	10587.06%
Non-renewable - Cement	12,344,524.76	137,860.38	8854.37%
Non-renewable - Rebars	5,570,577.91	29,773.19	18610.05%
Percentage of recycled input materials used to manufacture the organization's primary products and services	0.00%	0.00%	--

## Waste

Most of the waste directly generated by our business comes from the construction of our development projects. Our Environmental Compliance Policy outlines that all solid waste be properly collected and disposed of in designated disposal sites in accordance with the project site's Solid Waste Management Plan.

Also, the proper handling, collection, and disposal of toxic and/or hazardous substances are fulfilled in accordance with the provisions of RA 6969 (Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990) and proper permits are secured from DENR accordingly.

In 2020, across our portfolio, we generated 20,892.67 tonnes of waste, a decrease of 86% compared to 2019. Despite an overall decrease in waste, compared to 2019 our rate of reusable waste increased by 467%, recyclable waste increased by 51,875%, and composted waste increased by 3,036%. This is all mainly due to an increased scope in data collected and reported for 2020.

Solid waste generated (in Tonnes)	2020	2019	%YOY
Total solid waste generated	158,536.38	20,892.67	-86.82%
Reusable	5.86	33.21	466.72%

Recyclable	33.32	17,317.90	51874.49%
Composted	16.20	507.96	3035.56%
Residuals/landfilled	158,481.00	3,033.60	-98.09%

Hazardous waste (in kg)	2020	2019	%YOY
Total weight of hazardous waste generated	26,865.88	2,000.00	1243.29%
Total weight of hazardous waste transported	7,919.46	2,000.00	295.97%

## Ecosystems and Biodiversity

Protecting and enhancing our natural capital has always been a key priority for us. As a major developer across 19 provinces and 53 towns, we believe we have a responsibility to create spaces that help native plant and animal species thrive.

Our Environmental Compliance Policy outlines our approach to preservation methods, such as ensuring that all existing endemic wildlife species in a development area shall be protected by FLI, including their habitats. It also includes a clause that an Environmental Guarantee Fund shall be set up for every FLI project for rehabilitation and restoration activities of affected areas, as well as stipulating compensation of damages and assistance to affected parties should irreparable damages occur.

We have also made a rule for ourselves that for every tree cut for a development project, it be replaced with another tree or similar greenery.

### Spotlight: Prioritizing Indoor Air Quality

We understand the importance of taking tangible steps to improve air quality on our developments and beyond – especially in light of the COVID-19 pandemic.

In 2020 we engaged a third-party contractor to conduct a study on the air quality of our offices, to not only improve our compliance with OSH Standards from DOLE under Rule 1070 (Occupational Health & Environmental Control) but to help ensure that everyone who comes through our doors can enjoy clean and healthy air.

Based on the findings of the study:

- The property utilities team conducts thorough deep cleaning of the office spaces and common areas, including all office rooms, working stations, and parking spaces every week
- Clean fresh air is supplied to enclosed workplaces at an average rate of not less than 20 to 40 cubic meters (700 to 1,400 cu. ft.) an hour per employee
- Air purification treatment, such as nano-anti-microbial coating, is undertaken in strategic areas including the executive area, the lobby, and the canteen.

## Our Suppliers

### Helping the economy by creating jobs and supporting local suppliers

Through our purchasing and partnerships, we support numerous local enterprises and supply chains which in turn support the local market. We recognize that the way we purchase materials plays a huge part in our local economic impact as a business. As such, we are committed to adhering to the ideal of transparency in our supply chain decisions, and our sourcing and procurement efforts aim to shape a value chain that positively influences the market and encourages sustainability.

We mainly achieve this by adhering to our Supplier Accreditation Program, which was established in 2015 and is overseen by our Purchasing Department. The program outlines ways we can maintain quality management by checking for various ISO, DENR, and OSHA certifications or programs in place (such as ISO 9000/9002 and 14000 or equivalent environment programs) and by requesting data on the sources of raw materials (percentage of local/international) from suppliers. Regular reviews or assessments are also conducted to ensure our supply chain partners comply with local laws and our requirements. We also have a Sourcing and Supplier Accreditation Process in place which guides sourcing, accreditation, evaluation and blacklisting of suppliers, service providers, contractors, and vendors. The Sourcing and Accreditation Team is responsible for ensuring that the process is followed for proper supplier vetting.

For our property development operations, we depend on inputs from multiple suppliers and service providers, and we take it upon ourselves to facilitate ESG considerations throughout this value chain. When vetting new suppliers, we consider a range of ESG-related topics such as the supplier's environmental performance and their mechanisms to ensure that bribery and corruption do not occur in their company or in relation to ours.

In 2020, of our 1,338 suppliers, 94.39% were Philippines-based companies, with the rest coming from other areas of Asia. Throughout 2020, because of COVID-19-related restrictions, we experienced great difficulty in procuring a steady stream of supplies as many of our local suppliers were forced to shut down operations entirely in response to local lockdown mandates. In response to this, we were compelled to search for new suppliers from across Asia to help fulfill our procurement needs. We brought on 31 new suppliers in 2020 from 11 from Non-Asian countries. 20 are foreign-owned and 11 are multinational companies.

We also experienced issues with processing payments for several suppliers and vendors who normally rely on in-person transactions. Though our e-settlement service - a payment system operated through our sister company East West Bank (EWB) - has been available to vendors since 2017, not all suppliers have made use of the service. However, given movement restrictions for the pandemic, it became the best available system that allowed vendors to be

assured of their collections from us without face-to-face interaction. Via this system, payments are directly credited to a vendor's EWB account. As a consideration to vendors during the Enhanced Community Quarantine, we went the extra mile by processing manual direct credit and/or deposit checks directly to vendors' bank accounts, even for those without an EWB account. EWB also expanded their services by lowering the required opening amount and maintaining balance. Given the ease of the operating system for EWB members, an additional 122 vendors and suppliers opted to open EWB accounts in 2020.

## Our Communities

We believe that everyone should benefit from our developments, which is why we have been committed to working closely with community groups since we first started building. This longstanding commitment to giving back to the communities where we build as well as those nearby is driven by our desire to make a positive impact on our communities and to contribute to their long-term prosperity.

In 2020, our support focused on recovery efforts from the Taal volcano eruption and the Rolly and Ulysses typhoons, as well as relief efforts for COVID-19. Throughout the year, we contributed to several local charities and non-governmental organizations. We also worked with our partners and numerous other stakeholders to support local causes and help provide relief wherever we could.

We also encouraged our employees to participate in volunteer and community service programs, while observing social distancing measure. In 2020, 355 employees participated in several community engagement events across the Philippines, raised over P 351,000, and dedicated 87 volunteer hours.

In coming years, we aim to improve our understanding of the impact our operations have on local communities, particularly indigenous peoples and vulnerable members of our society. We will map out both mitigating and enhancement measures based on our findings and will also assess ESG-related risks and opportunities regarding the relationships and impacts we have on the communities in which we operate.

# Appendices

## List of Operations

The following are the most recently launched projects and projects with new phases and buildings:

### Current Residential Development Projects

PROJECT	LOCATION
8 Spatial	Davao
Activa	Quezon City
Alta Spatial	Valenzuela City
Amarilyo Crest	Rizal
Anila Park Residences	Rizal
Aria at Serra Monte	Rizal
Bali Oasis	Pasig
Belize	Muntinlupa
Centro Spatial	Davao
Centro Spatial	Manila
Claremont Expansion	Pampanga
Enclave	Muntinlupa
Futura East	Cainta
Futura Homes Davao	Davao
Futura Homes Iloilo	Iloilo
Futura Homes Koronadal	South Cotabato
Futura Homes Mactan	Cebu
Futura Homes Palm Estates	Bacolod
Futura Mira	Calamba
Futura Plains	Rizal
Futura Zamboanga	Zamboanga
Hampton Orchard	Pampanga
Levels	Alabang
Maldives Oasis	Davao
Marina Spatial	Dumaguete
Maui Oasis	Manila
Meridian Place	Cavite
Mira Valley	Rizal
New Fields at Manna	Rizal
New Leaf	Cavite
One Oasis Cagayan de Oro	Cagayan de Oro
One Oasis Cebu	Cebu
One Spatial	Pasig
One Spatial Iloilo	Iloilo
Panglao Oasis	Taguig
Pineview	Cavite
San Remo	Cebu
Sandia	Batangas
Savannah Place	Cavite



Sorrento Oasis	Pasig
Southwinds	Laguna
Studio City	Alabang
The Grove	Rizal
The Prominence	Quezon City
Tierra Vista	Bulacan
Valle Dulce	Laguna
Ventura Real	Rizal
Veranda	Davao

### Office Sites

BUILDING	LOCATION
Plaza A	Northgate Cyberzone, Alabang
Plaza B	Northgate Cyberzone, Alabang
Plaza C	Northgate Cyberzone, Alabang
Plaza D	Northgate Cyberzone, Alabang
Plaza E	Northgate Cyberzone, Alabang
IT School	Northgate Cyberzone, Alabang
Capital One	Northgate Cyberzone, Alabang
CVG (Convergys Bldg)	Northgate Cyberzone, Alabang
5132 Building	Northgate Cyberzone, Alabang
iHub1	Northgate Cyberzone, Alabang
1Hub2	Northgate Cyberzone, Alabang
Filinvest One	Northgate Cyberzone, Alabang
Filinvest Two	Northgate Cyberzone, Alabang
Filinvest Three	Northgate Cyberzone, Alabang
Vector One	Northgate Cyberzone, Alabang
Vector Two	Northgate Cyberzone, Alabang
Vector 3	Northgate Cyberzone, Alabang
Axis Tower One	Northgate Cyberzone, Alabang
Axis Tower Two	Northgate Cyberzone, Alabang
FLI Edsa	EDSA Wackwack
Cebu Tower 1	Cebu
Cebu Tower 2	Cebu
PB Comm	Makati
Pasay Cyberzone B	Pasay
Pasay Cyberzone C	Pasay
Pasay Cyberzone A	Pasay
Pasay Cyberzone D	Pasay
100 West	Makati
Clark Mimosa 1	Clark, Pampanga
Clark Mimosa 2	Clark, Pampanga

### Complete List of Mid-Rise Buildings

Project Name	Location
<b>Metro Manila/ Luzon</b>	
Asiana Oasis	Paranaque City
Bali Oasis	Pasig City

Bali Oasis 2	Pasig City
Capri Oasis	Pasig City
Fora	Tagaytay
Fortune Hill	San Juan City
Futura East	Cainta, Rizal
Maui Oasis	Sta. Mesa, Manila
One Oasis Ortigas	Pasig City
One Spatial	Pasig City
Panglao Oasis	Taguig
Sorrento Oasis	Pasig City
The Signature	Balintawak, Quezon City
Verde Spatial	Quezon City
Alta Spatial	Valenzuela City
Centro Spatial	Manila
Belize Oasis	Muntinlupa
<b>Visayas</b>	
Amalfi Oasis	City di Mare, Cebu
Marina Spatial	Dumaguete
One Oasis Cebu	Mabolo, Cebu City
One Spatial Iloilo	Iloilo
San Remo Oasis	City di Mare, Cebu
Umi Garden	City di Mare, Cebu
<b>Mindanao</b>	
Centro Spatial	Davao City
Eight Spatial	Maa, Davao
One Oasis Cagayan de Oro	Cagayan de Oro
One Oasis Davao	Davao City
Veranda Resort Condos	Davao
Maldives Aspire	Davao

### **Retail Sites**

Festival Mall - Alabang

Fora Mall - Tagaytay

Il Corso Mall - Cebu

Main Square - Molino, Bacoar, Cavite

Brentville – Laguna

### **Townships and estate**

Filinvest Mimosa plus

New Clark City

City di Mare

Havila

Timberland Heights

Ciudad de Calamba

## Performance Metrics

A. Economic disclosures		2020	2019
Economic Performance			
Direct Economic Value Generated and Distributed		Total (in PHP)	Total (in PHP)
	Direct economic value generated (Revenue)	17,484,646,000	25,673,310,000
	Direct economic value distributed*	24,250,774,000	24,318,614,000
Procurement Practices			
Proportion of Spending on Local Suppliers			%
	Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	94.39%	98.81%
Anti-Corruption			
Training on Anti-Corruption Policies and Procedures			%
	Percentage of employees who have received written communication about corporate anti-corruption policies and procedures	0%	0%
	Percentage of business partners who have received written communication about corporate anti-corruption policies and procedures	0%	0%
	Percentage of directors and management who have received anti-corruption training	100%	80%
	Percentage of employees who have received anti-corruption training	0%	0%
Incidents of Corruption			Number
	Number of incidents in which directors were removed or disciplined for corruption	0	0
	Number of incidents in which employees were dismissed or disciplined for corruption	0	0
	Number of incidents when contracts with business partners were terminated due to corruption	0	0

\*Does not include principal debt payments.

B. Environment Disclosures		2020	2019
Resource Management	Unit	Amount	Amount
Energy consumption within the organization and Reduction of Energy Consumption			
Energy consumption - by fuel type - Gasoline	Liters	134,994.56	165,495.15
Energy consumption - by fuel type - Diesel	Liters	453,299.98	590,570.51
Energy consumption - by fuel type - Electricity	kwh	133,332,336.90	192,551,750
Energy reduction - by fuel type - Gasoline	Liters	33,345.59	-
Energy reduction - by fuel type - Diesel	Liters	187,913.30	-
Energy reduction - by fuel type - Electricity	kwh	55,297,317.00	-

	Water consumption within the organization			
	Water consumption within the organization	CBM	1,540,546.48	5,132,064.12
	Water withdrawal		2,220,117.99	-
	Water discharged		679,571.51	5,132,064.12
	Water recycled and reused		70,627.00	-
	Materials Used by the Organization			
	Materials used by weight or volume - rebar	kg	5,570,577.91	29,773.19
	Materials used by weight or volume - cement	Kg	12,344,524.76	137,860.38
	Percentage of recycled input materials used to manufacture the organization's primary products and services	%	0%	0%
	Ecosystems and Biodiversity			
	Operational sites owned, leased in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		-	-
	Habitats protected or restored		-	-
	IUCN Red List species and national conservation list species with habitats in areas affected by operations		-	-
	Environmental Impact Management			
	Air Emissions - Green House Gasses (GHG)	Unit		Amount
	Direct (Scope 1) GHG Emissions	Tonnes CO2e	1,489.00	3,689.56
	Energy indirect (Scope 2) GHG Emissions	Tonnes CO2e	94,960.00	115,800.29
	Emissions of ozone-depleting substances (ODS)			-
	Air Pollutants			
	Nitrogen oxides (NOx)	g/Ncm	12,532.15	-
	Sulfur oxides (SOx)	g/Ncm	247.00	-
	Persistent organic pollutants (POPs)	g/Ncm	0.00	-
	Volatile organic compounds (VOCs)	g/Ncm	0.00	-
	Hazardous air pollutants (HAPs)	g/Ncm	0.00	-
	Particulate matter (PM)	g/Ncm	0.00	-
	Solid Waste			
	Reusable	Tonnes	33.21	5.86
	Recyclable		17,317.90	33.32
	Composted		507.96	16.20
	Residuals/Landfilled		3,033.60	158,481
	TOTAL		20,892.67	158,536.38
	Hazardous Waste			



	Policies that explicitly disallow violations of labor laws and human rights (e.g. harassment, bullying) in the workplace	4	1
	No. of legal actions or employee grievances involving forced or child labor	0	0
	Relationship with Community	2020	2019
	Significant Impacts on Local Communities		
	For operations affecting IPs, total number of Free and Prior Informed Consent (FPIC) consultations and Certification Preconditions (CPs) secured	-- <sup>1</sup>	0
	Customer Management	2020	2019
	Customer Satisfaction		
	Customer Satisfaction Score(s)	N/A	65%
	Health and Safety		
	Number of substantiated complaints on product or service health and safety	207	0
	Number of complaints addressed	207	0
	Marketing and Labelling		
	Number of substantiated complaints on marketing and labelling	5	165
	Number of complaints addressed	5	165
	Customer Privacy		
	Number of substantiated complaints on customer privacy	0	0
	Number of complaints addressed	0	0
	Number of customers, users and account holders whose information is used for secondary purposes	0	0
	Data Security		
	No. of data breaches, including leaks, thefts and losses of data	0	0

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<sup>1</sup> Data not collected in 2020

## SEC Content Index

Disclosures		Reporting location	Remarks/ explanation
Company details			
Name of Organization		Content Index About this Section	Filinvest Land, Inc.
Location of Headquarters			Mandaluyong City, Metro Manila
Location of Operations			Philippines
Report Boundary: Legal entities included in this report			Filinvest Land, Inc.
Business Model			Property Development
Reporting Period			January 1 – December 31, 2020
Highest Ranking Person for this report		Sustainability Governance	
A. Economic disclosures		Reporting location	Remarks/ explanation
Economic Performance			
Direct Economic Value Generated and Distributed			
General Disclosures	Management Approach	--	
	The Impact and Where it Occurs	About this Section	
	Stakeholders Affected		
KPIs	Direct economic value generated (Revenue)	Performance Metrics	
	Direct economic value distributed	Performance Metrics	
Climate-Related Risks and Opportunities			
General Disclosures	Governance	--	Omitted – Data not available at time of reporting.
	Strategy		
	Risk Management		
	Metrics and Targets		
Procurement Practices			
Proportion of Spending on Local Suppliers			
General Disclosures	Management Approach	Our Suppliers	
	The Impact and Where it Occurs	About this Section	
	Stakeholders Affected		
KPI	Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	Our Suppliers Performance Metrics	
Anti-Corruption			
Training on Anti-Corruption Policies and Procedures			
General Disclosures	Management Approach	Approach to CSR – Anti-Corruption	
	The Impact and Where it Occurs	About this Section	
	Stakeholders Affected		
KPIs	Percentage of employees who have received written communication	--	

	about corporate anti-corruption policies and procedures		
	Percentage of business partners who have received written communication about corporate anti-corruption policies and procedures		
	Percentage of directors and management who have received anti-corruption training		
	Percentage of employees who have received anti-corruption training		
Incidents of Corruption			
General Disclosures	Management Approach	Approach to CSR – Anti-Corruption	
	The Impact and Where it Occurs	About this Section	
	Stakeholders Affected		
KPIs	Number of incidents in which directors were removed or disciplined for corruption	Performance Metrics	
	Number of incidents in which employees were dismissed or disciplined for corruption		
	Number of incidents when contracts with business partners were terminated due to corruption		
B. Environment Disclosures		Reporting location	Remarks/ explanation
Resource Management			
Energy consumption within the organization and Reduction of Energy Consumption			
General Disclosures	Management Approach	Our Environmental Impact	
	The Impact and Where it Occurs	About this Section	
	Stakeholders Affected		
KPIs	Energy consumption - by fuel type	Our Environmental Impact	
	Energy reduction - by fuel type	Performance Metrics	
Water consumption within the organization			
General Disclosures	Management Approach	Our Environmental Impact	
	The Impact and Where it Occurs	About this Section	
	Stakeholders Affected		
	ESG Risks and Opportunities	Our Environmental Impact Our Environmental Impact Performance Metrics	
KPIs	Water consumption within the organization		
	Water withdrawal		
	Water consumption		
	Water recycled and reused		
Materials Used by the Organization			



General Disclosures	Management Approach	--	
	The Impact and Where it Occurs	About this Section	
	Stakeholders Affected		
KPIs	Materials used by weight or volume	Our Environmental Impact Performance Metrics	
	Percentage of recycled input materials used to manufacture the organization’s primary products and services	--	
Ecosystems and Biodiversity			
General Disclosures	Management Approach	Our Environmental Impact	
	The Impact and Where it Occurs	About this Section	
	Stakeholders Affected		
KPIs	Operational sites owned, leased in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	--	
	Habitats protected or restored		
	IUCN Red List species and national conservation list species with habitats in areas affected by operations		
Environmental Impact Management			
Air Emissions - Green House Gasses (GHG)			
General Disclosures	Management Approach	Our Environmental Impact	
	The Impact and Where it Occurs	About this Section	
	Stakeholders Affected		
	ESG Risks and Opportunities	Performance Metrics	
KPIs	Direct (Scope 1) GHG Emissions		
	Energy indirect (Scope 2) GHG Emissions		
	Emissions of ozone-depleting substances (ODS)	--	
Air Pollutants			
General Disclosures	Management Approach	--	
	The Impact and Where it Occurs	About this Section	
	Stakeholders Affected		
KPIs	Nitrogen oxides (NOx)	--	
	Sulfur oxides (SOx)		
	Persistent organic pollutants (POPs)		
	Volatile organic compounds (VOCs)		
	Hazardous air pollutants (HAPs)		
	Particulate matter (PM)		
Solid Waste			

General Disclosures	Management Approach	Our Environmental Impact	
	The Impact and Where it Occurs	About this Section	
	Stakeholders Affected		
KPI	Total solid waste generated - by type	Our Environmental Impact Performance Metrics	
Hazardous Waste			
General Disclosures	Management Approach	Our Environmental Impact	
	The Impact and Where it Occurs	About this Section	
	Stakeholders Affected		
KPIs	Total weight of hazardous waste generated	Performance Metrics	
	Total weight of hazardous waste transported		
Effluents			
General Disclosures	Management Approach	Our Environmental Impact	
	The Impact and Where it Occurs	About this Section	
	Stakeholders Affected		
KPIs	Total volume of water discharges	Our Environmental Impact Performance Metrics	
	Percent of wastewater recycled		
Environmental Compliance			
Non-compliance with environmental laws and regulations			
General Disclosures	Management Approach	Our Environmental Impact	
	The Impact and Where it Occurs	About this Section	
	Stakeholders Affected		
KPIs	Total amount of monetary fines for non-compliance with environmental laws and/or regulations	Our Environmental Impact Performance Metrics	
	Number of non-monetary sanctions for non-compliance with environmental laws and/or regulations		
	Number of cases resolved through a dispute resolution mechanism		
C. Social Disclosures		Reporting location	Remarks/ explanation
Employee Management			
Employee Hiring and Benefits			
General Disclosures	Management Approach	Our People – Hiring and Benefits	
	The Impact and Where it Occurs	About this Section	
KPIs	Total number of employees	Our People Performance Metrics	
	Attrition rate	--	

	Ratio of lowest paid employee against minimum wage	--	
	List of employee benefits	Our People	
Employee Training and Development			
General Disclosures	Management Approach	Our People – Training and Development	
	The Impact and Where it Occurs	About this Section	
KPIs	Total training hours provided to employees (by male/female)	Our People Performance Metrics	
	Average training hours provided to employees (by male/female)		
Labor Management Relations			
General Disclosures	Management Approach	Our People	
	The Impact and Where it Occurs	About this Section	
KPIs	% of employees covered by Collective Bargaining Agreements	Performance Metrics	
	Number of consultations conducted with employees concerning employee-related policies	--	
Diversity and Equal Opportunity			
General Disclosures	Management Approach	--	
	The Impact and Where it Occurs	About this Section	
KPIs	% of female workers in the workforce	Our People Performance Metrics	
	% of male workers in the workforce		.
	Number of employees from indigenous communities and/or vulnerable sector		--
Workplace Conditions, Labor Standards, and Human Rights Occupational Health and Safety			
General Disclosures	Management Approach	Our People - Health, Safety and Wellbeing	
	The Impact and Where it Occurs	About this Section	
KPIs	Safe Man-Hours	--	
	No. of work-related injuries		
	No. of work-related fatalities		
	No. of work-related ill-health		
	No. of safety drills		
Labor Laws and Human Rights			
General Disclosures	Management Approach	Our Suppliers Our People	
	The Impact and Where it Occurs	About this Section	
KPIs	Policies that explicitly disallow violations of labor laws and human rights (e.g. harassment, bullying) in the workplace	Our People Performance Metrics	
	No. of legal actions or employee grievances involving forced or child labor	Performance Metrics	

Supply Chain Management			
Supplier Accreditation and Screening			
General Disclosures	Management Approach	Our Suppliers	
	The Impact and Where it Occurs	About this Section	
KPIs	Supplier Accreditation Policy	Our Suppliers	
	Sustainability Topics Considered When Selecting/Screening Suppliers		
Relationship with Community			
Significant Impacts on Local Communities			
General Disclosures	Management Approach	Our Communities	
KPIs	Operations with significant impacts on local communities (by location, vulnerable group/indigenous people (IPs))		
	Mitigating measures (if negative) or enhancement measures (if positive)		
	For operations affecting IPs, total number of Free and Prior Informed Consent (FPIC) consultations and Certification Preconditions (CPs) secured		
Customer Management			
Customer Satisfaction			
General Disclosures	Management Approach	Our Customers – Serving our Customers	
	The Impact and Where it Occurs	Approach to CSR	
KPI	Customer Satisfaction Score(s)	--	
Health and Safety			
General Disclosures	Management Approach	Our Customers – Serving our Customers	
	The Impact and Where it Occurs	Approach to CSR	
KPIs	Number of substantiated complaints on product or service health and safety	Our Customers Performance Metrics	
	Number of complaints addressed		
Marketing and Labelling			
General Disclosures	Management Approach	Our Customers – Serving our Customers	
	The Impact and Where it Occurs	Approach to CSR	
KPIs	Number of substantiated complaints on marketing and labelling	Our Customers Performance Metrics	
	Number of complaints addressed		
Customer Privacy			
General Disclosures	Management Approach	Our Customers – Protecting Privacy	
	The Impact and Where it Occurs	Approach to CSR	

KPIs	Number of substantiated complaints on customer privacy	Our Customers Performance Metrics	
	Number of complaints addressed		
	Number of customers, users and account holders whose information is used for secondary purposes		
Data Security			
General Disclosures	Management Approach	Our Customers – Protecting Privacy	
	The Impact and Where it Occurs	Approach to CSR	
KPI	No. of data breaches, including leaks, thefts and losses of data	Our Customers – Protecting Privacy Performance Metrics	

\*\*As stated in the [Approach to CSR – Sustainability Governance Section](#), ESG Risks and Opportunities as related to our material topics and climate-related issues were not assessed for this reporting period.

## File Upload



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May 04, 2021 09:56 AM

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# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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## COMPANY NAME

F	I	L	I	N	V	E	S	T		L	A	N	D	,		I	N	C	.		A	N	D		S	U	B	S	I
D	I	A	R	I	E	S																							

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

7	9		E	D	S	A	,		B	r	g	y	.		H	i	g	h	w	a	y		H	i	l	l	s	,	
M	a	n	d	a	l	u	y	o	n	g		C	i	t	y														

Form Type

A	A	C	F	S
---	---	---	---	---

Department requiring the report

--	--	--	--

Secondary License Type, If Applicable

--	--	--	--

## COMPANY INFORMATION

Company's Email Address


Company's Telephone Number

918-8188

Mobile Number


No. of Stockholders

5,645

Annual Meeting (Month / Day)

Every 2nd to the last Friday  
of April Each Year

Fiscal Year (Month / Day)

12/31

## CONTACT PERSON INFORMATION

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

Name of Contact Person

Ms. Venus A. Mejia

Email Address

venus.mejia@filinvestgro  
up.com

Telephone Number/s

918-8188

Mobile Number

--

## CONTACT PERSON'S ADDRESS

79 EDSA, Brgy. Highway Hills, Mandaluyong City

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

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





Doc. No. :2800  
Book No. :1  
Series of :2021  
O.R. No. :2407050  
Fee Paid :\$42.50



# FILINVEST LAND, INC.

79 EDSA, Highway Hills  
Mandaluyong City, Metro Manila  
Trunk line: (632) 918-8188  
Customer hotline: (632) 588-1688  
Fax number: (632) 918-8189  
www.filinvestland.com

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **FILINVEST LAND, INC. and SUBSIDIARIES** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2020, 2019 and 2018**, 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 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 financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor, appointed by the stockholders has audited the financial statements of the Company 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.

  
JONATHAN T. GOTIANUN  
Chairman of the Board

  
LOURDES JOSEPHINE GOTIANUN-YAP  
President/CEO

  
ANA VENUS A. MEJIA  
Chief Financial Officer

SUBSCRIBED AND SWORN TO BEFORE ME in the City  
of Mandaluyong this 15 day of MAR 2021  
affiant exhibiting to me as competent evidence of identity.

Signed this 09 day of MAR 2021

Doc. No. 234;  
Page No. 42;  
Book No. 11;  
Series of 2021.

JOVEN G.  VILLANO  
NOTARY PUBLIC FOR CITY OF MANDALUYONG  
COMMISSION NO. 0285-19 VALID UNTIL JUNE 30, 2021  
AS PER SC EN BANC RESOLUTION DATED DECEMBER 1, 2020  
ROLL NO. 53970  
IBP LIFETIME NO. 011302; 12-28-12; RIZAL  
PTR NO. 4581076; 1-4-21; MANDALUYONG  
MCLE COMPLIANCE NO. VI 0017960 14 APRIL 2022  
METRO MART COMPLEX, MANDALUYONG CITY

## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
Filinvest Land, Inc.  
79 EDSA, Brgy. Highway Hills  
Mandaluyong City

### Opinion

We have audited the accompanying consolidated financial statements of Filinvest Land, Inc. (the Parent Company) and its subsidiaries (collectively referred to as "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 financial position of the Group as at December 31, 2020 and 2019, and its financial performance and its cash flows for 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.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

### ***Accounting for Rental Concessions***

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Group waived its right to collect rent and other charges from the lessees of its commercial spaces. The Group assessed that the rental concessions it granted to lessees do not qualify as lease modifications since the terms and conditions under the corresponding lease contracts have not been modified by the waiver. The Group accounted for the rental concessions in the form of negative variable rent which the Group recorded when the concession is granted regardless of the period to which the concession pertains. The Group's accounting of the rental concession under PFRS 16 is significant to our audit because the Group has a high volume of rental concessions granted during the period; the recorded amounts are material to the consolidated financial statements; and accounting for rental concession involves application of significant judgement in determining whether the rental concession will be accounted for as lease modification.

Refer to Notes 2 and 3 to the consolidated financial statements for the disclosures about rental concessions.

### ***Audit Response***

We obtained an understanding of the type, extent and periods covered of the rental concessions granted by the Group, including the determination of the population of the lease contracts covered by the rental concession granted by the Group during the period.

We tested the population of lease agreements covered by the rental concession by comparing the lessees in the calculation of the financial impact prepared by the management with the list of lessees granted with rent concession per operations report.

We inspected the communications of the Group in connection with the rental concessions granted to the lessees and, on a test basis, traced these terms and conditions to the calculation of the financial impact of rental concession prepared by the management. We test computed the rental concession impact prepared by management on a sample basis.

We obtained management assessment, and a legal opinion from the Group's internal legal counsel supporting the assessment that the rental concession granted does not qualify as a lease modification. We involved our internal specialist in evaluating the legal basis supporting the management assessment and legal position.



### ***Real Estate Revenue Recognition***

The Group's revenue recognition process, policies and procedures are significant to our audit because these involve application of significant judgment and estimation: (1) assessment of the probability that the entity will collect the consideration from the buyer; (2) application of the output method as the measure of progress in determining real estate revenue; (3) determination of the actual costs incurred as cost of sales; and (4) recognition of costs to obtain a contract.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments (buyer's equity) in relation to the total contract price. Collectability is also assessed by considering factors such as past history with buyers, age of residential and office development receivables and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs, after considering the impact of coronavirus pandemic, if it would still support its current threshold of buyer's equity before commencing revenue recognition.

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the Group's project engineers and managers.

In determining the actual costs incurred to be recognized as cost of sales, the Group estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractor.

The Group identifies sales commission after contract inception as the cost of obtaining the contract. For contracts which qualified for revenue recognition, the Group capitalizes the total sales commission due to sales agent as cost to obtain contract and recognizes the related commission payable. The Group uses percentage of completion (POC) method in amortizing sales commission consistent with the Group's revenue recognition policy.

Refer to Note 6 to the consolidated financial statements for the disclosures on revenue recognition.

### ***Audit Response***

We obtained an understanding of the Group's revenue recognition process.

For the buyers' equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales cancellations from buyers with accumulated payments above the collection threshold. We also considered the impact of the coronavirus pandemic to the level of cancellations during the year.

In determining revenue from real estate sales, we obtained an understanding of the Group's processes for determining POC under the output method and performed tests of relevant controls. We obtained certified POC reports prepared by internal project engineers for mid-rise real estate development and third-party project managers for high-rise real estate development. We assessed the competence and objectivity of the project engineers and managers by reference to their qualifications, experience and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries, including inquiries on how the coronavirus pandemic affected the POC during the period, and obtained supporting details of POC reports.



For the cost of real estate sales, we obtained an understanding of the Group's cost accumulation process and performed tests of relevant controls. For selected projects, we traced costs accumulated, including those incurred but not yet billed, to supporting documents such as project accomplishment reports and progress billings from contractors.

For the recognition of costs to obtain a contract, we obtained an understanding of the sales commission process. For selected contracts, we agreed the basis for calculating sales commission capitalized and portion recognized in profit or loss, particularly: (a) the percentage of commission due against contracts with sales agents, (b) the total commissionable amount (e.g., net contract price) against the related contract to sell, and, (c) the POC against the POC used in recognizing the related revenue from real estate sales.

### ***Recoverability of Goodwill***

Under PFRSs, the Group is required to test the amount of goodwill for impairment at least annually. As of December 31, 2020, goodwill attributable to the Festival Supermall structure, Filinvest Asia Corporation and Cyberzone Properties, Inc., which are considered significant, amounted to 4,567.24 million. Management's assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically revenue growth rates, gross margins, discount rates and terminal growth rates.

Refer to Notes 3 and 4 to the consolidated financial statements for the disclosures about goodwill.

### ***Audit Response***

We involved our internal specialist in evaluating the methodology and the assumptions used. These assumptions include revenue growth rates, gross margins, discount rates and terminal growth rates.

We compared the key assumptions used, such as revenue growth rates against the historical performance of the cash-generating units and relevant external data, taking into consideration the impact associated with the coronavirus pandemic. We tested the parameters used in the determination of the discount rates against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically, those that have the most significant effect on the determination of the recoverable amount of goodwill.

### **Other Information**

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

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



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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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



The engagement partner on the audit resulting in this independent auditor's report is Wanessa G. Salvador.

SYCIP GORRES VELAYO & CO.



Wanessa G. Salvador

Partner

CPA Certificate No. 0118546

Accreditation No. 118546-SEC (Group A),

Valid to cover audit of 2019 to 2023

financial statements of SEC covered institutions

Tax Identification No. 248-679-852

BIR Accreditation No. 08-001998-137-2020,

January 31, 2020, valid until January 30, 2023

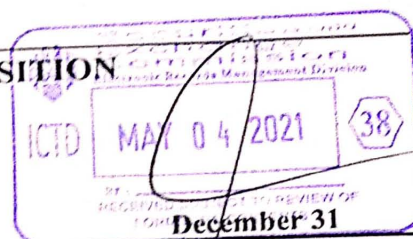
PTR No. 8534358, January 4, 2021, Makati City

March 9, 2021





**FILINVEST LAND, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Amounts in Thousands of Pesos)



	2020	2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 7, 20 and 30)	₱6,693,557	₱4,773,621
Contracts receivables (Notes 6, 8 and 30)	4,156,939	1,446,192
Contract assets (Notes 6 and 30)	5,400,329	5,998,421
Other receivables (Notes 9 and 30)	3,362,183	3,175,045
Real estate inventories (Note 10)	65,544,567	63,018,436
Other current assets (Notes 6 and 11)	4,637,141	4,388,484
<b>Total Current Assets</b>	<b>89,794,716</b>	<b>82,800,199</b>
<b>Noncurrent Assets</b>		
Contract assets - net of current portion (Notes 6 and 30)	3,533,733	7,117,321
Investments in associates (Note 12)	4,787,787	4,170,682
Investment properties (Notes 3 and 13)	69,264,957	66,461,060
Property and equipment (Note 14)	3,348,145	3,288,718
Deferred income tax assets (Note 28)	82,405	52,435
Goodwill (Note 4)	4,567,242	4,567,242
Other noncurrent assets (Note 16)	5,626,161	5,238,774
<b>Total Noncurrent Assets</b>	<b>91,210,430</b>	<b>90,896,232</b>
<b>TOTAL ASSETS</b>	<b>₱181,005,146</b>	<b>₱173,696,431</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses (Notes 17 and 30)	13,117,027	₱13,164,864
Contract liabilities (Note 6)	1,249,050	972,758
Lease liabilities - current portion (Note 15)	328,796	318,119
Due to related parties (Notes 20 and 30)	112,021	100,779
Income tax payable	29,022	142,736
Current portion of loans payable (Notes 18, 26 and 30)	8,866,369	6,887,481
Current portion of bonds payable (Notes 19, 26 and 30)	5,294,517	4,294,644
<b>Total Current Liabilities</b>	<b>28,996,802</b>	<b>25,881,381</b>

(Forward)

	December 31	
	2020	2019
<b>Noncurrent Liabilities</b>		
Loans payable - net of current portion (Notes 18, 26 and 30)	₱29,238,654	₱28,640,752
Bonds payable - net of current portion (Notes 19, 26 and 30)	26,369,011	23,590,043
Contract liabilities - net of current portion (Note 6)	767,219	779,648
Lease liabilities - net of current portion (Note 15)	5,824,164	5,551,945
Net retirement liabilities (Notes 3 and 25)	580,119	512,442
Deferred income tax liabilities - net (Note 28)	6,513,036	6,512,613
Accounts payable and accrued expenses - net of current portion (Notes 17 and 30)	8,337,198	10,063,314
<b>Total Noncurrent Liabilities</b>	<b>77,629,401</b>	<b>75,650,757</b>
<b>Total Liabilities</b>	<b>106,626,203</b>	<b>101,532,138</b>
<b>Equity</b>		
Common stock (Note 26)	24,470,708	24,470,708
Preferred stock (Note 26)	80,000	80,000
Additional paid-in capital	5,612,321	5,612,321
Treasury stock (Note 26)	(221,041)	(221,041)
Retained earnings (Note 26)		
Unappropriated	38,776,186	41,661,647
Appropriated	5,000,000	—
Revaluation reserve on financial assets at fair value through other comprehensive income	(2,619)	(2,619)
Remeasurement losses on retirement plan - net of tax (Note 25)	(15,136)	(24,285)
Share in other components of equity of associates (Note 12)	372,449	361,794
Equity attributable to equity holders of the parent	74,072,868	71,938,525
Noncontrolling interests (Note 2)	306,075	225,768
<b>Total Equity</b>	<b>74,378,943</b>	<b>72,164,293</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱181,005,146</b>	<b>₱173,696,431</b>

See accompanying Notes to Consolidated Financial Statements.



**FILINVEST LAND, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME**

(Amounts in Thousands of Pesos, Except Earnings Per Share Figures)

	Years Ended December 31		
	2020	2019	2018
<b>REVENUE</b>			
Real estate sales (Note 6)	<b>₱9,837,122</b>	₱17,013,120	₱14,404,201
Rental and related services (Notes 6, 13, 15 and 16)	<b>6,386,219</b>	7,008,742	5,608,258
Total revenue	<b>16,223,341</b>	24,021,862	20,012,459
<b>EQUITY IN NET EARNINGS OF ASSOCIATES</b> (Note 12)	<b>516,450</b>	401,525	537,017
<b>OTHER INCOME</b>			
Interest income (Notes 7, 8, 20 and 23)	<b>404,142</b>	571,701	977,290
Others - net (Notes 20 and 24)	<b>340,713</b>	678,222	678,419
	<b>17,484,646</b>	25,673,310	22,205,185
<b>COSTS</b>			
Real estate sales (Note 10)	<b>5,586,834</b>	9,853,871	8,339,208
Rental and related services (Notes 13 and 16)	<b>1,008,333</b>	1,128,410	1,130,507
<b>OPERATING EXPENSES</b>			
General and administrative expenses (Note 21)	<b>2,243,604</b>	2,474,723	2,322,060
Selling and marketing expenses (Note 22)	<b>1,078,274</b>	1,448,573	1,442,587
<b>INTEREST AND OTHER FINANCE CHARGES</b> (Notes 18, 19 and 23)	<b>3,189,462</b>	2,492,965	1,192,441
	<b>13,106,507</b>	17,398,542	14,426,803
<b>INCOME BEFORE INCOME TAX</b>	<b>4,378,139</b>	8,274,768	7,778,382
<b>PROVISION FOR INCOME TAX</b> (Note 28)	<b>420,389</b>	1,754,968	1,702,509
<b>NET INCOME</b>	<b>₱3,957,750</b>	₱6,519,800	₱6,075,873
<b>Net income attributable to:</b>			
Equity holders of the parent	<b>₱3,733,443</b>	₱6,283,634	₱5,894,408
Noncontrolling interest	<b>224,307</b>	236,166	181,465
	<b>₱3,957,750</b>	₱6,519,800	₱6,075,873
<b>Basic/Diluted Earnings Per Share</b> (Note 27)	<b>₱0.15</b>	₱0.26	₱0.24

*See accompanying Notes to Consolidated Financial Statements.*

**FILINVEST LAND, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(Amounts in Thousands of Pesos)**

	<b>Years Ended December 31</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>NET INCOME</b>	<b>₱3,957,750</b>	<b>₱6,519,800</b>	<b>₱6,075,873</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income not to be reclassified to profit or loss			
Remeasurement gains on retirement plan, net of tax (Notes 25 and 28)	<b>9,149</b>	<b>124,296</b>	<b>6,755</b>
Remeasurement gain from an associates investment	<b>10,655</b>	<b>—</b>	<b>—</b>
	<b>19,804</b>	<b>124,296</b>	<b>6,755</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱3,977,554</b>	<b>₱6,644,096</b>	<b>₱6,082,628</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent	<b>₱3,753,247</b>	<b>₱6,407,930</b>	<b>₱5,901,163</b>
Noncontrolling interest	<b>224,307</b>	<b>236,166</b>	<b>181,465</b>
	<b>₱3,977,554</b>	<b>₱6,644,096</b>	<b>₱6,082,628</b>

*See accompanying Notes to Consolidated Financial Statements.*

# FILINVEST LAND, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

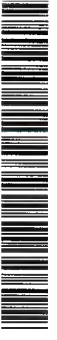
(Amounts in Thousands of Pesos)

Attributable to Equity Holders of the Parent												
	Revaluation						Share in Other		Total	Noncontrolling Interest	Total Equity	
	Common Stock (Note 26)	Preferred Stock (Note 26)	Additional Paid-in Capital	Treasury Stock (Note 26)	Unappropriated Retained Earnings (Note 26)	Appropriated Retained Earnings (Note 26)	Financial Assets at FVOCI (Note 16)	Remeasurement Losses on Retirement Plan (Note 25)				Components of Equity of an Associate (Note 12)
For the Year Ended December 31, 2020												
Balances as at January 1, 2020	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱41,661,647	₱—	(₱2,619)	(₱24,285)	₱361,794	₱71,938,525	₱225,768	₱72,164,293
Net income	—	—	—	—	3,733,443	—	—	—	—	3,733,443	224,307	3,957,750
Other comprehensive income	—	—	—	—	—	—	—	9,149	10,655	19,804	—	19,804
Total comprehensive income	—	—	—	—	3,733,443	—	—	9,149	10,655	3,753,247	224,307	3,977,554
Dividends declared (Note 26)	—	—	—	—	(1,618,904)	—	—	—	—	(1,618,904)	—	(1,618,904)
Dividend distribution to noncontrolling interest	—	—	—	—	—	—	—	—	—	—	(144,000)	(144,000)
Appropriation (Note 26)	—	—	—	—	(5,000,000)	5,000,000	—	—	—	—	—	—
Balances as at December 31, 2020	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱38,776,186	₱5,000,000	(₱2,619)	(₱15,136)	₱372,449	₱74,072,868	₱306,075	₱74,378,943
For the Year Ended December 31, 2019												
Balances as at January 1, 2019	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱36,882,343	₱—	(₱2,619)	(₱148,581)	₱361,794	₱67,034,925	₱236,697	₱67,271,622
Effect of adoption of new accounting standard (Note 2)	—	—	—	—	11,502	—	—	—	—	11,502	445	11,947
Balance as at January 1, 2019, as restated	24,470,708	80,000	5,612,321	(221,041)	36,893,845	—	(2,619)	(148,581)	361,794	67,046,427	237,142	67,283,569
Net income	—	—	—	—	6,283,634	—	—	—	—	6,283,634	236,166	6,519,800
Other comprehensive income	—	—	—	—	—	—	—	124,296	—	124,296	—	124,296
Total comprehensive income	—	—	—	—	6,283,634	—	—	124,296	—	6,407,930	236,166	6,644,096
Dividends declared (Note 26)	—	—	—	—	(1,501,060)	—	—	—	—	(1,501,060)	—	(1,501,060)
Dividend distribution to noncontrolling interest	443	—	—	—	—	—	—	—	—	—	(218,000)	(218,000)
Deconsolidation from loss of control (Note 2)	—	—	—	—	(14,772)	—	—	—	—	(14,772)	(29,540)	(44,312)
Balances as at December 31, 2019	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱41,661,647	₱—	(₱2,619)	(₱24,285)	₱361,794	₱71,938,525	₱225,768	₱72,164,293



	Attributable to Equity Holders of the Parent							
	Common Stock (Note 26)	Preferred Stock (Note 26)	Additional Paid-in Capital	Treasury Stock (Note 26)	Retained Earnings (Note 26)	Revaluation Reserve on Financial Assets at FVOCI (Note 16)	Remeasurement Losses on Retirement Plan (Note 25)	Share in Other Components of Equity of an Associate (Note 12)
								Noncontrolling Interest
								Total
								Total Equity
For the Year Ended December 31, 2018								
Balances as of January 1, 2018	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱33,099,891	(₱2,619)	(₱155,336)	₱63,245,718
Effect of adoption of new accounting standard	-	-	-	-	(613,321)	-	-	(613,321)
Balance as at January 1, 2018, as restated	24,470,708	80,000	5,612,321	(221,041)	32,486,570	(2,619)	(155,336)	62,632,397
Net income	-	-	-	-	5,894,408	-	(155,336)	5,894,408
Other comprehensive income	-	-	-	-	-	-	6,755	6,755
Total comprehensive income	-	-	-	-	5,894,408	-	6,755	5,894,408
Dividends declared (Note 26)	-	-	-	-	(1,498,635)	-	-	(1,498,635)
Dividend distribution to noncontrolling interest	-	-	-	-	-	-	-	-
Investment from noncontrolling interest	-	-	-	-	-	-	-	(184,000)
Acquisition of noncontrolling interest (Note 2)	-	-	-	-	-	-	-	(16,093)
Balances as of December 31, 2018	24,470,708	80,000	5,612,321	(221,041)	36,882,343	(2,619)	(148,581)	67,034,925
								236,697
								67,271,622

See accompanying Notes to Consolidated Financial Statements.





**FILINVEST LAND, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in Thousands of Pesos)

	Years Ended December 31		
	2020	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱4,378,139</b>	₱8,274,768	₱7,778,382
Adjustments for:			
Interest income (Note 23)	<b>(404,142)</b>	(571,701)	(977,290)
Gain on sale of investment property	<b>(65,308)</b>	—	—
Interest expense and amortization of transaction costs (Note 23)	<b>3,137,791</b>	2,442,483	1,168,531
Depreciation and amortization (Notes 13, 14 and 16)	<b>1,594,368</b>	1,320,598	810,629
Equity in net earnings of associates (Note 12)	<b>(516,450)</b>	(401,525)	(537,017)
Pension expense, net of contribution and benefits paid (Note 25)	<b>47,174</b>	91,605	90,124
Operating income before changes in operating assets and liabilities	<b>8,171,572</b>	11,156,228	8,333,359
Changes in operating assets and liabilities			
Decrease (increase) in:			
Contracts receivable	<b>(2,710,747)</b>	(645,342)	16,425,142
Contract assets	<b>4,181,680</b>	(3,073,636)	(10,042,105)
Other receivables	<b>(187,138)</b>	(422,684)	(465,945)
Real estate inventories	<b>(2,010,336)</b>	6,736,824	(10,699,331)
Other assets	<b>(282,510)</b>	(536,688)	420,112
Increase (decrease) in:			
Accounts payable and accrued expense	<b>172,068</b>	(1,767,272)	69,281
Contract liabilities	<b>263,863</b>	(1,457,770)	3,210,176
Cash generated from operations	<b>7,598,453</b>	9,989,660	7,250,689
Income taxes paid, including creditable withholding taxes	<b>(710,244)</b>	(1,387,147)	(1,198,192)
Interest received	<b>404,142</b>	571,701	977,290
Net cash provided by operating activities	<b>7,292,351</b>	9,174,214	7,029,787
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of:			
Investment properties and property and equipment (Notes 13 and 14)	<b>(5,641,194)</b>	(8,792,995)	(5,558,464)
Dividends received (Note 12)	<b>—</b>	—	678,000
Proceeds from sale of investment property	<b>737,840</b>	—	—
Increase in BTO rights (Note 16)	<b>(717,809)</b>	(249,090)	(115,324)
Redemption of financial asset at FVOCI (Note 16)	<b>—</b>	—	48
Net cash used in investing activities	<b>(5,621,163)</b>	(9,042,085)	(4,995,740)

(Forward)



	Years Ended December 31		
	2020	2019	2018
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b> (Note 34)			
Proceeds from availment of:			
Loans payable (Notes 18 and 30)	<b>₱10,680,000</b>	₱15,400,000	₱5,500,000
Bonds payable (Notes 19 and 30)	<b>8,057,682</b>	—	—
Payments of:			
Loans payable (Note 18)	<b>(8,219,965)</b>	(4,840,663)	(3,841,338)
Bonds payable (Note 19)	<b>(4,300,000)</b>	(7,000,000)	—
Cash dividend (Note 26)	<b>(1,588,558)</b>	(1,482,405)	(1,498,635)
Interest and transaction costs	<b>(3,917,635)</b>	(3,260,571)	(3,132,467)
Lease liabilities (Note 15)	<b>(317,948)</b>	(295,937)	—
Dividends paid to noncontrolling interest	<b>(144,000)</b>	(218,000)	(184,000)
Increase in amounts due to related parties	<b>(828)</b>	(80,492)	(18,044)
Acquisition of noncontrolling interest (Note 2)	—	—	(16,093)
Net cash provided by (used in) financing activities	<b>248,748</b>	(1,778,068)	(3,190,577)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,919,936</b>	(1,645,939)	(1,156,530)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>4,773,621</b>	6,419,560	7,576,090
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b> (Note 7)	<b>₱6,693,557</b>	₱4,773,621	<b>₱6,419,560</b>

See accompanying Notes to Consolidated Financial Statements.





## **FILINVEST LAND, INC. AND SUBSIDIARIES**

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### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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#### **1. Corporate Information**

Filinvest Land, Inc. (the “Parent Company” or “FLI”) is a property developer engaged mainly in the development of residential subdivisions, construction of housing units and leasing activities. It was incorporated and is domiciled in the Philippines where its shares are publicly traded. Formerly Citation Homes, Inc., the Parent Company was incorporated on November 24, 1989 and later changed to its present name on July 12, 1993. The Parent Company and its subsidiaries (collectively referred to as “the Group”) offer a range of real estate products from socialized and affordable housing to middle-income and high-end housing, various types of subdivision lots, medium-rise residential buildings, farm estates, industrial parks, residential resort projects, condotels, and condominium buildings. The Group also leases out commercial and office spaces in Muntinlupa City, Makati City, Pasay City, Cebu City, Tagaytay City, Cavite, and Clark Mimosa, its major locations for leasing.

The Group’s parent company is Filinvest Development Corporation (FDC), a publicly listed entity. A.L. Gotianun, Inc. (ALG) is the Group’s ultimate parent company. FDC and ALG were incorporated in the Philippines.

The Parent Company’s registered business address is at 79 E. Delos Santos Ave. (EDSA), Brgy. Highway Hills, Mandaluyong City.

On January 20, 2021, FLI announced, through a Philippine Stock Exchange (PSE) disclosure, that its BOD has approved the transition of Cyberzone Properties, Inc. (CPI) into a REIT Company. CPI is intended to be listed on the PSE in compliance with the minimum public ownership requirements under Philippine securities regulations and the Real Estate Investment Trust Act of 2009 and its implementing rules and regulations and under such terms and conditions as FLI’s BOD may subsequently approve.

On December 21, 2020, FDC subscribed to 110,000,000 common shares of Dreambuilders Pro, Inc. (DPI) with par value of Php1.00 per share amounting ₱110 million and equivalent to 55% of DPI’s outstanding shares. This resulted in the dilution of FLI’s interest in DPI to 45% and deconsolidation by the Group (see Notes 12 and 24). As a result of the dilution, the investment in DPI is accounted as investment in associate under the equity method.

On December 16, 2020, FLI subscribed to 382,500 shares of stock of Nature Specialists, Inc. (NSI) consisting of 120,000 common shares and 262,500 preferred shares, all with a par value of ₱100 per share with total consideration of ₱47.25 million, equivalent to 75% shareholding. NSI was incorporated on August 24, 2018 to conduct real estate activities primarily focusing on hotels, inns, resorts, lodging houses and all adjunct accessories thereto, including restaurants, cafes, bars, stores, offices, etc.. NSI has not started its commercial operations in as of December 31, 2020.

On December 26, 2019, CPI and Filinvest Cyberparks, Inc. (FCI), wholly owned subsidiaries of the Parent, entered into a Deed of Assignment to sell its ownership in Pro-Excel Property Managers, Inc. (Pro-Excel) to Filinvest Alabang, Inc. (FAI). The sale resulted in a loss of control in Pro-Excel and deconsolidation by the Group. The remaining ownership of the Parent Company in Pro-Excel is 33% (see Notes 2 and 12). Subsequently after disposal, the investment in Pro-excel is accounted as investment in associate under the equity method.



On October 11, 2019, ProMixers Aggregates Corp. (PMAC), a wholly owned subsidiary of DPI, was incorporated mainly to operate concrete batching plant, manufacture and supply of pre-cast and construction equipment and rental. PMAC has not started commercial operations as of December 31, 2020.

On March 18, 2019, ProOffice Works Services, Inc. (ProOffice), a wholly owned subsidiary of FLI, was incorporated to engage in the business of administration, maintenance and management of real estate developments and projects. ProOffice started commercial operations in August 2019. On December 23, 2020, CPI entered into a Deed of Assignment to sell its 60% interest in ProOffice to FLI for a total consideration of ₱17.16 million. Accordingly, ProOffice became a direct subsidiary of FLI. The transaction has no impact to the consolidated financial statements.

On July 18, 2018, the Securities and Exchange Commission (SEC) approved Timberland Sports and Nature Club, Inc.'s (TSNC or the "Club") application for voluntary revocation of its secondary registration which allowed TSNC to proceed with the transition to its new business model. On November 15, 2018, TSNC's Board of Directors (BOD) approved the amendment to change the primary purpose of the Club from an exclusive recreational sports club to a for profit commercial facility. On July 24, 2019, TSNC submitted its Amended Articles of Incorporation to SEC. The amendments include (a) change of the primary purpose of TSNC from that of an exclusive recreational sports club to a real estate development Company; (b) change of TSNC's principal address from No. 173 P. Gomez Street, San Juan, Metro Manila to Timberland Heights, Barangay Malanday, San Mateo Rizal; (c) conversion of TSNC's capital stock from no par value club shares to par value shares; (d) removal of provisions which characterizes TSNC as an exclusive non-profit association; and (e) removal of paragraphs which relate to the operations of an exclusive recreational sports club. On August 1, 2019, the SEC approved TSNC's application on voluntary revocation of its secondary registration. On August 18, 2019, the SEC approved TSNC's Amended Articles of Incorporation.

#### Approval of the Consolidated Financial Statements

The consolidated financial statements as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 were approved and authorized for issue by the BOD on March 9, 2021.

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## **2. Summary of Significant Accounting Policies**

### Basis of Preparation

The consolidated financial statements are prepared using the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) that are measured at fair value. The Group's consolidated financial statements are presented in Philippine Peso (Peso), which is also the functional currency of the Parent Company, its subsidiaries and associates. Amounts are in thousand Pesos except as otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

### Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS), which include the availment of relief granted by the SEC under Memorandum Circular (MC) Nos. 3-2019 and 14-2018 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.



*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 uninstalled materials in the determination of the POC (as amended by PIC Q&A 2020-02); and
- c. Accounting for Common Usage Service Area (CUSA) charges

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

The consolidated financial statements also include the availment of relief under SEC MC No. 4-2020 to defer the adoption of *IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under PAS 23, Borrowing Cost* (the IFRIC Agenda Decision on Borrowing Cost) until December 31, 2020.

In December 2020, the SEC issued MC No. 34-2020, allowing the further deferral of the adoption of provisions (a) and (b) above of *PIC Q&A 2018-12* and the IFRIC Agenda Decision on Borrowing Cost, for another 3 years or until December 31, 2023.

The details and the impact of the adoption of the above financial reporting reliefs are discussed in the section below under Changes in Accounting Policies and Disclosures and Significant Accounting Policies.

#### Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries. The nature of business and the corresponding percentages of ownership over these entities as at December 31, 2020, 2019 and 2018 are as follows. The voting rights held by the Group in these subsidiaries are in proportion to its ownership interest.

Subsidiaries	Nature of Business	2020	2019	2018
Filinvest All Philippines, Inc. (FAPI)	Real estate developer	100%	100%	100%
Filinvest BCDA Clark, Inc. (FBCI) <sup>1</sup>	Real estate developer	55%	55%	55%
FCGC Corporation (FCGCC)	Real estate developer	100%	100%	100%
Gintong Parisukat Realty and Development Inc. (GPRDI)	Real estate developer	100%	100%	100%
Homepro Realty Marketing, Inc. (Homepro)	Real estate developer	100%	100%	100%
Cyberzone Properties, Inc. (CPI)	Leasing	100%	100%	100%
Filinvest Asia Corporation (FAC)	Leasing	60%	60%	60%
Filinvest Cyberparks, Inc. (FCI)	Leasing	100%	100%	100%
Filinvest Cyberzone Mimosa, Inc. (FCMI)	Leasing	100%	100%	100%
Festival Supermall, Inc. (FSI)	Property management	100%	100%	100%
Filinvest Lifemalls Corporation (FLC)	Property management	100%	100%	100%
Filinvest Lifemalls Mimosa, Inc. (FLMI)	Property management	100%	100%	100%
Filinvest Lifemalls Tagaytay, Inc. (FLTI)	Property management	100%	100%	100%
Pro-Excel Property Managers, Inc. (Pro-Excel) <sup>2</sup>	Property management	33%	33%	74%
ProOffice Works Services, Inc. (ProOffice) <sup>3</sup>	Property management	100%	100%	—
Property Specialist Resources, Inc. (Prosper)	Property management	100%	100%	100%

(Forward)



Subsidiaries	Nature of Business	2020	2019	2018
FSM Cinemas, Inc. (FSM Cinemas) <sup>4</sup>	Theater operator	60%	60%	60%
Philippine DCS Development Corporation (PDDC)	District cooling systems, builder and operator	60%	60%	60%
Timberland Sports and Nature Club, Inc. (TSNC) <sup>5</sup>	Recreational Sports and Natures Club	98%	98%	98%
Dreambuilders Pro, Inc. (DPI) <sup>6</sup>	Construction	45%	100%	100%
ProMixers Aggregates Corp. (PMAC) <sup>7</sup>	Construction	45%	100%	—
Leisurepro, Inc. (Leisurepro)	Marketing	100%	100%	100%
Proleads Philippines, Inc. (PPI)	Marketing	100%	100%	100%
Property Leaders International Limited (PLIL)	Marketing	100%	100%	100%
Property Maximizer Professional Corp. (Promax)	Marketing	100%	100%	100%
Realpros Philippines, Inc. (RPI)	Marketing	100%	100%	100%
	Recreational Sports and Natures Club	75%	—	—
Nature Specialists, Inc. (NSI)				

1. *FBCI is owned indirectly through FCGCC.*

2. *Deconsolidated in 2019. CPI and FCI sold its ownership in Pro-Excel to FAI (see Note 1). The effective ownership interest of the Parent Company was reduced to 33%.*

3. *100% direct ownership in 2020 after the assignment of CPI to FLI; 50% direct ownership and 60% indirect ownership through CPI in 2019.*

4. *FSM Cinemas is owned indirectly through FSI.*

5. *In 2018 and 2017, the Parent Company acquired noncontrolling interest in TSNC representing additional 1% and 5% ownership interest, respectively, for a total consideration of ₱16.09 million and ₱138.85 million, respectively.*

6. *Deconsolidated in 2020.*

7. *PMAC is a wholly-owned subsidiary of DPI.*

Except PLIL which was incorporated in British Virgin Islands, all of the Parent Company's subsidiaries were incorporated in the Philippines. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company using consistent accounting policies.

None of the foregoing subsidiaries has been a party to any bankruptcy, receivership or similar proceedings and has not undergone or entered into any material classification, merger, consolidation (except as disclosed elsewhere in this report), purchased or sold a significant amount of assets outside the ordinary course of business.

A subsidiary is an entity which the Group controls. 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 those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has: (a) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee); (b) exposure, or rights, to variable returns from its involvement with the investee, and, (c) 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: (a) the contractual arrangement with the other vote holders of the investee; (b) rights arising from other contractual arrangements; and, (c) 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 in the consolidated financial statement from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

#### Noncontrolling Interest

Noncontrolling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Group.

Noncontrolling interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from parent shareholder's equity. Any losses applicable to the noncontrolling interests are allocated against the interests of the noncontrolling interest even if this results to the noncontrolling interest having a deficit balance. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the noncontrolling interest is recognized in equity of the parent in transactions where the noncontrolling interest are acquired or sold without loss of control.

#### Business Combinations Involving Entities under Common Control

A business combination involving entities under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. This will include transactions such as the transfer of subsidiaries or businesses between entities within a group. Common control business combinations are outside the scope of PFRS 3, *Business Combination*. The Group elected to account for its common control business combination using acquisition method and this is applied consistently for similar transactions. However, where the acquisition method of accounting is selected, the transaction must have commercial substance from the perspective of the reporting entity. Common control business combination without commercial substance is accounted using "pooling of interests" method wherein the assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination and adjustments made are only those adjustments to harmonize accounting policies. No new goodwill is



recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. The effects of intercompany transactions on current assets, current liabilities, revenues, and cost of sales for the periods presented and on retained earnings at the date of acquisition are eliminated to the extent possible.

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial years, except for the adoption of the following amendments in PFRS and PAS which became effective beginning January 1, 2020.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

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

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

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- 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.

The Group adopted the amendments beginning January 1, 2020. These amendments had no impact on the Group as there are no rent concessions granted to the Group as a lessee.

#### Future Changes in Accounting Policy

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

#### *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 1 January 2021 and apply retrospectively, however, the Group is not required to restate prior periods.

- *‘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.

The amendments are not expected to have a material impact on the Group.

- *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. The amendments are not expected to have a material impact on the Group.

- *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. The amendments are not expected to have a material impact on the Group.

- 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. The amendments are not expected to have a material impact on the Group.

*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. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- PFRS 17, *Insurance Contracts*

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

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



The new standard is not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

#### *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.

The Group is currently assessing the impact of adopting these amendments.

- *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 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
a. 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
b. Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E	Until December 31, 2023
c. 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
d. 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.



- c. Qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted.
- d. 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 SEC reliefs to defer the above specific provisions of PIC Q&A No. 2018-12. Had these provisions been adopted, the Group assessed that the impact would have been as follows:

- a. The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied retrospectively and would have resulted in restatement of prior year financial statements. Adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, contract assets, provision for deferred income tax, deferred tax asset or liability for all years presented, and the opening balance of retained earnings. The Group has yet to assess if the mismatch constitutes a significant financing component for its contracts to sell.
- b. Had the Group accounted for the revenue from air-conditioning services, CUSA and handling services as principal, this would have resulted in the gross presentation of the related revenue, costs and expenses. Currently, the related revenue is presented net of costs and expenses. There is no impact on opening retained earnings, income and expense and the related balance sheet accounts.

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

- Deferment of Implementation of *IFRIC Agenda Decision on Over Time Transfer of Constructed Goods* (IAS 23, *Borrowing Cost*) for the Real Estate Industry

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



The IFRIC agenda decision would change the Group's current practice of capitalizing borrowing costs on real estate projects with pre-selling activities.

On February 21, 2020, the Philippine SEC issued Memorandum Circular No. 4, Series of 2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Further, on December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the Real Estate Industry until December 31, 2023. Effective January 1, 2024, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

For real estate companies that avail of the deferral, the SEC requires disclosure in the Notes to the Financial Statements of the accounting policies applied, a discussion of the deferral of the subject implementation issues, and a qualitative discussion of the impact in the financial statements had the IFRIC agenda decision been adopted.

The Group opted to avail of the relief as provided by the SEC. Had the Group adopted the IFRIC agenda decision, borrowing costs capitalized to real estate inventories related to projects with pre-selling activities should have been expensed out in the period incurred. This adjustment should have been applied retrospectively and would have resulted to restatement of prior year financial statements. A restatement would have impacted interest expense, cost of sales, provision for deferred income tax, real estate inventories, deferred tax liability and opening balance of retained earnings. The above would have impacted the cash flows from operations and cash flows from financing activities for all years presented.

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

- a. The financial statements as not considered to be in accordance with PFRS and should specify in the "Basis of Preparation of the Financial Statements" section of the financial statements that the accounting framework is *PFRS, as modified by the application of the following financial reporting reliefs issued and approved by the Securities and Exchange Commission in response to the COVID-19 pandemic*:
  1. Assessing if the transaction price includes a significant financing component (as amended by PIC Q&A 2020-04)
  2. Application of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods under PAS 23
- b. The Auditor's report will:
  1. Reflect in the Opinion paragraph that the financial statements are prepared in accordance with the compliance framework described in the notes to the financial statements; and
  2. Include an Emphasis of Matter paragraph to draw attention to the basis of accounting that has been used in the preparation of the financial statements.

Upon full adoption of the above deferred guidance, the accounting policies will have to be applied using full retrospective approach following the guidance under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.



The Group intends to adopt the additional deferrals of the adoption of the PIC Q&A's above as allowed under SEC MC No. 34-2020.

- *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 an amount equal to the outstanding balance of the contracts receivables at the date of repossession. 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.

#### Significant Accounting Policies

##### Current versus Noncurrent Classification

The Group presents assets and liabilities in its statement of financial position based on a current and noncurrent classification. An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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



### 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.

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

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

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

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

### Financial Instruments (Date of recognition)

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

### Recognition and Measurement of Financial Instruments

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

#### *Financial Assets*

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as either subsequently measured at amortized cost, at FVOCI, or at FVPL.

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. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a



significant financing component or for which the Group has applied the practical expedient 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 at FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' on the principal amount outstanding. This assessment is referred to as the 'solely payments of principal and interest test' and is performed at an instrument level.

The 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 comprise of financial assets at amortized cost and financial assets at FVOCI.

#### *Subsequent measurement*

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

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

#### *Financial assets at amortized cost*

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

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

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

The Group classified cash and cash equivalents, contracts receivable, other receivables and deposits (included in other assets) as financial assets at amortized cost (see Note 29).

#### *Financial assets at FVOCI (equity instruments)*

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

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



Included under this category are the Group's investments in quoted and unquoted shares of stocks (see Note 16).

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

#### *Reclassification of financial assets*

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

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

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

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

#### *Financial liabilities*

##### *Initial recognition and measurement*

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

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

As of December 31, 2020 and 2019, loans and borrowings consist primarily of accounts payable and accrued expenses excluding deposit from tenants and other payables, lease liabilities, loans payable, bonds payable and due to related parties (see Notes 15, 17, 18, 19 and 20).

##### *Subsequent measurement*

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

#### Impairment of Financial Assets and Contract 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.

The Group applies a simplified approach in calculating ECLs for financial assets at amortized costs. 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 for other receivables and a vintage analysis for contracts receivable and contract assets that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### Derecognition of Financial Assets and Financial Liabilities

##### *Financial Assets*

A financial asset is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the 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; or,
- 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 risks and rewards of the asset, but has transferred control of the asset.

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

##### *Financial Liabilities*

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

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

#### Offsetting Financial Instruments

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



### Real Estate Inventories

#### *Lots, Condominium and Residential Units for Sale*

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as real estate inventory and is measured at the lower of cost and net realizable value (NRV).

Cost includes:

- Land acquisition costs and expenses directly related to acquisition
- Amounts paid to contractors for development and construction
- Borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale. The cost of inventory recognized in consolidated statement of income on disposal is determined with reference to the specific costs incurred on the property sold, including an allocation of any non-specific costs based on the relative size of the property sold.

#### *Land and Land Development*

Land and land development consists of properties to be developed into real estate projects for sale that are carried at the lower of cost or NRV. The cost of land and land development include the following: (a) land acquisition costs, (b) costs incurred relative to acquisition and transfer of land title in the name of the Group such as transfer taxes and registration fees (c) costs incurred on initial development of the raw land in preparation for future projects, and (d) borrowing costs. They are transferred to lots, condominium and residential units for sale under “Real estate inventories” when the project plans, development and construction estimates are completed and the necessary permits are secured.

### Investments in Associates

The Group’s investment in associates is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in associates is carried in the consolidated statement of financial position at cost, plus post-acquisition changes in the Group’s share of net assets of the associates. The consolidated statement of income reflects the share of the results of operations of the associates. The Group recognizes its share of the losses of the associate until its share of losses equals or exceeds its interest in the associate, at which point the Group discontinues recognizing its share of further losses.

Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

The reporting dates of the associates and the Group are identical and the associates’ accounting policies conform to those used by the Group for like transactions and events in similar circumstances.



After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on investment in an associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment in the associate and its carrying value and recognize the amount in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

#### Investment Properties

Investment properties consist of commercial mall, land and other properties that are held for long term rental yields and capital appreciation and land held with undetermined future use. Investment properties also include right-of-use assets involving real properties that are subleased to other entities. Investment properties, except for land, are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Land is carried at cost less accumulated impairment losses, if any.

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

For those right-of-use assets that qualify as investment properties, i.e., those land that are subleased by the Group, these are classified under investment properties. Consistent with the Group's policy regarding the measurement of investment properties, these assets are subsequently measured at cost less amortization and impairment in value.

Investment properties built on rented properties are depreciated over their estimated useful lives or lease term, whichever is shorter.

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

	Years
Buildings and improvement	20-50
Machinery and equipment	5-15

The EUL and the depreciation method is reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefit from items of investment properties.

Investment properties also include prepaid commission representing incremental costs that are directly attributable to negotiating and arranging a lease. These are initially recognized at cost and are amortized over the related lease term.

Investment property is derecognized when it is either disposed of or permanently withdrawn from use and there is no future economic benefit expected from its disposal or retirement. 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.



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

Transfers between investment property, 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.

#### Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and accumulated impairment losses, if any. The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use including borrowing cost.

Construction-in-progress, is stated at cost. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time as the relevant assets are completed and ready for operational use.

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

Depreciation is computed on the straight-line basis over the EUL of the assets, as follows:

	Years
Buildings	20-50
Machinery and equipment	5-20
Transportation equipment	5
Furniture and fixtures	3-5

Leasehold improvements are amortized over the estimated useful lives of the improvements or the lease term, whichever is shorter.

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

When an item of property and equipment is derecognized, the cost of the related accumulated depreciation and amortization and accumulated impairment losses, if any, is removed from the account. Any gain or loss arising from derecognition of the asset is included in the consolidated statement of income in the year the asset is derecognized.

#### Intangible Assets

Intangible assets include goodwill, and build, transfer and operate (BTO) rights and developmental rights, which are presented under other noncurrent assets.



Intangible assets acquired separately are measured on initial recognition at costs. The cost of intangible assets acquired in a business combination or contracted arrangements is their fair value at the date of acquisition. Following initial recognition, intangible assets, excluding goodwill, are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

Intangible assets with indefinite useful lives (i.e., goodwill) are not amortized, but are tested for impairment annually or more frequently, either individually or at the cash generating unit level.

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

#### Other Assets

Other current and noncurrent assets including construction materials and supplies are carried at cost and pertain to resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group.

#### 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.

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

#### Impairment of Nonfinancial Assets

The carrying values of investment in associates, property and equipment, investment properties, right-of-use assets and other nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less cost of disposal and value-in-use. 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.



For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statement of income.

For nonfinancial assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor 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 the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually or more frequent if events or changes of circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating unit) is less than their carrying amount of cash-generating unit (or group of cash-generating unit) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

#### Revenue Recognition

##### *Revenue from Contracts with Customers*

The Group primarily derives its real estate revenue from the sale of vertical and horizontal real estate projects. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water, electricity, air-conditioning and common use service area in its mall retail spaces and office leasing activities, wherein it is acting as agent.

In September 2019, the Philippine Interpretations Committee (PIC) issued additional guidance to the real estate industry on the implementation of PFRS 15, including guidance on the recording of the difference between the consideration received from the customer and the transferred goods to the customer (ie, measured based on percentage-of-completion). The PIC allowed real estate companies to recognize the difference as either a contract asset or unbilled receivable. If presented as a contract asset, the disclosures required under PFRS 15 should be complied with. Otherwise, the disclosures required under PFRS 9 should be provided.

The Group opted to retain its existing policy of recording the difference between the consideration received from the customer and the transferred goods to the customer as contract asset.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.



#### *Real estate sales*

The Group derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of 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 output method. The Group recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the project accomplishment reports prepared by the third party project managers for high-rise real estate developments and internal project engineers for mid-rise real estate development. The project technical head integrates, reviews and approves the surveys of performance to date of the construction activities of subcontractors.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contract receivables is included in the "contract asset" account in the asset section of the consolidated statement of financial position.

Any excess of collections over the total of recognized installment contract receivables is included in the "contract liabilities" account in the liabilities section of the consolidated statement of financial position.

#### *Theater and snack bar sales (included as part of 'Rental and related services')*

Revenue from theater sales is recognized over time using output method when theater services are rendered. Revenue from snack bar sales is recognized at a point in time when goods are actually sold to customers.

#### *Cost of real estate sales*

The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land and connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

In addition, the Group recognizes as an asset only costs that give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

#### Contract Balances

##### *Contracts receivables*

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

##### *Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.



*Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

*Costs to obtain contract (Commission expenses)*

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 and marketing expense" account in the consolidated statement of income.

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

*Contract fulfillment assets*

Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group firstly considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.

If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

The Group's contract fulfillment assets pertain to land acquisition costs.

*Amortization, de-recognition and impairment of contract fulfillment assets and capitalized costs to obtain a contract*

The Group amortizes contract fulfillment assets and capitalized costs to obtain a contract over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization of contract fulfillment assets and cost to obtain a contract is included within "Cost of real estate sales" and "Selling and marketing expense", respectively.

A contract fulfillment asset or capitalized costs to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that the contract fulfillment asset or capitalized cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same





principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, there judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

#### Other Revenue and Income Recognition

##### *Rental Income*

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

##### *Income from Forfeited Reservations and Collections*

Income from forfeited reservation and collections is recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale. Such income is also recognized, subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act*, upon prescription of the period for the payment of required amortizations from defaulting buyers.

##### *Interest Income*

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

##### *Other Income*

Other income, including service fees, processing fees, management fees, is recognized when services are rendered and when goods are delivered.

#### Cost and Expense Recognition

Costs and expenses are recognized in the consolidated statement of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized in the consolidated statement of income:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or,
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.



### *Expenses*

“General and administrative expenses” and “Selling and marketing expenses” are expenses that are incurred in the course of the ordinary operations of the Group. These usually take the form of an outflow or depletion of assets such as cash and cash equivalents, property and equipment and investment properties. Selling and marketing expenses are costs incurred to sell real estate inventories, which include commissions, advertising and promotions, among others. General and administrative expenses constitute costs of administering the business.

Expenses are recognized in the consolidated statement of income as incurred based on the amounts paid or payable.

### Retirement Costs

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting 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 plan is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

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

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by an independent qualified actuary.

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 defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

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 profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information.

When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).



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 reimbursement is virtually certain.

#### *Termination benefit*

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

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs.

Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

#### *Employee leave entitlement*

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

#### Borrowing Costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. They are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. Interest and other financing costs incurred during the construction period on borrowings used to finance property development are capitalized as part of development costs 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 sale are completed. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

All other borrowing costs are expensed as incurred.

As discussed in "*Future Changes in Accounting Policy*", the Philippine SEC MC 4-2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (IAS 23, *Borrowing Cost*) until December 31, 2020. The Group opted to avail of the relief as provided by the SEC.

#### Foreign Currency-Denominated Transactions

The functional and presentation currency of the Parent Company and its subsidiaries and associate is the Philippine Peso. Transactions denominated in foreign currencies are recorded in Philippine Peso based on the exchange rates prevailing at the transaction dates. Foreign currency denominated monetary assets and liabilities are translated to Philippine Peso at exchange rates prevailing at the reporting date. Foreign exchange differentials between rate at transaction date and rate at settlement date or reporting date of foreign currency denominated monetary assets or liabilities are credited to or charged against current operations.



## Equity

### *Common and Preferred Stock*

The Group records common and preferred stock at par value and additional paid-in capital as the excess of the total contributions received over the aggregate par values of the equity shares.

The Group considers the underlying substance and economic reality of its own equity instrument and not merely its legal form in determining its proper classification. When any member of the Group purchases the Parent Company's capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity until the shares are cancelled, reissued or disposed of.

Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects is included in consolidated equity.

### *Treasury Stock*

Own equity instruments which are reacquired are carried at cost and are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid in capital when the shares were issued and to retained earnings for the remaining balance.

### *Retained Earnings*

Retained earnings represent accumulated earnings of the Group, and any other adjustments to it as required by other standards, less dividends declared. The individual accumulated earnings of the subsidiaries and accumulated equity earnings from an associate included in the consolidated retained earnings are available for dividend declaration when these are declared as dividends by the subsidiaries and associate as approved by their respective BOD.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of common shares held in treasury.

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

### Earnings Per Share (EPS)

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

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period, and adjusted for the effect of dilutive options and dilutive convertible preferred shares. If the required dividends to be declared on convertible preferred shares divided by the number of equivalent common shares, assuming such shares are converted would decrease the basic EPS, and then such convertible preferred shares would be deemed dilutive.

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



## Income Tax

### *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 reporting date.

### *Deferred Income Tax*

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

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

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefit of the excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward of MCIT and unused NOLCO can be utilized.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Income tax relating to items recognized directly in other comprehensive income is recognized in consolidated statement of comprehensive income and not in the consolidated statement of income.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset 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.

### Leases effective January 1, 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### *Group as Lessor*

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



#### *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. No rental income is recognized when the Group waives its right to collect rent and other charges. This is recognized as a rent concession and reported as a negative variable lease payment (see Notes 3 and 15).

#### *Group as Lessee*

Except for short-term leases and lease of low-value assets, the Group applies a single recognition and measurement approach for all leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### *i) 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 depreciation 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.

The Group classifies its right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned.

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. Useful life of right-of-use on land ranges from 20- to 50 years.

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

##### *ii) 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 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.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (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 that are considered of low value. 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.

As of January 1, 2019, the net effect of the initial adoption of PFRS 16 amounting to ₱11.9 million was adjusted directly in equity.

Leases prior to January 1, 2019

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).

*Group as Lessor*

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

No rental income is recognized when the Group waives its right to collect rent and other charges. This is recognized as a rent concession and reported as a variable payment.

*Group as Lessee*

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

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Two or more operating segments may be



aggregated into a single operating segment if the segments have similar economic characteristics, and the segments are similar in each of the following respects: (a) the nature of the products and services; (b) the nature of the production processes; (c) the type or class of customer for their products and services; (d) the methods used to distribute their products or provide their services; and, (e) if applicable, the nature of the regulatory environment. Financial information on business segments is presented in Note 5 to the consolidated financial statements.

#### Provisions

A provision is 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 assessment 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 part or all of provision to be reimbursed or recovered, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.

#### Contingencies

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 are disclosed when an inflow of economic benefits is probable.

#### Events after the Reporting Date

Any post year-end event up to the date of the auditor's report that provides additional information about the Group's position at reporting date (adjusting event) is reflected in the consolidated financial statements. Any post year-end event that is not an adjusting event is disclosed, when material, in notes to the consolidated financial statements.

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### **3. Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Future events may occur which can cause the assumptions used in arriving at those estimates to change. The effects of any changes in estimates will be reflected in the consolidated financial statements as they become reasonably determinable.

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

#### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognized in the consolidated financial statements.





### *Real Estate Revenue Recognition*

a. Existence of a contract

The Group's primary document for a contract with a customer is a signed contract to sell. It has determined however, that in cases wherein contract to sell are not signed by both parties, the combination of its other signed documentation such as purchase application form and official receipts evidencing collections from buyer, would contain all the criteria to qualify as contract with the customer under PFRS 15.

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 historical experience with customers, and pricing of the property. Management regularly evaluates the historical cancellations 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 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 customers.

### *Evaluation of Impairment on Nonfinancial Assets*

The Group reviews its investments in associates, property and equipment, investment properties, right-of-use assets, intangible assets and other assets (excluding short-term deposits) for impairment of value. This includes consideration of certain indicators of impairment such as significant change in asset usage, significant decline in asset's market value, obsolescence or physical damage of an asset, plans of discontinuing the real estate projects, and significant negative industry or economic trends.

If such indicators are present, and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to recoverable amount.

The recoverable amount is the asset's fair value less cost of disposal, except for investments in associates, which have recoverable value determined using value-in-use. The fair value less cost of disposal is the amount obtainable from the sale of an asset in an arm's-length transaction while value-in-use is the present value of estimated future cash flows expected to arise from the investments in associates. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.



The carrying values of the Group's nonfinancial assets (excluding goodwill) as of December 31 follow:

	2020	2019
	(In Thousands)	
Other current assets - net of short-term deposits (Note 11)	<b>₱4,627,186</b>	₱4,340,799
Investments in associates (Note 12)	<b>4,787,787</b>	4,170,682
Investment properties (Note 13)	<b>69,264,957</b>	66,461,060
Property and equipment (Note 14)	<b>3,348,145</b>	3,288,718
Other noncurrent assets - net of financial assets at FVOCI (Note 16)	<b>5,610,539</b>	5,223,152

*Assessment on whether rental concessions granted constitute a lease modification*

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Group waived its right to collect rent and other charges from the lessees of its commercial spaces.

The Group applies judgment when assessing whether the rent concessions granted is considered a lease modification under PFRS 16. In making this judgment, the Group determines whether the rent concessions granted has changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease. The Group assessed that the rental concessions it granted to lessees do not qualify as lease modifications since the terms and conditions under the corresponding lease contracts have not been modified by the waiver and therefore, is not a lease modification under PFRS 16.

The rental concessions granted by the Group for the year ended December 31, 2020 amounted to ₱625.37 million (see Notes 6 and 15).

*Judgements made in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates applying paragraph 122 of PAS 1, Presentation of Financial Statements*

The Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its tax compliance review, in consultation with its tax counsel, that it is probable that its uncertain income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities.

*Contingencies*

In the normal course of business, the Group is currently involved in various legal proceedings and assessments. The assessment of probability and estimate of the probable costs for the resolution of these claims have been developed in consultation with outside counsel handling the defense in these matters and based upon analysis of potential results. The Group currently does not believe these proceedings will have material or adverse effect on the Group's financial position and results of operations (see Note 31).



#### Use of Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the 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 discussed below.

#### *Revenue Recognition and Measure of Progress for Real Estate Sales*

The Group's revenue recognition policy requires management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group's revenue from real estate sales recognized based on the percentage of completion are measured principally on the basis of physical completion of real estate project.

Following the pattern of real estate revenue recognition, the cost to obtain a contract (e.g. commission), is determined using the percentage of completion. In view of the continuing community quarantines and restricted mobility, the progress of the Group's performance obligation is adversely affected which resulted to lower percentage-of-completion in 2020.

For the years ended December 31, 2020, 2019 and 2018, real estate sales amounted to ₱9.84 billion, ₱17.01 billion and ₱14.40 billion, respectively (see Note 6).

#### *Evaluation of Impairment of Contract Receivables and Contract Assets*

The Group uses the vintage analysis to calculate ECLs for contracts receivables and contract assets. The loss rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product type, market segment and collateral type).

The vintage analysis (the model) are initially based on the Group's historical observed default rates. The Group will calibrate the model to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (e.g., gross domestic product, inflation) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions (e.g., gross domestic product and inflation rate) and ECLs is a significant estimate. 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 customer's actual default in the future.

The Group has considered impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. The changes in the gross carrying amount of receivables from sale of real estate during the year and impact of COVID-19 pandemic did not materially affect the Group's allowance for ECL.

The information about the ECLs on the Group's contract receivables and contract assets is disclosed in Note 8.

The carrying values of contract receivables and contract assets are as follows:

	2020	2019
	(In Thousands)	
Contracts receivables (Note 8)	<b>₱4,156,939</b>	₱1,446,192
Contract assets (Note 6)	<b>8,934,062</b>	13,115,742



*Leases - Estimating the incremental borrowing rate to measure lease liabilities*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (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 (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). The incremental borrowing rate used by the Group to measure lease liabilities range from 8.18% to 8.54% in 2020 and 2019.

The Group's lease liabilities amounted to ₱6.15 billion and ₱5.87 billion as of December 31, 2020 and 2019, respectively (see Note 15).

*Estimating NRV of Real Estate Inventories*

The Group adjusts the cost of its real estate inventories to NRV based on its assessment of the recoverability of the inventories. In determining the recoverability of the inventories, management considers whether the selling prices of those inventories have significantly declined. Likewise, management also considers whether the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. In line with the impact of COVID-19, the Group experienced limited selling activities that resulted in lower sales in 2020. In evaluating NRV, recent market conditions and current market prices have been considered.

As of December 31, 2020 and 2019, the carrying amount of real estate inventories amounted to ₱65.54 billion and ₱63.08 billion, respectively (see Note 10). No impairment adjustments were recognized in 2020 and 2019 since the costs are lower than NRV.

*Evaluation of Impairment on Goodwill*

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. The Group's impairment test for goodwill on acquisition of CPI, FAC and Festival Supermall structure is based on value-in-use calculation that uses a discounted cash flow model. The cash flows are derived from budget period of 5 years and do not include restructuring activities that the Group is not yet committed to nor significant future investments that will enhance the asset base of the cash generating unit being tested.

The Group has adjusted the cash flows forecast and assumptions in 2020 to consider the impact associated with the COVID 19 pandemic. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, as well as revenue growth rates, gross margins and terminal growth rates used. The pre-tax discount rates used in 2020 and 2019 was 9% to 10.85% and 10%, respectively. The growth rates used beyond the forecast period for different cash-generating units is 3% to 12%.

As of December 31, 2020 and 2019, the Group has determined that its goodwill is not impaired. The carrying value of goodwill amounted to ₱4.57 billion as of December 31, 2020 and 2019 (see Note 4).



#### *Recognition of Deferred Income Tax Assets*

The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that the Group will generate sufficient future taxable profit to allow all or part of its deferred income tax assets to be utilized.

The Group's recognized deferred tax assets amounted to ₦2,186.24 million and ₦1,559.07 million as of December 31, 2020 and 2019, respectively (see Note 28). The tax effect of the Group's carryforward benefits of NOLCO for which no deferred income tax assets were recognized amounted to ₦96.71 million and ₦95.75 million as of December 31, 2020 and 2019, respectively (see Note 28).

#### *Fair Values of Financial Instruments*

The preparation of consolidated financial statements in compliance with PFRS requires certain financial assets and financial liabilities to be measured at fair value and fair value disclosure of financial instruments, the determination of which requires the use of extensive accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., interest rate), the amount of changes in fair value would differ due to usage of different valuation methodology. Any changes in fair value of these financial assets and financial liabilities would affect directly the Group's consolidated statement of income and other comprehensive income (see Note 29).

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#### **4. Goodwill**

Goodwill arising from business combinations in the Group's consolidated statements of financial position as of December 31, 2020 and 2019 consists of (amounts in thousands):

Festival Supermall structure	₦3,745,945
FAC	494,744
CPI	326,553
	<u>₦4,567,242</u>

In September 2006, the Group entered into a series of transactions pursuant to which it acquired: (1) 60% ownership interest in FAC from FDC; (2) 60% ownership interest in CPI from FAI; and, (3) Festival Supermall structure from FAI. In exchange for acquiring these assets, the Group issued a total of 5.64 billion common shares to FDC and FAI and assumed ₦2.50 billion outstanding debts of FDC and FAI. The business combinations resulted in the recognition of goodwill amounting to ₦4.24 billion, which comprises the fair value of expected synergies arising from the acquisitions.

Subsequently in February 2010, the Parent Company acquired the remaining 40% interests in CPI from Africa-Israel Properties (Phils.), Inc. to obtain full control of the then joint venture. The acquisition resulted in CPI becoming wholly-owned subsidiary of the Parent Company. The acquisition of the joint venture partner's interests was accounted for as business combination and resulted to recognition of goodwill amounting to ₦326.55 million.

As of December 31, 2020 and 2019, the recoverable value of the cash generating units to which the goodwill pertains is in excess of the carrying value of the cash generating units, thus, no impairment has been recognized.



## 5. Segment Reporting

For management purposes, the Group is organized into the following business units:

### *Real Estate*

This involves the acquisition of land, planning and development of large-scale, fully integrated residential communities, as well as the development and sale of residential lots, housing units, medium-rise residential buildings, farm estates, industrial parks, residential resort projects, a private membership club and condominium buildings.

### *Leasing*

This involves the operations of Festival Supermall, Fora Tagaytay, Centro Square and Il Corso, including its management and theater operations, and the leasing of commercial and office spaces in Makati City, Muntinlupa City, Pasay City, Bacoor City, Tagaytay City, Cebu City and Clark.

Management monitors the operating results of each of its business units for purposes of resource allocation and performance assessment. Performance of each segment is evaluated based on their profit and loss or net income.

The chief operating decision-maker of the Group is the Executive Committee. The committee reviews internal reports to assess performance and allocate resources. Based on the reports, it is also able to determine both the operating and non-operating segments. Reporting by geographical segments does not apply as the Group currently operates in the Philippines only.

No operating segments have been aggregated to form the above reportable segments. Transfer prices between segments are based on rates agreed upon by the parties and have terms equivalent to transactions entered into with third parties.

For the years ended December 31, 2020, 2019 and 2018, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

The information about the financial position and results of operations of these business segments for the years ended December 31, 2020, 2019 and 2018 are summarized below (amounts in thousands).

	2020				
	Real Estate Operations	Leasing Operations	Combined	Adjustments and Eliminations	Consolidated
<b>Revenue</b>					
External	₱9,775,978	₱6,447,363	₱16,223,341	₱-	₱16,223,341
Inter-segment	61,144	-	61,144	(61,144)	-
	9,837,122	6,447,363	16,284,485	(61,144)	16,223,341
Equity in net earnings of associates	516,450	-	516,450	-	516,450
Other income	9,291,622	484,270	9,775,892	(9,031,037)	744,855
	₱19,645,194	₱6,931,633	₱26,576,827	(₱9,092,181)	₱17,484,646
<b>Net income</b>	₱10,535,014	₱1,979,406	₱12,514,420	(₱8,556,670)	₱3,957,750
<b>Adjusted EBITDA</b>	₱11,650,307	₱5,371,478	₱17,021,785	(₱8,376,266)	₱8,645,519
<b>Segment assets</b>	₱127,394,893	₱63,510,274	₱190,905,167	(₱9,900,021)	181,005,146
Less net deferred tax assets	-	82,405	82,405	-	82,405
<b>Net segment assets</b>	₱127,394,893	₱63,427,869	₱190,822,762	(₱9,900,021)	180,922,741
<b>Segment liabilities</b>	₱53,922,142	₱55,825,136	₱109,747,278	(₱3,121,075)	₱106,626,203
Less net deferred tax liabilities	6,339,213	(20,489)	6,318,724	194,312	6,513,036
<b>Net segment liabilities</b>	₱47,582,929	₱55,845,625	₱103,428,554	(₱3,315,387)	₱100,113,167

(Forward)



2020					
	Real Estate Operations	Leasing Operations	Combined	Adjustments and Eliminations	Consolidated
<b>Cash flows provided by (used in):</b>					
Operating activities	(P4,821,733)	P 13,760,967	P8,939,234	(P1,646,883)	P7,292,351
Investing activities	(322,843)	(5,298,320)	(5,621,163)	-	(5,621,163)
Financing activities	912,263	(455,230)	457,033	(208,285)	248,748
2019					
	Real Estate Operations	Leasing Operations	Combined	Adjustments and Eliminations	Consolidated
Revenue					
External	P17,013,120	P7,008,742	P24,021,862	P-	P24,021,862
Inter-segment	34,362	-	34,362	(34,362)	-
	17,047,482	7,008,742	24,056,224	(34,362)	24,021,862
Equity in net earnings of associates	401,525	-	401,525	-	401,525
Other income	1,935,747	632,521	2,568,268	(1,318,345)	1,249,923
	P19,384,754	P7,641,263	P27,026,017	(P1,352,707)	P25,673,310
Net income	P4,760,397	P2,342,253	P7,102,650	(P582,850)	P6,519,800
Adjusted EBITDA	P6,003,896	P6,203,684	P12,207,580	(P520,774)	P11,686,806
Segment assets	P130,313,658	P49,609,668	P179,923,326	(P6,226,895)	P173,696,431
Less net deferred tax assets	3,019	49,416	52,435	-	52,435
Net segment assets	P130,310,639	P49,560,252	P179,870,891	(P6,226,895)	P173,643,996
Segment liabilities	P70,604,255	P31,548,256	P102,152,511	(P620,373)	P101,532,138
Less net deferred tax liabilities	6,057,332	361,238	6,418,570	94,043	6,512,613
Net segment liabilities	P64,546,923	P31,187,018	P95,733,941	(P714,416)	P95,019,525
<b>Cash flows provided by (used in):</b>					
Operating activities	P4,646,540	P5,753,086	P10,399,626	(P1,225,412)	P9,174,214
Investing activities	(2,769,256)	(6,272,829)	(9,042,085)	-	(9,042,085)
Financing activities	(1,591,008)	(208,412)	(1,799,420)	21,352	(1,778,068)
2018					
	Real Estate Operations	Leasing Operations	Combined	Adjustments and Eliminations	Consolidated
Revenue					
External	P14,404,201	P5,608,258	P20,012,459	P-	P20,012,459
Inter-segment	181,464	-	181,464	(181,464)	-
	14,585,665	5,608,258	20,193,923	(181,464)	20,012,459
Equity in net earnings of associates	537,017	-	537,017	-	537,017
Other income	3,185,166	467,407	3,652,573	(1,996,864)	1,655,709
	P18,307,848	P6,075,665	P24,383,513	(P2,178,328)	P22,205,185
Net income	P4,221,922	P2,781,968	P7,003,890	(P928,017)	P6,075,873
Adjusted EBITDA	P5,889,623	P4,365,338	P10,254,961	(P1,010,526)	P9,244,435
Segment assets	P123,063,731	P40,146,945	P163,210,676	(P4,350,193)	P158,860,483
Less net deferred tax assets	-	85,979	85,979	-	85,979
Net segment assets	P123,063,731	P40,060,966	P163,124,697	(P4,350,193)	P158,774,504
Segment liabilities	P67,607,723	P24,020,736	P91,628,459	(P39,598)	P91,588,861
Less net deferred tax liabilities	5,712,303	208,272	5,920,575	91,099	6,011,674
Net segment liabilities	P61,895,420	P23,812,464	P85,707,884	(P130,697)	P85,577,187
<b>Cash flows provided by (used in):</b>					
Operating activities	P3,121,748	P5,055,342	P8,177,090	(P1,147,303)	P7,029,787
Investing activities	(1,175,318)	(3,820,422)	(4,995,740)	-	(4,995,740)
Financing activities	1,266,481	(4,499,650)	(3,233,169)	42,592	(3,190,577)



The following table shows a reconciliation of the adjusted earnings before interest and other finance charges, income taxes, depreciation and amortization (EBITDA) to income before income tax in the consolidated statement of income. Adjusted EBITDA is the Group's EBITDA adjusted by the equity in net earnings from associates for the year:

	2020	2019	2018
	(In Thousands)		
Adjusted EBITDA	<b>₱8,645,519</b>	₱11,686,806	₱9,244,435
Depreciation and amortization (Notes 13, 14 and 16)	<b>(1,594,368)</b>	(1,320,598)	(810,629)
Operating profit	<b>7,051,151</b>	10,366,208	8,433,806
Interest and other finance charges (Note 23)	<b>(3,189,462)</b>	(2,492,965)	(1,192,441)
Equity in net earnings of an associate (Note 12)	<b>516,450</b>	401,525	537,017
Income before income tax	<b>₱4,378,139</b>	₱8,274,768	₱7,778,382

## 6. Revenue from Contracts with Customers

### Disaggregated Revenue Information

The Group's disaggregation of each sources of revenue is presented below:

	2020	2019	2018
	(In Thousands)		
<b>Real estate sales by market segment</b>			
Medium income	<b>₱7,332,043</b>	₱9,480,551	₱8,014,917
High-end	<b>1,027,486</b>	1,771,683	1,344,593
Low affordable	<b>769,438</b>	1,924,766	1,490,456
Affordable	<b>605,847</b>	3,490,925	3,280,057
Socialized	<b>102,308</b>	345,195	274,178
	<b>₱9,837,122</b>	₱17,013,120	₱14,404,201
<b>Cinema operations by type of goods or services</b> (included as part of rental and related services)			
Theater sales	<b>18,821</b>	150,565	129,333
Snack bar sales	<b>1,920</b>	22,526	16,201
	<b>20,741</b>	173,091	145,534
<b>Total revenue from contracts with customers</b>	<b>9,857,863</b>	17,186,211	14,549,735
<b>Rental and related services</b>			
Office leasing	<b>5,558,845</b>	5,170,892	3,858,191
Mall operations	<b>806,633</b>	1,664,759	1,604,533
	<b>6,365,478</b>	6,835,651	5,462,724
<b>Total Revenue</b>	<b>₱16,223,341</b>	₱24,021,862	₱20,012,459





The Group's real estate sales and theater sales are revenue from contracts with customers which are recognized over time while revenue from snack bar sales is recognized at a point in time.

As of December 31, 2020, contract balances are as follows:

	Current	Noncurrent	Total
	(In Thousands)		
Contracts receivable	<b>₱4,156,939</b>	<b>₱—</b>	<b>₱4,156,939</b>
Contract assets	<b>5,400,329</b>	<b>3,533,733</b>	<b>8,934,062</b>
Contract liabilities	<b>1,249,050</b>	<b>767,219</b>	<b>2,016,269</b>

As of December 31, 2019, contract balances are as follows:

	Current	Noncurrent	Total
	(In Thousands)		
Contracts receivable	<b>₱1,446,192</b>	<b>₱—</b>	<b>₱1,446,192</b>
Contract assets	<b>5,998,421</b>	<b>7,117,321</b>	<b>13,115,742</b>
Contract liabilities	<b>972,758</b>	<b>779,648</b>	<b>1,752,406</b>

Contracts receivable from real estate sales are collectible in equal monthly principal installments in varying periods of two (2) to ten (10) years. Interest rates per annum range from 11.5% to 19.0%. Titles to the residential units sold transferred to customers upon full payment of the contract price.

Contract assets represent the right to consideration for assets already delivered by the Group in excess of the amount recognized as contracts receivable. Contract assets is reclassified to contracts receivable when monthly amortization of customer is due for collection.

In 2020 and 2019, the Parent Company entered into an Agreement for Purchase of Contract Assets with a local bank. The bank agreed to buy the contract assets on a without recourse basis, and the Parent Company agreed to sell, assign, transfer and convey to the bank all its rights, titles, and interest in and to the contract assets. Total proceeds from these transactions equivalent to the carrying value of the contract assets sold amounted to ₱900.54 million and ₱1.50 billion in 2020 and 2019, respectively.

Contract liabilities consist of collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition and excess of collections over the good and services transferred based on percentage of completion. The movement in contract liability arise mainly from revenue recognition of completed performance obligations.

#### Performance Obligation

Information about the Group's performance obligations are summarized below:

##### *Real estate sales*

The Group entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.



The sale of a real estate unit may cover either (a) a lot; (b) house and lot and (c) condominium unit. There is one performance obligation in each of these contracts. The Group recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the purchase application form and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include downpayment of 20% to 30% of the contract price spread over a certain period (e.g., one to two years) at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from two (2) to ten (10) years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results in either a contract asset or contract liability.

The performance obligation is satisfied upon delivery of the completed real estate unit. The Group provides one year warranty to repair minor defects on the delivered house and lot and condominium unit. This is assessed by the Group as a quality assurance warranty and not treated as a separate performance obligation.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at December 31, 2020 and 2019 amounted to ₱3.75 billion and ₱1.79 billion, respectively. Performance obligation for the transaction price amounting to ₱2.73 billion and ₱1.23 billion will be satisfied within one year as of December 31, 2020 and 2019, respectively.

The remaining performance obligations expected to be recognized within one year and in more than one year relate to the continuous development of the Group's real estate projects. The Group's mid-rise condominium units and high rise condominium units are completed within three (3) and five (5) years, respectively, from start of construction while house and lots are expected to be completed within 12 months.

#### *Rental agreements*

The Group entered into lease agreements for its mall retail spaces and office spaces with the following identified performance obligations: (a) lease of space (b) provisioning of water and electricity and (c) provision of air conditioning and CUSA services (d) administration fee. Revenue from lease of space is recognized on a straight line basis over the lease term while revenue for the remaining performance obligations are recognized when services are rendered. The tenant is required to settle within 7 to 20 days upon receipt of the bill. In case of delay in payments, a penalty of 3% to 36% per annum is charged for the amount due for the duration of delay. The lease arrangement would typically require a tenant to pay advance rental equivalent to three (3) months and a security deposit equivalent to three (3) months rental to cover any breakages after the rental period, with the excess returned to the tenant.

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Group waived its right to collect rent and other charges as part of lease concessions it granted to lessees. Rent discounts and concessions given vary for merchants that are (1) allowed to operate during community quarantine and operational (2) allowed to operate during community quarantine but not operational (3) not allowed to operate during community quarantine.



#### Cost to Obtain Contracts and Contract Fulfillment Assets

The rollforward of the cost to obtain contract included in the other current assets is as follows:

	2020	2019
	(In Thousands)	
Balance at beginning of year	<b>₱467,807</b>	₱278,122
Additions	<b>835,535</b>	908,319
Amortization (Note 22)	<b>(526,547)</b>	(718,634)
Balance at end of year (Note 11)	<b>₱776,795</b>	₱467,807

Amortization of cost to obtain contract is recognized in the statements of comprehensive income under selling and marketing expenses.

For the years ended December 31, 2020 and 2019, additions of contract fulfillment costs amounted to ₱921.86 million and ₱281.19 million, respectively. Amortization of contract fulfillment costs amounted to ₱312.73 million and ₱530.23 million for the years ended December 31, 2020 and 2019, respectively. Contract fulfillment assets is included as part of real estate inventories.

The Group reviews its major contracts to identify indicators of impairment of contract fulfillment assets by comparing the carrying amount of the asset to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract.

In determining estimated amount of consideration, the Group uses the same principles in determining contract transaction price.

It is the Group's accounting policy, as set out in Note 2, that if a contract or specific performance obligation has exhibited marginal profitability or other indicators of impairment, judgement is applied to ascertain whether the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific key performance indicators that could trigger variable consideration, or service credits.

#### **7. Cash and Cash Equivalents**

This account consists of:

	2020	2019
	(In Thousands)	
Cash	<b>₱3,886,911</b>	₱2,321,835
Cash equivalents	<b>2,806,646</b>	2,451,786
	<b>₱6,693,557</b>	₱4,773,621

Cash includes cash on hand and in banks. Cash in bank earns interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and are subject to an insignificant risk of change in value.



Interest income earned on the Group's cash and cash equivalents amounted to ₱34.53 million, ₱18.96 million and ₱64.44 million in 2020, 2019 and 2018, respectively (see Note 23).

There is no restriction on the Group's cash and cash equivalents as at December 31, 2020 and 2019.

## 8. Contracts Receivable

This account consists of:

	2020	2019
	(In Thousands)	
Contracts receivable	<b>₱3,963,551</b>	₱1,253,612
Receivables from government and financial institutions	<b>193,388</b>	192,580
	<b>₱4,156,939</b>	₱1,446,192

Contracts receivable are collectible over varying periods within two (2) to ten (10) years. The receivables arising from real estate sales are collateralized by the corresponding real estate properties sold. The Group records any excess of progress work over the right to an amount of consideration that is unconditional (i.e., contracts receivable) as contract assets (see Note 6).

On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act ("Bayanihan 1 Act") was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the ECQ Period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2 Act"), was enacted. Under Bayanihan 2 Act, a one-time sixty (60)-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest and other charges.

In 2020, the Group, provided reliefs under Bayanihan 1 Act and Bayanihan 2 Act, which offered financial reliefs to its borrowers/counterparties as a response to the effect of the COVID-19 pandemic. These relief measures included the restructuring of existing receivables including extension of payment terms.

Based on the Group's assessment, the modifications in the contractual cash flows as a result of the above reliefs are not substantial and therefore do not result in the derecognition of the affected financial assets.

Receivables from government and financial institutions pertain to government and bank-financed real estate sales. Receivables from government and financial institutions are collectible within one year.

Interest income recognized on contracts receivable amounted to ₱347.22 million, ₱403.85 million and ₱809.51 million in 2020, 2019 and 2018, respectively (see Note 23). Interest rates per annum on contracts receivable range from 11.5% to 19.0% for these years.



The Group has a mortgage insurance contract with Philippine Guarantee Corporation (PhilGuarantee), a government insurance company for a retail guaranty line. As of December 31, 2020 and 2019, the contracts (comprise of both contract receivables and contract assets) covered by the guaranty line amounted to ₱460.3 million and ₱799.9 million respectively. As of December 31, 2020 and 2019, the remaining unutilized guaranty line amounted to ₱2.04 billion and ₱2.06 billion, respectively.

As of December 31, 2020 and 2019, no impairment losses were recognized from contracts receivables.

## 9. Other Receivables

	2020	2019
	(In Thousands)	
Receivables from tenants	<b>₱2,456,106</b>	₱1,742,836
Due from related parties (Notes 12 and 20)	<b>347,121</b>	451,472
Advances to officers and employees	<b>303,460</b>	687,667
Receivables from homeowners' associations	<b>230,189</b>	155,226
Receivables from buyers	<b>43,174</b>	139,875
Others	<b>23,126</b>	38,962
	<b>3,403,176</b>	3,216,038
Less: Allowance for expected credit losses	<b>40,993</b>	40,993
	<b>₱3,362,183</b>	₱3,175,045

"Receivables from tenants" represent charges to tenants for rentals and utilities normally collectible within a year. Allowance for expected credit losses related to tenants' accounts specifically determined to be impaired amounted to ₱25.13 million as of December 31, 2020 and 2019. Provision for expected credit losses recorded is nil for all periods presented.

"Advances to officers and employees" represent advances for project costs, marketing activities, travel and other expenses arising from the ordinary course of business which are liquidated upon the accomplishment of the purposes for which the advances were granted.

"Receivables from homeowners' associations" represent claims from the homeowners' association of the Group's projects for the payment of the expenses on behalf of the association. Allowance for expected credit losses related to these receivables, determined using collective impairment assessment, amounted to ₱15.86 million as of December 31, 2020 and 2019. Reversal of provision for expected credit losses amounted to ₱21.40 million in 2018 and nil for 2020 and 2019.

"Receivables from buyers" mainly pertain to advances for fit-out funds and other advances relating to insurance and other chargeable expenses to buyers which are normally collectible within a year.

"Others" represent advances for selling, marketing, and administrative expenses of international sales offices, arising from the ordinary course of business which are liquidated upon the accomplishment of the purposes for which the advances were granted.



## 10. Real Estate Inventories

This account consists of:

	2020	2019
	(In Thousands)	
Real estate inventories - at cost		
Lots, condominium and residential units for sale	<b>₱41,659,064</b>	₱38,851,977
Land and land development	<b>23,885,503</b>	24,166,459
	<b>₱65,544,567</b>	₱63,018,436

A summary of the movement in lots, condominium and residential units for sale is set out below:

	2020	2019
	(In Thousands)	
Balance at beginning of year	<b>₱38,851,977</b>	₱42,244,626
Land costs transferred from land and land development	<b>1,194,483</b>	1,510,868
Net transfer to investment properties and property and equipment (Notes 13 and 14)	<b>(40,831)</b>	—
Construction/development costs incurred	<b>6,576,586</b>	4,079,159
Capitalized borrowing costs	<b>663,683</b>	871,195
Cost of real estate sales	<b>(5,586,834)</b>	(9,853,871)
	<b>₱41,659,064</b>	₱38,851,977

Capitalization rate for the capitalized borrowing costs is 1%, 1.5% and 2% in 2020, 2019 and 2018, respectively.

A summary of the movement in land and land development is set out below:

	2020	2019
	(In Thousands)	
Balance at beginning of year	<b>₱24,166,459</b>	₱25,608,402
Land acquisitions	<b>450,018</b>	1,955,859
Land costs transferred to real estate inventories	<b>(1,194,483)</b>	(1,510,868)
Net transfers and others (Notes 13 and 16)	<b>(222,994)</b>	(1,965,794)
Site development and incidental costs	<b>686,503</b>	78,860
	<b>₱23,885,503</b>	₱24,166,459

As of December 31, 2020 and 2019, on account additions to land and land development during the year which remain outstanding amounted to ₱2.90 million and ₱70.72 million, respectively, and these are recognized as part of “Accounts payable and accrued expense” (see Note 17).

Borrowing costs capitalized as part of land and land development, where activities necessary to prepare it for its intended use is ongoing, amounted to ₱113.48 million, ₱102.37 million and ₱126.19 million for the years ended December 31, 2020, 2019 and 2018, respectively. Capitalization rate is 2.4%, 4.5% and 3.4% in 2020, 2019 and 2018, respectively.

Acquisition of land and land development included under cash flows used in operating activities amounted to ₱1.02 billion, ₱2.62 billion and ₱2.01 billion for the years ended December 31, 2020, 2019 and 2018, respectively.



In 2015, the Parent Company, CPI and FAI acquired additional 19.2 hectares of South Road Properties from Cebu City Government for a total consideration of ₱3.38 billion plus interest (including ₱1.69 billion attributable to lots assigned to FAI). Of this amount, ₱2.35 billion has been paid as of December 31, 2017. The purchase transaction was completed upon full payment of the purchase price on December 17, 2019.

In 2019, lots amounting ₱1.97 billion were transferred from real estate inventories to investment properties as a result of the change in use of these lots (see Note 13). Lots under CPI are included as part of investment properties as of December 31, 2020 and 2019 (see Notes 13, 17 and 34).

In 2020, deposits previously held in escrow amounted to ₱281.85 million for the purchase of a parcel of land in Manila has been transferred to land and land development (see Note 16).

## 11. Other Current Assets

This account consists of:

	2020	2019
	(In Thousands)	
Input taxes	<b>₱2,054,956</b>	₱2,283,008
Cost to obtain contracts (Note 6)	<b>776,795</b>	467,807
Creditable withholding taxes	<b>928,110</b>	850,441
Prepaid expenses	<b>570,337</b>	427,695
Advances to contractors and suppliers	<b>191,397</b>	257,465
Construction materials and supplies	<b>105,591</b>	54,383
Short-term deposits (Note 31)	<b>9,955</b>	47,685
	<b>₱4,637,141</b>	₱4,388,484

“Input taxes” pertains to VAT passed on from purchases of goods or services which is applied against output VAT.

“Cost to obtain contract” includes commissions paid to brokers relating to the sale of real estate inventories which did not qualify for revenue recognition.

“Creditable withholding taxes” are the taxes withheld by the withholding agents from payments to the sellers which is creditable against the income tax payable.

“Prepaid expenses” consist of prepayments for commissions on leases, marketing fees, advertising and promotions, taxes and licenses, rentals and insurance.

“Advances to contractors and suppliers” pertain to down payments made by the Group which are applied against future billings for development and construction contracts of real estate inventories.

“Construction materials and supplies” pertain to inventories to be used in the construction and maintenance of projects.



## 12. Investments in Associates

This account consists of:

	2020	2019
	(In Thousands)	
At equity:		
Acquisition cost		
Balance at the beginning and end of year	<b>₱906,619</b>	₱837,829
Corporate Technologies, Inc. (CTI)	—	51,300
Pro-Excel	—	17,490
DPI	<b>90,000</b>	—
Balance at end of year	<b>996,619</b>	906,619
Accumulated equity in net earnings:		
Balance at the beginning of year, as previously stated	<b>1,025,847</b>	979,974
Impact of adoption of PFRS 16	—	48,348
Balance at the beginning of year, as restated	<b>1,025,847</b>	1,028,322
Equity in net earnings for the year	<b>516,450</b>	401,525
Dividend declaration	—	(404,000)
Balance at end of year	<b>1,542,297</b>	1,025,847
Share in revaluation increment on land at deemed cost*	<b>1,876,422</b>	1,876,422
Share in other components of equity	<b>372,449</b>	361,794
	<b>₱4,787,787</b>	₱4,170,682

\*Presented as part of retained earnings in the consolidated statement of changes in equity.

As of December 31, the carrying value of the Group's investments in associates follows:

	2020	2019
	(In Thousands)	
FAI	<b>₱4,552,473</b>	₱4,030,474
DPI	<b>87,702</b>	—
FMI	<b>74,022</b>	70,902
CTI	<b>52,146</b>	51,816
Pro-excel	<b>21,444</b>	17,490
	<b>₱4,787,787</b>	₱4,170,682

### FAI

The Parent Company has a 20% interest in FAI which is involved primarily in the development of commercial buildings, residential condominiums and land. FAI is also involved in leasing of commercial real estate and marketing.

Dividends declared by FAI for the years ended December 31, 2019 and 2018, and the corresponding share of the Group are as follows (nil for the year ended December 31, 2020):

Year	Total Dividends Declared	Share in Dividends	Dividend Receivable
	(In Thousands)		
2019	₱2,020,000	₱404,000	₱404,000
2018	3,390,000	678,000	384,000





Summarized financial information and reconciliation of investment in FAI is as follows:

	2020	2019
	(In Thousands)	
Current assets	<b>₱13,528,951</b>	₱14,619,142
Noncurrent assets	<b>23,262,765</b>	23,377,928
Total assets	<b>36,791,716</b>	37,997,070
Current liabilities	<b>3,963,286</b>	5,086,846
Noncurrent liabilities	<b>6,991,632</b>	9,587,647
Total liabilities	<b>10,954,918</b>	14,674,493
Equity	<b>₱25,836,798</b>	₱23,322,577
Proportion of the Group's ownership	20%	20%
Equity in net assets of associate	<b>₱5,167,360</b>	₱4,664,515
Less upstream sales	<b>615,745</b>	634,041
Carrying amount of the investment	<b>4,551,615</b>	₱4,030,474
Revenue and other income	<b>₱4,926,052</b>	₱6,164,284
Cost and other expenses	<b>(1,920,348)</b>	(2,917,065)
Depreciation	<b>(242,019)</b>	(217,802)
Interest expense	<b>(177,689)</b>	(211,063)
Interest income	<b>55,488</b>	39,060
Income before tax	<b>2,641,484</b>	2,857,414
Income tax expense	<b>84,766</b>	856,226
Net income for the year	<b>2,556,718</b>	₱2,001,188
Group's equity in net earnings of associate	<b>₱511,344</b>	₱400,238

#### DPI

On December 21, 2020, FDC subscribed to 110,000,000 common shares of Dreambuilders Pro, Inc. (DPI) with par value of ₱1.00 per share amounting ₱110.00 million and equivalent to 55% of DPI's outstanding shares. This resulted in the dilution of FLI's interest in DPI to 45% and deconsolidation by the Group (see Note 1). As a result of the dilution, the investment in DPI is accounted as investment in associate under the equity method. Gain on deconsolidation amounted to ₱131.17 million (see Note 24). Share in net loss of DPI between the date of sale and reporting date amounted to ₱2.30 million.

#### FMI

In 2016, FMI was incorporated and operating in the Philippines and handles the lease of the Mimosa Leisure Estate. The Parent Company subscribed for 47.5% of FMI's capital stock amounting to ₱37.83 million. For the years ended December 31, 2020, 2019 and 2018, share in net earnings of FMI amounted to ₱3.12 million, ₱0.77 million and ₱3.75 million, respectively.

On January 1, 2019, FMI adopted PFRS 16, *Leases*, resulting in a transition adjustment in FMI's retained earnings which resulted in the restatement in the beginning investment in FMI amounting to ₱48.35 million.



### CTI

In 2019, the 30% interest in CTI of the Parent Company was classified as an investment in associate. CTI is primarily involved in information technology service management. Share in net earnings of CTI amounted ₱0.33 million and ₱0.52 million for the years ended December 31, 2020 and 2019, respectively.

### Pro-Excel

On December 26, 2019, CPI and FCI, wholly owned subsidiaries of the Parent, entered into a Deed of Assignment to sell ownership in Pro-Excel to FAI. The sale resulted in a loss of control in Pro-Excel and deconsolidation by the Group. As of December 31, 2020, the remaining ownership of the Parent Company in Pro-Excel is 33%. Share in net earnings of Pro-Excel amounted to ₱3.96 million for the year ended December 31, 2020.

Aggregate financial information on the associates with immaterial interest (FMI, CTI, Proexcel and DPI) follows:

	2020	2019
	(In Thousands)	
Carrying Amount	₱236,172	₱140,208
Share in net income	5,106	1,287
Share in total comprehensive income	5,106	1,287

The Group does not restrict profit distribution of its associates. The associates have no contingent liabilities outside of the ordinary course of business or capital commitments as at December 31, 2020 and 2019.

## 13. Investment Properties

The rollforward analysis of this account as of December 31 follows:

	2020					
	Land	Buildings and Improvements	Machinery and Equipment	Construction in Progress	Right-of-use assets (Note 15)	Total
(In Thousands)						
<b>Cost</b>						
Balances at beginning of year	₱15,771,312	₱28,669,503	₱164,814	₱22,649,397	₱5,279,966	₱72,534,992
Additions	12,270	205,738	91,320	4,225,885	96,170	4,631,383
Disposals	(672,802)	—	—	—	—	(672,802)
Transfers (Notes 10 and 14)	(311,880)	284,183	(39,714)	(35,155)	—	(101,836)
Balances at end of year	14,798,900	29,160,153	216,420	26,840,127	5,376,136	76,391,736
<b>Accumulated Depreciation</b>						
Balances at beginning of year	—	5,786,881	146,960	—	140,091	6,073,932
Depreciation (Note 21)	—	837,056	103,517	—	148,031	1,088,605
Transfers (Notes 10 and 14)	—	—	(35,757)	—	—	(35,757)
Balances at end of year	—	6,623,937	214,720	—	288,122	7,126,779
<b>Net Book Value</b>	₱14,798,900	₱22,536,216	₱1,700	₱26,840,127	₱5,088,014	₱69,264,957



	2019					
	Land	Buildings and Improvements	Machinery and Equipment	Construction in Progress	Right-of-use assets (Note 15)	Total
(In Thousands)						
Cost						
Balances at beginning of year	₱13,462,960	₱27,804,861	₱98,061	₱14,272,872	₱-	₱54,918,754
Effect of adoption of PFRS 16	-	-	-	-	5,279,966	5,279,966
Balance at beginning of year as restated	13,462,960	27,084,861	98,061	14,272,872	5,279,966	60,198,720
Additions	16,598	984,853	10,832	8,376,525	-	9,388,808
Transfers (Notes 10 and 14)	2,291,754	599,789	55,921	-	-	2,947,464
Balances at end of year	15,771,312	28,669,503	164,814	22,649,397	5,279,966	72,534,992
Accumulated Depreciation						
Balances at beginning of year	-	4,839,921	60,462	-	-	4,931,902
Effect of adoption of PFRS 16	-	31,159	-	-	-	31,159
Balance at beginning of year as restated	-	4,871,440	60,462	-	-	4,900,383
Depreciation (Note 21)	-	767,317	34,575	-	140,091	941,983
Transfers (Notes 10 and 14)	-	148,124	51,923	-	-	200,047
Balances at end of year	-	5,786,881	146,960	-	140,091	6,073,932
Net Book Value	₱15,771,312	₱22,882,622	₱17,854	₱22,649,397	₱5,139,875	₱66,461,060

As of December 31, 2020 and 2019, land includes South Road Properties acquired from Cebu City Government in 2015 (see Notes 10 and 31). Construction in progress pertain to buildings under construction to be leased as retail and office spaces upon completion.

On October 7, 2020, CPI sold a portion of its South Road Properties with a carrying value of ₱672.8 million for a consideration of ₱737.8 million. The gain on sale amounting ₱65.3 million is presented as gain on sale of investment property under “Other income” in the consolidated statement of comprehensive income (Note 24).

Borrowing costs capitalized as part of investment properties amounted to ₱645.27 million, ₱404.10 million and ₱983.75 million, in 2020, 2019 and 2018, respectively. Capitalization rate used is 1.00% to 6.14%, 2.43% to 6.47%, and 1.46% to 7.65% in 2020, 2019 and 2018.

As of December 31, 2020 and 2019, on account additions to investment properties which remain outstanding amounted to ₱1.66 billion and ₱2.92 billion, respectively, and these are recognized as part of “Accounts payable and accrued expense” (see Note 17).

The aggregate fair value of the Group’s investment properties amounted to ₱134.54 billion and based on third party appraisals performed in 2020 by an SEC accredited independent appraiser and management appraisal updated using current and year-end values and assumptions. The fair value of investment properties was determined using the Income Approach based on discounted cash flow analysis for buildings and Market approach for land.

Under the Income Approach, all expected cash flow from the use of the assets were projected and discounted using the appropriate discount rate reflective of the market expectations. The valuation of investment property is categorized as Level 3 in the fair value hierarchy since valuation is based on unobservable inputs. The significant unobservable inputs used in the valuation pertains to lease income growth rate and discount rate.

Market data approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. This approach was used for the land as it is commonly used in the property market since inputs and data for this approach are available. For market data approach, the higher the rise per sqm., the higher the fair value. The significant unobservable inputs to valuation of the land is the price per square meter ranging from ₱46,000 to ₱275,000.



Rental income from investment properties amounted to ₱6.15 billion, ₱6.64 billion and ₱5.32 billion in 2020, 2019 and 2018, respectively (see Note 6). Cost of rental services arising from investment properties is as follows:

	2020	2019	2018
	(In Thousands)		
Depreciation	<b>₱779,223</b>	₱600,409	₱568,228
Mall operations	<b>147,463</b>	347,525	400,135
Others	<b>3,719</b>	110,923	110,392
	<b>₱930,405</b>	₱1,058,857	₱1,078,755

“Others” pertain to cost of ticket sales and snack bar sales. The Group classifies the depreciation of fit out cost and machinery and equipment related to the common area and air-conditioning as part of the maintenance and air-conditioning dues that are collected from the tenants. In 2020, 2019 and 2018, depreciation expense recognized as part of “Rental and related services” revenue amounted to ₱161.35 million, ₱201.48 million and ₱55.69 million, respectively.

*Deed of Sale on Installment of the 19.2-hectare South Road Properties (SRP)*

In July 2015, FLI, CPI and FAI (collectively referred to as Filinvest Consortium) won the bidding for a 19.20-hectare lot in Cebu’s SRP (see Notes 10 and 13). Thereafter, on August 7, 2015, Filinvest Consortium entered into a Deed of Sale on Installment (DSI) with the Cebu City Government. In a letter dated January 6, 2017, the Cebu City Mayor questioned the validity of the sale and gave the buyers the option to withdraw from the sale at buyer’s discretion. In a letter to the Cebu City Mayor dated February 7, 2017 (the Letter), Filinvest Consortium expressed its intention to rescind the DSI. Under the DSI, Cebu City undertook to comply with several covenants, undertakings and obligations no later than February 7, 2016 (or 180 days from execution of the DSI). The Letter pointed out that as of February 7, 2017, the said covenants, undertakings and obligations have not been complied with and it does not appear that these will be complied with within a foreseeable reasonable period of time.

The rescission of the DSI shall only take effect upon return by Cebu City of the down payment and installment payments made to Cebu City by Filinvest Consortium, plus interests, within ninety (90) days from receipt of the Letter in accordance with Section 5.7 of the DSI. Pending receipt of such payments, the DSI shall remain valid and subsisting by and among the parties.

The 19.2-hectare property mentioned above is a separate property from the other two properties within the SRP which were acquired from Cebu City: a) the 40-hectare property under a joint venture undertaking with Cebu City; and b) the 10-hectare property which was already paid in full by FLI to Cebu City.

On August 2, 2019, Filinvest Consortium informed Cebu City that the payments will be judicially consigned in accordance with law considering that to date, Cebu City has not yet returned the payments with interest, thus, the conditional rescission has already expired. In response, Cebu City issued a letter dated October 4, 2019 to FLI Consortium and insisted that the latter has no longer any debt to Filinvest Consortium as the DSI was effectively rescinded. Cebu City reiterates its willingness to restitute the Filinvest Consortium of the amount it has already paid prior the rescission.

The Cebu City Government and Filinvest Consortium came to a resolution on January 8, 2020 with the full payment and the signing of the Deed of Absolute Sale. The Filinvest Consortium paid on December 17, 2019 the full amount of the purchase price of the lot plus the accumulated interest for the unpaid installments since 2017. Accordingly, the matter has been resolved.



The carrying value of the property amounted to ₱1.20 billion and ₱1.86 billion as of December 31, 2020 and 2019, respectively.

#### 14. Property and Equipment

The rollforward analysis of this account as of December 31 follows:

	2020						Total
	Land and Buildings	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	
	(In Thousands)						
<b>Cost</b>							
Balances at beginning of year	₱2,118,313	₱1,227,672	₱153,222	₱102,306	₱92,761	₱453,675	₱4,147,949
Additions	42,281	341,846	21,354	11,464	106,703	9,549	533,197
Transfers (Note 13)	—	263,844	—	—	—	(279,780)	(15,936)
Deconsolidation (Note 12)	—	(29,346)	(6,788)	(1,247)	(7,728)	—	(45,109)
<b>Balances at end of year</b>	<b>2,160,594</b>	<b>1,804,016</b>	<b>167,788</b>	<b>112,523</b>	<b>191,736</b>	<b>183,444</b>	<b>4,620,101</b>
<b>Accumulated Depreciation and Amortization</b>							
Balances at beginning of year	278,285	336,137	102,659	63,123	79,027	—	859,231
Depreciation and amortization (Note 21)	49,696	288,860	27,703	13,670	43,409	—	423,338
Deconsolidation (Note 12)	—	(5,096)	(1,922)	(504)	(3,091)	—	(10,613)
<b>Balances at end of year</b>	<b>327,981</b>	<b>619,901</b>	<b>128,440</b>	<b>76,289</b>	<b>119,345</b>	<b>—</b>	<b>1,271,956</b>
<b>Net Book Value</b>	<b>₱1,832,613</b>	<b>₱1,184,115</b>	<b>₱39,348</b>	<b>₱36,234</b>	<b>₱72,391</b>	<b>₱183,444</b>	<b>₱3,348,145</b>

	2019						Total
	Land and Buildings	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	
	(In Thousands)						
<b>Cost</b>							
Balances at beginning of year	₱2,974,591	₱878,418	₱140,859	₱112,224	₱91,610	₱474,345	₱4,672,047
Additions	69,471	421,463	17,581	5,947	1,151	26,171	541,784
Disposals	(925,749)	(72,209)	(5,218)	(15,865)	—	(46,841)	(1,065,882)
<b>Balances at end of year</b>	<b>2,118,313</b>	<b>1,227,672</b>	<b>153,222</b>	<b>102,306</b>	<b>92,761</b>	<b>453,675</b>	<b>4,147,949</b>
<b>Accumulated Depreciation and Amortization</b>							
Balances at beginning of year	290,582	326,718	82,479	71,193	67,955	—	838,927
Depreciation and amortization (Note 21)	188,373	77,632	22,980	4,164	11,416	—	304,565
Disposals	(200,670)	(68,213)	(2,800)	(12,234)	(344)	—	(284,261)
<b>Balances at end of year</b>	<b>278,285</b>	<b>336,137</b>	<b>102,659</b>	<b>63,123</b>	<b>79,027</b>	<b>—</b>	<b>859,231</b>
<b>Net Book Value</b>	<b>₱1,840,028</b>	<b>₱891,535</b>	<b>₱50,563</b>	<b>₱39,183</b>	<b>₱13,734</b>	<b>₱453,675</b>	<b>₱3,288,718</b>

On August 1, 2019, Timberland Sports and Nature Club, Inc. (TSNC) is undergoing replanning and renovation due to change of the primary purpose of TSNC from that of an exclusive recreational sports club to a real estate development company. As the use of these assets were changed for leasing purposes, property and equipment amounting to ₱981.67 million, gross of accumulated depreciation of ₱200.05 million, were transferred to investment properties (see Note 13).

As of December 31, 2020 and 2019, on account additions to property and equipment which remain outstanding amounted to ₱2.18 million and ₱2.38 million, respectively, and these are recognized as part of “Accounts payable and accrued expenses” (see Note 17).



## 15. Leases

### *Group as lessee*

The Group has lease contracts for land as of January 1, 2020. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The Group has entered into land lease arrangements with lease terms of between 25 and 50 years. There are several leases that include extension option to lease the assets for additional 25 years based on mutual agreement of the parties.

As at December 31, 2020 and 2019, the rollforward analysis of right-of-use assets on land follows:

	2020		
	Investment Properties (Note 13)	Other Noncurrent assets (Note 16)	Total
	(In Thousands)		
<b>Cost</b>			
At January 1	₱5,279,966	₱112,424	₱5,392,390
Additions	96,170	—	96,170
As at December 31	5,376,136	112,424	5,488,560
<b>Accumulated Depreciation</b>			
At January 1	140,091	4,497	144,588
Depreciation (Note 21)	148,031	4,497	152,528
As at December 31	288,122	8,994	297,116
<b>Net Book Value</b>	<b>₱5,088,014</b>	<b>₱103,430</b>	<b>₱5,191,144</b>

	2019		
	Investment Properties (Note 13)	Other Noncurrent assets (Note 16)	Total
	(In Thousands)		
<b>Cost</b>			
At January 1	₱—	₱—	₱—
Effect of adoption of PFRS 16	5,279,966	112,424	5,392,390
At January 1, as restated	5,279,966	112,424	5,392,390
Additions	—	—	—
As at December 31	5,279,966	112,424	5,392,390
<b>Accumulated Depreciation</b>			
At January 1	—	—	—
Depreciation (Note 21)	140,091	4,497	144,588
As at December 31	140,091	4,497	144,588
<b>Net Book Value</b>	<b>₱5,139,875</b>	<b>₱107,927</b>	<b>₱5,247,802</b>

The Group reclassified right-of-use assets in 2019 to conform to the 2020 financial statement presentation. Right-of-use assets presented separately were reclassified to investment properties and other noncurrent assets. The statement of financial position as at the beginning of the earliest presented is not presented as the reclassifications have no impact on total noncurrent assets as of December 31, 2019 and January 1, 2019.



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

	2020	2019
	(In Thousands)	
Depreciation expense of right-of-use assets (included in general and administrative expenses) (Note 21)	<b>₱152,528</b>	₱144,588
Interest expense on lease liabilities (included in interest and other finance charges) (Note 23)	<b>504,674</b>	488,732
<b>Total amount recognized in statement of income</b>	<b>₱657,202</b>	<b>₱633,320</b>

Interest expense capitalized as part of investment properties amounted to ₱108.14 million in 2020.

As at December 31, 2020 and 2019, the rollforward analysis of lease liabilities follows:

	2020	2019
	(In Thousands)	
At January 1,	<b>₱5,870,064</b>	₱5,677,269
Additions	<b>96,170</b>	—
Interest expense (Note 23)	<b>504,674</b>	488,732
Payments	<b>(317,948)</b>	(295,937)
As at December 31	<b>6,152,960</b>	5,870,064
Lease liabilities - current portion	<b>328,796</b>	318,119
<b>Lease liabilities - net of current portion</b>	<b>₱5,824,164</b>	<b>₱5,551,945</b>

The Group also has certain lease of land with variable rental payments and lease of office space considered as 'low-value assets'. The Group applies the lease of 'low-value assets' recognition exemptions for these leases.

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

	2020	2019
	(In Thousands)	
Variable lease payments (included in general and administrative expenses) (Note 23)	<b>₱9,677</b>	₱8,586
Expenses relating to leases of low-value assets (included in general and administrative expenses) (Note 23)	<b>2,973</b>	7,022
<b>Total</b>	<b>₱12,650</b>	<b>₱15,608</b>

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

	2020	2019
	(In Thousands)	
1 year	<b>₱345,345</b>	₱318,119
more than 1 years to 2 years	<b>362,161</b>	327,406
more than 2 years to 3 years	<b>375,283</b>	343,323
more than 3 years to 4 years	<b>394,731</b>	355,504
more than 5 years	<b>28,698,182</b>	28,150,175



*Group as lessor*

As lessor, future minimum rental receivables under renewable operating leases as of December 31, 2020 and 2019 are as follows:

	2020	2019
	(In Thousands)	
Within one year	<b>₱5,318,158</b>	₱5,889,642
After one year but not more than five years	<b>11,450,935</b>	18,318,129
After five years	<b>5,826,570</b>	9,255,399
	<b>₱22,595,663</b>	₱33,463,170

The Group entered into lease agreements with third parties covering real estate properties. These leases generally provide for either (a) fixed monthly rent (b) minimum rent or a certain percentage of gross revenue, whichever is higher. Most lease terms on commercial malls are renewable within one year, except for anchor tenants with lease ranging from 5 to 15 years.

Rental income recognized based on a percentage of the gross revenue of mall tenants included in “Rental and related services” account in the consolidated statement of income amounted to ₱292.56 million, ₱334.40 million and ₱289.57 million in 2020, 2019 and 2018, respectively. In 2020, the Group granted rental concessions to its tenants which were affected by the community quarantine imposed by the government amounting to ₱625.37 million. These rent concessions did not qualify as a lease modification, thus, were accounted for as negative variable lease payments and reported as reduction of lease income in 2020 (see Note 3).

## 16. Other Noncurrent Assets

This account consists of:

	2020	2019
	(In Thousands)	
BTO rights (Note 31)	<b>₱3,576,269</b>	₱2,858,460
Advances to contractors and suppliers (Note 11)	<b>1,579,205</b>	1,467,249
Advances to joint venture partners	<b>401,890</b>	408,833
Right-of-use assets (Note 15)	<b>112,424</b>	112,424
Deposits (Note 10)	<b>15,200</b>	325,544
Financial assets at FVOCI (Notes 30 and 31)	<b>15,622</b>	15,622
Other assets (Note 31)	<b>205,418</b>	248,084
	<b>5,906,028</b>	5,436,216
Less accumulated amortization	<b>279,867</b>	197,442
	<b>₱5,626,161</b>	₱5,238,774

On March 26, 2012, FLI entered into a BTO agreement with Cebu Province. This was subsequently assigned to the Parent Company in August 2012 (see Note 3).

“BTO rights” relate to the development cost, construction and operation of BPO Complex at the land properties owned by Cebu Province. As of December 31, 2020, and 2019, cost of completed portion pertaining to Cebu Towers 1 and 2 of the BTO project amounted to ₱2.6 billion. Construction of Cebu Towers 3 and 4 are still on-going and are expected to be completed in 2021 and 2022, respectively.





“Right-of-use assets” pertain to the related lease payments required under land lease contracts and the BTO agreement for the land where the buildings were constructed.

The rollforward analysis of BTO rights and right-of-use assets as of December 31 follows:

	2020		
		Right-of-Use Assets	
	BTO Rights	(Note 15)	Total
		(In Thousands)	
<b>Cost</b>			
Balance at beginning of year	₱2,858,460	₱112,424	₱2,970,884
Additions	717,809	—	717,809
Balance at end of year	3,576,269	112,424	3,688,693
<b>Accumulated Amortization</b>			
Balance at beginning of year	192,945	4,497	197,442
Depreciation	77,928	4,497	82,425
Balance at end of year	270,873	8,994	279,867
<b>Net Book Value</b>	<b>₱3,305,396</b>	<b>₱103,430</b>	<b>₱3,408,826</b>

	2019		
		Right-of-Use Assets	
	BTO Rights	(Note 15)	Total
		(In Thousands)	
<b>Cost</b>			
Balance at beginning of year	₱2,609,370	₱—	₱2,609,370
Effect of adoption of PFRS 16	—	112,424	112,424
Balance at beginning of year, as restated	2,609,370	112,424	2,721,794
Additions	249,090	—	249,090
Balance at end of year	2,858,460	112,424	2,970,884
<b>Accumulated Depreciation</b>			
Balance at beginning of year	123,392	—	123,392
Depreciation	69,553	4,497	74,050
Balance at end of year	192,945	4,497	197,442
<b>Net Book Value</b>	<b>₱2,665,515</b>	<b>₱107,927</b>	<b>₱2,773,442</b>

In 2020, 2019 and 2018, related amortization recognized as part of “Cost of rental and related services” amounted to ₱77.93 million, ₱69.55 million and ₱52.75 million, respectively. Rental income amounting to ₱215.5 million and ₱193.3 million and ₱142.7 million in 2020, 2019 and 2018, respectively, was recognized as part of “Revenue from rental and related services”.

“Advances to contractors and suppliers” pertain to down payments made by the Group which are applied against future billings for development and construction contracts of investment properties and property and equipment.

“Deposits” include utility and security deposits. In 2020, deposits previously held in escrow amounted to ₱281.85 million for the purchase of a parcel of land in Manila has been transferred to land and land development (see Note 10).



“Advances to joint venture partners” are advances (e.g., property taxes and permits) which are normally applied against the share of the joint venture partners from sale of the joint venture properties reported under “Other receivables” in consolidated statements of financial position.

“Financial assets at FVOCI” consist of quoted and unquoted shares of stock (see Note 30).

Unquoted investments in shares of stock include unlisted preferred shares in a public utility company which the Group will continue to carry as part of the infrastructure that it provides for its real estate development projects.

Redemption of the Group’s unquoted shares of stock amounted to nil in 2020 and 2019, respectively. The Group did not receive dividends from unquoted shares in 2020, 2019 and 2018.

“Other assets” includes the fee paid by the Parent Company to a third party for the assignment of the developmental rights for another BTO project in Cebu amounting ₱200 million (see Note 31).

## 17. Accounts Payable and Accrued Expenses

This account consists of:

	2020			2019		
	Current	Noncurrent	Total	Current	Noncurrent	Total
	(In Thousands)					
Accounts payable (Note 20)	₱7,298,674	₱4,930,111	₱12,228,785	₱8,076,588	₱5,455,570	₱13,532,158
Deposits from tenants	1,981,658	1,381,945	3,363,603	1,645,442	2,563,162	4,208,604
Retention fees payable	1,495,682	902,347	2,398,029	1,512,275	912,358	2,424,633
Accrued expenses	1,009,473	—	1,009,473	881,043	—	881,043
Deposits for registration	155,870	1,122,795	1,278,665	157,179	1,132,224	1,289,403
Accrued interest on bonds and loans (Notes 18 and 19)	674,060	—	674,060	358,754	—	358,754
Other payables	501,609	—	501,609	533,583	—	533,583
	₱13,117,027	₱8,337,198	₱21,454,225	₱13,164,864	₱10,063,314	₱23,228,178

“Accounts payable” includes the outstanding balance of the costs of land acquired by the Group and is payable on scheduled due dates or upon completion of certain requirements (see Notes 10, 13 and 14). This account also includes amount payable to contractors and suppliers for the construction and development costs and operating expenses incurred by the Group.

“Deposits from tenants” are advance payments received for rentals, utilities and other fees. These are applied against rental obligations of tenants once due.

“Retention fees payable” pertains to the amount withheld from the progress billings of the contractors and is released generally one year from the completion of the construction agreement.

“Deposits for registration” pertain to amounts collected from buyers for payment of registration of real estate properties.

“Accrued expenses” pertain to various operating expenses incurred by the Group in the course of business such as salaries and wages, professional fees, unbilled construction cost related to ongoing projects, and utilities expense, among others.



Accrued expenses account consists of:

	2020	2019
	(In Thousands)	
Suppliers and contractors	<b>₱937,183</b>	₱785,930
Professional fees	<b>40,848</b>	52,562
Payroll	<b>12,721</b>	20,065
Interest	<b>12,131</b>	12,897
Utilities	<b>4,423</b>	5,233
Other accruals	<b>2,167</b>	4,356
	<b>₱1,009,473</b>	₱881,043

“Other payables” pertain mainly to withholding taxes, output VAT payables and deferred income.

## 18. Loans Payable

This account consists of:

	2020	2019
	(In Thousands)	
Developmental loans from local banks	<b>₱38,233,885</b>	₱35,646,167
Less unamortized transaction costs	<b>128,862</b>	117,934
	<b>38,105,023</b>	35,528,233
Less current portion of loans payable	<b>8,866,369</b>	6,887,481
Long-term portion of loans payable	<b>₱29,238,654</b>	₱28,640,752

Developmental loans from local banks will mature on various dates up to 2025. These Peso-denominated loans bear floating interest rates equal to 91-day PDST-F rate and or PDST-R2 rate and or 3 months BVAL rate plus a spread, or fixed interest rates of 2.75% to 6.51% per annum. Additional loans availed by the Group in 2020, 2019 and 2018 amounted to ₱10.68 billion, ₱15.4 billion and ₱5.50 billion, respectively. These include availment of short term loans payable amounting to ₱1.5 billion and ₱500 million in 2020 and 2019, respectively. Principal payments made in 2020, 2019 and 2018 amounted to ₱8.22 billion, ₱4.84 billion and ₱3.84 billion, respectively. As of December 31, 2020 and 2019, short term loans payable, presented under current portion of loans payable amounted to ₱500.00 million.

As of December 31, 2020 and 2019, short term loans payable, presented under current portion of loans payable amounted to ₱500.00 million.

Interest incurred on these loans (gross of related capitalized borrowing costs) amounted to ₱2.59 billion, ₱1.59 billion and ₱1.25 billion for the years ended December 31, 2020, 2019, and 2018, respectively.

In 2020, transactions costs capitalized amounted to ₱40.05 million. Amortization of transaction costs amounted to ₱91.63 million, ₱26.85 million and ₱18.75 million in 2020, 2019 and 2018, respectively, and included under “Interest and other finance charges” (see Note 23).

The Group’s loans payable is unsecured and no assets are held as collateral for these debts. The agreements covering the abovementioned loans require maintaining certain financial ratios including debt-to-equity ratio ranging from 2.0x to 3.1x and minimum interest coverage ratio of 1.0x.



The agreements also provide for restrictions and requirements with respect to, among others, making distribution on its share capital; purchase, redemption or acquisition of any share of stock if it would materially and adversely affect the Group's ability to perform its obligations; sale or transfer and disposal of all or a substantial part of its capital assets other than in the ordinary course of business; restrictions on use of funds other than the purpose it was approved for; and entering into any partnership, merger, consolidation or reorganization except in the ordinary course of business and except when the Group maintains controlling interest. As of December 31, 2020 and 2019, the Group is not in breach of these covenants and has not been cited in default on any of its outstanding obligations.

## 19. Bonds Payable

This account consists of:

	2020	2019
	(In Thousands)	
Bonds payable	<b>₱31,800,000</b>	₱28,000,000
Less unamortized transaction costs	<b>136,472</b>	115,313
	<b>31,663,528</b>	27,884,687
Less current portion of bonds payable	<b>5,294,517</b>	4,294,644
Long-term portion of bonds payable	<b>₱26,369,011</b>	₱23,590,043

- a. On November 8, 2013, the Parent Company issued fixed rate bonds with aggregate principal amount of ₱7.00 billion comprised of ₱4.30 billion, 7-year bonds with interest of 4.86% per annum due in 2020 and ₱2.70 billion, 10-year bonds with interest of 5.43% per annum due in 2023. Interest for both bonds is payable quarterly in arrears starting on February 8, 2014. As of December 31, 2020, ₱4.30 billion of the related bonds payable was paid.

Unamortized debt issuance cost on bonds payable amounted to ₱7.43 million and ₱15.68 million of December 31, 2020 and 2019, respectively. Accretion in 2020, 2019 and 2018 included as part of 'Interest and other finance charges' amounted to ₱8.25 million, ₱9.58 million and ₱10.07 million, respectively (see Note 23).

- b. On December 4, 2014, the Parent Company issued to the public unsecured fixed rate bonds with an aggregate principal amount of ₱7.00 billion comprising of ₱5.30 billion, 7-year fixed rate bonds due in 2021 and ₱1.70 billion, 10-year fixed rate bonds due in 2024. The 7-year bonds carry a fixed rate of 5.40% per annum, while the 10-year bonds have a fixed interest rate of 5.64% per annum.

Unamortized debt issuance cost on bonds payable amounted to ₱12.77 million and ₱22.10 million as of December 31, 2020 and 2019, respectively. Accretion in 2020, 2019 and 2018 included as part of "Interest and other finance charges" amounted to ₱9.33 million, ₱9.81 million and ₱10.36 million, respectively (see Note 23).

- c. On August 20, 2015, the Parent Company issued to the public unsecured fixed rate bonds with an aggregate principal amount of 8.00 billion comprising of 7.00 billion, 7-year fixed rate bonds due in 2022 and 1.00 billion, 10-year fixed rate bonds due in 2025. The 7-year bonds carry a fixed rate of 5.36% per annum, while the 10-year bonds have a fixed rate of 5.71% per annum.



Unamortized debt issuance cost on bonds payable amounted to ₱26.37 million and ₱39.09 million as of December 31, 2020 and 2019, respectively. Accretion in 2020, 2019 and 2018 included as part of “Interest and other finance charges” amounted to ₱13.83 million, ₱11.98 million and ₱11.33 million, respectively (see Note 23).

- d. On July 7, 2017, CPI issued to the public unsecured fixed rate bonds with an aggregate principal amount of ₱6.00 billion and term of five and a half (5.5) years due in 2023. The bonds carry a fixed rate of 5.05% per annum, payable quarterly in arrears starting on October 7, 2017.

Unamortized debt issuance cost on bonds payable amounted to ₱25.83 million and ₱38.45 million as of December 31, 2020 and 2019, respectively. Accretion in 2020, 2019 and 2018 included as part of “Interest and other finance charges” amounted to ₱12.70 million, ₱12.61 million, and ₱12.77 million respectively (see Note 23).

- e. On November 18, 2020, the Parent Company issued to the public unsecured fixed rate bonds with an aggregate principal amount of ₱8.1 billion comprising of ₱6.3 billion, 3-year fixed rate bonds due in 2023 and ₱1.8 billion, 5.5-year fixed rate bonds due in 2026. The 3-year bonds carry a fixed rate of 3.34% per annum, while the 5.5-year bonds have a fixed rate of 4.18% per annum.

Unamortized debt issuance cost on bonds payable amounted to ₱64.07 million as of December 31, 2020. Accretion in 2020 included as part of “Interest and other finance charges” amounted to ₱2.20 million (see Note 23).

Interest incurred on these bonds (gross of related capitalized borrowing costs) amounted to ₱1.43 billion, ₱1.67 billion and 1.93 billion for the years ended December 31, 2020, 2019 and 2018, respectively. Payments made on these bonds amounted to ₱4.3 billion, ₱7.0 billion and nil in 2020, 2019 and 2018, respectively.

The Group’s loans payable are unsecured and no assets are held as collateral for these debts. These bonds require the Group to maintain certain financial ratios which include maximum debt-to-equity ratio of 2.5x; minimum current ratio of 2.0x; and minimum debt service coverage ratio (DSCR) of 1.0x (except for CPI bonds which requires maximum debt-to-equity ratio of 2.33x and DSCR of 1.1x). As of December 31, 2020 and 2019, the Group is not in breach of these covenants and has not been cited in default on any of its outstanding obligations.

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## 20. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control of the Group’s ultimate parent company (referred herein as “Affiliates”). Related parties may be individuals or corporate entities.

All material Related Party Transactions (“RPT”) with a transaction value that reaches ten percent (10%) of the Group’s total consolidated assets shall be subject to the review by the RPT Committee.

Transactions that were entered into with an unrelated party that subsequently becomes a related party shall be excluded from the limits and approval of the Policy on Related Party Transactions (“Policy”). However, any renewal, change in the terms and conditions or increase in exposure level, related to these transactions after a non-related party becomes a related party, shall subject it to the provisions of the the Policy.

In the event wherein there are changes in the RPT classification from non-material to material, the material RPT shall be subject to the provisions of the the Policy.



Outstanding balances at year-end are unsecured, interest free and require settlement in cash, unless otherwise stated. The transactions are made at terms and prices agreed upon by the parties. As of December 31, 2020 and 2019, the Group has not made any provision for impairment loss relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Significant related party transactions are as follows. Outstanding liabilities are unsecured and no impairment loss was recognized on any of the assets.

2020					
	Amount/ Volume	Due from / (Due to)	Terms	Conditions	Note
(In Thousands)					
<b>Bank under common control of the ultimate parent</b>					
Cash and cash equivalents	₱3,264,153	₱3,264,153	0.50% to 4.50%	No impairment	19 (a)
Interest income	27,148	-			
	₱3,291,301	₱3,264,153			
<b>Accounts payable and accrued expenses (Note 17)</b>					
Current portion	(₱378,968)	(₱378,968)	Noninterest-bearing, payable on installment	Unsecured	19 (a)
Noncurrent portion	-	(1,993,579)	Noninterest-bearing, payable on installment	Unsecured	19 (a)
	(₱378,968)	(₱2,372,547)			
<b>Ultimate Parent</b>	₱35	₱128	Noninterest-bearing, collectible on demand	Unsecured, no impairment	(b)
<b>Associate - Pro-excel</b>					
Management and service fees	4,962	80,823	Due within 30 days	Unsecured	(d)
<b>Associate - DPI</b>					
Other Income	10,136	71,034	Collectible on demand	No impairment	(d)
<b>Associate - FMI</b>					
Other Income	21	73,268	Collectible on demand	No impairment	(d)
	15,120	225,125			
<b>Affiliates</b>					
Rental income	7,192	-	Noninterest-bearing	Unsecured	(g)
Share in common expenses	(23,353)	121,868	Noninterest-bearing, collectible on demand	Unsecured, no impairment	(e)
Due from related parties (Note 9)	₱10,199	₱347,121			
<b>Parent</b>					
Share in Group expenses	₱18,873	(₱60,484)	Noninterest-bearing, payable on demand	Unsecured	(c)
<b>Associate - FAI</b>					
Rent	₱115,155	₱131	Noninterest-bearing, payable on demand	Unsecured	(h)
Share in other expenses	-	(3,891)	Noninterest-bearing, payable on demand	Unsecured	(d)

(Forward)



2020					
	Amount/ Volume	Due from / (Due to)	Terms	Conditions	Note
(In Thousands)					
<b>Associate – CTI</b>					
Service Fee	₱41,203	(₱42,811)	Due within 30 days	Unsecured	(d)
	₱156,359	(₱46,571)			
<b>Affiliates</b>	(29,155)	(4,966)	Noninterest-bearing, payable on demand	Unsecured	(e)
Due to related parties	₱5,778	(₱112,021)			
2019					
	Amount/ Volume	Due from / (Due to)	Terms	Conditions	Note
(In Thousands)					
Bank under common control of the ultimate parent					
Cash and cash equivalents	₱2,473,325	₱2,473,325	0.50% to 4.50%	No impairment	19 (a)
Interest income	49,834	–			
	₱2,523,159	₱2,473,325			
Accounts payable and accrued expenses (Note 17)					
Current portion	(₱378,968)	(₱378,968)	Noninterest-bearing, payable on installment	Unsecured	19 (a)
Noncurrent portion	–	(2,211,723)	Noninterest-bearing, payable on installment	Unsecured	19 (a)
	(₱378,968)	(₱2,590,691)			
Ultimate Parent	₱85	₱93	Noninterest-bearing, collectible on demand	Unsecured, no impairment	(b)
Associate - FAI					
Dividends (Note 12)	404,000	404,000	Noninterest-bearing, collectible on demand	Unsecured, no impairment	(d)
Share in common expenses	24	83,752	Noninterest-bearing, collectible on demand	Unsecured, no impairment	
Associate – Pro-excel					
Management and service fees	15,260	79,529	Due within 30 days	Unsecured	(d)
Due from related parties	419,284	567,281			
Affiliates					
Rental income	7,192	–	Noninterest-bearing	Unsecured	(g)
Share in common expenses	(11,627)	120,293	Noninterest-bearing, collectible on demand	Unsecured, no impairment	(e)
Due from related parties	₱407,742	₱687,667			
Parent					
Share in common expenses	₱8,047	(₱18,068)	Noninterest-bearing, payable on demand	Unsecured	(c)
Associate – FAI					
Rent	106,552	–	Noninterest-bearing, payable on demand	Unsecured	(h)
Management fee	60,465	–	Noninterest-bearing, payable on demand	Unsecured	(d)
Share in other expenses	–	(2,404)	Noninterest-bearing, payable on demand	Unsecured	(d)
Associate - CTI					
Service Fees	40,152	(42,373)	Due within 30 days	Unsecured	(d)
	₱207,169	(₱44,777)			
Affiliates	26,726	(37,934)	Noninterest-bearing, payable on demand	Unsecured	(e)
Due to related parties	₱241,942	(₱100,779)			





a. *Transactions with bank under common control of the ultimate parent (EW)*

On January 3, 2012, the Group entered into a Receivable Purchase Agreement with East West Banking Corporation (EW), an entity under common control of the ultimate parent. The Group agreed to sell, assign, transfer and convey to EW all of its rights, titles and interest on certain contracts receivables. The contracts receivables sold to EW will be serviced by the Group under an Accounts Servicing Agreement.

Under this agreement, the Group shall be responsible for the monitoring and collection of contracts receivables sold to EW, including safekeeping of the collections in trust until these are remitted to EW, 10 days after the beginning of each month.

For the performance of the said services, the Group charges EW a service fee equivalent to a certain percentage of the amounts actually received and collected. Although the Group retains the contractual rights to receive cash flows from the contracts receivables sold to EW, the same will be subsequently distributed to EW under a “pass-through arrangement”.

In this transaction, the risk of default and non-payment of buyers of contracts receivable is assumed by EW and the Group has no liability to EW for such events. Due to this, the Group derecognized the contracts receivables sold and did not recognize any liability in its consolidated financial statements.

The Group’s plan assets in the form of cash equivalents amounting to ₱38.29 million and ₱70.86 million as of December 31, 2020 and 2019, respectively, are maintained with EW (see Note 25). The Group also maintains cash and cash equivalents with EW.

On September 20, 2018, the Parent Company acquired a lot from a third party seller. Total consideration is payable on installment basis until 2022 (presented as “Accounts payable and accrued expenses”). On September 21, 2018, the third party seller entered into a Receivable Purchase Agreement with EW for the purchase of the remaining amounts receivable from the Parent Company amounting to ₱3.79 billion, on a without recourse basis. The amounts receivable from the Parent Company was sold to EW for a total consideration of ₱3.13 billion.

As of December 31, 2020 and 2019, the amounts payable to EW related to the above purchase of land amounted to ₱2.33 billion and ₱2.59 billion, respectively, and are presented as part of Accounts Payable under accounts payable and accrued expenses in the consolidated statement of financial position (see Note 17).

b. *Transactions with Ultimate Parent (ALG)*

Transactions with the Group’s ultimate parent company relates to sharing of common expenses.

c. *Transactions with Parent Company (FDC)*

The Parent Company charged FDC certain common expenses paid by the Parent Company on its behalf.

In 2020, certain employees of FLI were transferred to FDC. The related retirement benefits of these employees amounting to ₱12.07 million as of December 31, 2020 was also transferred with a corresponding payable to the FDC (see Note 25).

In 2009, Promax was appointed by FDC as the marketing agent to act for and on behalf of FDC in promoting the marketing and sale of the Beaufort project. Accordingly, FDC pays Promax a marketing fee equivalent to a certain percentage of the net selling price (see Note 23).





d. *Transactions with Associates*

*Filinvest Alabang, Inc (FAI)*

'Due from Associate' include noninterest-bearing cash advances and various charges for management fees, marketing fees, share of expenses and commission charges. The account also includes dividend receivable amounting to nil and ₱404.00 million as of December 31, 2020 and 2019, respectively, declared by FAI both years 2020 and 2019 (see Note 12).

*Pro-excel*

Transactions from Pro-Excel relates to sharing of common expenses and management fee for managing the buildings of FLI.

*DPI*

Transactions from DreamBuilders Pro, Inc. relates to sharing of common expenses and noninterest-bearing cash advances

*FMI*

Transactions with Filinvest Mimosa Inc. relates to sharing of common expenses.

*CTI*

Transactions with Corporate Technologies, Inc. relates to sharing of common expenses and service fee for information and technology services.

e. *Transactions with Affiliates*

Transactions with affiliate relates to sharing of common expenses paid by the Parent Company on their behalf.

CPI entered into a service agreement with FDC Retail Electricity Sales whereby CPI shall engage and pay the services rendered by the latter to provide the electricity requirements of its facilities.

CPI also entered into a service agreement with Professional Operations Maintenance Experts Incorporated. whereby CPI shall engage and pay the services rendered by the latter to operate and maintain its equipment and premises.

CPI also entered into a service agreement with its affiliate, Parking Pro, Inc., to operate and maintain the CPI's parking facilities.

- f. The compensation of key management personnel consists of short-term employee salaries and benefits amounting to ₱28.08 million, ₱34.17 million and ₱32.83 million in 2020, 2019 and 2018, respectively. Post-employment benefits of key management personnel amounted to ₱18.77 million, ₱22.41 million and ₱21.00 million in 2020, 2019 and 2018, respectively.

g. *Leases with related parties - Group as lessor*

Chroma Hospitality, Inc. (CHI) office lease with CPI

CHI leases the office space from CPI. The lease term is 10 years, renewable by another 5 years upon mutual agreement by the parties.

h. *Leases with related parties - Group as lessee*

The Group has several land lease transactions with related parties:

1. Mall lease with FAI

The Parent Company, as lessee, entered into a lease agreement with FAI on a portion of the land area occupied by the Festival Supermall and its Expansion. The lease term will expire on September 30, 2056.



2. Land lease with FAI  
The Parent Company, as lessee, entered into a lease agreement with FAI for a portion of land area occupied by a third party lessee. . The lease term will expire on December 31, 2034.
3. FCMI lease with FMI  
FCMI, a wholly owned subsidiary of the Parent Company, subleases the Mimosa Leisure Estate from FMI, an associate of the Parent Company. The original lessor is Clark Development Corporation. The lease term is 50 years, renewable by another 25 years upon mutual agreement by parties.
4. PDDC lease with FAI  
PDDC, a 60% owned subsidiary of the Parent Company, leases Block 50 Lot 3-B-2, Northgate District from FAI. The lease term is twenty (20) years from the date on which the Chilled Water production plants starts supplying chilled water.

As of December 31, 2020 and 2019, the amount included in lease liabilities payable to related parties is ₱5,566.3 million and ₱5,293.5 million, respectively (see Note 15).

## 21. General and Administrative Expenses

The account consists of:

	2020	2019	2018
	(In Thousands)		
Salaries, wages and employee benefits	<b>₱660,858</b>	₱743,321	₱755,603
Depreciation and amortization (Notes 13, 14, 15 and 16)	<b>440,796</b>	453,930	259,229
Taxes and licenses	<b>347,223</b>	355,007	359,340
Repairs and maintenance	<b>145,832</b>	147,475	150,709
Outside services	<b>158,808</b>	169,798	195,170
Electronic data processing charges	<b>87,230</b>	89,696	72,166
Entertainment, amusement and recreation	<b>81,024</b>	84,060	87,011
Transportation and travel	<b>75,503</b>	89,279	112,283
Retirement costs (Note 25)	<b>44,551</b>	82,541	66,744
Communications, light and water	<b>42,914</b>	44,573	52,884
Insurance	<b>33,487</b>	39,680	19,834
Dues and subscriptions	<b>19,824</b>	20,494	20,287
Parking operations	<b>16,209</b>	17,180	27,825
Rent (Note 20)	<b>14,229</b>	56,996	77,192
Office supplies	<b>11,749</b>	14,170	19,989
Reversal of expected credit losses	—	—	(21,400)
Others	<b>63,367</b>	66,523	67,194
	<b>₱2,243,604</b>	₱2,474,723	₱2,322,060

“Others” mainly consists of postage and freight charges, and other miscellaneous expenses.



## 22. Selling and Marketing Expenses

The account consists of:

	2020	2019	2018
	(In Thousands)		
Brokers' commissions	<b>₱618,337</b>	<b>₱808,437</b>	<b>₱722,030</b>
Selling, advertising and promotions	<b>279,249</b>	336,579	475,672
Service fees	<b>87,506</b>	190,826	136,722
Sales office direct costs	<b>85,222</b>	92,791	89,733
Salaries and wages	<b>5,360</b>	6,057	7,441
Corporate advertisements	—	1,967	1,279
Others	<b>2,600</b>	11,916	9,710
	<b>₱1,078,274</b>	<b>₱1,448,573</b>	<b>₱1,442,587</b>

## 23. Interest and Other Finance Charges

The following table shows the component of interest income, interest expense and other financing charges recognized in the consolidated statements of income:

	2020	2019	2018
	(In Thousands)		
Interest income on:			
Contracts receivable (Note 8)	<b>₱347,224</b>	₱403,850	₱809,513
Cash and cash equivalents (Note 7)	<b>34,533</b>	18,955	64,438
Others (Note 25)	<b>22,385</b>	148,896	103,339
	<b>₱404,142</b>	<b>₱571,701</b>	<b>₱977,290</b>
Interest and other finance charges:			
Interest expense on loans and bonds payable, net of interest capitalized (Notes 18 and 19)	<b>2,603,346</b>	1,882,916	1,091,181
Interest expense on lease liabilities, net of interest capitalized (Note 15)	<b>396,531</b>	488,732	—
Amortization of transaction costs of loans and bonds (Notes 18 and 19)	<b>137,914</b>	70,835	77,350
Other finance charges (Note 25)	<b>51,671</b>	50,482	23,910
	<b>₱3,189,462</b>	<b>₱2,492,965</b>	<b>₱1,192,441</b>

## 24. Other Income

The account consists of:

	2020	2019	2018
	(In Thousands)		
Gain on deconsolidation (Notes 1 and 12)	<b>₱131,171</b>	<b>₱—</b>	<b>₱—</b>
Forfeited reservations and collections	<b>66,822</b>	367,151	326,853
Gain on sale of investment property (Note 13)	<b>65,308</b>	—	—
Service fees (Note 20)	<b>27,629</b>	104,577	133,823

(Forward)



	2020	2019	2018
	(In Thousands)		
Processing fees	<b>₱25,054</b>	₱67,271	₱62,634
Management, leasing and other fees (Notes 16 and 20)	<b>9,423</b>	83,556	105,777
Foreign currency exchange gain (loss) - net	<b>1,010</b>	2,554	465
Others (Note 20)	<b>14,296</b>	53,113	48,867
	<b>₱340,713</b>	₱678,222	₱678,419

## 25. Retirement Costs

The Group has a funded, noncontributory defined benefit retirement plan (the “Plan”) covering substantially all of its officers and regular employees. Under the Plan, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements.

The retirement plan provides retirement benefits equivalent to 70% to 125% of the final monthly salary for every year of service. The funds are administered by the Group’s Treasurer under the supervision of the Board of Trustees of the Plan and are responsible for investment strategy of the Plan.

The following tables summarize the components of retirement expense recognized in the consolidated statements of income and pension liability recognized in the consolidated statements of financial position for the existing retirement plan.

	2020		
	Present value of defined benefit obligation	Fair value of plan asset	Net defined benefit liabilities
	(In Thousands)		
Balance as at January 1, 2020	<b>₱583,298</b>	<b>₱70,856</b>	<b>₱512,442</b>
Net benefit costs in profit or loss			
Current service cost (Note 21)	<b>44,551</b>	–	<b>44,551</b>
Net interest (Note 23)	<b>24,411</b>	<b>2,285</b>	<b>22,126</b>
	<b>68,962</b>	<b>2,285</b>	<b>66,677</b>
Benefits paid	<b>(19,503)</b>	<b>(19,503)</b>	–
Transfer out	<b>(12,070)</b>	–	<b>(12,070)</b>
Remeasurements in other comprehensive income			
Actuarial changes arising from:			
Experience adjustments	<b>(₱37,533)</b>	<b>(₱217)</b>	<b>(₱37,316)</b>
Changes in financial assumptions	<b>35,261</b>	–	<b>35,261</b>
Return on plan assets, excluding amounts included in interest income	–	<b>(15,125)</b>	<b>15,125</b>
	<b>(2,272)</b>	<b>(15,342)</b>	<b>13,070</b>
	<b>₱618,415</b>	<b>₱38,296</b>	<b>₱580,119</b>



	2019		
	Present value of defined benefit obligation	Fair value of plan asset	Net defined benefit liabilities
	(In Thousands)		
Balance as at January 1, 2019	₱653,475	₱55,072	₱598,403
Net benefit costs in profit or loss			
Current service cost (Note 21)	82,541	—	82,541
Net interest (Note 23)	25,046	1,982	23,064
	107,587	1,982	105,605
Benefits paid	(198)	(198)	—
Contribution	—	14,000	(14,000)
Remeasurements in other comprehensive income			
Actuarial changes arising from:			
Experience adjustments	(₱177,566)	₱—	(₱177,566)
	₱583,298	₱70,856	₱512,442

The Group's plan assets comprise of cash equivalents with original maturities of three months or less from dates of placements and are subject to insignificant risk of changes in value. As of December 31, 2020 and 2019, these placements are with EW (see Note 20). As of December 31, 2020 and 2019, the carrying amount of the plan assets approximates its fair value.

In 2020, certain employees of FLI were transferred to the Parent Company. The related retirement benefits of these employees amounting to ₱12.07 million as of December 31, 2020 was also transferred with a corresponding payable to the Parent Company (see Note 20).

The costs of defined benefit pension plan as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The assumptions used in determining pension obligation for the defined benefit plan are as follows:

	2020	2019	2018
Discount rate	3.70% - 4.10%	5.19% - 8.00%	7.50% - 8.00%
Future salary increases	3.00% - 8.00%	5.00% - 8.00%	5.00% - 8.00%

The sensitivity analysis that follows has been determined based on reasonably possible changes of the assumption occurring as of the end of the reporting period, assuming if all other assumptions were held constant. Management believes that as of the reporting date, it is only the decline in discount rate that could significantly affect the pension obligation.

Management believes that pension obligation will not be sensitive to the salary rate increases because it is expected to be at the same level throughout the remaining life of the obligation. The sensitivity analyses below have been determined based on reasonably possible changes of the significant assumption on the DBO as of the end of the financial reporting period, assuming all other assumptions were held constant.

	Increase (Decrease)		Impact on DBO Increase (Decrease)	
	2020	2019	2020	2019
Salary rate	13%	1%	65,113	30,039
	(10%)	(1%)	(50,672)	(43,743)



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

	2020	2019
	(In Thousands)	
Less than one year	<b>₱60,089</b>	₱18,179
More than one year and up to five years	<b>113,477</b>	118,131
More than five years and up to 10 years	<b>217,869</b>	225,315

The Group does not expect to contribute to its plan assets in the next 12 months.

The management performs an Asset-Liability Matching (ALM) Study. The principal technique of the Group's ALM is to ensure the expected return on assets to be sufficient to support the desired level of funding arising from the defined benefit plans, as well as the liquidity of the plan assets. The Group's current investment strategy consists of 100% short-term deposit placements.

## 26. Equity

The details of the Parent Company's common and preferred shares as of December 31, 2020 and 2019 follow:

	Common Shares	Preferred Shares
	(In Thousands, except par value figures)	
Authorized shares	₱33,000,000	₱8,000,000
Par value per share	1	0.01
Issued and outstanding shares	24,470,708	8,000,000
Treasury shares	220,949	—

In 2020, 2019 and 2018, there was no issuance of additional common shares.

### Preferred Shares

As stated in the Company's Amended Articles of Incorporation, the preferred shares may be issued from time to time in one or more series as the Board of Directors (BOD) may determine, and authority is expressly granted to the BOD to establish and designate each particular series of preferred shares, to fix the number of shares to be included in each of such series, and to determine the dividend rate and the issue price and other terms and conditions for each such shares. Dividends shall be cumulative from and after the date of issue of the preferred shares. Preferred shares of each and any sub-series shall not be entitled to any participation or share in the retained earnings remaining after dividend payments shall have been made on the preferred shares. To the extent not set forth in the Articles of Incorporation, the specific terms and restrictions of each series of preferred shares shall be specified in such resolutions as may be adopted by the BOD prior to the issuance of each of such series (the "Enabling Resolutions"), which resolutions shall thereupon be deemed a part of the Amended Articles of Incorporation.

In an Enabling Resolution approved and adopted by the BOD on October 6, 2006, it was clarified that the preferred shares are not convertible to common shares. In another Enabling Resolution approved and adopted by the BOD on January 5, 2007, the Board approved that preferred shares are entitled to cash dividend equal to one percent (1%) of the cash dividend declared and payable to common shares.



Thus, in a disclosure made by the Company to the relevant government agency and regulatory body on January 18, 2007, it was clarified that the features of the issued and subscribed preferred shares, in addition to the features indicated in the Company's Amended Articles of Incorporation so long as these features are not inconsistent with the Enabling Resolutions, are as follows: (i) voting, cumulative, and non-redeemable, (ii) par value is one centavo (PhP0.01), (iii) entitled to cash dividend equal to one percent (1%) of the cash dividend declared and payable to common shares, and (iv) not convertible to common shares.

#### Treasury Shares

On December 20, 2007, the Parent Company's BOD approved the buy-back of some of the issued shares of stock of the Parent Company over a period of twelve (12) months up to an aggregate amount of ₱1.50 billion, in view of the strong financial performance of the Parent Company and the very large discrepancy that existed between the current share price and the net asset value of the Parent Company.

The Parent Company had acquired 220.95 million shares at total cost of ₱221.04 million in 2008. There were no additional acquisitions in 2020, 2019 and 2018. The retained earnings is restricted from dividend distribution to the extent of the cost of treasury shares.

#### Dividend Declarations

On June 11, 2020 the BOD approved the declaration and payment of cash dividend of ₱0.06544 per share or total of ₱1.57 billion for all common shareholders of record as of July 10, 2020. The Group has remaining unpaid cash dividend amounting to ₱49.0 million as of December 31, 2020.

On June 11, 2020 the BOD approved the declaration and payment of cash dividend of ₱0.0006 per share or a total of ₱5.10 million for all preferred shareholders of record as of July 10, 2020. The Group also paid dividends amounting ₱42.4 million for dividends in arrears for preferred shareholders.

On April 22, 2019, the BOD approved the declaration and payment of cash dividend of ₱0.0619 per share or total of ₱1.50 billion for all shareholders of record as of May 22, 2019. The Group has remaining unpaid cash dividend amounting to ₱18.65 million as of December 31, 2019.

On April 20, 2018, the BOD approved the declaration and payment of cash dividend of ₱0.0618 per share or total of ₱1.50 billion for all shareholders of record as of May 20, 2018.

#### Retained Earnings

Retained earnings include undistributed earnings amounting to ₱10.56 billion and ₱8.17 billion as of December 31, 2020 and 2019, respectively, representing accumulated equity in net earnings of subsidiaries, which are not available for dividend declaration until declared as dividends by the subsidiaries.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of the shares held in treasury and deferred tax asset recognized in profit or loss as of December 31, 2020 and 2019.

After reconciling items, the Parent Company's retained earnings available for dividend declaration as of December 31, 2020 and 2019 amounted to to ₱31.82 billion and ₱29.76 billion, respectively.



The retained earnings is being utilized to cover part of the annual expenditure requirements of the Parent Company for its expansion projects in the real estate and leasing segments.

On October 21, 2020, FLI's BOD approved the appropriation amounting to ₱5.00 billion out of its unrestricted retained earnings as of December 31, 2019. The appropriation will cover the capital expenditure of the following projects:

Project	Location	Description	Amount	Estimated Completion Date
			(In Thousands)	
Activa	Quezon City	Mixed-use	₱3,500,000	Q4 2024
100 West Annex	Makati City	Mixed-use	1,500,000	Q4 2024
			<b>₱5,000,000</b>	

#### Capital Management

The Group monitors its capital and cash positions and manages its expenditures and disbursements. Furthermore, the Group may also, from time to time seek other sources of funding, which may include debt or equity issues depending on its financing needs and market conditions.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. No changes were made in capital management objectives, policies or processes for the years ended December 31, 2020, 2019 and 2018.

The Group monitors capital using debt-to-equity ratio, which is the long-term debt (loans payable, bonds payable) divided by total equity. The Group's policy is to keep the debt-to-equity ratio not to exceed 2:1. The following table shows how the Group computes for its debt-to-equity ratio:

	2020	2019
	(In Thousands)	
Loans payable (Note 18)	<b>₱38,105,023</b>	₱35,528,233
Bonds payable (Note 19)	<b>31,663,528</b>	27,884,687
Total long-term debt	<b>69,768,551</b>	63,412,920
Total equity	<b>74,378,943</b>	72,164,293
Debt-to-equity ratio	<b>0.94 : 1:00</b>	0.88 : 1:00

The Group is subject to externally imposed capital requirements due to loan covenants (see Notes 18 and 19).

On August 12, 1993, SEC approved the registration of ₱2.0 billion common shares with issue price of ₱5.25 per share.

On December 15, 2006, SEC approved the registration of ₱3.7 billion common shares with issue price of ₱1.60 per share.





Below is the summary of the outstanding number of common shares and holders of security as of December 31, 2020:

Year	Number of Shares Registered (In Thousands)	Number of Holders of Securities as of Year End
January 1, 2019	24,249,759	5,699
Add/(deduct) movement	—	(9)
December 31, 2019	24,249,759	5,690
Add/(deduct) movement	—	(20)
<b>December 31, 2020</b>	<b>24,249,759</b>	<b>5,670</b>

\*Exclusive of 220,949 treasury shares as of December 31, 2020 and 2019.

## 27. Earnings Per Share

	2020	2019	2018
	(In Thousands, Except EPS Figures)		
a. Net income attributable to the equity holder of the parent*	<b>₱3,728,343</b>	₱6,278,834	₱5,889,608
b. Weighted average number of outstanding common shares (after considering treasury shares)	<b>24,249,759</b>	24,249,759	24,249,759
Basic/Diluted EPS (a/b)	<b>₱0.15</b>	₱0.26	₱0.24

\*After deducting the dividends for preferred shareholders (Note 26)- 2020: ₱5.1 million, 2019: ₱4.8 million, 2018: ₱4.8 million

There were no potential dilutive shares in 2020, 2019 and 2018.

## 28. Income Tax

Provision for income tax consists of:

	2020	2019	2018
	(In Thousands)		
Current	<b>₱596,530</b>	₱1,273,754	₱1,029,494
Deferred	<b>(176,141)</b>	481,214	673,015
	<b>₱420,389</b>	₱1,754,968	₱1,702,509

The components of the Group's deferred income tax assets follow:

	2020	2019
	(In Thousands)	
Advance rentals	<b>₱48,596</b>	₱41,729
Accrued retirement benefits	<b>21,945</b>	2,318
NOLCO	<b>11,864</b>	8,388
	<b>₱82,405</b>	₱52,435



The components of the Group's net deferred income tax liabilities follow:

	2020	2019
	(In Thousands)	
Deferred income tax liabilities on:		
Capitalized borrowing costs	₱4,420,767	₱4,328,205
Right-of-use-assets	1,278,261	1,278,683
Excess of real estate revenue based on financial accounting policy over real estate revenue based on tax rules	2,917,843	2,412,356
	<b>8,616,871</b>	<b>8,019,244</b>
Deferred income tax assets on:		
Lease liabilities	(1,456,532)	(1,358,056)
NOLCO	(285,488)	—
MCIT	(111,947)	—
Advance rentals	(66,779)	(84,994)
Accrued retirement benefits - charged to profit or loss	(141,335)	(24,005)
Remeasurement losses on retirement plan	(15,876)	(10,408)
Allowance for expected credit losses	(9,835)	(15,864)
Others	(16,043)	(13,304)
	<b>(2,103,835)</b>	<b>(1,506,631)</b>
	<b>₱6,513,036</b>	<b>₱6,512,613</b>

Provision for deferred income tax charged directly to other comprehensive income in 2020, 2019 and 2018 relating to remeasurement gain on defined benefit obligation amounted to ₱3.90 million and ₱53.27 million and ₱2.90 million, respectively.

The Group did not recognize deferred income tax assets on NOLCO of certain subsidiaries amounting to ₱322.36 million and ₱319.18 million as of December 31, 2020 and 2019, respectively, since management believes that their carryforward benefits may not be realized before they expire.

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of the Bayanihan 2 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. NOLCO incurred before taxable year 2020 can be claimed as deduction from the regular taxable income for the next three (3) years immediately following the year of such loss.

The MCIT recognized for the period ended December 31, 2020 amounting to ₱111.95 million can be claimed as deduction from income tax due until December 31, 2023.

The carryforward benefits of the NOLCO, which can be claimed by the Group as credits against the RCIT, are as follows (amounts in thousands):

Year Incurred	Amount	Expiry Date
<b>2020</b>	<b>₱1,103,515</b>	<b>December 31, 2025</b>
2019	95,495	December 31, 2022
2018	153,790	December 31, 2021
	<b>₱1,352,800</b>	



The following are the movements in NOLCO:

	2020	2019
	(In Thousands)	
At January 1	₱347,141	₱307,749
Addition	1,103,515	95,495
Applied/expired	(97,856)	(56,103)
At December 31	₱1,352,800	₱347,141

The reconciliation of the provision for income tax at statutory tax rate to the actual provision for income tax follows:

	2020	2019	2018
	(In Thousands)		
Income tax at statutory tax rate	₱1,313,442	₱2,482,430	₱2,333,515
Adjustments for:			
Income tax holiday incentive on sales of BOI-registered projects (Note 33)	(147,751)	(144,466)	(166,622)
Income covered by PEZA (Note 32)	(436,779)	(446,960)	(307,634)
Equity in net earnings of associates	(154,935)	(120,458)	(161,105)
Deductible expense - Optional Standard Deduction	(166,919)	(37,864)	(25,078)
Tax-exempt net income on socialized housing units	(8,549)	(14,292)	(2,314)
Income subjected to final tax	(13,143)	(23,968)	(23,470)
Interest on HGC-enrolled contracts receivables	(1,936)	(2,524)	(3,572)
Change in unrecognized deferred tax	5,017	7,577	6,249
Nondeductible interest expense	23,446	5,137	4,582
Other nondeductible expenses	8,496	50,356	47,958
	₱420,389	₱1,754,968	₱1,702,509

As of December 31, 2020, the proposed "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE" is being reviewed by the House of Representatives and the Senate. The said act aims to:

- Improve the equity and efficiency of the corporate tax system by lowering the rate, widening the tax base, and reducing tax distortions and leakages;
- 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;
- 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
- 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.



As of December 31, 2020, the Group is still evaluating the potential impact of the CREATE bill in its consolidated financial statements.

## 29. Fair Value Measurement

The following table sets forth the fair value hierarchy of the Group's assets and liabilities measured at fair value and those for which fair values are required to be disclosed:

2020					
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
(In Thousands)					
Assets measured at fair value					
Financial assets at FVOCI (Note 16)					
Quoted	₱9,425	₱9,425	₱9,425	₱–	₱–
Unquoted	6,197	6,197	–	–	6,197
	₱15,622	₱15,622	₱9,425	₱–	₱6,197
Liabilities for which fair values are disclosed					
Financial liabilities at amortized cost					
Accounts Payable and Accrued Expenses (Note 17)					
Accounts payable	₱12,228,785	₱11,705,923	₱–	₱–	₱11,705,923
Retention fee payable	2,398,029	2,295,498	–	–	2,295,498
Deposits for registration	1,278,665	1,223,994	–	–	1,223,994
	15,905,475	15,225,416	–	–	15,225,416
Lease liabilities (Note 15)	6,152,960	8,723,939	–	–	8,723,939
Loans payable (Note 18)	38,105,023	41,329,195	–	–	41,329,195
Bonds payable (Note 19)	31,663,528	32,125,459	–	–	32,125,459
	₱91,826,991	₱97,404,009	₱–	₱–	₱97,404,009
2019					
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
(In Thousands)					
Assets measured at fair value					
Financial assets at FVOCI (Note 16)					
Quoted	₱6,545	₱6,545	₱6,545	₱–	₱–
Unquoted	9,077	9,077	–	–	9,077
	₱15,622	₱15,622	₱6,545	₱–	₱9,077
Liabilities for which fair values are disclosed					
Financial liabilities at amortized cost					
Accounts Payable and Accrued Expenses (Note 17)					
Accounts payable	₱13,532,158	₱12,953,559	₱–	₱–	₱12,953,559
Retention fee payable	2,424,633	2,320,965	–	–	2,320,965
Deposits for registration	1,289,403	1,234,272	–	–	1,234,272
	17,246,194	16,508,796	–	–	16,508,796
Lease liabilities (Note 15)	5,870,064	8,322,837	–	–	8,322,837
Loans payable (Note 18)	35,528,233	33,564,399	–	–	33,564,399
Bonds payable (Note 19)	27,884,687	25,463,323	–	–	25,463,323
	₱86,529,178	₱83,859,355	₱–	₱–	₱83,859,355



The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

- *Cash and cash equivalents, due from and to related parties, other receivables and other assets:* Due to the short-term nature of these accounts, their fair values approximate their carrying amounts.
- *Contract receivables:* Estimated fair value of contract receivables is based on the discounted value of future cash flows using the prevailing interest rates for similar types of receivables as of the reporting date. Interest rates used was 11.5% - 19% in 2020 and 2019.

Due to the short-term nature of receivables from government and financial institutions, carrying amounts approximate fair values.

- *Financial assets at FVOCI:* Fair values were determined using quoted market prices at reporting date. Fair value of unquoted equity securities are based on the latest selling price available.
- *Accounts payable and accrued expenses:* On accounts due within one year, the fair value of accounts payable and accrued expenses approximates the carrying amounts. On accounts due for more than a year, estimated fair value is based on the discounted value of future cash flows using the prevailing interest rates on loans and similar types of payables as of the reporting date. Interest rates used was 4.28% in 2020 and 2019.
- *Long-term debt (lease liabilities, loans payable and bonds payable):* Estimated fair value on debts with fixed interest and not subjected to quarterly repricing is based on the discounted value of future cash flows using the applicable interest rates for similar types of loans as of reporting date.

Long term debt subjected to quarterly repricing is not discounted since it approximates fair value. The discount rates used range from 2.88% to 6.51% and 3.80% to 6.50% as of December 31, 2020 and 2019, respectively.

During the years ended December 31, 2020, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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### 30. Financial Risk Management Objectives and Policies

The Group's principal financial instruments are composed of cash and cash equivalents, contracts and other receivables, due from related parties, financial assets at FVOCI, accounts payable and accrued expenses, due to related parties and long-term debt (loans payable and bonds payable). The main purpose of these financial instruments is to raise financing for the Group's operations.

The main objectives of the Group's financial risk management are as follows:

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



The Group's finance and treasury functions operate as a centralized service for managing financial risks and activities, as well as providing optimum investment yield and cost-efficient funding for the Group. The Group's BOD reviews and approves the policies for managing each of these risks. The policies are not intended to eliminate risk but to manage it in such a way that opportunities to create value for the stakeholders are achieved. The Group's risk management takes place in the context of the normal business processes such as strategic planning, business planning, operational and support processes.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk.

#### *Liquidity Risk*

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group seeks to manage its liquidity profile to be able to finance capital expenditures and service maturing debts. In order to cover its financing requirements, the Group uses both internally generated funds and available long-term and short-term credit facilities.

As of December 31, 2020 and 2010, the Group has undrawn short-term credit lines amounting ₱4.82 billion and ₱1.53 billion, respectively, and undrawn long-term credit facilities amounting ₱5.20 billion and ₱28.31 billion, respectively.

As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fund raising activities may include bank loans and capital market issues.

The tables below summarize the maturity profile of the Group's financial liabilities as of December 31, 2020 and 2019 based on contractual undiscounted payments.

	2020						
	On demand	Less than 3 months	3 months to 1 year	> 1 year but < 3 years	3 years to 5 years	Over 5 years	Total
(In Thousands)							
<b>Financial Liabilities at Amortized Cost</b>							
<b>Accounts Payable and Accrued Expenses</b>							
Accounts payable	₱4,615,670	₱1,734,055	₱948,949	₱2,452,914	₱2,477,197	₱–	₱12,228,785
Retention fees payable	675,435	675,048	145,199	12,425	567,191	322,731	2,398,029
Deposits for registration	–	378	155,492	569,341	224,251	329,203	1,278,665
Accrued expenses	1,009,473	–	–	–	–	–	1,009,473
Accrued interest on bonds and loans	674,060	–	–	–	–	–	674,060
	6,974,638	2,409,481	1,249,640	3,034,680	3,268,639	651,934	17,589,012
Due to Related Parties	112,021	–	–	–	–	–	112,021
Loans Payable	–	2,571,907	7,715,721	14,660,280	17,001,920	–	41,949,828
Bonds Payable	–	1,650,901	4,952,702	23,367,717	3,030,174	1,786,543	34,788,037
Lease liabilities	–	84,290	261,232	1,132,762	844,363	27,399,979	29,722,627
	₱7,086,659	₱6,732,090	₱14,217,465	₱41,885,007	₱23,724,749	₱32,832,140	₱126,478,111



	2019						
	On demand	Less than 3 months	3 months to 1 year	> 1 year but < 3 years	3 years to 5 years	Over 5 years	Total
(In Thousands)							
Financial Liabilities at Amortized Cost							
Accounts Payable and Accrued Expenses							
Accounts payable	₱5,107,625	₱1,918,874	₱1,050,089	₱2,714,349	₱2,741,221	₱—	₱13,532,158
Retention fees payable	682,928	682,537	146,810	12,563	573,484	326,311	2,424,633
Deposits for registration	-	381	156,798	574,121	226,135	331,968	1,289,403
Accrued expenses	881,043	—	—	—	—	—	881,043
Accrued interest on bonds and loans	358,754	—	—	—	—	—	358,754
	7,030,350	2,601,792	1,353,697	3,301,033	3,540,840	658,279	18,485,991
Due to Related Parties	100,779	—	—	—	—	—	100,779
Loans Payable	—	2,309,609	6,928,828	11,356,672	18,219,873	—	38,814,982
Bonds Payable	—	1,373,912	4,121,735	13,768,052	10,830,625	1,031,903	31,126,226
Lease liabilities	—	81,331	247,182	1,083,348	809,348	27,829,931	30,051,139
	₱7,131,129	₱6,377,635	₱12,681,226	₱29,216,238	₱32,507,151	₱32,475,248	₱120,935,767

The tables below summarize the maturity profile of the Group's financial assets and contract assets held to manage liquidity as of December 31, 2020 and 2019:

	2020						
	On demand	Less than 3 months	3 months to 1 year	> 1 year but < 3 years	3 years to 5 years	Over 5 years	Total
	(In Thousands)						
<b>Financial Assets at Amortized Cost</b>							
Cash and cash equivalents							
Cash on hand and in banks	₱3,886,911	₱—	₱—	₱—	₱—	₱—	₱3,886,911
Cash equivalents	—	2,806,646	—	—	—	—	2,806,646
Contracts receivable							
Contracts receivable	3,963,551	—	—	—	—	—	3,963,551
Receivables from government and financial institutions	193,388	—	—	—	—	—	193,388
Other receivables							
Receivable from tenants – net	2,456,107	—	—	—	—	—	2,456,107
Due from related parties	347,121	—	—	—	—	—	347,121
Receivable from homeowners’ associations - net	230,189	—	—	—	—	—	230,189
Receivable from buyers	43,174	—	—	—	—	—	43,174
Others	23,125	—	—	—	—	—	23,125
Short-term deposits	—	—	9,955	—	—	—	9,955
	11,143,566	2,806,646	9,955	—	—	—	13,960,167
<b>Financial Assets at FVOCI</b>							
Investments in shares of stocks:							
Quoted	—	9,425	—	—	—	—	9,425
Unquoted	—	6,197	—	—	—	—	6,197
	—	15,622	—	—	—	—	15,622
Total financial assets	11,143,566	2,822,268	9,955	—	—	—	13,975,789
Contract Assets	—	1,254,899	4,145,430	1,363,970	935,151	1,234,612	8,934,062
	₱11,143,566	₱4,077,167	₱4,155,385	₱1,363,970	₱935,151	₱1,234,612	₱22,909,851



	2019						
	On demand	Less than 3 months	3 months to 1 year	> 1 year but < 3 years	3 years to 5 years	Over 5 years	Total
	(In Thousands)						
Financial Assets at Amortized Cost							
Cash and cash equivalents							
Cash on hand and in banks	₱2,321,835	₱—	₱—	₱—	₱—	₱—	₱2,321,835
Cash equivalents	—	2,451,786	—	—	—	—	2,451,786
Contracts receivable							
Contracts receivable	1,253,612	—	—	—	—	—	1,253,612
Receivables from government and financial institutions	192,580	—	—	—	—	—	192,580
Other receivables							
Receivable from tenants - net	1,742,836	—	—	—	—	—	1,742,836
Due from related parties	687,667	—	—	—	—	—	687,667
Receivable from homeowners' associations - net	155,226	—	—	—	—	—	155,226
Receivable from buyers	139,875	—	—	—	—	—	139,875
Others	38,893	—	—	—	—	—	38,893
Short-term deposits	—	—	47,685	—	—	—	47,685
	6,532,524	2,451,786	47,685	—	—	—	9,031,995
Financial Assets at FVOCI							
Investments in shares of stocks:							
Quoted	—	6,545	—	—	—	—	6,545
Unquoted	—	9,077	—	—	—	—	9,077
	—	15,622	—	—	—	—	15,622
Total financial assets	6,532,524	2,467,408	47,685	—	—	—	9,047,617
Contract Assets	—	1,330,175	4,668,246	3,702,194	1,440,424	1,974,703	13,115,742
	₱6,532,524	₱3,797,583	₱4,715,931	₱3,702,194	₱1,440,424	₱1,974,703	₱22,163,359

### Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily for its contract receivables and other receivables.

It is the Group's policy that buyers who wish to avail the in-house financing scheme be subjected to credit verification procedures. Receivable balances are being monitored on a regular basis and subjected to appropriate actions to manage credit risk. Moreover, as discussed in Note 8, the Group has a mortgage insurance contract with Home Guaranty Corporation for a retail guaranty line.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. Title of the real estate property is only transferred to the customer if the consideration had been fully paid. In case of default, after enforcement activities, the Group has the right to cancel the sale and enter into another contract to sell to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Given this, based on the experience of the Group, the maximum exposure to credit risk at the reporting date is nil considering that fair value less cost to repossess of the real estate projects is higher than the exposure at default. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based groupings of various customer segments with similar loss patterns (i.e., by market segment and collateral type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.





Set out below is the information about the credit risk exposure on the Group's contract receivables and contract assets using a provision matrix:

	Total	2020				
		Socialized	Low Affordable	Affordable	Middle Income	High-end
Expected credit loss rate	0%	0%	0%	0%	0%	0%
Estimated total gross carrying amount at default	₱13,091,002	₱442,089	₱1,800,133	₱2,688,198	₱6,770,394	₱1,390,188

	Total	2019				
		Socialized	Low Affordable	Affordable	Middle Income	High-end
Expected credit loss rate	0%	0%	0%	0%	0%	0%
Estimated total gross carrying amount at default	₱10,842,955	₱232,838	₱1,544,481	₱1,888,517	₱5,738,541	₱1,438,578

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

Based on the Group's experience, the said assets are highly collectible or collectible on demand. The Group holds as collaterals the corresponding properties which the third parties had bought on credit. In few cases of buyer defaults, the Group can repossess the collateralized properties and resell them at the prevailing market price.

The following tables show the credit quality by class of asset as of December 31, 2020 and 2019. The Group's high-grade receivables pertain to receivables from related parties and third parties which, based on experience, are highly collectible or collectible on demand, and of which exposure to bad debt is not significant.

Receivables assessed to be of standard grade are those which had passed a certain set of credit criteria, and of which the Group has not noted any extraordinary exposure which calls for a substandard grade classification.

As at December 31, 2020 and 2019, the analysis of contracts receivable that were past due but not impaired is as follows:

	Past due but not impaired					Total
	Less than 30 days	30 to 60 days	61 days to 90 days	91 days to 120 days	Over 120 days	
	(In Thousands)					
2020	₱440,937	₱397,852	₱370,753	₱255,163	₱2,498,846	₱3,963,551
2019	—	218,222	474,478	560,912	—	1,253,612

There is no concentration risk on the Group's financial assets as of December 31, 2020 and 2019.



### Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's financial instruments affected by market risk include loans payable and cash and cash equivalents.

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's loans from various financial institutions. To manage interest rate risk, the Group renegotiates the interest rates for certain long term debts to convert them from fixed-rate debt to floating-rate debt as the Group believes that the current interest rate environment makes it more favorable to carry floating-rate debt.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no other impact on the Group's other comprehensive income other than those already affecting the profit and loss.

	Increase (decrease) in basis points	Effect on income before income tax (In Thousands)
<b>2020</b>	<b>+200</b>	<b>₱119,591</b>
	<b>-200</b>	<b>(119,591)</b>
<b>2019</b>	<b>+200</b>	<b>49,734</b>
	<b>-200</b>	<b>(49,734)</b>

The sensitivity analysis shown above is based on the assumption that interest rate movement will most likely be limited to a two hundred basis point upward or downward fluctuation. The Group, used as basis of these assumptions, the annual percentage change of three-month PDST-F rate for the past five years as obtained from Philippine Dealing and Exchange Corp. (PDEX). Effect on the Group's income before tax is computed on the carrying amount of the Group's floating rate loans payable as of December 31, 2020 and 2019

The following tables set out the carrying amount, by maturity, of the Group's loans payable that are exposed to interest rate risk (amounts in thousands):

Variable interest rate	91-day Treasury bill plus 1% to 2% margin					Total
	Below 1 Year	1-2 Years	>2 years but <3 years	3 years to 4 years	Over 4 years	
<b>As of December 31, 2020</b>	<b>₱1,743,021</b>	<b>₱1,092,034</b>	<b>₱455,569</b>	<b>₱1,442,390</b>	<b>₱1,246,550</b>	<b>₱5,979,564</b>
As of December 31, 2019	—	—	—	1,986,764	500,000	2,486,764

## 31. Contingencies and Commitments

### Contingencies

The Group is involved in various legal actions, claims, assessments and other contingencies incidental to its ordinary course of business. Management believes that any amount the Group may have to pay in connection with any of these matters would not have a material adverse effect on the consolidated financial position or operating results. The other information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as they may prejudice the outcome of the ongoing proceedings.



*Build, Transfer and Operate (BTO) Agreement with Cebu Province*

In connection with the BTO Agreement with the Cebu Province, the Group is committed to develop and construct a BPO Complex on the properties owned by Cebu Province located at Salinas, Lahug, Cebu City and transfer the ownership of the BPO Complex to the Cebu Province upon completion in exchange for the right to operate and manage the BPO Complex for the entire term of the agreement and its renewal (see Note 16).

*Capital Commitments and Obligations*

The Group has contractual commitments and obligations for the construction and development costs to be incurred for investment properties and property and equipment items aggregating ₱5,765.02 million and ₱4,783.44 million as of December 31, 2020 and 2019, respectively. These will be recognized as liabilities in the Group's consolidated financial statements when the related services are received.

*Assignment of Development Rights under a Build, Transfer and Operate Agreement*

On June 26, 2015, the Parent Company and a third party entered into an agreement whereby the latter agreed to assign its project development rights and benefits under its BTO Agreement with Cebu Province to the Parent Company. In consideration of this assignment, the Parent Company paid upfront fee amounting ₱50.0 million and ₱150.0 million in 2016 and 2015, respectively. As of December 31, 2020 and 2019, project construction has not started pending approval from the Province of Cebu on cleared site and this upfront fee is recorded as part of 'Other noncurrent assets' in the consolidated statement of financial position (see Note 16).

*Development Agreement with Bases Conversion Development Authority (BCDA)*

In 2015, the Parent Company won the contract to develop a 288-hectare area in Clark Green City in Tarlac and paid 10% of the bid premium as bid security amounted to ₱16.0 million. On January 8, 2016, the Joint Venture Agreement with BCDA was signed and pursuant to the terms of the development of the project, the Parent Company paid the ₱160.0 million bid premium representing the right to own 55% of the equity on the joint venture company to be formed with BCDA.

On February 11, 2016, the Parent Company incorporated FCGC Corporation, the entity that will handle the development of the Clark Green City Project (see Note 1). The bid premium is presented as part of investment properties in the consolidated financial statements (see Note 13).

On March 16, 2016, FCGC and BCDA incorporated Filinvest BCDA Clark Inc. (FBCI) with an initial authorized capital stock of One Million Pesos (₱1,000,000) divided into One Million (1,000,000) common shares with par value of One Peso per share.

On March 29, 2017 and May 17, 2017, FBCI's Board of Directors (BOD) and stockholders, respectively, approved the Company's application for the increase in the authorized capital stock. On September 28, 2018, the SEC approved the increase in the authorized capital stock of FBCI from ₱ 1,000,000 divided into 1,000,000 shares at ₱1.00 par value per share to ₱1,000,000,000 divided into 1,000,000,000 shares at ₱1.00 par value per share. FCGC subscribed 282,880,000 shares at par value amounting to ₱282,880,000, out of which ₱267,330,000 shares at is still unpaid. On the other hand, BCDA subscribed 231,000,000 shares amounting ₱231,000,000 and paid its subscription thru the assignment of a 50-year Development and Usufructuary Rights (DUR) over the parcel of land where the CGC project will be developed. The value of the DUR approved by the SEC amounted to ₱231,000,000, which is equal to BCDA's subscription on the increase in authorized capital stock. FCGC and BCDA subscribed pro rata on the increase in authorized capital stock based on their existing ownership interest. The DUR was recorded in FBCI's books as of December 31, 2020 and 2019 under investment properties.



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### 32. Registration with PEZA

On February 13, 2002, the Parent Company, FAC and CPI were registered with Philippine Economic Zone Authority (PEZA) pursuant to the provisions of RA No. 7916 as the Ecozone Developer/Operator to lease, sell, assign, mortgage, transfer or otherwise encumber the area designated as a Special Economic Zone (Ecozone). The same shall be known as Filinvest Technology Park-Calamba.

Under the registration, the Parent Company shall enjoy 5% preferential tax privilege on income generated from the Ecozone in lieu of the regular income tax rate.

On June 11, 2001, FAC was registered with PEZA as the developer/operator of PBCom Tower not entitled to any incentives. However, IT enterprises which shall locate in PBCom Tower shall be entitled to tax incentives pursuant to RA No. 7916.

On June 6, 2000, CPI was registered with PEZA as an ECOZONE Facilities Enterprise. As a registered enterprise, it is also entitled to certain tax and non-tax benefits such as exemption from payment of national and local taxes and instead a special tax rate of five percent (5%) of gross income.

On December 15, 2015, PDDC was registered with PEZA as an ECOZONE Facilities Enterprise. As a registered enterprise, PDDC is entitled to certain tax and non-tax benefits such as exemption from payment of national and local taxes and instead a special tax rate of five percent (5%) of gross income.

On July 3, 2019, FBCI was registered with PEZA as an ECOZONE developer/operator enterprise of New Clark City Phase I. As a registered enterprise, FBCI is entitled to certain tax and non-tax benefits such as exemption from payment of national and local taxes and instead a special tax rate of five percent (5%) of gross income.

The Group is also entitled to zero percent (0%) value-added tax for sales made to ECOZONE enterprises.

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### 33. Registration with the Board of Investments (BOI)

The Group has registered the following New Developer of Low-Cost Mass Housing Projects with the BOI under the Omnibus Investments Code of 1987 (Executive Order No. 226) and are un-expired as of December 31, 2020:

<b>Name</b>	<b>Reg. No.</b>	<b>Date Registered</b>
Ventura Real Ph 01	2017-298	11/08/2017
New Fields	2018-016	01/22/2018
Futura Homes Palm Estates Ph 1	2018-156	07/20/2018
Futura Homes Zamboanga Ph1A	2018-200	09/24/2018
New Leaf	2019-054	03/20/2019
Sandia Homes 2	2019-136	07/25/2019
8 Spatial Davao Bldg 5	2019-182	09/26/2019
Marina Spatial Bldg 2	2019-259	12/02/2019



As a registered enterprise, the Group is entitled to certain tax and nontax incentives, subject to certain conditions.

#### 34. Notes to Statements of Cash Flows

The Group's noncash activities are as follows:

- a) Land and land developments previously presented under inventories were reclassified to investment property amounting to ₱0.07 million (see Notes 10 and 13).
- b) Lots, condominium and residential units for sale presented under inventories were reclassified to investment property amounting to ₱249.76 million (see Notes 10 and 13).
- c) Addition to investment in associate due to loss of control amounting to ₱90.0 million (see Note 12).
- d) Reclassification from investment property to property, plant and equipment amounting to ₱39.71 million (see Notes 13 and 14).
- e) Reclassification from investment property to real estate inventories amounting to ₱153.28 million (see Notes 10 and 13).
- f) Reclassification of property, plant and equipment to real estate inventories amounting to ₱55.65 million (see Notes 10 and 14).
- g) Purchases of inventories, investment properties and property and equipment for the year which remain unpaid amounted to ₱2.9 million, ₱1.64 billion and ₱2.18 million, respectively (see Notes 10, 13 and 14).
- h) Additions to right-of-use assets and lease liability for a contract between FLI and FAI on December 2020 amounting to ₱96.17 million. (See Notes 13 and 20 ).
- i) Decrease in property, plant and equipment amounting to ₱34.45 million due to the deconsolidation of DPI. (see Notes 12 and 14).
- j) Increase in due to related party and decrease in retirement liabilities amounting to ₱12.07 million due to transfers of certain employees to FDC (see Note 25).
- k) The Group has remaining unpaid cash dividend amounting to ₱49 million out of the ₱1.76 billion declared in 2020 (see Note 26).
- l) Total accretion of interest in 2020 for loans and bonds payable amounted to ₱91.6 million and ₱46.2 million, respectively (see Notes 18 and 19).
- m) In 2020, deposits previously held in escrow amounting to ₱281.9 million for the purchase of a parcel of land has been transferred to land and land development costs ( see Notes 10 and 16)

Changes in liabilities arising from financing activities for the years ended December 31 follows:

	2020			
	January 1, 2020	Cash flows	Noncash movement	December 31, 2020
		(In Thousands)		
Loans payable	₱35,528,233	₱2,460,035	₱116,755	₱38,105,023
Bonds payable	27,884,687	3,757,682	21,159	31,663,528
Accrued interest	358,754	(3,917,635)	4,244,961	686,080
Dividends payable	18,655	(1,588,558)	1,618,904	49,001
Lease liabilities	5,870,064	(317,948)	600,844	6,152,960
Due to related parties	100,779	(828)	12,070	112,021
	₱69,761,172	₱392,748	₱6,614,693	₱76,768,613



	2019			
	January 1, 2019	Cash flows	Noncash movement	December 31, 2019
	(In Thousands)			
Loans payable	₱24,948,473	₱10,559,337	₱20,423	₱35,528,233
Bonds payable	34,834,266	(7,000,000)	50,421	27,884,687
Accrued interest	358,433	(3,260,571)	3,260,892	358,754
Dividends payable	—	(1,482,405)	1,501,060	18,655
Lease liabilities	—	(295,937)	6,166,001	5,870,064
Due to related parties	181,271	(80,492)	—	100,779
	₱60,322,443	(₱1,560,068)	₱10,998,797	₱69,761,172

‘Noncash movement’ column includes amortization of debt issuance costs and interest expense for loans payable and bonds payable, dividend declaration and share in the net income of noncontrolling interest.

### 35. Events after the Reporting Date

On March 9, 2021, the Parent Company’s BOD has approved the initial public offering of the common shares of CPI (the Issuer), subject to the registration requirements of the SEC, the listing requirements of the PSE and requirements of the revised implementing rules and regulations of the REIT Act of 2009, under the following terms:

- The offer and sale of up to 1,630,762,905 common shares of the Issuer owned by FLI (the “Secondary Offer Shares”) to be offered by way of a secondary offer at an offer price of up to ₱8.30 per share which represent at least one third of the outstanding capital stock of the Issuer after the increase in its authorized capital stock to seven billion one hundred thirty one million eight hundred forty nine thousand pesos (₱7,131,849,000) divided into fourteen billion two hundred sixty three million six hundred ninety eight thousand (14,263,698,000) common shares with a par value of fifty centavos (Php0.50) per share;
- The grant by FLI of an over-allotment option pursuant to which a stabilizing agent or its relevant affiliate has the right to purchase up to 163,076,291 common shares of the Issuer owned by FLI (the “Option Shares”) under the same terms and conditions as the Secondary Offer Shares (the Secondary Offer Shares and the Option Shares are collectively the “Offer Shares”).

The Group considers this event as a non-adjusting subsequent event, accordingly, no adjustments have been made to the consolidated financial statements as of and for the year ended December 31, 2020.

### 36. Other Matters

#### COVID-19 Pandemic

In a move to contain the COVID-19 pandemic in the Philippines, 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 (NCR) 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 ECQ 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 part 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. On January 1, 2021, the Office of the President issued a Memorandum from the Executive Secretary placing the NCR and other highly urbanized cities and independence component cities under GCQ and MGCQ until January 31, 2021, which was further extended until February 28, 2021 and March 31, 2021 for certain parts of the country, including the NCR.

The Group continues to abide by and comply with all rules and regulations issued by the government in relation to the COVID-19 pandemic. In line with applicable rules and regulations, the said risks are mitigated by business continuity strategies set in place by the Group. Measures currently undertaken by the Group to mitigate the risks of COVID-19 pandemic on its operations include workfrom-home arrangements, proper and frequent sanitation of office premises, cancellation of large group meetings in person, an internal ban on foreign business travel, and the practice of social distancing through remote communication, among others.

The quarantine restrictions and recent social distancing guidelines limit the operations of malls and construction completion. Despite the challenges, the Group prioritized easing the burden of its customers by providing payment grace periods or rental relief. Past efforts in process improvement and digitalization allowed the company to operate efficiently and effectively to continue to serve customers. Operations have adjusted to the pandemic from digital marketing and online selling processes to the continued communication with the buyers and homeowners through the online service desk. As of date, estimate of the impact cannot be made.

The Group is taking a two-pronged strategy of (i) expanding the investment property portfolio and (ii) prudent residential development focusing on the end-user, affordable and middle-income markets. The company is concentrating on the completion of its key projects, particularly office buildings which continue to be in demand and selected residential developments across the country.



## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
Filinvest Land, Inc.  
79 EDSA, Brgy. Highway Hills  
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Filinvest Land, Inc. (the Parent Company) and its subsidiaries (collectively referred to as "the Group") as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated March 9, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Wanessa G. Salvador

Partner

CPA Certificate No. 0118546

Accreditation No. 118546-SEC (Group A),

Valid to cover audit of 2019 to 2023

financial statements of SEC covered institutions

Tax Identification No. 248-679-852

BIR Accreditation No. 08-001998-137-2020,

January 31, 2020, valid until January 30, 2023

PTR No. 8534358, January 4, 2021, Makati City

March 9, 2021





## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors  
Filinvest Land, Inc.  
79 EDSA, Brgy. Highway Hills  
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Filinvest Land, Inc. (the Parent Company) and its subsidiaries (collectively referred to as "the Group") at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated March 9, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's financial statements as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

*Wanessa G. Salvador*

Wanessa G. Salvador  
Partner

CPA Certificate No. 0118546

Accreditation No. 118546-SEC (Group A),

Valid to cover audit of 2019 to 2023

financial statements of SEC covered institutions

Tax Identification No. 248-679-852

BIR Accreditation No. 08-001998-137-2020,

January 31, 2020, valid until January 30, 2023

PTR No. 8534358, January 4, 2021, Makati City

March 9, 2021



**FILINVEST LAND, INC. AND SUBSIDIARIES**  
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY SCHEDULES**

**SUPPLEMENTARY SCHEDULES**

Schedule	Contents
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<b>D</b>	Intangible Asset - Other Assets
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## SCHEDULE A

### **FILINVEST LAND, INC. AND SUBSIDIARIES**

### **SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS**

### **DECEMBER 31, 2020**

Below is the detailed schedule of the Group's financial assets in equity securities as of December 31, 2020:

Name of Issuing entity and association of each issue	Number of Shares	Amount Shown in the Statement of Financial Position	Value Based on Market Quotation at end of year	Income Received and Accrued
(In Thousands Except Number of Shares)				
<b>Financial assets at FVOCI</b>				
Quoted:				
Philippine Long Distance Telephone Company	26,100	₱348	₱348	₱—
Manila Electric Company (MERALCO)	1,153,694	6,197	6,197	—
		6,545	6,545	—
Unquoted:				
The Palms Country Club, Inc.	1,000	₱3,060	₱3,060	₱—
Cebu Country Club	1	6,017	6,017	—
		9,077	9,077	—
		₱15,622	₱15,622	₱—

The Group's investment in MERALCO is an unlisted preferred shares acquired in connection with the infrastructure that it provides for the Group's real estate development projects. These are carried at cost less impairment, if any.

## SCHEDULE B

### FILINVEST LAND, INC. AND SUBSIDIARIES

#### SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES) DECEMBER 31, 2020

As of December 31, 2020, there were no advances to employees of the Group with balances above ₱1.0 million.

#### Related Party Transactions

##### *Due from related parties*

Below is the list of outstanding receivables from related parties of the Group presented in the consolidated statements of financial position as of December 31, 2020 (amounts in thousands):

	Relationship	Nature	Balance as of December 31, 2020
FOR A Services, Inc.	Affiliate	A	₱90,314
Pro-excel Property Management, Inc.	Associate	A	80,823
Filinvest Mimosa, Inc.	Associate	A, C	73,268
Dreambuilders Pro, Inc.	Associate	A	71,034
East West Banking Corporation	Affiliate	A	20,714
Davao Sugar Central Corp.	Affiliate	A	5,802
Countrywide Water Services, Inc.	Affiliate	A	1,766
Princesa Seascapes, Inc.	Affiliate	A	1,246
Filinvest Hospitality Corporation	Affiliate	A	991
AG Foundation, Inc.	Affiliate	A	572
GCK Realty	Affiliate	C	235
ALG Holdings, Corp	Ultimate Parent	A	128
FDC Utilities, Inc.	Affiliate	A	102
Mimosa Cityscapes, Inc.	Affiliate	A	63
Propel Realty Corp	Affiliate	A	29
FDC – Misamis Power Corp.	Affiliate	A	13
FDC Forex Corp.	Affiliate	A	6
Seascape Residence Club, Inc.	Affiliate	A	5
Boracay Seascapes Resort, Inc.	Affiliate	A	4
Duawon Seascapes Resort Inc.	Affiliate	A	3
Dumaguete Cityscapes, Inc.	Affiliate	A	1
Dauin Seascapes, Inc.	Affiliate	A	1
Princesa Seascapes	Affiliate	A	1
			₱347,121

#### *Nature of intercompany transactions*

The nature of the intercompany transactions with the related parties is described below:

- Expenses – these pertain to the share of the related parties in various common selling and marketing and general and administrative expenses.
- Management and marketing fee
- Reimbursable commission expense

## SCHEDULE C

### FILINVEST LAND, INC. AND SUBSIDIARIES

#### SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE (PAYABLES) FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS DECEMBER 31, 2020

Below is the schedule of receivables (payables) with related parties which are eliminated in the consolidated financial statements as of December 31, 2020. All are noninterest-bearing and to be settled within the year (amounts in thousands):

		Volume of Transactions	Receivable (Payable)
Property Maximizer Professional Corporation	Share in Expenses	(P36,931)	P113,917
	Marketing Fee Expenses	21,084	
Filinvest AII Philippines, Inc.	Share in expenses	99,283	15,665
Homepro Realty Marketing, Inc.	Share in expenses	4,013	795,354
Leisurepro, Inc.	Share in expenses	31	6,454
Property Leaders International, Ltd.	Share in expenses	-	111
Proleads Philippines, Inc.	Share in expenses	7,861	25,958
Realpros Philippines, Inc.	Share in expenses	4,486	14,908
Dreambuilders Pro, Inc.	Share in expenses	(35,603)	71,239
Property Specialist Resources, Inc.	Share in expenses	7,842	7,865
Festival Supermall, Inc. (Management)	Share in expenses	6,891	(3,610)
FSM Cinemas, Inc.	Share in expenses	12,933	239
Filinvest Lifemalls Corporation	Share in expenses	(49,995)	(49,993)
Filinvest Lifemalls Tagaytay, Inc.	Share in expenses	(736,743)	542,747
Timberland Sports and Nature Club	Share in expenses	(13,626)	2,875
Cyberzone Properties, Inc.	Share in Expenses	914,257	9,493,865
	Sale of Asset	234,891	
	Dividend Income	7,627,713	
	Rental Income	304,191	
Filinvest Cyberparks, Inc.	Share in expenses	984,360	13,824
Filinvest Clark Green City Corporation	Share in expenses	(18,509)	-
Filinvest BCDA Clark, Inc.	Share in expenses	8,413	11,576
Filinvest Lifemalls Mimosa, Inc.	Share in expenses	-	210
Filinvest Cyberzone Mimosa, Inc.	Share in expenses	184,800	2,877,436
Filinvest Asia Corporation	Share in expenses	8	(5)
Philippine DCS Development Corporation	Share in expenses	(1,905)	118
Gintong Parisukat Realty & Devt Corp.	Share in expenses	5,026	12,247
ProOffice Works Services, Inc. (ProOffice)	Share in expenses	1	2
		<b>P9,534,772</b>	<b>P13,953,002</b>

The table below shows the movement of the receivables (payables) from related parties:

Name	Balance at beginning of year	Additions	Collections	Balance as of December 31, 2020
Property Maximizer Professional Corporation	₱129,764	₱—	(₱15,847)	₱113,917
Filinvest All Philippines, Inc.	(83,618)	(20,000)	119,283	15,665
Homepro Realty Marketing, Inc.	791,341	4,013	—	795,354
Leisurepro, Inc.	6,423	31	—	6,454
Property Leaders International, Ltd.	111	—	—	111
Proleads Philippines, Inc.	18,097	7,916	(55)	25,958
Realpros Philippines, Inc.	10,422	4,486	—	14,908
Dreambuilders Pro, Inc.	106,842	100,245	(135,848)	71,239
Property Specialist Resources, Inc.	23	8,017	(175)	7,865
Festival Supermall, Inc. (Management)	(10,501)	—	6,891	(3,610)
FSM Cinemas, Inc.	(12,694)	—	12,933	239
Filinvest Lifemalls Corporation	2	—	(49,995)	(49,993)
Filinvest Lifemalls Tagaytay, Inc.	1,279,490	—	(736,743)	542,747
Timberland Sports and Nature Club	16,501	—	(13,626)	2,875
Cyberzone Properties, Inc.	412,813	9,081,052	—	9,493,865
Filinvest Cyberparks, Inc.	(970,536)	(4,049)	988,409	13,824
Filinvest Clark Green City Corporation	18,509	206,115	(224,624)	-
Filinvest BCDA Clark, Inc.	3,163	8,413	—	11,576
Filinvest Lifemalls Mimosa, Inc.	210	—	—	210
Filinvest Cyberzone Mimosa, Inc.	2,692,636	184,800	—	2,877,436
Filinvest Asia Corporation	(13)	8	—	(5)
Philippine DCS Development Corporation	2,023	83	(1,988)	118
Gintong Parisukat Realty & Devt Corp.	7,221	5,026	—	12,247
ProOffice Works Services, Inc. (ProOffice)	1	1	—	2
	₱4,418,230	₱9,586,157	(₱51,385)	₱13,953,002

The intercompany transactions between FLI and the subsidiaries pertain to share in common expenses, rental charges, marketing fee and management fee. There were no amounts written off during the year and all amounts are expected to be settled within the year.

## SCHEDULE D

### **FILINVEST LAND, INC. AND SUBSIDIARIES**

#### **SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER ASSETS DECEMBER 31, 2020**

As of December 31, 2020, the Group's intangible assets consist of Goodwill. Goodwill in the Group's consolidated statements of financial position arose from the acquisition of two major assets consisting of (amounts in thousands):

Festival Supermall structure	₱3,745,945
FAC	494,744
CPI	326,553
	₱4,567,242

## SCHEDULE E

### FILINVEST LAND, INC. AND SUBSIDIARIES

### SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT DECEMBER 31, 2020

Below is the schedule of long-term debt of the Group:

Type of Obligation	Amount	Current (In Thousands)	Non-Current
<b>Developmental loans</b>			
Short Term Loan (90 days) obtain in November 25, 2020 with interest of 4.3819% payable in quarterly in arrears. The principal in payable at maturity on February 23, 2021	998,767	998,767	—
Short term loan obtained in August 2020 with interest rate equal to 3.7050% per annum, payable quarterly in arrears. The principal is payable at maturity in August 2021.	497,661	497,661	—
Unsecured loan obtained in July 2020 with interest rate equal 5.4101% per annum (fixed rate for 5 years), payable quarterly in arrears. The 50% of principal is payable in 12 equal installments starting October 2022 and the remaining 50% balance is payable in October 2025.	993,332	—	993,332
Unsecured loan obtained in July 2020 with interest rate equal 5.4898% per annum (fixed rate for 5 years), payable quarterly in arrears. The 50% of principal is payable in 12 equal installments starting October 2022 and the remaining 50% balance is payable in October 2025.	993,163	—	993,163
Unsecured loan obtained in July 2020 with interest rate equal 5.4121% per annum (fixed rate for 5 years), payable quarterly in arrears. The 50% of principal is payable in 12 equal installments starting October 2022 and the remaining 50% balance is payable in October 2025.	198,631	—	198,631
Unsecured loan obtained in May 2020 with interest rate equal to 4.75% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in May 2025.	278,136	—	278,136
Unsecured loan obtained in April 2020 with interest rate equal to 4.23% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in April 2025.	198,700	—	198,700
Unsecured loan obtained in April 2020 with interest rate equal to 4.23% per annum (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal quarterly amortizations to commence in July 2022 and 50% is payable at maturity in April 2025.	298,088	—	298,088
Unsecured loan obtained in April 2020 with interest rate equal to 4.91% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in April 2025.	500,000	—	500,000
Unsecured loan obtained in February 2020 with interest rate equal to 5.02% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in February 2025.	298,098	—	298,098
Unsecured loan obtained in March 2020 with interest rate equal to 5.55% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in March 2025.	198,704	—	198,704
Unsecured loan obtained in January 2020 with interest rate equal to 5.2540% per annum (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal quarterly amortizations to commence in April 2022 and 50% is payable at maturity in January 2025.	372,735	—	372,735
Unsecured loan obtained in March 2020 with interest rate equal to 5.5072% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in March 2025.	496,746	—	496,746



Type of Obligation	Amount	Current (In Thousands)	Non-Current
Unsecured loan obtained in March 2020 with interest rate equal to 5.5470% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in March 2025.	496,759	—	496,759
Unsecured loan obtained in March 2020 with interest rate equal to 5.5470% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in March 2025.	198,725	—	198,725
Unsecured loan obtained in January 2020 with interpolated rate of 5.08% per annum (fixed rate for 5 years), payable quarterly in arrears. 50% of principal is payable in 12 equal quarterly amortizations to commence in April 2022 and 50% is payable at maturity in October 23 2024.	993,875	—	993,875
Unsecured loan obtained in January 2020 with interest rate equal to 5.2540% per annum (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal quarterly amortizations to commence in April 2022 and 50% is payable at maturity in January 2025.	422,397	—	422,397
Unsecured loan obtained in January 2020 with interest rate equal to 5.32% per annum (fixed rate for 5 years), payable quarterly in arrears. The 50% principal is payable in 12 equal installments starting April 2022 and the remaining 50% balance is payable in January 2025.	500,000	—	500,000
Unsecured loan obtained in June 2016 with interest rate equal 3.91% per annum (fixed rate for 5 years), payable quarterly in arrears. The 50% of principal is payable in 12 equal installments starting September 2018 and the remaining 50% balance is payable in June 2021.	291,667	291,667	—
Unsecured loan obtained in July 2016 with interest rate equal to 3.81% per annum (fixed for 5 years), payable quarterly in arrears. The 50% of principal is payable in 12 equal quarterly amortization to commence in October 2018 and 50% is payable at maturity in July 2021.	218,750	218,750	—
Unsecured loan obtained in July 2014 with interest rate equal to 4.88% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 20 equal quarterly amortizations to commence in October 2016 and 50% is payable at maturity in July 2021.	402,500	402,500	—
Unsecured loan obtained in June 2019 with interest rate equal to 91-day Bloomberg Valuation Service Rate (BVAL Rate) plus margins, payable quarterly in arrears. The 50% principal is payable in 12 equal quarterly amortizations to commence on September 2021 and 50% payable at maturity on June 2024.	500,000	83,333	416,667
Unsecured loan obtained in November 2016 with interest rate equal to 4.75% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 16 equal quarterly amortizations to commence in February 2020 and 50% is payable at maturity in November 2023.	350,000	50,000	300,000
Unsecured loan obtained in December 2019 with interest rate equal to 5.06% per annum (fixed rate for 5 years), payable quarterly in arrears. The 50% principal is payable in 12 equal installments starting March 2022 and the remaining 50% balance is payable in December 2024.	300,000	—	300,000
Unsecured loan obtained in October 2019 with interest rate equal to 5.18% per annum (fixed rate for 5 years), payable quarterly in arrears. The 50% principal is payable in 12 equal installments starting January 2022 and the remaining 50% balance is payable in October 2024.	500,000	—	500,000
Unsecured loan obtained in September 2019 with interest rate equal to 5.21% per annum (fixed rate for 5 years), payable quarterly in arrears. The 50% principal is payable in 12 equal	300,000	—	300,000

Type of Obligation	Amount	Current (In Thousands)	Non-Current
installments starting December 2021 and the remaining 50% balance is payable in September 2024.			
Unsecured loan obtained in July 2014 with interest rate equal to 4.88% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 20 equal quarterly amortizations to commence in October 2016 and 50% is payable at maturity in July 2021.	345,000	345,000	—
Unsecured loan obtained in February 2016 with interest rate equal to 5.10% per annum (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal quarterly amortizations to commence in May 2018 and 50% is payable at maturity in February 2021.	108,317	108,317	—
Unsecured loan obtained in March 2017 with interest rate equal to 5.00% per annum (fixed rate for 5 years). The 50% principal is payable in 12 equal amortization to commence in June 2019 and 50% is payable at maturity in March 2022.	353,542	82,833	270,708
Unsecured loan obtained in May 2016 with interest rate equal to 4.35% per annum (fixed rate for 5 years). The 50% of principal is payable in 12 equal amortization to commence in August 2018 and 50% is payable at maturity in May 2021.	233,200	233,200	—
Unsecured loan obtained in December 2016 with interest rate equal to 5.45% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% principal is payable in 16 equal amortizations to commence in March 2020 and 50% is payable at maturity in December 2023.	174,619	24,857	149,762
Unsecured loan obtained in December 2017 with interest rate equal to 5.46% per annum (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal quarterly amortizations to commence in March 2020 and 50% is payable at maturity in December 2022.	332,533	66,267	266,267
Unsecured loan obtained in June 2018 with interest rate equal to 6.37% per annum (fixed rate for 5 years). 6% of the principal balance is payable at 12 equal quarterly amortization to commence on September 2020 and 94% is payable maturity on June 2023.	493,188	9,250	483,938
Unsecured loan obtained in October 2016 with interest rate equal to 4.25% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in October 2021.	999,160	999,160	—
Unsecured loan obtained in June 2019 with interpolated rate of 5.05%, payable quarterly in arrears. The principal is payable at maturity on June 2024.	1,989,181	2,907	1,986,274
Unsecured loan obtained in October 2016 with interest rate equal to 4.47% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 20 equal quarterly amortizations to commence in January 2019 and 50% is payable at maturity in October 2023.	559,782	69,913	489,869
Unsecured loan obtained in September 2016 with interest rate equal to 3.87% per annum (fixed rate for 5 years), payable quarterly in arrears. The 50% of principal is payable in 12 equal quarterly amortizations to commence in December 2018 and 50% is payable at maturity in September 2021.	499,592	499,592	—
Unsecured loan obtained in October 2016 with interest rate equal to 4.21% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 20 equal quarterly amortizations to commence in January 2019 and 50% is payable at maturity in October 2023.	1,039,502	129,801	909,700
Unsecured loan obtained in June 2017 with interest rate equal to 5.76% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 15 equal quarterly amortizations to commence in September 2020 and 50% is payable at maturity in June 2024.	465,545	66,285	399,260

Type of Obligation	Amount	Current (In Thousands)	Non-Current
Unsecured loan obtained in November 2016 with interest rate equal to 5.20% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 16 equal quarterly amortizations to commence in February 2020 and 50% is payable at maturity in November 2023.	437,347	62,440	374,908
Unsecured loan obtained in June 2016 with interest rate equal to 3.90% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in June 2021.	999,500	999,500	—
Unsecured loan obtained in June 2019 with interpolated rate of 4.99% per annum (fixed rate for 5 years), payable quarterly in arrears. 50% of principal is payable in 12 equal quarterly amortizations to commence in September 2021 and 50% is payable at maturity in June 2024.	1,990,078	163,258	1,826,820
Unsecured loan obtained in December 2016 with interest rate equal to 4.94% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in December 2021.	149,841	149,841	—
Unsecured loan obtained in May 2016 with interest rate equal to 4.29% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in May 2021.	999,605	999,605	—
Unsecured loan obtained in June 2019 with interpolated rate of 4.84% per annum (fixed rate for 5 years), payable quarterly in arrears. 50% of principal is payable in 12 equal quarterly amortizations to commence in September 2021 and 50% is payable at maturity in June 2024.	2,985,103	244,875	2,740,228
Unsecured loan obtained in December 2016 with interest rate equal to 4.94% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in December 2021.	499,457	499,457	—
Unsecured loan obtained in June 2017 with interest rate equal to 5.07% per annum (fixed rate for 5 years), payable quarterly in arrears. The 3% principal is payable in three (3) annual amortizations to commence in June 2019 and 97% is payable at maturity in June 2022.	978,432	8,930	969,502
Unsecured loan obtained in June 2019 with interpolated rate of 5.21% per annum (fixed rate for 5 years), payable quarterly in arrears. 50% of principal is payable in 12 equal quarterly amortizations to commence in September 2021 and 50% is payable at maturity in June 2024.	1,990,036	163,260	1,826,777
Unsecured loan obtained in July 2018 with interest rate equal to 6.51% per annum (fixed rate for 5 years), payable quarterly in arrears. 50% of principal is payable in 12 equal quarterly amortizations to commence in October 2020 and 50% is payable at maturity in July 2023.	1,433,108	247,874	1,185,234
Unsecured loan obtained in June 2018 with interest rate equal to 6.20% per annum (fixed rate for 5 years). The principal is payable at maturity in June 2023.	1,494,040	2,431	1,491,608
Unsecured loan obtained in October 2019 with interest rate equal to 4.98% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in October 2024.	497,052	715	496,338
Unsecured loan obtained in September 2019 with interest rate equal to 5.30% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable upon maturity in September 2024.	994,238	1,445	992,793
Unsecured loan obtained in September 2019 with interest rate equal to 5.11% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable upon maturity in September 2024.	994,269	1,446	992,823

Type of Obligation	Amount	Current (In Thousands)	Non-Current
Unsecured loan obtained in March 2016 with interest rate equal to 5.74% per annum (fixed rate for 7 years). The 50% of principal balance is payable in 20 equal quarterly amortizations to commence in June 2018 and 50% is payable at maturity in March 2023.	144,690	19,857	124,833
Unsecured loan obtained in September 2016 with interest rate equal to 3.80% per annum (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal quarterly amortization to commence in December 2018 and 50% is payable at maturity in September 2021.	46,825	46,825	—
Unsecured loan obtained in February 2017 with interest rate equal to 4.65% per annum (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal quarterly amortization to commence in May 2019 and 50% is payable at maturity in February 2022.	70,725	16,567	54,158
Unsecured loan obtained in July 2017 with interest rate equal to 4.78% per annum (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal quarterly amortization to commence in October 2019 and 50% is payable at maturity in July 2022.	138,279	28,992	109,288
Unsecured loan obtained in March 2017 with interest rate equal to 4.86% per annum (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal quarterly amortization to commence in June 2019 and 50% is payable at maturity in March 2022.	176,792	28,992	147,800
Unsecured loan obtained in November 2019 with interest rate equal to 5.01% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in November 2024.	1,000,000	—	1,000,000
Unsecured loan obtained in October 2020 with interest rate equal to 4.75% per annum (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal quarterly amortization to commence in January 2023 and 50% is payable at maturity in October 2025.	695,012	—	695,012
<b>Sub Total - Developmental Loans</b>	<b>38,105,023</b>	<b>8,866,369</b>	<b>29,238,654</b>

### **Bonds**

Fixed rate bonds with aggregate principal amount of P8.00 billion issued by the Group on August 20, 2015. This comprised of P7.00 billion, 7-year fixed rate bonds due in August 2022 with a fixed interest rate of 5.36% per annum, and P1.00 billion, 10-year fixed rate bonds due in August 2025 with a fixed interest rate of 5.71% per annum.

7,973,628 1,105 7,972,523

Fixed rate bonds with aggregate principal amount of P7.0 billion issued by the Group on November 8, 2013. This comprised of P4.30 billion 7-year fixed rate bonds due in November 2020 with a fixed interest rate of 4.86% per annum, and P2.70 billion 10-year fixed rate bonds due in November 2023 with a fixed interest rate of 5.43% per annum.

2,692,570 — 2,692,570

Fixed rate bonds with aggregate principal amount of P7.0 billion issued by the Group on December 4, 2014. This comprised of P5.30 billion, 7-year fixed rate bonds due in December 2021 with a fixed interest rate of 5.40% per annum, and P1.70 billion, 10-year fixed rate bonds due in December 2024 with a fixed interest rate of 5.64% per annum.

6,987,226 5,293,412 1,693,814

Fixed rate bonds with principal amount of P6.00 billion and term of 5.5 years from the issue date was issued by the Company on July

5,974,169 — 5,974,169

Type of Obligation	Amount	Current (In Thousands)	Non-Current
7, 2017 to mature in January 2023 with fixed interest rate is 5.05% per annum.			
Fixed rate bonds with principal amount of P6.33 billion and term of 3.0 years from the issue date was issued by the Company on November 18, 2020 to mature in November 18, 2023 with fixed interest rate is 3.33% per annum.	6,285,497	—	6,285,497
Fixed rate bonds with principal amount of P1.76 billion and term of 5.5 years from the issue date was issued by the Company on November 18, 2020 to mature in November 18, 2026 with fixed interest rate is 4.18% per annum.	1,750,437	—	1,750,437
<b>Sub Total - Bonds</b>	<b>31,663,528</b>	<b>5,294,517</b>	<b>26,369,011</b>
<b>Total</b>	<b>69,768,551</b>	<b>14,160,886</b>	<b>55,607,665</b>

Each loan balance is presented net of unamortized deferred costs. The agreements covering the abovementioned loans require maintaining certain financial ratios including debt-to-equity ratio ranging from 2.0x to 3.1x and minimum interest coverage ratio of 1.0x.

Each bond balance is presented net of unamortized deferred costs. The agreements covering the abovementioned bonds require maintaining certain financial ratios including maximum debt-to-equity ratio of 2.0x; minimum current ratio of 2.0x; and minimum debt service coverage ratio (DSCR) of 1.0x (except for CPI bonds which requires maximum debt-to-equity ratio of 2.33x and DSCR of 1.1x).

The agreements also provide for restrictions and requirements with respect to, among others, making distribution on its share capital; purchase, redemption or acquisition of any share of stock; sale or transfer and disposal of all or a substantial part of its capital assets; restrictions on use of funds; and entering into any partnership, merger, consolidation or reorganization.

The Group has complied with these contractual agreements. There was neither default nor breach noted for the year ended December 31, 2020.

## SCHEDULE F

### FILINVEST LAND, INC. AND SUBSIDIARIES

#### SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES DECEMBER 31, 2020

Below is the list of outstanding payables to related parties of the Group presented in the consolidated statements of financial position as of December 31, 2020:

	Relationship	Nature	Balance at beginning of period	Balance at end of period
(In Thousands)				
Filinvest Development Corp.	Parent Company	A, C	₱18,068	₱60,484
Corporate Technologies, Inc.	Associate	A	42,373	42,810
Filinvest Alabang, Inc	Associate	A	—	3,760
Entrata Hotel Services, Inc.	Affiliate	A	—	2,757
Chroma Hospitality, Inc.	Affiliate	A	—	1,491
Palms Country Club, Inc	Affiliate	A	1	355
Crimson Mactan	Affiliate	A	—	193
Filinvest Corporate City	Affiliate	A	—	66
Crimson Alabang	Affiliate	A	—	61
Pacific Sugar Holdings, Corp.	Affiliate	A	14,032	15
Manila Waldorf School	Affiliate	A	—	12
Mactan Seascapes Services, Inc.	Affiliate	A	873	9
Seascapes Resort, Inc.	Affiliate	A	—	5
Quest Pampanga	Affiliate	A	—	3
Quest Restaurants Inc.	Affiliate	A	21,773	—
Entrata Hotel Services, Inc.	Affiliate	A	2,404	—
Countrywide Water Services, Inc.	Affiliate	A	455	—
The Palms Country Club	Affiliate	A	392	—
Filinvest Hospitality Corporation	Affiliate	A	295	—
AG Foundation, Inc.	Affiliate	A	56	—
Crimson Hotel	Affiliate	A	47	—
ParkingPro, Inc.	Affiliate	A	10	—
			<b>₱100,779</b>	<b>₱112,021</b>

#### *Nature of intercompany transactions*

The nature of the intercompany transactions with the related parties is described below:

- a. Expenses - these pertain to the share of the Group in various common selling and marketing and general and administrative expenses.
- b. Management and marketing fee
- c. Dividends

## **SCHEDULE G**

### **FILINVEST LAND, INC. AND SUBSIDIARIES**

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### **SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS DECEMBER 31, 2020**

The Group does not have guarantees of securities of other issuers as of December 31, 2020.

**SCHEDULE H****FILINVEST LAND, INC. AND SUBSIDIARIES****SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK****DECEMBER 31, 2020**

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
(In Thousands)						
Common Shares	33,000,000	24,470,708	—	16,146,182	49,071	None
Preferred Shares	8,000,000	8,000,000	—	8,000,000	—	None



# SCHEDULE I

## FILINVEST LAND, INC.

### SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION DECEMBER 31, 2020

(Amounts in Thousands of Pesos)

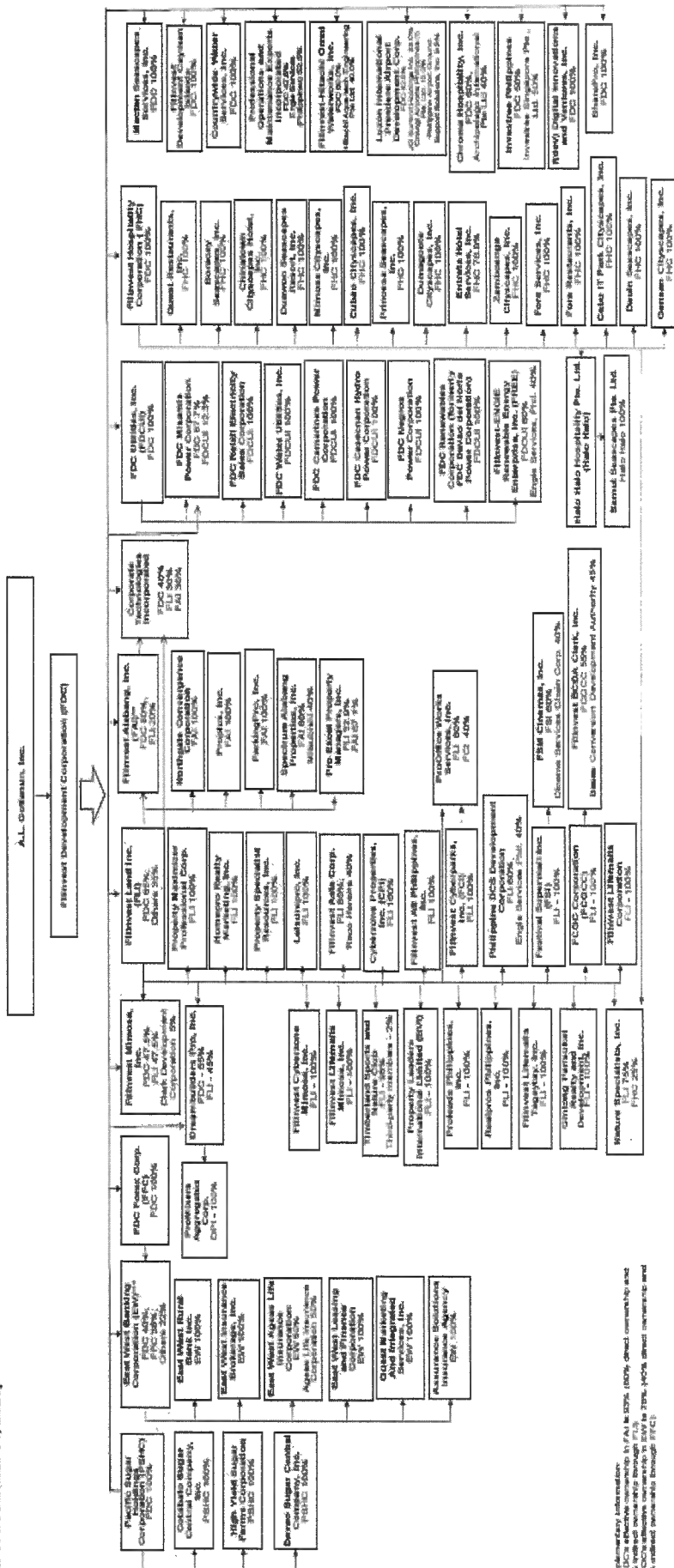
<b>Unappropriated Retained Earnings of Parent Company, beginning</b>	₱31,084,739
Adjustments:	
Impact of adoption of new accounting standards	—
Deferred tax assets recognized in prior year	(1,325,906)
<b>Unappropriated Retained Earnings of Parent Company, as adjusted, January 1, 2020</b>	<b>29,758,833</b>
<b>Net income based on the face of audited financial statements of Parent Company</b>	<b>9,155,336</b>
Less: Non-actual/unrealized income net of tax	
Equity in net income of subsidiaries and an associate	—
Unrealized foreign exchange gain – net	—
Unrealized actuarial gain	—
Fair value adjustment (marked-to-market gains)	—
Fair value adjustment of Investment Property resulting to gain	—
Adjustment due to deviation from PFRS/GAAP gain	—
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	—
Movement in deferred tax assets of the Parent Company	(474,873)
Add: Non-actual/unrealized losses net of tax	
Depreciation on revaluation increment	—
Adjustment due to deviation from PFRS/GAAP loss	—
Loss on fair value adjustment of Investment Property	—
<b>Net income actual/realized</b>	<b>8,680,463</b>
Less: Dividend declarations during the year	(1,618,904)
Appropriations for business expansion	(5,000,000)
<b>Unappropriated Retained Earnings, as adjusted, December 31, 2020</b>	<b>₱31,820,393</b>

**FILINVEST LAND, INC. AND SUBSIDIARIES**

**MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES**

**DECEMBER 31, 2020**

**A.L. GOTTLIN, INC.**  
**MAP SHOWING THE RELATIONSHIP BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT, CO-SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES**  
**(As of December 31, 2020)**



supplementary information.

FDCs have effective ownership in FAI of 55%, 100%, direct ownership and 2% indirect ownership through FLS.

FAI has effective ownership in EMI of 35%, 100% direct ownership and 2% indirect ownership through EFC.

**FILINVEST LAND, INC. AND SUBSIDIARIES**
**COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**
**DECEMBER 31, 2020**

(Amounts in Thousands of Pesos)

<b>Ratio</b>	<b>Formula</b>	<b>2020</b>	<b>2019</b>
Current Ratio <sup>(1)</sup>	Total Current Assets divided by Total Current Liabilities  <div>                         Total Current Assets <span style="float: right;">₱89,794,716</span>                          Divide by: Total Current Liabilities <span style="float: right;">28,996,802</span>  <hr/>                         Current Ratio <span style="float: right;">3.10</span> </div>	<b>3.10</b>	3.20
Long-term Debt-to-Equity ratio	Long-term Debt ( <i>Sum of Loans Payable and Bonds Payable</i> ) divided by Equity  <div>                         Long-term Debt <span style="float: right;">₱69,768,551</span>                          Divide by: Equity <span style="float: right;">74,378,943</span>  <hr/>                         Long-term Debt-to-Equity Ratio <span style="float: right;">0.94</span> </div>	<b>0.94</b>	0.88
Debt Ratio	Total Liabilities divided by Total Assets  <div>                         Total Liabilities <span style="float: right;">₱106,626,203</span>                          Divide by: Total Assets <span style="float: right;">181,005,146</span>  <hr/>                         Debt Ratio <span style="float: right;">0.59</span> </div>	<b>0.59</b>	0.58
EBITDA to Total Interest Paid	Earnings before Interests and Other Charges, Income Tax, Depreciation and Amortization - EBITDA ( <i>net income plus interest and other charges, income tax, depreciation and amortization</i> ) divided by Total Interest Paid  <div>                         EBITDA <span style="float: right;">₱9,161,969</span>                          Divide by: Total Interest Paid <span style="float: right;">3,917,635</span>  <hr/>                         EBITDA to Total Interest Paid <span style="float: right;">2.34</span> </div>	<b>2.34</b>	3.71
Price Earnings Ratio	Closing price divided by Earnings per share  <div>                         Closing price <sup>(2)</sup> <span style="float: right;">₱1.12</span>                          Divide by: Earnings per share <span style="float: right;">0.15</span>  <hr/>                         Price Earnings Ratio <span style="float: right;">7.47</span> </div>	<b>7.47</b>	5.77
Quick Asset Ratio	Quick Assets ( <i>total current assets less inventories</i> ) divided by Current Liabilities  <div>                         Total Current Assets <span style="float: right;">₱89,794,716</span>                          Less: Inventories <span style="float: right;">65,544,567</span>  <hr/>                         Quick Assets <span style="float: right;">₱24,250,149</span>                          Divide by: Total Current Liabilities <span style="float: right;">28,996,802</span>  <hr/>                         Quick Asset Ratio <span style="float: right;">0.84</span> </div>	<b>0.84</b>	0.76
(Forward)			

Ratio	Formula	2020	2019
Solvency Ratio	<p>Net Income before Depreciation (<i>net income plus depreciation</i>) divided by Total Liabilities</p> <p>Net Income ₱3,957,750</p> <p>Add: Depreciation 1,594,368</p> <hr/> <p>Net Income before Depreciation 5,552,117</p> <p>Divide by: Total Liabilities 106,626,203</p> <hr/> <p>Solvency Ratio 0.05</p>	0.05	0.08
Interest Coverage Ratio	<p>Earnings before Interest and Other Charges and Income Tax (EBIT) divided by Interest Expense</p> <p>EBIT ₱7,567,601</p> <p>Divide by: Interest Expense 3,189,462</p> <hr/> <p>Interest Coverage Ratio 2.37</p>	2.37	4.32
Net Profit Margin	<p>Net Income divided by Revenue</p> <p>Net Income ₱3,957,750</p> <p>Divide by: Revenue 16,223,341</p> <hr/> <p>Net Profit Margin 0.24</p>	0.24	0.27
Return on Equity	<p>Net Income divided by Total Equity</p> <p>Net Income ₱3,957,750</p> <p>Divide by: Total Equity 74,378,943</p> <hr/> <p>Return on Equity 0.05</p>	0.05	0.09
Asset-to-Equity Ratio	<p>Total Assets divided by Total Equity</p> <p>Total Assets ₱181,005,146</p> <p>Divide by: Total Equity 74,378,943</p> <hr/> <p>Return on Equity 2.43</p>	2.43	2.41

(1) In computing for the Group's current ratio, current assets include cash and cash equivalents, contracts receivables, contract assets, other receivables, real estate inventories and other current assets and current liabilities include accounts payable and accrued expenses, due to related parties, income tax payable and current portion of loans payable. Determination of current accounts is based on their maturity profile of relevant assets and liabilities.

(2) Closing price at December 31, 2020 and December 31, 2019 is ₱1.12 and ₱1.50, respectively.

**SUPPLEMENTARY SCHEDULE OF BOND ISSUANCES - SECURITIES OFFERED TO THE PUBLIC**  
**DECEMBER 31, 2020**

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