

COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

**21<sup>st</sup> Floor, Pacific Star Building, Senator Gil Puyat Avenue corner Makati Avenue, Makati City**  
 (Business Address: No. Street City / Town / Province)

|                     |
|---------------------|
| JOHN PAUL C. FLORES |
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Contact Person

|               |
|---------------|
| (632) 7935500 |
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Company Telephone Number

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Month      Day  
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Secondary License Type, If Applicable

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Amended Articles Number/Section

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To be accomplished by SEC Personnel concerned

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

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

2. Commission identification number: **60566**

3. BIR Tax Identification: **004-504-281-000**

4. Exact name of registrant as specified in its charter:

**CENTURY PROPERTIES GROUP INC. (formerly East Asia Power Resources Corporation)**

5. Province, country or other jurisdiction of incorporation or organization:

**Metro Manila, Philippines**

6. Industry Classification Code:  (SEC Use Only)

7. Address of registrant's principal office/Postal Code:

**21<sup>ST</sup> Floor, Pacific Star Building, Senator Gil Puyat corner Makati Avenue, Makati City**

8. Registrant's telephone number, including area code:

**(632) 7935500**

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

**EAST ASIA POWER RESOURCES CORPORATION, Ground Floor, PFDA Building, Navotas Fishport Complex, Navotas Metro Manila**

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

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---------------------|---|
| Commn Shares        | 11,599,600,690 Common Shares<br>100,123,000 Treasury Shares                 |



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

Yes [  ] No [  ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

**Philippine Stock Exchange, Inc.; 11,699,723,690 Common shares**

12. Indicate by check mark whether the registrant:

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

Yes [  ] No [  ]

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

Yes [  ] No [  ]



**PART I – FINANCIAL STATEMENTS**

**Item 1. Financial Statements**

- Comparative Consolidated Balance Sheets as of September 30, 2020 and December 31, 2019
- Comparative Consolidated Statements of Income for the nine months ended September 30, 2020 and 2019
- Comparative Consolidated Statements of Changes in Equity for the nine months ended September 30, 2020 and 2019
- Comparative Consolidated Statements of Cash Flows for the nine months ended September 30, 2020 and 2019.
- Notes to Consolidated Financial Statements

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

- 3<sup>rd</sup> Quarter 2020 vs. 3<sup>rd</sup> Quarter 2019 Operating Results
- 3<sup>rd</sup> Quarter 2020 vs. Full Year 2019 Financial Conditions
- Key Performance Indicators

**PART II – OTHER INFORMATION**



# CENTURY

PROPERTIES GROUP, INC.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

|  | September 30, 2020<br>(Unaudited) | December 31, 2019<br>(Audited) |
|--|-----------------------------------|--------------------------------|
| <b>ASSETS</b>  |                                   |                                |
| <b>Current Assets</b>  |                                   |                                |
| Cash and cash equivalents (Note 5)   | ₱3,985,949,084                    | ₱4,005,009,231                 |
| Receivables (Note 6)   | 11,721,625,949                    | 10,967,149,055                 |
| Real estate inventories (Note 7)   | 13,776,406,285                    | 15,558,004,362                 |
| Due from related parties (Note 17)   | 419,636,926                       | 419,654,624                    |
| Advances to suppliers and contractors (Notes 8)                                | 2,406,902,756                     | 2,006,510,283                  |
| Other current assets (Note 13)   | 1,837,648,711                     | 1,409,171,684                  |
| <b>Total Current Assets</b>  | <b>34,148,169,711</b>             | <b>34,365,499,239</b>          |
| <b>Noncurrent Assets</b>   |                                   |                                |
| Noncurrent portion of installment contracts receivable<br>(ICR; Notes 2 and 6) | 991,340,334                       | 1,137,658,202                  |
| Investment in bonds (Note 14)  | 463,750,000                       | 463,750,000                    |
| Deposits for purchased land (Note 9)   | 1,125,733,821                     | 1,079,443,219                  |
| Investments in and advances to joint ventures and associate (Note 10)          | 265,558,595                       | 258,768,231                    |
| Investment properties (Note 11)  | 13,693,333,744                    | 12,932,523,885                 |
| Property and equipment (Note 12)   | 2,014,013,497                     | 1,648,122,313                  |
| Deferred tax assets (Note 25)  | 43,994,025                        | 42,148,127                     |
| Other noncurrent assets (Note 13)  | 1,474,543,714                     | 1,513,772,396                  |
| <b>Total Noncurrent Assets</b>   | <b>20,072,267,729</b>             | <b>19,076,186,373</b>          |
| <b>TOTAL ASSETS</b>  | <b>₱54,220,437,440</b>            | <b>₱53,441,685,612</b>         |
| <b>LIABILITIES AND EQUITY</b>  |                                   |                                |
| <b>Current Liabilities</b>   |                                   |                                |
| Accounts and other payables (Note 15)  | ₱6,965,529,238                    | ₱5,703,064,295                 |
| Contract liabilities (Notes 16)  | 1,444,056,875                     | 1,784,093,580                  |
| Due to related parties (Note 17)   | 173,624,507                       | 171,191,762                    |
| Short-term debt (Note 18)  | 820,804,297                       | 1,452,692,919                  |
| Current portion of:  |                                   |                                |
| Long-term debt (Note 18)   | 2,417,812,550                     | 5,462,166,897                  |
| Bonds Payable (Note 19)  | –                                 | 1,392,653,130                  |
| Liability from purchased land (Note 20)  | 67,200,000                        | 67,200,000                     |
| Lease liability (Note 26)  | 21,642,553                        | 21,642,553                     |
| Income tax payable   | 318,274                           | 9,352,517                      |
| Other current liabilities (Note 28)  | 53,960,280                        | 35,277,576                     |
| <b>Total Current Liabilities</b>   | <b>11,964,948,573</b>             | <b>16,099,335,229</b>          |
| <b>Noncurrent Liabilities</b>  |                                   |                                |
| Noncurrent portion of:   |                                   |                                |
| Long-term debt (Note 18)   | 13,135,676,741                    | 9,880,550,051                  |
| Bonds Payable (Note 19)  | 3,059,502,167                     | 3,060,379,036                  |
| Liability from purchased land (Note 20)  | 208,335,743                       | 268,335,743                    |
| Lease liability (Note 26)  | 39,535,451                        | 39,535,451                     |
| Pension liabilities (Note 24)  | 315,824,243                       | 307,402,078                    |
| Deferred tax liabilities (Note 25)   | 3,000,014,562                     | 2,708,263,227                  |
| Deposit for future stock subscription (Note 21)                                | –                                 | 42,480,000                     |
| Other noncurrent liabilities   | 1,075,190,961                     | 1,419,835,309                  |
| <b>Total Noncurrent Liabilities</b>  | <b>20,834,079,867</b>             | <b>17,726,780,895</b>          |
| <b>Total Liabilities</b>   | <b>32,799,028,441</b>             | <b>33,826,116,124</b>          |



|  | September 30, 2020<br>(Unaudited) | December 31, 2019<br>(Audited) |
|--|-----------------------------------|--------------------------------|
| <b>Equity (Note 21)</b>  |                                   |                                |
| Capital stock - ₱0.53 par value  |                                   |                                |
| Authorized - 18,000,000,000 shares   |                                   |                                |
| Issued - 11,699,723,690 shares   | 6,200,853,553                     | 6,200,853,553                  |
| Preferred Shares - ₱0.53 par value   |                                   |                                |
| Authorized – 3,000,000 Shares  |                                   |                                |
| Issued – 30,000,000 Shares   | 15,900,000                        | –                              |
| Additional paid-in capital   | 5,524,776,889                     | 2,639,742,141                  |
| Treasury shares - 100,123,000 shares   | (109,674,749)                     | (109,674,749)                  |
| Other components of equity   | (858,934,380)                     | 99,393,242                     |
| Retained earnings  | 9,464,534,670                     | 8,733,916,278                  |
| Remeasurement loss on defined benefit plan                                   | (81,174,033)                      | (81,174,033)                   |
| <b>Total Equity Attributable to Equity Holders<br/>of the Parent Company</b> | <b>20,156,281,951</b>             | <b>17,483,056,432</b>          |
| <b>Non-controlling interest (Note 20)</b>                                    | <b>1,265,127,048</b>              | <b>2,132,513,056</b>           |
| <b>Total Equity</b>  | <b>21,421,408,999</b>             | <b>19,615,569,488</b>          |
| <b>TOTAL LIABILITIES AND EQUITY</b>  | <b>₱54,220,437,440</b>            | <b>₱53,441,685,612</b>         |



**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

|   | Jul-Sept 2020<br>Q3 2020<br>(Unaudited) | Jul-Sept 2019<br>Q3 2019<br>(Unaudited) | Jan-Sept 2020<br>9M 2020<br>(Unaudited) | Jan-Sept 2019<br>9M 2019<br>(Unaudited) |
|---|---|---|---|---|
| <b>REVENUES</b>   |   |   |   |   |
| Real estate sales   | ₱3,431,180,339                          | ₱3,441,646,874                          | ₱7,319,427,521                          | ₱8,856,440,453                          |
| Leasing revenue (Note 11)   | 195,170,019                             | 156,212,403                             | 542,444,485                             | 404,069,976                             |
| Property management fee and other services  | 87,912,887                              | 105,651,745                             | 256,147,475                             | 313,685,425                             |
| Interest income from real estate sales  | (269,200)                               | 44,964,757                              | 116,495,609                             | 219,978,637                             |
|   | <b>3,713,994,045</b>                    | <b>3,748,475,779</b>                    | <b>8,234,515,090</b>                    | <b>9,794,174,491</b>                    |
| <b>COST AND EXPENSES</b>  |   |   |   |   |
| Cost of real estate sales   | 2,390,851,407                           | 2,346,174,163                           | 4,915,227,665                           | 5,826,142,692                           |
| Cost of leasing (Note 11)   | 35,906,480                              | 65,773,171                              | 107,324,053                             | 171,966,070                             |
| Cost of services  | 62,212,463                              | 76,505,339                              | 186,968,010                             | 226,777,243                             |
|   | <b>2,488,970,350</b>                    | <b>2,488,452,673</b>                    | <b>5,209,519,728</b>                    | <b>6,224,886,005</b>                    |
| <b>GROSS PROFIT</b>   | <b>1,225,023,695</b>                    | <b>1,260,023,106</b>                    | <b>3,024,995,363</b>                    | <b>3,569,288,486</b>                    |
| <b>GENERAL, ADMINISTRATIVE AND SELLING EXPENSES (Note 22)</b>                       | <b>694,054,822</b>                      | <b>725,030,452</b>                      | <b>1,856,575,149</b>                    | <b>2,185,708,138</b>                    |
| <b>OTHER INCOME (EXPENSES)</b>  |   |   |   |   |
| Interest and other income (Note 23)   | 83,030,141                              | 225,565,200                             | 294,435,597                             | 535,894,739                             |
| Gain from change in fair value of investment properties (Note 11)                   | 398,810,986                             | 35,165,165                              | 474,578,119                             | 152,425,461                             |
| Gain (Loss) from change in fair value of derivatives (Note 13)                      | –                                       | 20,642,669                              | –                                       | (76,055,988)                            |
| Share in net earnings of joint ventures and associate                               | –                                       | –                                       | 6,791,973                               | 11,183,946                              |
| Interest and other financing charges  | (199,173,449)                           | (318,966,483)                           | (395,011,697)                           | (573,789,848)                           |
| Unrealized foreign exchange gain (loss) (Note 18)                                   | –                                       | (43,004,662)                            | –                                       | 23,295,186                              |
|   | <b>282,667,678</b>                      | <b>(80,598,111)</b>                     | <b>380,793,992</b>                      | <b>72,953,496</b>                       |
| <b>INCOME BEFORE INCOME TAX</b>   | <b>813,636,551</b>                      | <b>454,394,543</b>                      | <b>1,549,214,205</b>                    | <b>1,456,533,844</b>                    |
| <b>PROVISION FOR INCOME TAX (Note 25)</b>   | <b>250,780,943</b>                      | <b>115,695,346</b>                      | <b>445,149,238</b>                      | <b>345,566,294</b>                      |
| <b>NET INCOME</b>   | <b>562,855,608</b>                      | <b>338,699,197</b>                      | <b>1,104,064,967</b>                    | <b>1,110,967,550</b>                    |
| <b>OTHER COMPREHENSIVE INCOME (OCI)</b>   |   |   |   |   |
| <i>Items that will not be reclassified to profit or loss in subsequent periods:</i> |   |   |   |   |
| Net change in fair value of equity instruments at fair value through OCI            | –                                       | 186,362                                 | –                                       | 348,590                                 |
| <b>TOTAL COMPREHENSIVE INCOME</b>   | <b>₱562,855,608</b>                     | <b>₱338,885,559</b>                     | <b>₱1,104,064,967</b>                   | <b>₱1,111,316,140</b>                   |
| <b>Net income attributable to:</b>  |   |   |   |   |
| Equity holders of the Parent Company (Note 21)                                      | ₱571,483,676                            | ₱329,111,193                            | ₱1,029,613,662                          | ₱1,049,622,068                          |
| Non-controlling interests (Note 21)   | (8,628,068)                             | 9,588,004                               | 74,451,305                              | 61,345,482                              |
|   | <b>₱562,855,608</b>                     | <b>₱338,699,197</b>                     | <b>₱1,104,064,967</b>                   | <b>₱1,110,967,550</b>                   |
| <b>Total comprehensive income attributable to:</b>                                  |   |   |   |   |
| Equity holders of the Parent Company (Note 21)                                      | ₱571,483,676                            | ₱329,297,555                            | ₱1,029,613,662                          | ₱1,049,970,658                          |
| Non-controlling interests (Note 21)   | (8,628,068)                             | 9,588,004                               | 74,451,305                              | 61,345,482                              |
|   | <b>₱562,855,608</b>                     | <b>₱338,885,559</b>                     | <b>₱1,104,064,967</b>                   | <b>₱1,111,316,140</b>                   |
| <b>Basic/diluted earnings per share (Note 21)</b>                                   | <b>₱0.049</b>                           | <b>₱0.028</b>                           | <b>₱0.089</b>                           | <b>₱0.090</b>                           |

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

|  | September 30, 2020<br>(Unaudited) | September 30, 2019<br>(Unaudited) |
|--|-----------------------------------|-----------------------------------|
| <b>CAPITAL STOCK</b> (Note 21)                     | <b>₱6,200,853,553</b>             | ₱6,200,853,553                    |
| <b>PREFERRED SHARES</b> (Note 21)                  |                                   |                                   |
| Beginning Balance                                  | -                                 | -                                 |
| Issuance of Preferred Shares                       | <b>15,900,000</b>                 | -                                 |
| Balance at end of period                           | <b>15,900,000</b>                 | -                                 |
| <b>ADDITIONAL PAID-IN CAPITAL</b> (APIC; Note 21)  |                                   |                                   |
| Beginning Balance                                  | <b>2,639,742,141</b>              | 2,639,742,141                     |
| APIC on Issuance of Preferred Shares               | <b>2,885,034,748</b>              | -                                 |
| Balance at end of period                           | <b>5,524,776,889</b>              | 2,639,742,141                     |
| <b>TREASURY SHARES</b> (Note 21)                   | <b>(109,674,749)</b>              | (109,674,749)                     |
| <b>RETAINED EARNINGS</b> (Note 21)                 |                                   |                                   |
| Balance at beginning of year                       | <b>8,733,916,278</b>              | 7,590,086,701                     |
| Net Income   | <b>1,029,613,662</b>              | 1,049,622,068                     |
| Common Dividends                                   | <b>(147,847,020)</b>              | (137,919,252)                     |
| Preferred Dividends                                | <b>(151,148,250)</b>              | -                                 |
| Balance at end of period                           | <b>9,464,534,670</b>              | 8,501,789,517                     |
| <b>OTHER COMPONENT OF EQUITY</b> (Note 21)         | <b>(858,934,380)</b>              | 99,579,604                        |
| <b>REMEASUREMENT LOSS ON DEFINED BENEFIT PLAN</b>  | <b>(81,174,033)</b>               | (66,042,430)                      |
| <b>TOTAL EQUITY ATTRIBUTABLE TO PARENT COMPANY</b> | <b>20,156,281,951</b>             | 17,266,247,636                    |
| <b>NON-CONTROLLING INTEREST</b>                    |                                   |                                   |
| Beginning Balance                                  | <b>2,132,513,056</b>              | 1,109,270,329                     |
| Net Income   | <b>74,451,305</b>                 | 61,345,482                        |
| Acquisition of non-controlling interest            | <b>(941,837,313)</b>              | -                                 |
| Investment from non-controlling interest           | -                                 | 769,891,018                       |
| Ending Balance                                     | <b>1,265,127,048</b>              | 1,940,506,829                     |
|  | <b>₱21,421,408,999</b>            | ₱19,206,754,465                   |





## CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine-Month Periods Ended Sept 30

|   | 2020                  | 2019                  |
|---|-----------------------|-----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                               |                       |                       |
| Income before income tax  | ₱1,549,214,205        | ₱1,456,533,844        |
| Adjustments for:  |                       |                       |
| Interest and other financing charges                                      | 395,011,697           | 573,789,848           |
| Unrealized loss (gain) from change in fair value of derivatives (Note 13) | -                     | 76,055,988            |
| Depreciation (Note 22)  | 25,502,768            | 41,441,790            |
| Retirement expense  | 8,422,165             | 10,922,986            |
| Gain from change in fair value of investment properties (Note 11)         | (474,578,119)         | (152,425,461)         |
| Interest income from cash and cash equivalents (Note 23)                  | (118,713,686)         | (102,190,382)         |
| Interest income from real estate sales                                    | (116,495,609)         | (219,978,637)         |
| Unrealized foreign exchange loss (gain) (Note 18)                         | -                     | (23,295,186)          |
| Share in net earnings of joint ventures and associate                     | (6,791,973)           | (11,183,946)          |
| Operating income before working capital changes                           | 1,261,571,448         | 1,649,670,844         |
| Decrease (increase) in:   |                       |                       |
| Receivables and contract assets (Notes 6 and 16)                          | (491,663,417)         | (1,217,049,038)       |
| Real estate inventories (Notes 7)   | 2,473,752,499         | 2,399,794,539         |
| Advances to suppliers and contractors (Note 8)                            | (400,392,473)         | 96,755,414            |
| Other assets (Note 13)  | (530,958,530)         | (628,273,611)         |
| Increase in:  |                       |                       |
| Liability from purchased land (Note 19)                                   | (60,000,000)          | (33,232,990)          |
| Accounts and other payables (Notes 15)                                    | 781,718,533           | 1,310,424,093         |
| Contract liabilities (Note 16)  | (390,036,705)         | (210,299,300)         |
| Net cash provided by (used in) operations                                 | 2,693,991,354         | 3,367,789,951         |
| Interest received   | 118,713,686           | 102,190,382           |
| Interest and other financing costs paid                                   | (1,087,166,118)       | (1,503,876,557)       |
| Income taxes paid   | (164,278,044)         | (184,440,485)         |
| Retirement benefits paid  | -                     | (1,391,905)           |
| Net cash provided by (used in) operating activities                       | 1,561,260,878         | 1,780,271,386         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                               |                       |                       |
| Decrease (Increase) in due from related parties                           | 17,698                | (24,667,498)          |
| Proceeds from disposal of investment property                             | -                     | -                     |
| Additions to:   |                       |                       |
| Investment properties (Notes 11)  | (286,231,740)         | (1,177,815,822)       |
| Deposits for purchased land (Note 9)                                      | (46,290,602)          | 34,598,291            |
| Property and equipment (Note 12)  | (391,393,952)         | (401,487,115)         |
| Investment in bonds   | -                     | (463,750,000)         |
| Acquisition of non-controlling interest                                   | (1,900,000,000)       | -                     |
| Net cash used in investing activities                                     | (2,623,898,596)       | (2,033,122,144)       |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                               |                       |                       |
| Additional investment from non-controlling interest                       | -                     | 769,891,018           |
| Increase in due to related parties  | 2,432,744             | 73,030,982            |
| Proceeds from:  |                       |                       |
| Issuance of preferred shares  | 3,000,000,000         | -                     |
| Availment of short-term and long-term debt                                | 2,189,727,560         | 9,426,143,342         |
| Deposits for preferred shares   | 29,634,091            | 324,420,484           |
| Availment of bonds payable  | -                     | 3,000,000,000         |
| Payments of:  |                       |                       |
| Short-term and long-term debt   | (2,610,843,840)       | (11,350,309,381)      |
| Bonds payable   | (1,393,529,999)       | -                     |
| Common cash dividends   | (73,077,485)          | (137,919,252)         |
| Preferred cash dividends  | (100,765,500)         | -                     |
| Lease liabilities (Notes 26)  | -                     | (12,164,934)          |
| Net cash provided by financing activities                                 | 1,043,577,570         | 2,093,092,259         |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                          | <b>(19,060,147)</b>   | <b>1,840,241,501</b>  |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD (Note 5)</b>          | <b>4,005,009,231</b>  | <b>1,950,389,193</b>  |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)</b>                | <b>₱3,985,949,084</b> | <b>₱3,790,630,694</b> |

See accompanying Notes to Interim Condensed Consolidated Financial Statement



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

Century Properties Group Inc. (the Parent Company or CPGI), a publicly-listed company, was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 6, 1975. The Parent Company is a 62.20%-owned subsidiary of Century Properties Inc. (CPI) and the rest by the public. The Group is primarily engaged in the development and construction of residential and commercial real estate projects.

The registered office address of the Parent Company is 21st Floor Pacific Star Building, Sen. Gil Puyat corner Makati Avenue, Makati City.

The Parent Company and its subsidiaries are collectively referred to herein as the “Group”.

#### 1.2 RECENT TRANSACTIONS

##### **Acquisition of Shares of Another Corporation**

Company has completed the acquisition of 40% of the total outstanding shares or 511,561,143 common shares of FMT Kalayaan Inc. (“FMTK”) in Century City Development II Corporation, a subsidiary of the Century Properties Group, Inc. (“CPGI”) on August 24, 2020. The acquisition price is One Billion Nine Million Pesos Only (Php 1,900,000,000.00) or Php 3.71 per share, paid in cash on August 24, 2020. A Deed of Absolute Sale was executed by FMTK in favor of CPGI.

##### **Signing of Memorandum of Agreement with Global Development Corp.**

On January 9, 2019 Global Gateway Development Corp. (GGDC) and Century Properties Group, Inc. (CPGI) signed a memorandum of agreement (MOA) to create a Joint Venture (JV) that will develop 2.6 hectares of the 177-hectare Clark Global City into a mix of residential and office buildings. Global Gateway Development Corp. is the owner and developer of Clark Global City. It is a wholly owned subsidiary of Udenna Development (UDEVCO) Corp., the real estate and property development arm of one of the fastest growing holding companies in the Philippines Udenna Corporation.

The MOA provides for mixed use development, i.e. residential and office buildings with support retail establishments. This project will be CPGI's first development in Clark, a former military base currently being transformed into the country's next big metropolis and primed as the answer to Metro Manila's congestion. CPGI is banking on the phenomenal growth of Central Luzon, which has the highest number of occupied housing units; and also Clark, which has emerged as the second largest market for office after Metro Manila.

Situated within the Clark Freeport Zone, the development offers an ideal regulatory, economic and operating environment. It is also poised to benefit from various public infrastructure projects such as the expansion of the Clark International Airport, NLEX-SLEX Connector Road, Subic-Clark Cargo Railway and PNR North Railway.



**Launch of Phirst Park Homes, Inc.**

On September 20, 2018, Century Properties Group Inc. (CPGI) and the global business enterprise Mitsubishi Corporation launched the newly-formed joint venture company PHirst Park Homes, Inc. (PPHI) at the Shangri-La Hotel in Fort Bonifacio and announced its plans to cater to the broader market of first homebuyers by rolling out 33,000 units in key locations outside of Metro Manila with an estimated sales value of P57 billion. The joint venture company is 60 percent and 40 percent owned by CPG and Mitsubishi, respectively.

PPHI will launch 15 masterplanned communities in Calabarzon and Central Luzon within the next 5 years. These new launches will entail capital expenditures of approximately P28 billion, of which P11 billion will be spent in the first 5 years. The company is also eyeing expansion into the Visayas and Mindanao regions once it has established technical and market scale.

PHirst Park Homes Homevisions once it has established technical and market scale. In Tanza, Cavite, which has already sold out its first phase with 1,200 units valued at approximately Php1.4 billion. In June 2018, the company also launched PHirst Park Homes Lipa, a 20-hectare development in Lipa City, Batangas with 1,867 units valued at Php2.8 billion.

**1.3 SUBSIDIARIES AND ASSOCIATE**

Below is the Company’s percentage of ownership in its Subsidiaries and Associate as of the filing of this report.

|   | Percentage of Ownership as of the Filing of the Report |          |
|---|--|----------|
|   | Direct   | Indirect |
| Century Communities Corporation (CCC)   | 100  | -        |
| Century City Development Corporation (CCDC)   | 100  | -        |
| Century Limitless Corporation (CLC)   | 100  | -        |
| Century Properties Management Inc. (CPMI)   | 100  | -        |
| Century Destinations and Lifestyle Corp. <i>(Formerly Century Properties Hotel and Leisure, Inc.)</i> | 100  | -        |
| A2Global Inc.   | 49   | -        |
| Phirst Park Homes Inc.  | 60   | -        |

Currently, the Company has five wholly-owned subsidiaries namely Century Communities Corporation (CCC), Century City Development Corporation (CCDC), Century Limitless Corporation (CLC), Century Properties Management Inc. (CPMI) and Century Properties Hotel and Leisure, Inc. (CPHLI). Through these Subsidiaries, CPGI develops, markets and sells residential, office, medical and retail properties in the Philippines, as well as manages residential and commercial properties in the Philippines.

*Century Communities Corporation*

CCC, incorporated in 1994, is focused on horizontal house and lot developments. From the conceptualization to the sellout of a project, CCC provides experienced specialists who develop and execute the right strategy to successfully market a project. CCC is currently developing Canyon Ranch, a 25-hectare house and lot development located in Carmona, Cavite.



*Century City Development Corporation*

CCDC, incorporated in 2006, is focused on developing mixed-use communities that include residences, office and retail properties. CCDC is currently developing Century City, a 3.4-hectare mixed-use development along Kalayaan Avenue in Makati City.

*Century Limitless Corporation*

CLC, incorporated in 2008, is Century's brand category that focuses on developing high-quality, affordable residential projects. Projects under CLC will cater to first-time home buyers, start-up families and investors seeking safe, secure and convenient homes.

*Century Properties Management, Inc.*

Incorporated in 1989, CPMI is one of the largest property management companies in the Philippines, as measured by total gross floor area under management. CPMI currently has 46 projects in its portfolio, covering a total gross floor area of 2.55 million sq.m. CPMI has been awarded 18 safety and security distinctions from the Safety Organization of the Philippines.

*Century Destinations and Lifestyle Corp (CDLC)*

Incorporated in 2014, CDLC shall operate, conduct and engage in hotel business and related business ventures.

*PHirst Park Homes Inc. (PPHI)*

PHirst Park Homes Inc., incorporated on August 31, 2018, is the first-home division and brand of CPGI. Its projects are located within the fringes of Metro Manila and its target market are first-time homebuyers. Its current projects are located at Barangay San Lucas in Lipa City and San Pablo, Laguna, which involve a multi-phase horizontal residential property and offer both Townhouse units & Single Attached units. PHirst Park Homes is a joint venture project between Century Properties Group Inc. and Mitsubishi Corporation with a 60-40% shareholding, respectively.

*A2Global Inc.*

A2Global, Inc., in an associate incorporated in 2013, is a company where CPGI has a 49% shareholding stake.

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

### Basis of Preparation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries.

The accompanying consolidated financial statements have been prepared using the historical cost basis, except for investment properties and derivative assets that are measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is the functional currency of the Parent Company and of all the investee companies. All amounts are rounded off to the nearest ₱, except when otherwise indicated.



Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippine Interpretations Committee (PIC).

### 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 the reliefs granted by the SEC under the following memorandum circulars:

- a. Memorandum Circular No. 4-2020 on Deferment of IFRIC Agenda Decision on Over Time Transfer of Goods for Real Estate Industry
- b. Memorandum Circular Nos. 14-2018 and 3-2019 for the following implementation issues of PFRS 15 affecting the real estate industry:
  - Exclusion of land in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
  - Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
  - Accounting to Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H

### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries:

|  | <b>Percentage of Ownership</b> |             |             |
|--|--------------------------------|-------------|-------------|
|  | <b>2020</b>                    | <b>2019</b> | <b>2018</b> |
| Century Limitless Corporation (CLC)                | <b>100</b>                     | 100         | 100         |
| Century Acqua Lifestyle Corporation (CALC)         | <b>100</b>                     | 100         | 100         |
| Tanza Properties I, Inc. (TPI I)                   | <b>60</b>                      | 60          | 60          |
| Tanza Properties II, Inc. (TPI II)                 | <b>60</b>                      | 60          | 60          |
| Tanza Properties III, Inc. (TPI III)               | <b>60</b>                      | 60          | 60          |
| Katipunan Prime Development Corporation (KPDC)     | <b>60</b>                      | 60          | 60          |
| PHirst Park Homes Development Corporation (PPHDC)  | <b>100</b>                     | 100         | 100         |
| Century Properties Management, Inc. (CPMI)         | <b>100</b>                     | 100         | 100         |
| Siglo Suites, Inc. (SSI)                           | <b>100</b>                     | 100         | 100         |
| Siglo Commercial Management Corporation (SCMC)     | <b>100</b>                     | 100         | 100         |
| Century Communities Corporation (CCC)              | <b>100</b>                     | 100         | 100         |
| Century City Development Corporation (CCDC)        | <b>100</b>                     | 100         | 100         |
| Century City Development Corporation II (CCDC II)  | <b>60</b>                      | 60          | 60          |
| Centuria Medical Development Corporation (CMDC)    | <b>100</b>                     | 100         | 100         |
| Knightsbridge Residences Development Corporation*  | <b>100</b>                     | 100         | 100         |
| Milano Development Corporation (MDC)               | <b>100</b>                     | 100         | 100         |
| Century City Development Corporation VII*          | <b>100</b>                     | 100         | 100         |
| Century City Development Corporation VIII*         | <b>100</b>                     | 100         | 100         |
| Century City Development Corporation X*            | <b>100</b>                     | 100         | 100         |
| Century City Development Corporation XI*           | <b>100</b>                     | 100         | 100         |
| Century City Development Corporation XII*          | <b>100</b>                     | 100         | 100         |
| Century City Development Corporation XIV*          | <b>100</b>                     | 100         | 100         |
| Century City Development Corporation XV*           | <b>100</b>                     | 100         | 100         |
| Century City Development Corporation XVI*          | <b>100</b>                     | 100         | 100         |
| Century City Development Corporation XVII*         | <b>100</b>                     | 100         | 100         |
| Century City Development Corporation XVIII*        | <b>100</b>                     | 100         | 100         |
| Century Destination Lifestyle Corporation (CDLC)** | <b>100</b>                     | 100         | 100         |
| PHirst Park Homes, Inc. (PPHI)                     | <b>60</b>                      | 60          | 60          |

\*non-operating CCDC subsidiaries

\*\*formerly Century Properties Hotel and Leisure Inc. (CPHLI)



On August 31, 2018, PPHI was incorporated by the Parent Company and Mitsubishi Corporation (MC) for 60% and 40% ownership interests, respectively (see Note 20). The primary purpose of PPHI is to engage in real estate development.

On July 20, 2018, KPDC was incorporated by CLC, a wholly-owned subsidiary of the Parent Company, and TCG Holdings, Inc. (THI) for 60% and 40% ownership interests, respectively (see Note 20). The primary purpose of KPDC is to engage in real estate development. KPDC has not yet started commercial operations.

On February 2, 2018, PPHDC, a wholly owned subsidiary of CLC, was incorporated. PPHDC was organized primarily to engage in real estate development.

On October 14, 2016, TPI I, TPI II and TPI III were incorporated as wholly owned subsidiaries of CPGI. On December 30, 2016, CPGI assigned all its interest to the aforementioned companies to CLC (see Note 20).

On September 19, 2016, SCMC, was incorporated as a wholly owned subsidiary of CPMI. SCMC was organized primarily to provide professional leasing and management services to real estate properties such as building, office space, commercial lots and other related structures whether for commercial or industrial purpose except financial leasing.

On September 23, 2014, the BOD approved the cessation of operations of the non-operating CCDC subsidiaries. On the same date, the BOD approved the dissolution of these subsidiaries. Accordingly, these subsidiaries changed their basis of accounting from a going concern basis to a liquidation basis. Final dissolution will take place after the approval of the subsidiaries' application with the Bureau of Internal Revenue (BIR). As of December 31, 2018, the subsidiaries have not yet filed their application for dissolution with the BIR.

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:

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

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- 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 during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.





The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the 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, the carrying amount of any non-controlling interests (NCI) and the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

#### Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019. Unless otherwise indicated, adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

The nature and impact of each new standards and amendment are described below:

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

These amendments had no impact on the consolidated financial statements of the Group.

- PFRS 16, *Leases*

PFRS 16 supersedes PAS 17, *Leases*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Group has lease contracts for office spaces as a lessee. Before the adoption of PFRS 16, the Group classified each of its leases at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in the consolidated statements of comprehensive income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under other current assets and accounts and other payables, respectively.

Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

The Group has elected to apply the following practical expedients provided by the standard:

- The Group relied on its assessment of whether leases are onerous immediately before the date of initial application.
- The Group did not apply the requirements of PFRS 16 to leases for which the lease term ends within 12 months from the date of initial application.
- The Group accounted for the deferred tax at transition date by considering the asset and liability as in-substance linked to each other. On this basis, the net asset or liability is compared to its tax base and deferred tax is recognized on that net amount.

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

The Group adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, PFRS 16 is applied retrospectively with the cumulative effect of initially applying PFRS 16 recognized at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying PAS 17 at the date of initial application. The Group did not recognize deferred tax on both the right-of-use asset and lease liabilities on initial recognition.

The adoption of PFRS 16 resulted in recognition of right-of-use assets and lease liabilities both amounting to ₱71.93 million as at January 1, 2019 (see Notes 11 and 28).

Set out below, are the amounts by which each consolidated financial statement line item is affected as at and for the year ended December 31, 2019 as a result of the adoption of PFRS 16. The first column shows what the amounts would have been had PFRS 16 not been adopted and the third column shows amounts prepared under PFRS 16:

Consolidated statement of financial position

|   | As of December 31, 2019 |                     |                |
|---|-------------------------|---------------------|----------------|
|   | Previous PFRS           | Increase (decrease) | PFRS 16        |
| <b>ASSETS</b>                           |                         |                     |                |
| <b>Noncurrent Assets</b>                |                         |                     |                |
| Property and equipment                  | ₱1,590,785,695          | ₱57,336,618         | ₱1,648,122,313 |
| <b>LIABILITIES AND EQUITY</b>           |                         |                     |                |
| <b>Current liabilities</b>              |                         |                     |                |
| Current portion of lease liabilities    | –                       | 21,642,553          | 21,642,553     |
| <b>Noncurrent liabilities</b>           |                         |                     |                |
| Noncurrent portion of lease liabilities | –                       | 39,535,451          | 39,535,451     |
| Deferred tax liabilities - net          | 2,709,415,643           | (1,152,416)         | 2,708,263,227  |
| <b>Equity</b>                           |                         |                     |                |
| Retained earnings                       | 8,736,605,248           | (2,688,970)         | 8,733,916,278  |



Consolidated statement of comprehensive income

|   | For the year ended December 31, 2019 |                     |                |
|---|--------------------------------------|---------------------|----------------|
|   | Previous PFRS                        | Increase (decrease) | PFRS 16        |
| General, administrative and selling expenses            | ₱3,237,454,380                       | (₱1,636,319)        | ₱3,235,818,061 |
| Interest and other financing charges                    | (942,165,916)                        | 5,477,705           | (936,688,211)  |
| Provision for income tax                                | 578,715,164                          | (1,152,416)         | 577,562,748    |
| Net income attributable to equity holders of the Parent |                                      |                     |                |
| Company   | 1,284,437,799                        | (2,688,970)         | 1,281,748,829  |

Consolidated statement of cash flows

|   | For the year ended December 31, 2019 |                     |                |
|---|--------------------------------------|---------------------|----------------|
|   | Previous PFRS                        | Increase (decrease) | PFRS 16        |
| Net cash provided by operating activities | ₱2,330,453,282                       | ₱10,755,613         | ₱2,341,208,895 |
| Net cash provided by financing activities | 1,681,235,123                        | (10,755,613)        | 1,670,479,510  |

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

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

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

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

The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the year.

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

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

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

These amendments had no significant impact on the consolidated financial statements of the Group.

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

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

- Whether an entity considers uncertain tax treatments separately or together with one or more other uncertain tax treatments.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax position. The Group determined, based on its assessment, that it is probable that its tax treatments will be accepted by the taxation authorities. The interpretation did not have a significant impact on the consolidated financial statements of the Group.

- *Annual Improvements to PFRSs 2015 - 2017 Cycle*

- *Amendments to PFRS 3, Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group.



- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

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

These amendments had no impact on the consolidated financial statements of the Group because dividends declared by the Group to domestic corporations do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

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

The amendments do not have a material effect on the Group's consolidated financial statements since the Group's current practice is in line with these amendments.

- March 2019 IFRIC Agenda Decision on Over Time Transfer of Constructed Good (PAS 23, *Borrowing Costs*)

In March 2019, the IFRS Interpretations Committee (the Committee) issued IFRIC Update summarizing the decisions reached by the Committee in its public meetings. The March 2019 IFRIC Update includes the Committee's Agenda Decision on the capitalization of borrowing cost on over time transfer of constructed goods. The IFRIC Agenda Decision clarified whether borrowing costs may be capitalized in relation to the construction of a residential multi-unit real estate development (building) which are sold to customers prior to start of construction or completion of the development.

Applying paragraph 8 of PAS 23, Borrowing Cost, an entity capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Paragraph 5 of PAS 23 defines a qualifying asset as 'an asset that necessarily takes a substantial period of time to get ready for its intended use or sale'. Under the March 2019 IFRIC Update, the Committee clarified that the related assets that might be recognized in the real estate company's financial statements (i.e., installment contract receivable, contract asset, or inventory) will not qualify as a qualifying asset and the corresponding borrowing cost may no longer be capitalized.



On February 11, 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. Effective January 1, 2021, 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 would have been expensed out in the period incurred. This would result in decrease in retained earnings as of January 1, 2017 and net income for 2018 and 2017.

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.

#### Future Changes in Accounting Policies

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

#### *Effective beginning on or after January 1, 2020*

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

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

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

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

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

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

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



*Effective beginning on or after January 1, 2021*

- PFRS 17, Insurance Contracts

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

The new standard does not have any impact on the Group's consolidated financial statements

*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.

These amendments do not have any impact on the Group's consolidated financial statements.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification.

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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



The Group classifies all other liabilities as noncurrent.

#### Cash and Cash Equivalents

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

#### Financial Instruments

##### *Initial recognition*

The Group classifies financial assets, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Except for 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 fair value through profit or loss, 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.

For a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

##### *Subsequent measurement of financial assets*

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

- Financial assets at amortized cost
- Financial assets at fair value through profit or loss
- Financial assets at fair value through OCI, where cumulative gains or losses previously recognized are reclassified to profit or loss
- Financial assets designated at fair value through OCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

##### *Financial assets at amortized cost*

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

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





Financial assets at amortized cost are initially recognized at fair value plus directly attributable transaction costs and subsequently measured using the effective interest (EIR) method, less any impairment in value. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. This accounting policy relates to the Group's "Cash and cash equivalents", "Receivables" (excluding other receivables), marginal deposits and rental deposits under "Other current assets", "Due from related parties" and "Investment in bonds".

#### *Equity instruments*

The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its quoted equity investments under this category.

#### *Financial assets at FVPL*

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

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

This category includes derivative instruments which the Group had not irrevocably elected to classify at fair value through OCI

#### *Classification of financial liabilities*

Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.



As of September 30, 2020, and December 31, 2019, the financial liabilities of the Group are of the nature of financial liabilities at amortized cost (debt instrument). This accounting policy applies to the Group's "Accounts and other payables" (excluding customer's advances and statutory liabilities), "Due to related parties", "Short-term debt", Liability from purchased land", Long-term debt" and "Bonds Payable".

#### Reclassifications of Financial Instruments

The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

#### Impairment of Financial Assets

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

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

Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are also recognized and interest revenue is calculated by applying the credit-adjusted EIR to the amortized cost of the financial asset.

The Group applies a simplified approach in calculating ECLs for "ICRs". Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. For leasing receivables, the Group has established a provision matrix that is based on its historical credit loss experience. For ICR, the Group uses a vintage analysis that is based on its historical credit loss experience. Both are further adjusted for forward-looking factors specific to the debtors and the economic environment.

For all debt financial assets other than ICRs, ECLs are recognized using the general approach wherein the Group tracks changes in credit risk and recognizes a loss allowance based on either a 12-month or lifetime ECLs at each reporting date.

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





Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's investment grade criteria are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month ECL. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Group from the time of origination.

The Group's "Cash and cash equivalents" and "Due from related parties" are graded to be low credit risk investments based on the credit ratings of depository banks and related parties as published by Bloomberg Terminal.

#### Derecognition of Financial Assets and Liabilities

##### *Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) 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 the risks and rewards of the asset, but has transferred control of the asset.

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

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

##### *Financial liabilities*

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

##### Write-off

The Group writes-off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.



#### Offsetting Financial Instruments

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

#### Fair Value Measurement

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

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

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

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

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

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

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

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

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



#### Advances to Suppliers and Contractors

The Group recognizes advances to suppliers at the time payment has been made to specific suppliers and contractors for the construction of its real estate inventories. These are subsequently classified to real estate inventories when incurred.

#### Real Estate Inventories

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 inventory and is measured at the lower of cost and net realizable value (NRV).

Cost includes:

- Land cost
- Land improvement cost
- Borrowing cost
- 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 business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale.

Real estate inventories also consist of land held for future development. The Group has plans to construct and develop these parcels of land as a residential property for sale in the ordinary course of business. The physical construction activities have not commenced as of June 30, 2020.

#### Deposits for Purchased Land

This represents deposits made to land owners for the purchase of certain parcels of land whose ultimate use is currently undetermined. The Group normally makes deposits before a CTS or Deed of Absolute Sale (DOAS) is executed between the Group and the land owner. These are recognized at cost.

#### Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest measure using the EIR method and other costs that an entity incurs in connection with the borrowing of funds.

Where borrowings are associated with specific developments, the amount capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

#### Investments in and Advances to Joint Ventures and Associate

Investments in and advances to joint ventures and associate (investee companies) are accounted for under the equity method of accounting. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.



An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

An investment is accounted for using the equity method from the day it becomes a joint venture or associate. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the investee's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the share in the earnings of the investees.

Under the equity method, the investments in the investee companies are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the investee companies, less any impairment in values. The consolidated statement of comprehensive income reflects the share of the results of the operations of the investee companies, if there's any. The Group's share of post-acquisition movements in the investee's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Group and the investee companies are eliminated to the extent of the interest in the investee companies and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

#### Investment Properties

Initially, investment properties are measured at cost including certain transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. The fair value of investment properties is determined by independent real estate valuation experts based on the "market approach" for its land properties which are based on recent real estate transactions with similar characteristics and location to those of the Group's investment properties and the "income approach" for its income generating buildings which are based on the buildings discounted future cash flows. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner's occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner's occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

For a transfer from investment property to inventories, the change in use is evidenced by commencement of development with a view to sale. When the Group decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized and does not treat it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. For a transfer from investment property carried at fair value to inventories, the property's deemed cost for subsequent accounting shall be its fair value at the date of change in use.



Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged against operations in the period in which the costs are incurred. When significant parts of property and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation and amortization, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation of property and equipment commences once the property and equipment are put into operational use and is computed on a straight-line basis over the estimated useful lives (EUL) of the property and equipment as follows:

|                          | Years                                 |
|--------------------------|---------------------------------------|
| Office equipment         | 3 - 5                                 |
| Computer equipment       | 3 - 5                                 |
| Furniture and fixtures   | 3 - 5                                 |
| Transportation equipment | 5                                     |
| Leasehold improvements   | 5 or lease term, whichever is shorter |
| Construction equipment   | 5                                     |
| Right-of-use assets      | 3 - 6                                 |

The useful lives and depreciation method are reviewed at financial year end to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment. When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Construction in progress, included in property and equipment, is stated at cost. Depreciation is computed when the relevant asset is completed and becomes available for use in operations, at which time, the asset is reclassified to its property and equipment category.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation and amortization is charged against current operations.

Effective January 1, 2019, it is the Group’s policy to classify right-of-use assets as part of property and equipment. Prior to that date, all of the Group’s leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the consolidated statements of financial position.



### Leases under PFRS 16

#### *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.

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 lease term. Right-of-use assets are subject to impairment.

#### *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.

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.

#### *Short-term leases*

The Group applies the short-term lease recognition exemption to its short-term leases of office spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

### Leases under PAS 17

Leases in which the lessor retains substantially all the risks and benefits or ownership of the asset are classified as operating leases. Payments made under an operating lease are shown as "Rent" under the cost of services and general and administrative expenses account in the statement of comprehensive income on a straight-line basis over the term of the lease.

### Creditable Withholding Tax (CWT)

CWTs, which are included under "Other current assets" account in the consolidated statement of financial position, are amounts withheld from income subject to expanded withholding taxes (EWT). CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.





#### Impairment of Nonfinancial Assets

The Group assesses as at reporting date whether there is an indication that its nonfinancial assets (e.g., property and equipment and investments in joint ventures and associate) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in the expense categories of profit or loss consistent with the function of the impaired asset.

#### Deposits for Preferred Shares Subscription

Deposits for preferred share subscription represent cash received by CALC, a subsidiary, that are convertible to a fixed number of CALC's stocks in the future. CALC's preferred shares are considered as compound financial instruments which contain both liability and equity components. Since the preferred shares are non-redeemable and entitles the holder to a pro-rata share of assets upon liquidation, including 28 free nights to stay at the hotel, this financial instrument is classified as an equity instrument. However, the preferred shares establish a contractual right to a dividend [i.e. the net room rental revenue (NRRR)], thus, it contains a financial liability with respect to the share in the NRRR.

Prior to full payment and availability of the rooms, the Group accounts for the amounts received from the buyers of preferred shares as "Deposits for preferred shares subscription" classified as a liability under the "Other noncurrent liabilities" account, given that based on the terms of the contract, the preferred shares shall be entitled to any of the rights and benefits as stated above upon full payment of their shares and subject to the availability of the rooms. At present, the facility relating to the generation of NRRR is under construction representing an obligation on the part of the Group to the preferred shares subscribers.

Upon full payment and availability of the rooms and when the rights indicated above vest, the amounts received from the preferred shareholders is allocated between the equity and liability components. The deposits are fully refundable until such time that the asset is complete and readily available for use.

#### Deposit for Future Stock Subscription

Deposits for future stock subscriptions refers to the amount received by the Group from its stockholders with the purpose of applying the same as payment for future issuance of shares of stock.

Under existing SEC rules, DFFS can only be presented as equity if the following conditions are met:

1. Unissued authorized capital stock is insufficient to cover the DFFS;
2. The increase in authorized capital stock is approved by the BOD and stockholders;
3. Application of the increase in authorized capital stock has been filed with the SEC and related filing fees have been paid as of the reporting date.

Deposits for future stock subscription is still classified as liability since its application of the increase in authorized capital stock is not yet filed with SEC as of the reporting date. The deposits are fully refundable until such time that the asset is complete and readily available for use.



### Equity

#### *Capital stock and additional paid-in capital*

The Group records common stock at par value and additional paid-in capital in excess of the total contributions received over the aggregate par value of the equity share. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

#### *Retained earnings*

Retained earnings represent accumulated earnings of the Group less dividends declared, if any and transition adjustments from policy changes.

#### *Treasury shares*

Treasury shares are own equity instruments which are reacquired and are recognized at cost and 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. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Parent Company and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

#### *Non-controlling interest*

Non-controlling interest are recognized and measured at the proportionate share of the non-controlling interest to the net assets of the Group.

### Revenue and Cost Recognition under PFRS 15 (Effective January 1, 2018)

#### *Revenue from Contract 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 in its leasing units, wherein it is acting as agent.

The disclosures of significant accounting judgments, 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 these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses the output method. 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 based on the physical proportion of the real estate project's completion. This is based on the monthly project accomplishment report prepared by the third party project engineers which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.





#### *Property management fee and other services*

Revenue from property management and other services is recognized over time as they are rendered since the customer simultaneously receives and consumes the benefits provided by the Group's performance of its obligation. Property management fee and other services consist of revenue arising from management contracts, auction services and technical services.

#### *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 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 between the sold units being recognized as cost of sales and the unsold units being recognized as part of real estate inventories.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

#### Revenue and Cost Recognition under PAS 18

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

#### *Real estate sales*

For real estate sales, the Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectibility of the sales price is demonstrated by the buyer's commitment to pay, which in turn is supported by substantial initial and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectibility is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee (PIC) Q&A No. 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized receivables are included in the "Customers' deposits" account in the "Liabilities" section of the consolidated statement of financial position.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Customers' deposits" account in the "Liabilities" section of the consolidated statement of financial position.



*Property management fee and other services*

Revenue from property management and other services is recognized when the related services are rendered. Property management fee and other services consist of revenue arising from management contracts, auction services and technical services.

*Cost of real estate sales*

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of residential house and lots and condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's third party engineers.

Leasing revenue

The Group leases its commercial real estate properties to others through operating leases. Rental income on leased properties is recognized 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. Contingent rents are recognized as revenue in the period in which they are earned.

Income from forfeited collections

Income from forfeited collections recorded under "Interest and other income" is recognized at a point in time 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 income is recognized as it accrues, taking into account the effective yield on the asset.

Other income

Other customer related fees such as penalties and surcharges are recognized as they accrue, taking into account the provisions of the related contract.

Cost of leasing

Cost of leasing pertains to direct costs of leasing the Group's commercial properties. These costs are expensed as incurred.

Cost of services

Cost of services pertains to direct costs of property management fee and other services. These costs are expensed as incurred.

General and administrative expenses

General and administrative expenses constitute costs of administering the business and are expensed as incurred.

Contract Balances under PFRS 15 (Effective January 1, 2018)

*Installment contract receivables (ICRs)*

ICRs pertain to any excess of progress of work over the 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 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 or the payment is due (whichever is earlier). 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 under PFRS 15 (Effective January 1, 2018)

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 recorded as "Prepaid commissions" in the consolidated statements of financial position. These are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "General and administrative expenses" account in the consolidated statement of comprehensive income.

Costs incurred prior to obtaining contract with customer are expensed as incurred.

#### Pension Cost

Pension cost is computed using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with an option to accelerate when significant changes to underlying assumptions occur.

Pension cost includes a) current service cost, interest cost, past service cost and b) gains and losses, and curtailment and non - routine settlement.

The liability recognized by the Group in respect of the funded defined benefit pension plan is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related pension liabilities or applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

Remeasurements, comprising of actuarial gains or losses, the effect of the asset ceiling, excluding net interest cost and the return on plan assets (excluding net interest), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to other comprehensive income (OCI) in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

#### Income Taxes

##### *Current tax*

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



#### *Deferred tax*

Deferred tax is provided using the balance sheet liability method on temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carry forward benefit of unused tax credits from 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 taxable income will be available against which the deductible temporary differences and the carry forward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition 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 income nor taxable income.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries and associate.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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.

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

#### 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 and is included as part of the "Accounts and other payables" account 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 and is included as part of the "Other current assets" and "Other noncurrent assets" accounts in the consolidated statement of financial position to the extent of the recoverable amount.

#### Foreign Currency Transactions

Transactions denominated in foreign currencies are initially recorded using the exchange rates prevailing at transaction dates. Foreign currency-denominated monetary assets and liabilities are retranslated using the closing exchange rates at reporting date. Exchange gains or losses arising from foreign currency transactions are credited to or charged against current operations.



#### 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. Financial information on the Group's business segments is presented in Note 4 to the consolidated financial statements.

#### Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income attributable to common stockholders by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period. Diluted EPS is computed by dividing net income attributable to common equity holders by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares. The calculation of diluted EPS does not assume conversion, exercise or other issue of potential common shares that would have an antidilutive effect on earnings per share.

As of September 30, 2020 and December 31, 2019, the Group has no potentially dilutive common shares.

#### Events After the Reporting Date

Post year-end events up to the date of auditor's report that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

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

The preparation of the consolidated financial statements in compliance with PFRS requires the Group to make judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

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

#### Judgments

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

#### *Existence of a contract*

The Group's primary document for a contract with a customer is a signed CTS. It has determined, however, that in cases wherein CTS are not signed by both parties, the combination of its other signed documentation such as reservation agreement, official receipts, buyers' computation sheets and invoices, would contain all the criteria to qualify as contract with the customer under PFRS 15.



*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. In addition, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group. The Group considers that the initial and continuing investments by the buyer of about 5% would demonstrate the buyer's commitment to pay.

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.

*Incorporation of forward-looking information*

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Group has considered a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group considers a representative range of possible forecast scenarios. This process involves gathering two or more economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.





*Definition of default and credit-impaired financial assets*

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- *Quantitative criteria*  
The borrower is more than 90 days past due on its contractual payments, i.e. principal and/or interest, which is consistent with the regulatory definition of default.
- *Qualitative criteria*  
The borrower meets unlikelihood to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
  - The borrower is experiencing financial difficulty or is insolvent
  - The borrower is in breach of financial covenant(s)
  - An active market for that financial assets has disappeared because of financial difficulties
  - Concessions have been granted by the Group, for economic or contractual reasons relating to the borrower's financial difficulty
  - It is becoming probable that the borrower will enter Bankruptcy or other financial reorganization
  - Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected loss calculation.

An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months as it has exhibited a satisfactory track record. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

*Determining the incremental borrowing rate and lease term of contracts with renewal options*

The Group uses its incremental borrowing rate (IBR) to measure lease liabilities because the interest rate implicit in the lease is not readily determinable. 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 assets 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 Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has the right at its option, to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew such as a change in business strategy.



#### *Receivable financing*

The Group has entered into various receivable financing transactions with local banks to assign its ICRs. The Group has determined that it has retained substantially all the risks and rewards of ownership of these assets. Thus, the Group still retains the assigned ICRS in the financial statements and records the proceeds from these sales as long-term debt.

#### *Classification of deposit for preferred shares subscription*

The Group determined that CALC's preferred shares under the "Other noncurrent liabilities" account is compound financial instruments, which contain both liability and equity components. However, prior to full payment and availability of the rooms through the completion of the project, the Group has determined that amounts received from the buyers of preferred shares are classified as "Deposits for preferred shares subscription" under the "Other noncurrent liabilities" account since the shareholders rights to the 28 free nights to stay at the hotel and contractual right to dividends will inure to the shareholder only upon full payment and availability of the rooms.

#### Management's 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 on real estate projects*

The Group's revenue recognition require 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 and construction contracts is recognized based on POC are measured principally on the basis of the estimated completion of a physical proportion of the contract work. Apart from involving significant estimates in determining the quantity of imports such as materials, labor and equipment needed, the assessment process for the POC is complex and requires technical determination by management's specialists (third party project engineers).

#### *Collectability of the sales price*

In determining whether the sales price is collectible, the Group considers that the initial and continuing investments by the buyer of 5% would demonstrate the buyer's commitment to pay. Based on the historical trend of cancellations of customer contracts, the management believes that 5% continues to be reasonable.

#### *Fair value of investment properties*

The Group carries its investment properties at fair value, with changes in fair value being recognized in profit or loss except for investment properties under construction. The Group determined that its investment properties under construction is to be measured at cost. During its construction phase, fair value of the investment properties is not reliably measurable. Once the construction is complete, the Group will be able to measure the property at fair value. The Group engages annually independent valuation specialists to determine the fair value. For the investment property, the appraisers used a valuation technique based on comparable market data and future cash flows available for such properties.

#### *Evaluation of impairment of financial assets*

The Group uses a provision matrix to calculate ECLs for trade receivables other than ICRs. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.





The provision matrix is initially based on the Group’s historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as inflation and GDP growth rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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

The Group defines a financial instrument as in default when a customer is more than 90 days past due on its contractual obligations. 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. An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria.

The assessment of the correlation between historical observed default rates, forecast economic conditions (inflation and interest rates) 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.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

As of September 30, 2020, the allowance for impairment losses on financial assets and contract assets of the Group amounted to ₱10.99 million (see Notes 6). As of September 30, 2020, the carrying values of these assets are as follows:

|  | <b>September 30, 2020</b> |
|--|---------------------------|
|  | <b>(Unaudited)</b>        |
| Cash and cash equivalents              | <b>₱3,985,949,084</b>     |
| Receivables (see Notes 6 and 15)       | <b>12,339,733,174</b>     |
| Due from related parties (see Note 16) | <b>419,636,926</b>        |
| Rental Deposits                        | <b>140,971,622</b>        |
| Investment in Bonds                    | <b>463,750,000</b>        |

*\* Excluding other receivables amounting to ₱384.22 million as of September 30, 2020.*

*Estimating NRV of real estate inventories*

The Group reviews the NRV of real estate inventories and compares it with the cost since assets should not be carried in excess of amounts expected to be realized from sale. Real estate inventories are written down below cost when the estimated NRV is found to be lower than the cost.



NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable external advice and in light of recent market transactions. NRV in respect of inventory under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction less an estimate of the time value of money to the date of completion. The estimates used took into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

The carrying values of real estate inventories amounted to ₱13,776.41 million and ₱15,558.00 million as of September 30, 2020 and December 31, 2019, respectively (see Note 8).

*Impairment of nonfinancial assets*

The Group assesses impairment on its nonfinancial assets (e.g. property and equipment and investment in joint ventures and associate) and considers the following important indicators:

- Significant changes in asset usage;
- Significant decline in assets’ market value;
- Obsolescence or physical damage of an asset;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of usage of the acquired assets or the strategy for the Group’s overall business; and
- Significant negative industry or economic trends.

If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the asset’s fair value less cost to sell or value in use whichever is higher. The fair value less cost to sell 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 be generated from the continued use of the asset. The Group is required to make estimates and assumptions that can materially affect the carrying amount of the asset being assessed.

The carrying values of the nonfinancial assets follow:

|   | <b>September 30, 2020</b> | December 31, 2019 |
|---|---------------------------|-------------------|
|   | <b>(Unaudited)</b>        | (Audited)         |
| Advances to suppliers and contractors (see Note 7)                        | <b>₱2,406,902,756</b>     | ₱2,006,510,283    |
| Property and equipment (see Note 12)                                      | <b>2,014,013,497</b>      | 1,648,122,313     |
| Other current assets (see Note 13)  | <b>1,837,648,711</b>      | 1,409,171,684     |
| Other noncurrent assets (see Note 13) *                                   | <b>1,333,572,092</b>      | 1,361,375,475     |
| Deposits for purchased land (see Note 9)                                  | <b>1,125,733,821</b>      | 1,079,443,219     |
| Other receivables that are non-financial in nature                        |                           |                   |
| Investments in and advances to joint ventures and associate (see Note 10) | <b>265,558,595</b>        | 258,768,231       |

\*Excluding rental deposits and derivative assets

No impairment was recognized for the Group’s nonfinancial assets as of September 30, 2020 and December 31, 2019.



*Recognition of deferred tax assets*

The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces the amounts to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future planning strategies. The Group assessed its projected performance in determining the sufficiency of the future taxable income.

*Estimating pension liabilities*

The determination of the Group's pension liabilities and cost of retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in the consolidated financial statements and include among others, discount rates and salary increase rates. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension liabilities. The Group's net pension liabilities amounted to ₱315.82 million as of September 30, 2020 (see Note 23).

#### 4. SEGMENT REPORTING

Business segment information is reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources among operating segments. Accordingly, the segment information is reported based on the nature of service the Group is providing.

The segments where the Group operate follow:

- Real estate development - sale of high-end, upper middle-income and affordable residential lots and units and lease of residential developments under partnership agreements;
- Leasing - lease of the Group's retail mall;
- Property management - facilities management of the residential and corporate developments of the Group and other third-party projects, including provision of technical and related consultancy services.

Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

The financial information about the operations of these operating segments is summarized below:

|  | For the Nine-Month Period Ended September 30, 2020 |                     |                     |                             |                       |
|--|--|---------------------|---------------------|-----------------------------|-----------------------|
|  | Real Estate Development                            | Leasing             | Property Management | Adjustments and Elimination | Consolidated          |
| <b>Revenue</b>                               | <b>₱7,435,923,130</b>                              | <b>₱542,444,485</b> | <b>₱256,147,475</b> | <b>(₱65,645,395)</b>        | <b>₱8,234,515,090</b> |
| <b>Costs and expenses</b>                    |  |                     |                     |                             |                       |
| Cost of real estate sales and services       | 4,964,461,711                                      | 107,324,053         | 186,968,010         | (49,234,046)                | 5,209,519,728         |
| General, administrative and selling expenses | 1,673,686,842                                      | 131,844,562         | 51,043,745          | -                           | 1,856,575,149         |
| <b>Operating income</b>                      | <b>863,419,972</b>                                 | <b>303,275,870</b>  | <b>18,135,720</b>   | <b>(16,411,349)</b>         | <b>1,168,420,213</b>  |
| Other income                                 | 284,935,570  | 490,017,044         | 34,015              | 819,060                     | 775,805,689           |
| Other expense                                | (368,330,666)                                      | (26,430,686)        | (250,345)           | -                           | (395,011,697)         |
| <b>Income before income tax</b>              | <b>780,024,875</b>                                 | <b>766,862,228</b>  | <b>17,919,390</b>   | <b>(15,592,289)</b>         | <b>1,549,214,205</b>  |
| Provision for income tax                     | 215,090,570  | 230,058,668         | -                   | -                           | 445,149,238           |
| <b>Net income</b>                            | <b>₱564,934,306</b>                                | <b>₱536,803,560</b> | <b>₱17,919,390</b>  | <b>(₱15,592,289)</b>        | <b>₱1,104,064,967</b> |
| <b>Net income attributable to:</b>           |  |                     |                     |                             |                       |
| Owners of the Parent Company                 | ₱490,483,001                                       | ₱536,803,560        | ₱17,919,390         | (₱15,592,289)               | ₱1,029,613,662        |
| Non-controlling interests                    | 74,451,305   | -                   | -                   | -                           | 74,451,305            |
|  | <b>₱564,934,306</b>                                | <b>₱536,803,560</b> | <b>₱17,919,390</b>  | <b>(₱15,592,289)</b>        | <b>₱1,104,064,967</b> |



As of September 30, 2020

| Other information        |                        |                        |                     |                          |                        |
|--------------------------|------------------------|------------------------|---------------------|--------------------------|------------------------|
| Segment assets           | ₱54,678,965,609        | ₱21,792,703,207        | ₱304,677,334        | (₱22,599,902,735)        | ₱54,176,443,415        |
| Deferred tax assets      | 15,412,823             | –                      | 17,134,135          | 11,447,068               | 43,994,025             |
| <b>Total Assets</b>      | <b>₱54,694,378,432</b> | <b>₱21,792,703,207</b> | <b>₱321,811,468</b> | <b>(₱22,588,455,667)</b> | <b>₱54,220,437,440</b> |
| Segment liabilities      | ₱31,067,072,814        | ₱11,937,791,288        | ₱228,735,019        | (₱13,434,585,243)        | ₱29,799,013,879        |
| Deferred tax liabilities | 2,389,822,319          | 610,192,243            | –                   | –                        | 3,000,014,562          |
| <b>Total Liabilities</b> | <b>₱33,456,895,133</b> | <b>₱12,547,983,531</b> | <b>₱228,735,019</b> | <b>(₱13,434,585,243)</b> | <b>₱32,799,028,441</b> |

For the Nine-Month Period Ended September 30, 2019

|  | Real Estate Development | Leasing             | Property Management | Adjustments and Elimination | Consolidated          |
|--|-------------------------|---------------------|---------------------|-----------------------------|-----------------------|
| <b>Revenue</b>                               | <b>₱9,343,911,036</b>   | <b>₱404,069,976</b> | <b>₱313,685,425</b> | <b>(₱267,491,946)</b>       | <b>₱9,794,174,491</b> |
| <b>Costs and expenses</b>                    |                         |                     |                     |                             |                       |
| Cost of real estate sales and services       | 6,022,898,462           | 171,966,070         | 226,777,243         | (196,755,770)               | 6,224,886,005         |
| General, administrative and selling expenses | 2,075,258,446           | 63,695,463          | 46,754,229          | –                           | 2,185,708,138         |
| <b>Operating income</b>                      | <b>1,245,754,128</b>    | <b>168,408,443</b>  | <b>40,153,953</b>   | <b>(70,736,176)</b>         | <b>1,383,580,348</b>  |
| Other income                                 | 692,263,810             | 71,095,059          | 44,974              | (40,604,511)                | 722,799,332           |
| Other expense                                | (652,088,952)           | (52,309,778)        | (277,563)           | 54,830,457                  | (649,845,836)         |
| <b>Income before income tax</b>              | <b>1,285,928,986</b>    | <b>187,193,724</b>  | <b>39,921,364</b>   | <b>(56,510,230)</b>         | <b>1,456,533,844</b>  |
| Provision for income tax                     | 199,609,033             | 143,533,250         | 3,826,411           | –                           | 345,566,294           |
| <b>Net income</b>                            | <b>₱1,087,722,353</b>   | <b>₱43,660,474</b>  | <b>₱36,094,953</b>  | <b>(₱56,510,230)</b>        | <b>₱1,110,967,550</b> |
| <b>Net income attributable to:</b>           |                         |                     |                     |                             |                       |
| Owners of the Parent Company                 | ₱1,000,216,767          | ₱69,820,578         | ₱36,094,953         | (₱56,510,230)               | ₱1,049,622,068        |
| Non-controlling interests                    | 87,505,586              | (26,160,104)        | –                   | –                           | 61,345,482            |
|  | <b>₱1,087,722,353</b>   | <b>₱43,660,474</b>  | <b>₱36,094,953</b>  | <b>(₱56,510,230)</b>        | <b>₱1,110,967,550</b> |

As of September 30, 2019

| Other information        |                        |                        |                     |                          |                        |
|--------------------------|------------------------|------------------------|---------------------|--------------------------|------------------------|
| Segment assets           | ₱50,203,978,043        | ₱22,285,992,734        | ₱ 347,892,703       | (₱19,090,007,576)        | ₱53,747,855,903        |
| Deferred tax assets      | 27,521,799             | –                      | 15,455,353          | –                        | 42,977,152             |
| <b>Total Assets</b>      | <b>₱50,231,499,842</b> | <b>₱22,285,992,734</b> | <b>₱363,348,056</b> | <b>(₱19,090,007,576)</b> | <b>₱53,790,833,055</b> |
| Segment liabilities      | ₱37,143,849,255        | ₱6,411,286,302         | ₱260,753,562        | (₱11,883,962,097)        | ₱31,931,927,022        |
| Deferred tax liabilities | 1,353,422,261          | 1,298,729,307          | –                   | –                        | 2,652,151,568          |
| <b>Total Liabilities</b> | <b>₱38,497,271,516</b> | <b>₱7,710,015,609</b>  | <b>₱260,753,562</b> | <b>(₱11,883,962,097)</b> | <b>₱34,584,078,590</b> |

## 5. CASH AND CASH EQUIVALENTS

This account consists of:

|                           | September 30, 2020<br>(Unaudited) | December 31, 2019<br>(Audited) |
|---------------------------|-----------------------------------|--------------------------------|
| Cash on hand and in banks | ₱1,470,557,785                    | ₱1,765,436,278                 |
| Cash equivalents          | 2,515,391,299                     | 2,239,572,953                  |
|                           | <b>₱3,985,949,084</b>             | <b>₱4,005,009,231</b>          |

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest at prevailing short-term rates ranging 0.5 % to 6.5%. Interest income in cash and cash equivalents amounted to ₱118.71 million and ₱63.11 million for the nine months period-ended September 30, 2020 and 2019, respectively.



## 6. RECEIVABLES

This account consists of:

|  | September 30, 2020<br>(Unaudited) | December 31, 2019<br>(Audited) |
|--|-----------------------------------|--------------------------------|
| Trade receivables                                  |                                   |                                |
| ICR  | ₱ 10,908,395,196                  | ₱10,477,877,484                |
| Leasing receivable                                 | 180,827,822                       | 192,163,903                    |
| Management fees                                    | 143,013,504                       | 174,895,185                    |
| Receivable from employees and agents (see Note 16) | 367,984,736                       | 411,632,225                    |
| Advances to condominium corporations               | 142,594,430                       | 162,244,369                    |
| Advances to customers                              | 64,389,612                        | 68,203,079                     |
| Other receivables                                  | 916,750,271                       | 628,780,299                    |
|  | <b>12,723,955,570</b>             | 12,115,796,544                 |
| Allowance for impairment losses                    | <b>(10,989,287)</b>               | (10,989,287)                   |
|  | <b>12,712,966,283</b>             | 12,104,807,257                 |
| Non-current portion of ICR                         | <b>991,340,334</b>                | 1,137,658,202                  |
|  | <b>₱11,721,625,949</b>            | ₱10,967,149,055                |

ICR pertain to receivables from the sale of real estate properties. These are collectible in monthly installments over a period of one (1) to five (5) years, bear no interest and with lump sum collection upon project turnover. Titles to real estate properties are not transferred to the buyer until full payment has been made.

Leasing receivables pertain to receivables arising from leasing revenue. These receivables are billed to tenants and are expected to be collected within one (1) year.

Management fees are revenues arising from property management contracts. These are collectible on a 15- to 30-day basis depending on the terms of the management service agreement.

Receivable from employees and agents pertain to cash advances for retitling costs and other operational and corporate-related expenses. This also includes salary and other loans granted to the employees and are recoverable through salary deductions. These are noninterest-bearing and are due and demandable.

Advances to condominium corporations pertain to expenses paid by the Group in behalf of the condominium corporations for various expenses incurred for the projects already turned over. These receivables are due and demandable and bear no interest.

Advances to customers pertain to expenses paid by the Group in behalf of the customers for the taxes and other costs incurred in securing the title in the name of the customers. These receivables are billed separately to the respective buyers and are expected to be collected within one (1) year.

Other receivables include advances to a third party amounting to ₱384.22 million and as of September 30, 2020 and December 31, 2019 for a purchase of a parcel of land to be held for future development.



Details of allowance for impairment losses in 2020 and 2019 follow:

|                              | Management fee    | Receivable from<br>employees<br>and agents | Total              |
|------------------------------|-------------------|--|--------------------|
| At January 1, 2020           | ₱3,091,974        | ₱7,887,449                                 | ₱10,979,423        |
| Provision (Written-off)      | 9,864             | -  | 9,864              |
| <b>At September 30, 2020</b> | <b>₱3,101,838</b> | <b>₱7,887,449</b>                          | <b>₱10,989,287</b> |

#### *Receivable financing*

The Group entered into various agreements with a local bank whereby the Group assigned its ICRs and contract assets with recourse at weighted average interest rates of 7.10% in September 30, 2020. The assignment agreements provide that the Group will substitute defaulted CTS with other CTS of equivalent value.

The Group still retains the assigned receivables in the receivables account and records the proceeds from these sales as long-term debt (see Note 18). The gross amount of ICRs and contract assets used as collateral amounted to ₱6,127.14 million and ₱6,722.17 million as of September 30, 2020 and of December 31, 2019, respectively (see Note 18).

## 7. REAL ESTATE INVENTORIES

This account represents the real estate projects for which the Group has been granted license to sell by the Housing and Land Use Regulatory Board of the Philippines. Details of this account follows:

|                                   | September 30, 2020<br>(Unaudited) | December 31, 2019<br>(Audited) |
|-----------------------------------|-----------------------------------|--------------------------------|
| Condominium units                 | ₱10,305,602,032                   | ₱12,952,038,940                |
| Residential house and lots        | 2,239,239,374                     | 1,374,400,543                  |
| Land held for future developments | 1,231,564,879                     | 1,231,564,879                  |
|                                   | <b>₱13,776,406,285</b>            | <b>₱15,558,004,362</b>         |

The roll forward of this account follows:

|  | September 30, 2020<br>(Unaudited) | December 31, 2019<br>(Audited) |
|--|-----------------------------------|--------------------------------|
| Balance at beginning of the year                   | ₱15,558,004,362                   | ₱17,257,481,436                |
| Construction costs incurred                        | 2,441,475,167                     | 5,301,173,696                  |
| Borrowing costs capitalized (Note 18)              | 692,154,421                       | 935,352,352                    |
| Purchase of raw land                               | -                                 | 423,329,082                    |
| Transfer from deposits for purchased land (Note 9) | -                                 | 166,000,000                    |
| Transfers from investment properties (Note 11)     | -                                 | 191,125,602                    |
| Transfers to investment properties (Note 11)       | -                                 | (256,913,745)                  |
| Cost of real estate sales                          | (4,915,227,665)                   | (8,459,544,061)                |
| <b>Balance at the end of the year</b>              | <b>₱13,776,406,285</b>            | <b>₱15,558,004,362</b>         |





General and specific borrowings were used to finance the Group's ongoing real estate projects. The related borrowing costs were capitalized as part of real estate inventories. The capitalization rate used in 2020 and 2019 are 4.84% and 6.11%, respectively, for general borrowing costs.

Real estate inventories recognized as "Cost of real estate sales" amounted to ₱4,915.23 million and ₱5,826.14 million for the nine-month periods ended September 30, 2020 and 2019, respectively.

In 2019 the Group purchased land in Batangas intended for development into affordable housing amounting to ₱423.33 million.

In 2019, land situated in Laguna and Batangas amounting to ₱208.74 million started its development as residential house and lots.

The carrying values of inventories mortgaged for trust receipts payables and bank loans amounted to ₱5,982.90 million and ₱7,533.24 million as of September 30, 2020 and December 31, 2019, respectively (see Note 18).

## **8. ADVANCES TO SUPPLIERS AND CONTRACTORS**

Advances to suppliers and contractors amounting to ₱2,406.90 million and ₱2,006.51 million as of September 30, 2020 and December 31, 2019, respectively, are recouped and capitalized as part of inventories upon every progress billing payment depending on the percentage of accomplishment. These advances are intended for the construction of the Group's projects.

## **9. DEPOSIT FOR PURCHASED LAND**

This account consists of deposits made to property owners for the acquisition of parcels of land in which the use is currently undetermined. Deposits for purchased land amounted to ₱1,125.73 million and ₱1,079.44 million as of September 30, 2020 and December 31, 2019, respectively.

In 2019, a deposit for purchased land amounting to ₱181.60 million was cancelled and refunded to the Group.

In 2019, the Group made additional deposits to property owners for the acquisitions of parcels of land located in Quezon City amounting to ₱237.56 million.

In 2019, the Group finalized its deed of absolute sales (DOAS) for the land acquired in Novaliches with contract price and deposit amounting to ₱166.00 million. On the same year the Group decided to develop the land for future development and sale, hence the deposit was reclassified to real estate inventories.

## **10. INVESTMENT IN AND ADVANCES TO JOINT VENTURES AND ASSOCIATE**

Investment in and advances to joint ventures and associate amounted to ₱265.56 million and ₱258.77 million as of September 30, 2020 and December 31, 2019, respectively. The Group recognized share in net earnings of the joint ventures amounting to ₱6.79 million and ₱11.18 million for the nine-month period ended September 30, 2020 and 2019, respectively.



The Group has not incurred any contingent liabilities as at September 30, 2020 and December 31, 2019 in relation to its interest in the joint ventures and associate, nor do the joint ventures and associate themselves have any contingent liabilities for which the Group is contingently liable. The Group has not entered into any capital commitments in relation to its interest in the joint ventures and associate and did not receive any dividends from the joint ventures and associate.

## 11. INVESTMENT PROPERTIES

The Group's investment properties are classified as follows:

|                          | September 30, 2020<br>(Unaudited) | December 31, 2019<br>(Audited) |
|--------------------------|-----------------------------------|--------------------------------|
| Land                     | ₱2,718,303,174                    | ₱2,718,303,174                 |
| Building                 | 10,406,188,838                    | 6,305,892,789                  |
| Construction-in-progress | 568,841,732                       | 3,908,327,922                  |
|                          | <b>₱13,693,333,744</b>            | <b>₱12,932,523,885</b>         |

Movements in this account are as follows:

|   | September 30, 2020<br>(Unaudited) | December 31, 2019<br>(Audited) |
|---|-----------------------------------|--------------------------------|
| <b>Cost:</b>  |                                   |                                |
| Balance at the beginning of the year                  | ₱9,634,581,666                    | ₱8,291,938,498                 |
| Additions/construction costs incurred                 | 286,231,738                       | 1,250,844,013                  |
| Borrowing cost capitalized (Note 17)                  | –                                 | 126,398,369                    |
| Sale of property                                      | –                                 | (100,387,357)                  |
| Transfer to real estate inventories (Note 6)          | –                                 | (191,125,602)                  |
| Transfer from real estate inventories (Note 8)        | –                                 | 256,913,745                    |
| Balance at the end of the year                        | <b>9,920,813,406</b>              | 9,634,581,666                  |
| <b>Change in fair value:</b>                          |                                   |                                |
| Balance at the beginning of the year                  | 3,297,942,219                     | 3,089,699,258                  |
| Sale of property                                      | –                                 | (52,691,462)                   |
| Gain from change in fair value of investment property | 474,578,119                       | 260,934,423                    |
| Balance at the end of the year                        | <b>3,772,520,338</b>              | 3,297,942,219                  |
|   | <b>₱13,693,333,744</b>            | <b>₱12,932,523,885</b>         |

Construction-in-progress pertains to properties being constructed that are intended to be leased out. As of December 31, 2019, the Group have investment properties under construction located in Century City and Bonifacio Global City.

In 2019, the Group sold portion of its Papermoon at a gain amounting to ₱3.52 million.

The Group recorded gain on fair value of investment properties amounting to ₱474.58 million and ₱152.43 million for the nine-month period ended September 30, 2020 and 2019, respectively.



Investment properties are stated at fair value, which has been determined based on valuations performed by Cuervo Appraisers, Inc., an accredited independent valuer, as of December 31, 2019. Cuervo Appraisers, Inc. is an industry specialist in valuing these types of investment properties.

The carrying values of investment properties mortgaged for trust receipts payables and bank loans amounted to ₱5,109.74 million as of December 31, 2019.

The fair value of the investment properties was estimated by using the Sales Comparison Approach (SCA) and the Income Capitalization Approach (ICA). SCA is an approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. ICA is a method in which the appraiser derives an indicated of value for income producing property by converting anticipated future benefits into current property value. For the Group’s leasing properties, the Group adopted the Discounted Cash Flow Analysis which considers the future cash flows from lease contracts.

The fair value of the investment properties classified as buildings and land in the consolidated financial statements is categorized within level 3 of the fair value hierarchy.

The key assumptions used to determine the fair value of the investment properties and sensitivity analyses are as follows:

| Property  | Valuation technique | Significant unobservable inputs   | 2019   |
|-----------|---------------------|---|--|
| Buildings | DCF                 | Discount rates for similar lease contracts, market rent levels, expected vacancy and expected maintenance.  | <b>Discount rate - 8 % to 10%</b><br><br><b>Market rent levels - ₱400 to ₱1,500/sqm per month</b><br><b>Expected vacancy - 3% to 15%;</b><br><b>Expected maintenance - 6% to 60%% of gross revenue</b> |
| Land      | SCA                 | Selling price for the land adjusted for external factors and internal factors<br><br>External factors pertain to negative externalities outside the property limits that influence the value namely: social, economic, environmental and governmental.<br><br>Internal factors include adjustments due to location, use, size and time elements | <b>External Factors: -10%</b><br><br><b>Internal Factors: -5% to -8%</b>   |

For DCF, the higher the market rent levels, the higher the fair value. Also, the lower the expected vacancy, maintenance and discount rate the higher the fair value.

For SCA, the higher the price per sqm, the higher the fair value. Also, the higher the external and internal factors adjustments, the higher the fair value.

For the nine-month period September 30, 2020 and 2019, the Group recognized leasing revenue from the use of the said real properties amounting to ₱542.44 million and ₱404.07 million, respectively, and incurred direct cost of leasing amounting to ₱107.32 million and ₱171.97 million, respectively, in relation to these investment properties.



## 12. PROPERTY AND EQUIPMENT

The composition and movements of this account are as follows:

|                                 | September 30, 2020 (Unaudited) |                       |                           |                             |                           |                           |                                |                        |                |
|---------------------------------|--------------------------------|-----------------------|---------------------------|-----------------------------|---------------------------|---------------------------|--------------------------------|------------------------|----------------|
|                                 | Office<br>Equipment            | Computer<br>Equipment | Furniture<br>and Fixtures | Transportation<br>Equipment | Leasehold<br>Improvements | Construction<br>Equipment | Construction -<br>in -Progress | Right-of-use<br>Assets | Total          |
| <b>Cost</b>                     |                                |                       |                           |                             |                           |                           |                                |                        |                |
| At January 1, as restated       | ₱63,888,256                    | ₱51,735,754           | ₱38,256,241               | ₱79,591,287                 | ₱70,149,946               | ₱251,492,426              | ₱1,520,409,911                 | ₱71,933,617            | ₱2,147,457,438 |
| Additions                       | 111,964                        | 894,906               | 80,134                    |                             |                           |                           | 390,306,948                    |                        | 391,393,952    |
| At September 30                 | 64,000,220                     | 52,630,660            | 38,336,375                | 79,591,287                  | 70,149,946                | 251,492,426               | 1,910,716,859                  | 71,933,617             | 2,538,851,390  |
| <b>Accumulated Depreciation</b> |                                |                       |                           |                             |                           |                           |                                |                        |                |
| At January 1                    | 41,572,868                     | 30,798,416            | 33,637,541                | 66,423,374                  | 60,814,069                | 251,491,858               | -                              | 14,596,999             | 499,335,125    |
| Depreciation                    | 7,629,197                      | 5,808,151             | 3,215,307                 | 4,517,351                   | 4,332,194                 | 568                       | -                              | -                      | 25,502,768     |
| At September 30                 | 49,202,065                     | 36,606,567            | 36,852,848                | 70,940,725                  | 65,146,263                | 251,492,426               | -                              | 14,596,999             | 524,837,893    |
| Net Book Values at September 30 | 14,798,155                     | 16,024,093            | 1,483,527                 | 8,650,562                   | 5,003,683                 | -                         | 1,910,716,859                  | 57,336,618             | 2,014,013,497  |
|                                 | December 31, 2019 (Audited)    |                       |                           |                             |                           |                           |                                |                        |                |
|                                 | Office<br>Equipment            | Computer<br>Equipment | Furniture<br>and Fixtures | Transportation<br>Equipment | Leasehold<br>Improvements | Construction<br>Equipment | Construction -<br>in -Progress | Right-of-use<br>Assets | Total          |
| <b>Cost</b>                     |                                |                       |                           |                             |                           |                           |                                |                        |                |
| At January 1                    | ₱52,831,269                    | ₱43,085,203           | ₱36,222,147               | ₱76,194,662                 | ₱68,854,219               | ₱251,492,426              | ₱1,193,692,369                 | ₱-                     | ₱1,722,372,295 |
| Adoption of PFRS 16 (Note 2)    | -                              | -                     | -                         | -                           | -                         | -                         | -                              | 71,933,617             | 71,933,617     |
| At January 1, as restated       | 52,831,269                     | 43,085,203            | 36,222,147                | 76,194,662                  | 68,854,219                | 251,492,426               | 1,193,692,369                  | 71,933,617             | 1,794,305,912  |
| Additions                       | 11,056,987                     | 8,671,679             | 2,428,492                 | 4,368,054                   | 1,295,727                 | -                         | 326,717,542                    | -                      | 354,538,481    |
| Disposals                       | -                              | (21,128)              | (394,398)                 | (971,429)                   | -                         | -                         | -                              | -                      | (1,386,955)    |
| At December 31                  | 63,888,256                     | 51,735,754            | 38,256,241                | 79,591,287                  | 70,149,946                | 251,492,426               | 1,520,409,911                  | 71,933,617             | 2,147,457,438  |
| <b>Accumulated Depreciation</b> |                                |                       |                           |                             |                           |                           |                                |                        |                |
| At January 1                    | 30,128,127                     | 22,339,348            | 29,337,427                | 60,799,242                  | 54,488,845                | 251,488,469               | -                              | -                      | 448,581,458    |
| Depreciation                    | 11,444,741                     | 8,480,196             | 4,694,512                 | 6,595,561                   | 6,325,224                 | 3,389                     | -                              | 14,596,999             | 52,140,622     |
| Disposals                       | -                              | (21,128)              | (394,398)                 | (971,429)                   | -                         | -                         | -                              | -                      | (1,386,955)    |
| At December 31                  | 41,572,868                     | 30,798,416            | 33,637,541                | 66,423,374                  | 60,814,069                | 251,491,858               | -                              | 14,596,999             | 499,335,125    |
| Net Book Values at December 31  | ₱22,315,388                    | ₱20,937,338           | ₱4,618,700                | ₱13,167,913                 | ₱9,335,877                | ₱568                      | ₱1,520,409,911                 | ₱57,336,618            | ₱1,648,122,313 |



Construction-in-progress pertains to the construction cost incurred by the Group for the construction of Novotel Suites Manila at Acqua 6 Tower of Acqua Private Residences.

### 13. OTHER ASSETS

This account consists of:

|                                     | September 30, 2020<br>(Unaudited) | December 31, 2019<br>(Audited) |
|-------------------------------------|-----------------------------------|--------------------------------|
| <b>Current:</b>                     |                                   |                                |
| Prepaid commissions                 | <b>₱1,156,079,084</b>             | ₱793,835,366                   |
| Input taxes                         | <b>257,745,925</b>                | 204,820,589                    |
| Creditable withholding taxes (CWTs) | <b>326,780,040</b>                | 356,043,741                    |
| Prepaid expenses                    | <b>8,089,963</b>                  | 5,173,186                      |
| Others                              | <b>88,953,698</b>                 | 49,298,802                     |
|                                     | <b>₱1,837,648,711</b>             | ₱1,409,171,684                 |
| <b>Noncurrent:</b>                  |                                   |                                |
| Prepaid commissions                 | <b>₱515,232,503</b>               | ₱535,038,383                   |
| Advances to land owners             | <b>350,000,000</b>                | 350,000,000                    |
| Rental deposits                     | <b>140,971,622</b>                | 152,396,921                    |
| Intangible assets                   | <b>46,037,884</b>                 | 34,674,105                     |
| Input taxes                         | <b>294,813,650</b>                | 304,690,593                    |
| Creditable withholding taxes        | <b>89,408,745</b>                 | 67,761,682                     |
| Deferred financing costs            | <b>3,116,451</b>                  | 3,116,451                      |
| Others                              | <b>34,962,858</b>                 | 66,094,261                     |
|                                     | <b>₱1,474,543,714</b>             | ₱1,513,772,396                 |

Prepaid commissions pertain to capitalized commission expenses payable to its agents on the sale of its real estate projects related to contracts that have qualified for revenue recognition. These will be recognized as commission expense under “General, administrative and selling expenses” in the period in which the related real estate sales are recognized. This also includes prepayments to Century Integrated Sales, Inc. (CISI) for future services of CISI in relation to managing the Group’s sales activities which amounted to ₱347.21 million and ₱314.96 million as of September 30, 2020 and December 31, 2019, respectively (see Note 16).

Input taxes are fully realizable and will be applied against output VAT.

Creditable withholding taxes are attributable to taxes withheld by third parties arising from real estate sale, property management fees and leasing revenues.

Marginal deposits represent cash hold-out for short-term loans which will be applied as payments of the related loans.

Prepaid expenses mostly pertain to prepayments of insurance premiums which will be applied throughout the remaining term of the related contracts.

Advances to land owners represent the minimum share of the lot property owners in relation to the profit-sharing agreement of the Group with land owners. In accordance with the profit-sharing



agreement, the Group advanced this share in significant installments throughout the term of the project. The advances shall be deducted from the proceeds of the sales and collection of the land owners' units.

Rental deposits mostly pertain to security deposits held and applied in relation to the Group's lease contracts for its administrative and sales offices. The deposits are noninterest-bearing and are recoverable through application of rentals at the end of the lease term.

Intangible assets include software costs and trademarks. Software cost includes application software and intellectual property licenses owned by the Group. Trademarks are licenses acquired separately by the Group. These licenses arising from the Group's marketing activities have been granted for a minimum of 10 years by the relevant government agency with the option to renew at the end of the period at little or no cost to the Group. Previous licenses acquired have been renewed and enabled the Group to determine that these assets have an indefinite useful life. As of September 30, 2020, and December 31, 2019, no impairment has been recognized on these assets.

#### 14. INVESTMENTS IN BONDS

On July 10, 2019, the Group purchased Philippine Peso-denominated, fixed rate bonds amounting to ₱463.75 million. The bonds have a maturity of eighteen (18) months from issue date and interest rate of 5.70% per annum. The bonds are rated "AAA" by Philippine Rating Services Corporation. Investment in bonds is classified and measured as financial assets at amortized cost since the bonds are held to collect contractual cash flows representing solely payments of principal and interest.

#### 15. ACCOUNTS AND OTHER PAYABLES

This account consists of:

|                             | September 30, 2020<br>(Unaudited) | December 31, 2019<br>(Audited) |
|-----------------------------|-----------------------------------|--------------------------------|
| Accounts payable            | ₱4,790,050,239                    | ₱3,631,221,875                 |
| Customers' advances         | 940,832,842                       | 871,388,151                    |
| Accrued expenses            | 709,508,761                       | 670,844,300                    |
| Retention payable           | 301,668,161                       | 443,016,187                    |
| Dividends payable (Note 20) | 125,152,286                       | 11,717,930                     |
| Other payables              | 98,316,949                        | 74,875,852                     |
|                             | <b>₱6,965,529,238</b>             | <b>₱5,703,064,295</b>          |

Accounts payable are attributable to the construction costs incurred by the Group. These are noninterest-bearing and with terms of 15 to 90 days.

Customer's advances pertain to funding from buyers of real estate for future application against transfer and registration fees and other taxes to be incurred upon transfer of properties to the buyer.

Retention payable are noninterest-bearing and are normally settled on a 30-day term upon completion of the relevant contracts.

Accrued expenses consist mainly of utilities, marketing costs, professional fees, communication, transportation and travel, security, insurance, taxes and representation.





## 16. CONTRACT BALANCES AND CUSTOMERS DEPOSIT

Contract liabilities consist of collections from real estate customers which have not qualified for revenue recognition and excess of collections over the recognized receivables based on percentage of completion. As of September 30, 2020 and December 31, 2019, carrying values of contract liabilities amounted to ₱1,444.06 million and ₱1,784.09 million, respectively.

## 17. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates.

### Terms and Conditions of Transactions with Related Parties

The Group in their regular conduct of business has entered into transactions with related parties principally consisting of advances and reimbursement of expenses, development, management, marketing, leasing and administrative service agreements and purchases which are made at normal market prices.

The Group has material related party transactions policies containing the approval requirements and limits on amounts and extent of related party transactions in compliance with the requirements under the Revised SRC Rule 68 and SEC Memorandum Circular 10, series of 2019.

The Group has an approval requirement such that material related party transactions shall be reviewed by the Related Party Transactions Committee (the Committee) and endorsed to the BOD for approval. Material related party transactions are those transactions that meet the threshold value as approved by the Committee amounting to ₱50.0 million and other requirements as may be recommended by the Committee.

The related party transactions are shown under the following accounts in the consolidated financial statements:

### Due from Related Parties

|                  | September 30, 2020  | December 31, 2019   | Amount of<br>transaction | Terms and Conditions     |
|------------------|---------------------|---------------------|--------------------------|--------------------------|
| Ultimate Parent  | ₱158,239,762        | ₱156,878,875        | ₱1,360,887               | Noninterest bearing, due |
| Stockholders     | 188,509,842         | 188,509,842         | -                        | and demandable,          |
| Other affiliates | 72,887,322          | 74,265,907          | (1,378,585)              | unsecured, no impairment |
|                  | <b>₱419,636,926</b> | <b>₱419,654,624</b> | <b>(₱17,698)</b>         |                          |



**Due to Related Parties**

|                  | <b>September 30, 2020</b> | December 31, 2019 | Amount of<br>transaction | Terms and Conditions                                  |
|------------------|---------------------------|-------------------|--------------------------|---|
| Ultimate Parent  | <b>₱154,449,202</b>       | ₱115,225,874      | ₱39,223,328              | Noninterest bearing, due<br>and demandable, unsecured |
| Stockholders     | <b>19,175,305</b>         | 19,175,305        | –                        |   |
| Other affiliates | –                         | 36,790,583        | (36,790,583)             |   |
|                  | <b>₱173,624,507</b>       | ₱171,191,762      | ₱2,432,745               |   |

Significant transactions of the Group with related parties are described below:

Due from related parties pertains to advances provided by the Group to the stockholders and other affiliates. These are generally unsecured, noninterest-bearing, and are due and demandable and are not impaired.

Due to related parties pertains to advances made by the Group for the capital expenditure of the affiliates. These are generally noninterest bearing and are due and demandable.

*Management agreement*

In 2018, the Group contracted CISI to manage all of its sales and marketing activities. CISI is a wholly-owned subsidiary of CPI. Prepayments to CISI for initial marketing services recognized under “Other current assets” account as of September 30, 2020 and December 31, 2019 amounted to ₱347.21 million and ₱314.96 million, respectively.

*Key management compensation*

The key management personnel of the Group include all directors, executive, and senior management. The details of compensation and benefits of key management personnel for the nine-month period ended September 30, 2020 and 2019 follow:

|                              | <b>September 30, 2020</b> | September 30, 2019 |
|------------------------------|---------------------------|--------------------|
| Short-term employee benefits | <b>₱101,383,535</b>       | ₱131,158,703       |
| Post-employment benefits     | <b>4,301,435</b>          | 4,742,372          |
|                              | <b>₱105,684,969</b>       | ₱135,901,075       |



## 18. SHORT-TERM AND LONG-TERM DEBT

This account consists of:

|                             | September 30, 2020<br>(Unaudited) | December 31, 2019<br>(Audited) |
|-----------------------------|-----------------------------------|--------------------------------|
| Short-term debt:            |                                   |                                |
| Trust receipts              | ₱275,504,297                      | ₱557,692,919                   |
| Bank loans                  | 545,300,000                       | 895,000,000                    |
|                             | <b>₱820,804,297</b>               | <b>₱1,452,692,919</b>          |
| Long-term debt:             |                                   |                                |
| Bank loans                  | ₱8,945,459,098                    | ₱8,414,050,455                 |
| Payable under CTS financing | 6,596,429,058                     | 6,914,652,948                  |
| Car loan financing          | 11,601,135                        | 14,013,545                     |
|                             | <b>15,553,489,291</b>             | <b>15,342,716,948</b>          |
| Less current portion        | 2,417,812,550                     | 5,462,166,897                  |
| Noncurrent portion          | <b>₱13,135,676,741</b>            | <b>₱9,880,550,051</b>          |

### Short-term Debt

The roll-forward of the Group's short-term debt is as follows:

|                      | September 30, 2020<br>(Unaudited) | December 31, 2019<br>(Audited) |
|----------------------|-----------------------------------|--------------------------------|
| Balance at January 1 | ₱1,452,692,919                    | ₱2,206,610,954                 |
| Availments           | 355,217,746                       | 3,168,573,696                  |
| Principal repayments | (987,106,369)                     | (3,922,491,731)                |
|                      | <b>₱820,804,297</b>               | <b>₱1,452,692,919</b>          |

### *Trust receipts*

Trust receipts (TRs) are facilities obtained from various banks to finance purchases of construction materials the Group's projects. Under these facilities, the banks pay the Group's suppliers then require the Group to execute trust receipts over the goods purchased. The TRs have interest rates ranging from 5.75% to 9.00% in 2020 and 2019. These are paid monthly or quarterly in arrears with full payment of principal balance at maturity of one year and with an option to prepay.

### *Bank loans*

Bank loans pertain to the various short-term promissory note (PN) obtained by the Group.

Century Properties Management, Inc. (CPMI), a subsidiary of the Parent Company, obtained a short-term promissory note (PN) amounting to ₱5.00 million from Bank of the Philippine Islands for additional working capital requirements. The PN has a term of one (1) year with a fixed interest rate of 6.50% per annum.

On July 25, 2019, the Group availed a peso-dominated short-term PN facility with CBC amounting up to ₱1,000.00 million to be issued in multiple tranches. The facility has a term a term of twelve (12) months with interest payable quarterly. In 2019, the Group availed ₱890.00 million of the total facility, with interest rate of 5.91%.

### Long-term Debt

#### *Bank loans*

In 2019, the Group pre-terminated its loans from SCB for a total payment of ₱2,933.33 million. In 2018, principal repayments pertaining to the bank loans from SCB amounted to ₱107.27 million.

In 2019, the Group obtained additional loans from DBP amounting to ₱581.00 million with an interest rate ranging from 7.00% to 9.21% per annum and are payable quarterly

In 2019, the Group availed the remaining undrawn balance of its OSLA with AIB amounting to ₱148.90 million with interest of 8.50% per annum and availed another bank loan with AIB amounting to ₱100.00 million with interest of 7.97% per annum.

In 2019, the Group obtained a five-year term loan from United Coconut Planters Bank (UCPB) amounting to ₱1,000.00 million, which is payable quarterly with interest of 8.42% per annum.

On September 17, 2019, the Group renewed a portion of its five-year term loan from BDO amounting to ₱3,500.00 million, which is payable semi-annually with interest of 6.31% per annum.

On October 28, 2019, the Group renewed a portion of its five-year term loan from BDO amounting to ₱700.00 million with a fixed interest of 6.07% fixed for 92 days with an option to reprice over 30-180 days as agreed by the parties.

In 2019 the Group availed ₱597.62 million from the ₱2,200.00 three-year loan facility with BPI with interest ranging from 7.03% to 10.24%. The proceeds will be used for the construction of the Group's investment property. Principal repayment will be in installments on each repayment date until its final maturity date.

#### *CTS financing*

CTS financing pertains to loan facilities which were used in the construction of the Group's real estate development projects. The related PNs have terms ranging from twelve (12) to forty-eight (48) months and are secured by the buyer's post-dated checks, the corresponding CTS, and parcels of land held by the Parent Company. The Group retained the assigned ICRs and contract assets and recorded the proceeds from these assignments as "Long-term debt". The gross amount of ICRs and contract assets used as collateral amounted to ₱6,127.14 million and ₱6,722.17 million as of September 30, 2020 and December 31, 2019, respectively (see Note 6).

These CTS loans approved in 2015 bear average interest of 7.12 % in 2020.

#### *Car loan financing*

Car loan financing pertains to the leasing facility of the Group for the purpose of renting vehicles to be used in the conduct of business. Under this facility, the lease guarantees the Group (the lessee or renter) the use of vehicles and in return, the bank (the property owner) is guaranteed regular payments for a specific period. The car lease approved in 2019 had interest of 7.50% to 11.00%.

### Security and Debt Covenants

Certain bilateral, trust receipts, payables under CTS financing and bank loans have mortgaged real estate inventories and assigned ICRs and contract assets wherein such assets can no longer be allowed to be separately used as collateral for another credit facility, grant loans to directors, officers and



partners, and act as guarantor or surety in favor of banks. As of September 30, 2020 and December 31, 2019, the carrying values of these assets mortgaged for trust receipts, payables under CTS financing and bank loans are as follows:

|                         | September 30, 2020 | December 31, 2019 |
|-------------------------|--------------------|-------------------|
| Real estate inventories | ₱5,982,899,595     | ₱7,533,240,582    |
| ICR                     | 6,127,139,285      | 6,722,174,747     |
| Investment properties   | 5,109,740,967      | 1,606,057,348     |

Certain bilateral loans have the covenants including maintenance of a debt-to-equity ratio of not more than 2.33x and 3.00x, and a debt service coverage ratio of at least 1.5x. The bank loans have a covenant, specific to the projects it is financing, of having loan to security value of no more than 50.00% to 55%. Security value includes, among other things, valuation appraisal by independent appraisers and takes into account the sold and unsold sales and market value of the properties. The loan agreements require submission of the valuation of each mortgage properties on an annual basis or upon request of the facility agent.

The bank loans contain negative covenant that the Group's payment of dividend is subject to certain financial ratios.

As of September 30, 2020, the Group has complied with the provisions of its loan covenants

#### Borrowing Costs

Borrowing cost capitalized amounted to ₱692.15 million and ₱946.29 million for the nine-month period ended September 30, 2020 and December 31, 2019, respectively (see Notes 7 and 11).

#### Interest Expense and Other Finance Charges

Interest and other financing charges for the short-term and long-term debts for the periods ended September 30, 2020 and December 31, 2019 totaled to ₱395.011 million and ₱915.54 million, respectively.

## 19. BONDS PAYABLE

This account consists of the following:

|                                     | September 30, 2020<br>(Unaudited) | December 31, 2019<br>(Audited) |
|-------------------------------------|-----------------------------------|--------------------------------|
| Three-year bond                     | ₱3,000,000,000                    | 3,000,000,000                  |
| Seven-year bond                     | 119,110,000                       | 119,110,000                    |
| Five-and-half year bond             | –                                 | ₱1,393,530,000                 |
|                                     | <b>3,119,110,000</b>              | 4,512,640,000                  |
| Less: Unamortized transaction costs | (59,607,833)                      | (59,607,834)                   |
|                                     | <b>3,059,502,167</b>              | 4,453,032,166                  |
| Less: Current portion               | –                                 | 1,392,653,130                  |
| Non-current portion                 | <b>₱3,059,502,167</b>             | ₱3,060,379,036                 |

On April 15, 2019, CPGI listed at the Philippine Dealing & Exchange Corp. (PDEX) its three-year bonds, with interest rates of 7.8203% p.a. The ₱3.00 billion proceeds of the bonds will be used to



partially finance development costs for CPGI's affordable housing and townhome projects. The bonds are rated "AA" by Credit Rating and Investor Services Philippines Inc. (CRISP).

On September 2, 2014, the Group also issued and listed at the Philippine Dealing & Exchange Corp. (PDEX) its P2.7 billion bonds, which bear interest rates of 6% p.a. for the three-year bonds, 6.6878% p.a. for the five-and-a-half year bonds, and 6.9758 % p.a. for the seven-year bonds. The three-year bonds matured on September 2, 2017. The bonds are rated "AA+" with a Stable outlook by Credit Rating and Investor Services Philippines Inc. (CRISP).

On March 2020, the five-and-half year bond payable amounting to ₱1.39 billion was paid in full.

## 20. LIABILITY FROM PURCHASED LAND

This account pertains to the outstanding payable of the Group for the cost of land purchases recognized under "Real estate inventories" as follows:

|            | <b>September 30, 2020</b><br><b>(Unaudited)</b> | December 31, 2019<br><b>(Audited)</b> |
|------------|---|---------------------------------------|
| Current    | <b>₱67,200,000</b>                              | ₱67,200,000                           |
| Noncurrent | <b>208,335,743</b>                              | 268,335,743                           |

## 21. EQUITY

### *Earnings per share*

Basic/diluted earnings per share amounts attributable to equity holders of the Parent Company for the nine-month period ended September 30, 2020 and 2019 are as follows:

|   | <b>September 30, 2020</b><br><b>(Unaudited)</b> | September 30, 2019<br><b>(Unaudited)</b> |
|---|---|--|
| Net income attributable to the owners of the Parent Company | <b>₱1,029,613,662</b>                           | ₱1,049,622,068                           |
| Weighted average number of shares                           | <b>11,599,600,690</b>                           | 11,599,600,690                           |
| Basic/diluted earnings per share                            | <b>₱0.089</b>                                   | ₱0.090                                   |

Earnings per share are calculated using the consolidated net income attributable to the equity holders of Parent Company divided by the weighted average number of shares.

### *Deposit for future stock subscription*

In 2019, the Group received deposits amounting to ₱42.48 million from stockholders with the purpose of applying the same as payment for future issuance of shares of stock. These were classified as a liability since its application for the increase in authorized capital stock has not been filed yet with SEC as of December 31, 2019.

### *Issuance of preferred shares*

On January 10, 2020, the Group listed at the main board of the PSE its maiden follow-on offering of preferred shares under the trading symbol "CPGP". The Group offered 20 million preferred shares at ₱100.00 each with an oversubscription option of up to 10 million preferred shares on December 16, 2019 to January 3, 2020, after the SEC issued an order rendering the Registration Statement that was





filed on October 19, 2019 effective and a corresponding permit to offer the securities for sale. The initial dividend rate was set at 6.7177% per annum. The dividends on the preferred shares shall be paid quarterly, every January 10, April 10, July 10, and October 10 of each year.

The 30,000,000 preferred shares with a par value of ₱0.53 were fully subscribed totaling ₱15,900,000. Additional paid in capital from preferred shares amounted ₱2,984.10 million and issuance cost totaled ₱99.06 million resulting to a net additional paid in capital ₱2,885.03.

#### *Treasury shares*

On January 7, 2013, the BOD of the Parent Company approved a share buyback program for those shareholders who opt to divest of their shareholdings in the Parent Company. A total of ₱800.00 million worth of shares were up for buyback for a time period of up to 24 months. In 2014 and 2013, a total of 85.68 million shares and 14.44 million shares were reacquired at a total cost of ₱87.15 million and ₱22.52 million, respectively.

As of September 30, 2020 and December 31, 2019, treasury shares amounted to ₱109.67 million consisting of 100,123,000 shares.

#### *Retained earnings*

Retained earnings include the accumulated equity in undistributed net earnings of consolidated subsidiaries amounting to ₱8,733.92 million and to ₱7,590.09 million as of September 30, 2020 and December 31, 2019, respectively. These amounts are not available for dividend declaration until these are declared by the subsidiaries.

#### *Cash dividend declaration*

On August 26, 2020, the BOD approved the declaration of ₱0.0063 per share cash amounting to ₱147.85 for the common shares for distribution to the stockholders of the Parent Company of record September 10, 2020 with payment date on September 18, 2020, and of record date November 6, 2020 with payment date on November 18, 2020

On July 1, 2020, the BOD the declaration of cash dividends for the preferred shares with dividend rate of 6.7177% for shares of record July 8, 2020 with payment date on July 10, 2020, and of record date October 6, 2020 with payment date on October 12, 2020.

On March 20, 2020, the BOD the declaration of cash dividends for the preferred shares with dividend rate of 6.7177% with payment date on April 13, 2020.

On June 25, 2019, the BOD approved the declaration of ₱0.02 per share cash dividends amounting to ₱137.92 million for distribution to the stockholders of the Parent Company of record as of July 11, 2019. As of December 31, 2019, ₱126.20 million of the dividend declarations has been paid.

#### *Other components of equity*

Other components of equity mainly pertain to the equity reserve recognized between the consideration paid by Mitsubishi Corporation (MC) and the carrying value of the net assets of TPI I, TPI II, TPI III and CCDC II given up amounting to ₱104.49 million as of December 31, 2019 and 2018. This also includes the remeasurement loss on equity instruments at FVOCI amounting to ₱5.10 million and ₱5.26 million as of September 30, 2020 and December 31, 2019, respectively.



*Non-controlling interest*

CPGI has completed the acquisition of 40% of the total outstanding shares or 511,561,143 common shares of FMT Kalayaan Inc. ("FMTK") in one of its subsidiary Century City Development II Corporation on August 24, 2020. The acquisition price is One Billion Nine Million Pesos Only (Php 1,900,000,000.00) or Php 3.71 per share, paid in cash on August 24, 2020. A Deed of Absolute Sale was executed by FMTK in favor of CPGI.

In 2019, PPHI issued additional 480.00 million common shares with a par value of ₱1.00 and 0.12 million preferred shares with 1,000.00 par value to Mitsubishi Corporation (MC), which resulted into an aggregate increase in the non-controlling interest amounting to ₱600.00 million.

In 2019, MC paid an additional ₱226.52 million for its subscription to CCDC II, which resulted to an increase in the non-controlling interest for the same amount.

In 2018, additional investments made to KPDC and PPHI resulted to an aggregate increase in non-controlling interests amounting to ₱209.00 million.

In 2018, MC made additional cash payments for its subscription to CCDC II in the amount of ₱212.34 million, which resulted to an increase in the non-controlling interest for the same amount.

In 2017, additional investments made to TPI I, TPI II and TPI III resulted to an aggregate increase in non-controlling interests amounting to ₱121.67 million.

In 2017, MC made additional cash payments for its subscription to CCDC II in the amount of ₱276.08 million, which resulted to an increase in the non-controlling interest for the same amount.



The financial information of subsidiaries that have material non-controlling interests is provided below. The information below is based on amounts after intercompany eliminations.

Summarized statements of financial position (in millions):

|                              | TPI I                             |                                | TPI II                            |                                | TPI III                           |                                | CCDC II                           |                                | PPHI                              |                                |
|------------------------------|-----------------------------------|--------------------------------|-----------------------------------|--------------------------------|-----------------------------------|--------------------------------|-----------------------------------|--------------------------------|-----------------------------------|--------------------------------|
|                              | September 30, 2020<br>(Unaudited) | December 31, 2019<br>(Audited) | September 30, 2020<br>(Unaudited) | December 31, 2019<br>(Audited) | September 30, 2020<br>(Unaudited) | December 31, 2019<br>(Audited) | September 30, 2020<br>(Unaudited) | December 31, 2019<br>(Audited) | September 30, 2020<br>(Unaudited) | December 31, 2019<br>(Audited) |
| Current assets               | ₱771.99                           | ₱813.00                        | ₱740.92                           | ₱736.52                        | ₱338.88                           | ₱271.39                        | ₱403.93                           | ₱561.25                        | ₱2,937.95                         | ₱2,571.22                      |
| Noncurrent assets            | 3.70                              | 5.54                           | 7.51                              | 8.64                           | 5.72                              | 6.60                           | 5,115.74                          | 4,467.67                       | 38.93                             | 31.20                          |
| Current liabilities          | (222.18)                          | (200.35)                       | (265.82)                          | (362.57)                       | (258.89)                          | (233.34)                       | (733.82)                          | (579.52)                       | (887.17)                          | (578.79)                       |
| Noncurrent liabilities       | (0.09)                            | (51.15)                        | —                                 | —                              | —                                 | —                              | (1,991.90)                        | (2,137.81)                     | (13.22)                           | (5.85)                         |
| <b>Total equity</b>          | <b>₱553.42</b>                    | <b>₱567.04</b>                 | <b>₱482.61</b>                    | <b>₱382.59</b>                 | <b>₱85.71</b>                     | <b>₱44.65</b>                  | <b>₱2,793.94</b>                  | <b>₱2,311.59</b>               | <b>₱2,076.50</b>                  | <b>₱2,017.78</b>               |
| Attributable to:             |                                   |                                |                                   |                                |                                   |                                |                                   |                                |                                   |                                |
| Equity holders of the Parent |                                   |                                |                                   |                                |                                   |                                |                                   |                                |                                   |                                |
| Company                      | ₱346.40                           | ₱340.22                        | ₱291.61                           | ₱229.55                        | ₱52.77                            | ₱26.79                         | ₱2,793.94                         | ₱1,386.95                      | ₱1,245.90                         | ₱1,210.67                      |
| Non-controlling interest     | 207.01                            | 226.82                         | 191.00                            | 153.04                         | 32.93                             | 17.86                          | —                                 | 924.64                         | 830.60                            | 807.11                         |
| <b>Total equity</b>          | <b>₱553.42</b>                    | <b>₱567.04</b>                 | <b>₱482.61</b>                    | <b>₱382.59</b>                 | <b>₱85.71</b>                     | <b>₱44.65</b>                  | <b>₱2,793.94</b>                  | <b>₱2,311.59</b>               | <b>₱2,076.50</b>                  | <b>₱2,017.78</b>               |

Summarized statements of comprehensive income (in millions):

|  | TPI I                             |                                | TPI II                            |                                | TPI III                           |                                | CCDC II                           |                                | PPHI                              |                                |
|--|-----------------------------------|--------------------------------|-----------------------------------|--------------------------------|-----------------------------------|--------------------------------|-----------------------------------|--------------------------------|-----------------------------------|--------------------------------|
|  | September 30, 2020<br>(Unaudited) | December 31, 2019<br>(Audited) | September 30, 2020<br>(Unaudited) | December 31, 2019<br>(Audited) | September 30, 2020<br>(Unaudited) | December 31, 2019<br>(Audited) | September 30, 2020<br>(Unaudited) | December 31, 2019<br>(Audited) | September 30, 2020<br>(Unaudited) | December 31, 2019<br>(Audited) |
| Revenue                                | ₱49.57                            | ₱285.19                        | ₱308.11                           | ₱555.59                        | ₱114.98                           | ₱57.13                         | ₱213.15                           | ₱131.96                        | ₱974.39                           | ₱844.06                        |
| Cost of real estate sales and services | (44.71)                           | (205.02)                       | (162.59)                          | (178.73)                       | (52.44)                           | (17.73)                        | —                                 | —                              | (523.00)                          | (409.42)                       |
| General and administrative expenses    | (21.51)                           | (55.27)                        | (49.43)                           | (108.44)                       | (21.53)                           | (8.44)                         | (94.22)                           | (75.22)                        | (402.24)                          | (402.03)                       |
| Operating income (loss)                | (16.65)                           | 24.90                          | 96.10                             | 268.42                         | 41.01                             | 30.96                          | 118.93                            | 56.74                          | 49.15                             | 32.61                          |
| Other income                           | 5.00                              | 1.28                           | 5.49                              | 11.21                          | 0.05                              | 0.56                           | 535.82                            | 130.01                         | 18.62                             | 18.93                          |
| Provision for income tax               | (1.67)                            | (6.24)                         | (1.55)                            | (3.43)                         | (0.01)                            | (0.18)                         | (168.46)                          | (55.75)                        | (9.06)                            | (14.31)                        |
| <b>Total comprehensive income</b>      | <b>(₱13.32)</b>                   | <b>₱19.94</b>                  | <b>₱100.03</b>                    | <b>₱276.20</b>                 | <b>₱41.05</b>                     | <b>₱31.34</b>                  | <b>₱486.29</b>                    | <b>₱131.00</b>                 | <b>₱58.71</b>                     | <b>₱37.23</b>                  |

*Capital management*

The primary objective of the Group's capital management is to ensure that it maintains a strong and healthy consolidated statement of financial position to support its current business operations and drive its expansion and growth in the future.

The Group undertakes to establish the appropriate capital structure for each business line, to allow it sufficient financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks.

The Group considers debt as a stable source of funding. The Group attempts to continually lengthen the maturity profile of its debt portfolio and makes it a goal to spread out its debt maturities by not having a significant percentage of its total debt maturing in a single year.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis. The Group is subject to externally imposed capital requirements from its bank loans which it has complied with as of September 30, 2020 and December 31, 2019.

Equity, which the Group considers as capital, pertains to the equity attributable to equity holders of the Parent Company excluding other components of equity and remeasurement loss on defined benefit plan, amounting to a total of ₱21,096.08 million and ₱17,464.84 million as of September 30, 2020 and December 31, 2019, respectively.

No changes were made in the objectives, policies or processes for managing capital in September 30, 2020 and December 31, 2019.

## 22. GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

This account consists of:

|   | September 30, 2020<br>(Unaudited) | September 30, 2019<br>(Audited) |
|---|-----------------------------------|---------------------------------|
| Salaries, wages and employee benefits   | ₱469,708,553                      | ₱499,478,054                    |
| Commission                              | 427,065,174                       | 676,355,182                     |
| Taxes and licenses                      | 294,513,311                       | 162,518,178                     |
| Marketing and promotions                | 265,510,953                       | 460,615,745                     |
| Outside services                        | 110,402,511                       | 26,841,710                      |
| Entertainment, amusement and recreation | 64,308,770                        | 64,756,200                      |
| Rent                                    | 55,111,677                        | 18,167,402                      |
| Utilities                               | 35,732,025                        | 14,117,224                      |
| Professional fees                       | 27,703,885                        | 92,449,075                      |
| Depreciation and amortization           | 25,502,768                        | 41,441,790                      |
| Supplies                                | 20,541,140                        | 11,184,762                      |
| Communication                           | 8,057,051                         | 11,952,882                      |
| Transportation and travel               | 5,345,792                         | 13,196,589                      |
| Miscellaneous                           | 47,071,539                        | 92,633,345                      |
|   | <b>₱1,856,575,149</b>             | <b>₱2,185,708,138</b>           |

Miscellaneous pertains mainly supplies, business and research development and software maintenance.

## 23. INTEREST AND OTHER INCOME

This account consists of:

|  | September 30, 2020<br>(Unaudited) | September 30, 2019<br>(Unaudited) |
|--|-----------------------------------|-----------------------------------|
| Income from forfeited collections                  | ₱87,568,412                       | ₱374,137,664                      |
| Interest income from                               |                                   |                                   |
| cash and cash equivalents (Note 4)                 | 118,713,686                       | 63,108,959                        |
| Interest income from investment in bonds (Note 15) | -                                 | 39,081,423                        |
| Other income                                       | 88,153,499                        | 59,566,693                        |
|  | <b>₱294,435,597</b>               | <b>₱535,894,739</b>               |

Income from forfeited collections pertains to forfeited collections from reservation fees whose allowable period of completion has prescribed and terminated sales contracts.

Other income mainly consists of the penalties and other surcharges billed against defaulted installments from sales contracts. Real estate buyers are normally charged a penalty of 3.00% of the monthly installment for every month in arrears from the time the specific installment becomes due and payable.

## 24. PENSION COST

The Group has a funded, noncontributory, defined benefit pension plan covering substantially all of its regular employees. The benefits are based on the projected retirement benefit of 22.5 days' pay per year of service in accordance with Republic Act 7641. The benefits are based on current salaries and years of service and compensation on the last year of employment. An independent actuary conducts an actuarial valuation of the retirement benefit obligation using the projected unit credit method.

The plan assets as of September 30, 2020 and December 31, 2019 pertain solely to bank deposits. The Group does not expect to contribute to its retirement fund in 2020.

Outstanding pension liabilities amounted ₱315.82 million and ₱307.40 million as of September 30, 2020 and December 31, 2019, respectively.

## 25. INCOME TAXES

The provision for income tax consists of:

|           | September 30, 2020<br>(Unaudited) | September 30, 2019<br>(Unaudited) |
|-----------|-----------------------------------|-----------------------------------|
| Current   |                                   |                                   |
| RCIT/MCIT | ₱138,407,405                      | ₱188,775,953                      |
| Final     | 16,836,396                        | 10,206,464                        |
|           | <b>155,243,801</b>                | 198,982,417                       |
| Deferred  | 289,905,437                       | 146,583,877                       |
|           | <b>₱445,149,238</b>               | <b>₱345,566,294</b>               |

The components of the Group's deferred tax assets and deferred tax liabilities are as follows:

|   | September 30, 2020<br>(Unaudited) | December 31, 2019<br>(Audited) |
|---|-----------------------------------|--------------------------------|
| <i>Recognized in the interim condensed consolidated statements of comprehensive income:</i> |                                   |                                |
| Deferred tax assets on:   |                                   |                                |
| NOLCO   | <b>₱10,670,176</b>                | ₱8,891,813                     |
| Accrued retirement costs  | <b>57,431,752</b>                 | 57,431,752                     |
| MCIT  | <b>2,626,632</b>                  | 2,626,632                      |
| Difference in accounting of PFRS 16   | <b>1,152,416</b>                  | 1,152,416                      |
| Provisions for impairment losses  | <b>3,296,786</b>                  | 3,296,786                      |
|   | <b>75,177,762</b>                 | 73,399,399                     |
| Deferred tax liabilities on:  |                                   |                                |
| Effect of difference in accounting and tax base on real estate sales (see Note 2)           | <b>(1,319,918,740)</b>            | (1,305,730,303)                |
| Fair value gains on investment properties   | <b>(1,035,110,304)</b>            | (989,382,666)                  |
| Prepaid commissions   | <b>(461,286,028)</b>              | (304,173,303)                  |
| Effect of difference in accounting and tax base on investment properties                    | <b>(124,770,175)</b>              | (112,770,175)                  |
| Unamortized deferred financing costs  | <b>(39,694,238)</b>               | (52,217,000)                   |
| Others  | <b>(10,029,923)</b>               | (10,029,923)                   |
|   | <b>(2,990,809,408)</b>            | (2,700,903,971)                |
| <i>Recognized directly in equity:</i>   |                                   |                                |
| Deferred tax asset on re-measurement loss on retirement obligation                          | <b>34,788,871</b>                 | 34,788,871                     |
|   | <b>(₱2,956,020,537)</b>           | (₱2,666,115,100)               |

The above deferred tax assets and liabilities are presented in the consolidated statements of financial position as follows:

|                                | September 30, 2020<br>(Unaudited) | December 31, 2019<br>(Audited) |
|--------------------------------|-----------------------------------|--------------------------------|
| Deferred tax assets – net      | <b>₱43,994,025</b>                | ₱42,148,127                    |
| Deferred tax liabilities – net | <b>3,000,014,562</b>              | 2,708,263,227                  |



## 26. LEASE LIABILITY

The Group has lease contracts for various office spaces with lease terms of two (2) to three (3) years. Rental due is based on prevailing market conditions.

The rollforward of this account is as follows:

|   | <b>September 30, 2020</b> |
|---|---------------------------|
|   | <b>(Unaudited)</b>        |
| Effect of adoption of PFRS 16 (Notes 2) | <b>₱71,933,617</b>        |
| Accretion for the year                  | <b>5,477,704</b>          |
| Payment                                 | <b>(16,233,317)</b>       |
| Balance at the end of the period        | <b>61,178,004</b>         |
| Less: current portion                   | <b>21,642,553</b>         |
| Noncurrent portion                      | <b>₱39,535,451</b>        |

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2019 as follows:

|   |                    |
|---|--------------------|
| Operating lease commitments as disclosed in the consolidated financial statements as at December 31, 2019 | ₱243,545,412       |
| Commitments relating to short-term leases   | (155,220,948)      |
| Operating leases subject to discounting as at December 31, 2019   | 88,324,464         |
| Weighted average incremental borrowing rate as at January 1, 2019   | 8.03 - 8.18%       |
| Lease liabilities as at January 1, 2019 (Notes 2 and 12)  | <b>₱71,933,617</b> |

## 27. FINANCIAL INSTRUMENTS

|                               | <b>September 30, 2020</b> |                        | <b>December 31, 2019</b> |                   |
|-------------------------------|---------------------------|------------------------|--------------------------|-------------------|
|                               | <b>Carrying Value</b>     | <b>Fair value</b>      | <b>Carrying Value</b>    | <b>Fair value</b> |
| <b>Financial assets</b>       |                           |                        |                          |                   |
| ICR                           | <b>₱10,908,395,196</b>    | <b>₱11,973,532,271</b> | ₱10,477,877,484          | ₱11,568,452,788   |
| Rental deposits               | <b>140,971,622</b>        | <b>155,375,943</b>     | 152,396,921              | 153,476,981       |
| Investment in bonds           | <b>463,750,000</b>        | <b>471,542,330</b>     | 463,750,000              | 471,542,330       |
|                               | <b>₱11,513,116,818</b>    | <b>₱12,600,450,544</b> | ₱11,094,024,405          | ₱12,193,472,099   |
| <b>Financial liabilities</b>  |                           |                        |                          |                   |
| Long-term debt                | <b>₱15,553,489,291</b>    | <b>₱17,072,190,968</b> | ₱15,342,716,948          | ₱15,986,421,333   |
| Bonds payable                 | <b>3,059,502,167</b>      | <b>3,119,110,000</b>   | 4,453,032,166            | 4,541,582,403     |
| Liability from purchased land | <b>275,535,743</b>        | <b>302,440,098</b>     | 335,535,743              | 349,217,856       |
| Security deposits             | <b>276,409,768</b>        | <b>303,399,466</b>     | 382,842,116              | 403,727,199       |
|                               | <b>₱19,164,936,969</b>    | <b>₱20,797,140,532</b> | ₱20,514,126,973          | ₱21,280,948,791   |

### Fair Value of Financial Instruments

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

#### *Financial assets*

*Cash and cash equivalents, receivables (excluding ICRs), due from related parties, marginal deposit accounts and other payables, due to related parties and short-term debt*

Carrying amounts approximate fair values due to the short-term maturities of these instruments.

#### *ICRs*

Fair value is based on undiscounted value of future cash flows using the prevailing interest rates for similar types of receivables as of the reporting date using the remaining terms of maturity. Discount rates ranging from 8.12% to 9.23% were used in calculating the fair value as of September 30, 2020 and December 31, 2019.

#### *Rental deposits and investment in bonds*

The fair values of rental deposits and investment in bonds are based on the discounted value of future cash flows using the applicable market interest rates. Discount rates ranging from 4.29% to 5.07% and 1.91% to 5.00% were used in calculating the fair value of the Group's rental deposits as of September 30, 2020 and December 31, 2019, respectively. The discount rate used for the investment in bonds is 3.82% as of September 30, 2020 and December 31, 2019.

#### *Long-term debt, bonds payable, liability from purchased land and, security deposits and*

The fair values are estimated using the discounted cash flow method using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used for long-term debt ranged from 4.97% to 5.04% and 2.39% to 6.34% as of December 31, 2019 and 2018, respectively. The discount rates used for the bonds payable ranged from 4.95% to 5.00% and 2.79% to 4.52% as of December 31, 2019 and 2018, respectively. The discount rates used for the liability from purchased land ranged from 4.97% to 5.18% and 2.87% to 3.15% as of December 31, 2019 and 2018, respectively. The discount rates used for refundable deposits ranged from 4.97% to 5.04% as of December 31, 2019. The discount rates used for the lease liabilities ranged from 4.38% to 5.12% as of December 31, 2019.

In 2019 and 2018, the Group did not have transfers between Level 1 and 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

### Financial Risk Management Policies and Objectives

The Group has various financial assets and liabilities such as cash and cash equivalents, receivables, due to and from related parties, and accounts payable and other liabilities, which arise directly from its operations. The Group has bonds payable, short-term and long-term debt availed for financing purposes.

Exposure to credit, interest rate and liquidity risks arise in the normal course of the Group's business activities.

The main objectives of the Group's financial risk management are as follows:

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

The Group's BOD reviews and approves the policies for managing each of these risks and they are summarized below:

#### *Credit Risk*

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation.

The Group trades only with recognized, creditworthy third parties. The Group's receivables are monitored on an ongoing basis to manage exposure to bad debts and to ensure timely execution of necessary intervention efforts. Real estate buyers are subject to standard credit check procedures, which are calibrated based on payment scheme offered. The Group assessed that its customers portfolio is homogeneous. The Group's respective credit management units conduct a comprehensive credit investigation and evaluation of each buyer to establish creditworthiness.

In addition, the credit risk for ICRs is mitigated as the Group has the right to cancel the sales contract without need for any court action and take possession of the subject house in case of refusal by the buyer to pay on time the due installment contracts receivable. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

With respect to credit risk arising from the other financial assets of the Group, exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group transacts only with institutions or banks which have demonstrated financial soundness for the past 5 years.

The Group's maximum exposure to credit risk as of September 30, 2020 and December 31, 2019 is equal to the carrying values of its financial assets with an aggregate amount of ₱5,007.51 and ₱6,280.72 million, which excludes cash on hand amounting to ₱2.80 million and ₱0.47 million, respectively, and ICRs with carrying values of ₱10,908.19 million and ₱10,477.89 million, respectively, and fair value of collateral amounting to ₱10,846.70 million and ₱12,617.52 million, respectively.

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents, marginal deposits, rental deposits and derivative asset - these are considered as high-grade financial assets as these are entered into with reputable counterparties.

Receivables - these are considered as high grade since there are no default in payments.

Due from related parties - these are considered as standard grade as these are settled on time or are slightly delayed due to unresolved concerns.

#### *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or the counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and advances from related parties. The Group considers its available funds and its liquidity in managing its long-term financial requirements. It matches its projected cash flows to the projected amortization of long-term borrowings. For its short-term funding, the Group's policy is to ensure that there are sufficient operating inflows to match repayments of short-term debt.

The following table shows the maturity profile of the Group's financial assets used for liquidity purposes and liabilities based on contractual undiscounted payments:

|                           | September 30, 2020     |                       |                        |
|---------------------------|------------------------|-----------------------|------------------------|
|                           | Within 1 Year          | 1 - 5 years           | Total                  |
| <b>Financial assets</b>   |                        |                       |                        |
| Cash and cash equivalents | ₱3,985,949,084         | ₱–                    | ₱3,985,949,084         |
| Receivables*              | 11,337,403,554         | 991,340,334           | 12,328,743,888         |
| Due from related parties  | 419,636,926            | –                     | 419,636,926            |
| Rental Deposits           | –                      | 140,971,622           | 140,971,622            |
| Investment in bonds       | –                      | 463,750,000           | 463,750,000            |
|                           | <b>₱15,742,989,564</b> | <b>₱1,596,061,956</b> | <b>₱17,339,051,520</b> |

\* Excluding other receivables amounting to ₱348.22 million as of September 30, 2020.

|                               | September 30, 2020    |                        |                        |
|-------------------------------|-----------------------|------------------------|------------------------|
|                               | Within 1 Year         | 1 - 5 years            | Total                  |
| <b>Financial liabilities</b>  |                       |                        |                        |
| Accounts and other payables** | ₱5,736,113,982        | ₱–                     | ₱5,736,113,982         |
| Due to related parties        | 173,624,507           | –                      | 173,624,507            |
| Short-term debt               | 820,804,297           | –                      | 820,804,297            |
| Liability from purchased land | 67,200,000            | 208,335,743            | 275,535,743            |
| <b>Long-term debt:</b>        |                       |                        |                        |
| Principal                     | 2,417,812,550         | 13,135,676,741         | 15,553,489,291         |
| Interest                      | 5,736,113,982         | –                      | 5,736,113,982          |
| <b>Bonds payable:</b>         |                       |                        |                        |
| Principal                     | –                     | 3,119,110,000          | 3,119,110,000          |
| Interest                      | –                     | 40,965,921             | 40,965,921             |
| Lease liabilities             | 21,642,553            | 39,535,451             | 61,178,004             |
| Security deposits             | 276,409,768           | –                      | 276,409,768            |
|                               | <b>₱9,513,607,657</b> | <b>₱16,443,050,102</b> | <b>₱25,956,657,758</b> |

\*\* Excluding customers' advances and statutory liabilities amounting to ₱940.83 million and ₱288.58 million, respectively, as of September 30, 2020.

|                           | December 31, 2019      |                       |                        |
|---------------------------|------------------------|-----------------------|------------------------|
|                           | Within 1 Year          | 1 - 5 years           | Total                  |
| <b>Financial assets</b>   |                        |                       |                        |
| Cash and cash equivalents | ₱4,005,009,231         | ₱–                    | ₱4,005,009,231         |
| Receivables*              | 10,582,926,659         | 1,137,658,202         | 11,720,584,861         |
| Due from related parties  | 419,654,624            | –                     | 419,654,624            |
| Rental Deposits           | –                      | 152,396,921           | 152,396,921            |
| Investment in bonds       | 463,750,000            | –                     | 463,750,000            |
|                           | <b>₱15,471,340,514</b> | <b>₱1,290,055,123</b> | <b>₱16,761,395,637</b> |

\* Excluding other receivables amounting to ₱348.22 million as of December 31, 2019.

|                               | December 31, 2019      |                        |                        |
|-------------------------------|------------------------|------------------------|------------------------|
|                               | Within 1 Year          | 1 - 5 years            | Total                  |
| <b>Financial liabilities</b>  |                        |                        |                        |
| Accounts and other payables** | ₱4,537,618,240         | ₱–                     | ₱4,537,618,240         |
| Due to related parties        | 171,191,762            | –                      | 171,191,762            |
| Short-term debt               | 1,452,692,919          | –                      | 1,452,692,919          |
| Liability from purchased land | 67,200,000             | 268,335,743            | 335,535,743            |
| <b>Long-term debt:</b>        |                        |                        |                        |
| Principal                     | 5,462,166,897          | 9,991,882,433          | 15,454,049,330         |
| Interest                      | 38,643,173             | 72,689,208             | 111,332,381            |
| <b>Bonds payable:</b>         |                        |                        |                        |
| Principal                     | 1,392,653,130          | 3,119,986,870          | 4,512,640,000          |
| Interest                      | 6,210,246              | 40,965,921             | 47,176,167             |
| Lease liabilities             | 21,642,553             | 50,448,594             | 72,091,147             |
| Security deposits             | –                      | 382,842,116            | 382,842,116            |
|                               | <b>₱13,150,018,920</b> | <b>₱13,927,150,885</b> | <b>₱27,077,169,805</b> |

\*\*Excluding customers' advances and statutory liabilities amounting to ₱871.39 million and ₱294.06 million, respectively, as of December 31, 2019.

#### Foreign currency risk

Financial assets and credit facilities of the Group, as well as major contracts entered into for the purchase of raw materials, are mainly denominated in Philippine Peso.

The following table shows the Group's consolidated foreign currency-denominated monetary assets and liability and their peso equivalents as of September 30, 2020 and December 31, 2019:

|   | September 30, 2020<br>(Unaudited) |                    | December 31, 2019<br>(Audited) |                    |
|---|-----------------------------------|--------------------|--------------------------------|--------------------|
|   | Original<br>Currency              | Peso<br>Equivalent | Original<br>Currency           | Peso<br>Equivalent |
| <b>Assets</b>                                   |                                   |                    |                                |                    |
| Cash and cash equivalents                       |                                   |                    |                                |                    |
| US Dollar                                       | <b>\$182,241</b>                  | <b>₱9,002,688</b>  | \$559,980                      | ₱28,223,031        |
| Euro  | <b>€ 6,692</b>                    | <b>367,770</b>     | €7,160                         | 396,286            |
| Net foreign currency<br>denominated instruments |                                   |                    |                                |                    |
|   |                                   | <b>₱9,370,458</b>  |                                | <b>₱28,619,317</b> |

The spot exchange rates used were: ₱49.4 to US\$1 and ₱56.96 to €1 in 2020 ₱50.4 to US\$1 and ₱55.34 to €1 in 2019.

The following table demonstrates the sensitivity to reasonably possible changes in foreign currency rates, with all variables held constant, of the Group's income before tax and equity.

|               | September 30, 2020<br>(Unaudited)                      |                                | December 31, 2019<br>(Audited)                         |                                |
|---------------|--|--------------------------------|--|--------------------------------|
|               | Increase<br>(decrease) in<br>foreign<br>exchange rates | Effect on profit<br>before tax | Increase<br>(decrease) in<br>foreign<br>exchange rates | Effect on profit<br>before tax |
| <b>Dollar</b> | 5%   | <b>(₱450,135)</b>              | 5%   | <b>(₱1,411,151)</b>            |
|               | (5%)   | <b>450,135</b>                 | (5%)   | <b>1,411,151</b>               |
| <b>Euro</b>   | 5%   | <b>19,058</b>                  | 5%   | <b>19,814</b>                  |
|               | (5%)   | <b>(19,058)</b>                | (5%)   | <b>(19,814)</b>                |

Interest rate risk is the risk that changes in the market interest rates will reduce the Group's current or future earnings and/or economic value. The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rates or rates subject to repricing as it can cause a change in the amount of interest payments.

The following table sets out the carrying amount, by maturity, of the Group's long-term debt that are exposed to interest rate risk.

|             | <b>Interest terms<br/>(p.a.)</b> | <b>Rate fixing period</b> | <b>&lt;1 year</b> | <b>1 to 5 years</b> |
|-------------|----------------------------------|---------------------------|-------------------|---------------------|
| <b>2020</b> | 6.2-10.3 %                       | Monthly; Annually         | ₱2,417,812,550    | ₱13,135,676,741     |
| 2019        | 6.2-10.3 %                       | Monthly; Annually         | ₱89,678,076       | ₱10,134,117,726     |

The following table demonstrates the sensitivity to reasonably possible changes in interest rates, with all variables held constant, of the Group's income before tax and equity (through the impact on floating rate borrowings).

|                     | <b>September 30, 2020<br/>(Unaudited)</b>            |   | <b>December 31, 2019<br/>(Audited)</b>           |   |
|---------------------|--|---|--|---|
|                     | <b>Increase<br/>(decrease)<br/>in interest rates</b> | <b>Effect on profit<br/>before tax</b>    | <b>Increase (decrease)<br/>in interest rates</b> | <b>Effect on profit<br/>before tax</b>    |
| <b>Basis points</b> | <b>0.33%</b><br><b>(0.33%)</b>                       | <b>(₱38,769,941)</b><br><b>38,769,941</b> | <b>0.33%</b><br><b>(0.33%)</b>                   | <b>(₱19,729,570)</b><br><b>19,729,570</b> |

There is no other impact on the Group's total comprehensive income other than those already affecting the net income.

## 28. 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 real estate unit may cover the contract for either the (i) serviced lot; (ii) service lot and house, and (ii) condominium unit and the Group concluded that 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 contract to sell and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include payment of 10%-30% of the contract price spread over a certain period (e.g., three months to four 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 five (5) 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 to either a contract asset or contract liability.



The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at September 30, 2020 and December 31, 2019 are as follows:

|                    | <b>September 30, 2020</b><br><b>(Unaudited)</b> | December 31, 2019<br><b>(Audited)</b> |
|--------------------|---|---------------------------------------|
| Within one year    | <b>₱2,433,522,576</b>                           | ₱2,624,812,013                        |
| More than one year | <b>5,940,248,967</b>                            | 10,112,663,995                        |
|                    | <b>₱8,373,771,543</b>                           | <b>₱12,737,476,008</b>                |

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 condominium units are completed within three years and five years, respectively, from start of construction while serviced lots and serviced lots and house are expected to be completed within two to three years from start of development.

## 29. CONTINGENCIES

The Group is contingently liable for lawsuits or claims filed by third parties (substantially civil cases that are either pending decision by the courts or are under negotiation, the outcomes of which are not presently determinable). In the opinion of management and its legal counsels, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims or assessments. No provisions were made for the period-ended September 30, 2020 and December 31, 2019 with respect to the foregoing matters.

## 30. NOTES TO CASH FLOWS

Below are the noncash transactions for the period ended September 30, 2020 and December 31, 2019.

- a. Application of prepaid stock issuance cost to preferred shares APIC amounting to ₱141.55 million in September 30, 2020.
- b. Transfer from deposit for purchased land to real estate inventories amounting to ₱166.00 million, in December 31, 2019.
- c. Transfer from real estate inventories to investment property amounting to ₱256.91 million in December 31, 2019.
- d. Transfer from investment property to real estate inventories amounting to ₱191.13 million in 2019.
- e. Amortization of deferred financing costs amounting to ₱90.48 million in December 31, 2019.
- f. Additions to right-of-use assets and increase in lease liabilities for the transition to PFRS 16 amounting ₱71.93 million in 2019.

### 31. EVENTS AFTER REPORTING PERIOD

#### *COVID-19 outbreak*

In a move to contain the COVID-19 outbreak, on March 16, 2020 the office of the Philippine President issued Presidential Proclamation No. 929, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020 which was subsequently extended until April 30, 2020 and May 15, 2020. On May, 12, 2020 this was further extended into a modified enhanced community quarantine, wherein certain implementing rules have been relaxed. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The following are potential business risks as well as the mitigating measures that the Group has undertaken to immediately implement should the risks ensue.

| Potential Business Risks   | Mitigating Measures  |
|--|--|
| 1. Work disruption during the community quarantine in Luzon enforced by the government.                      | <ul style="list-style-type: none"> <li>• Activation of the Group’s business continuity plans based on its risk assessments</li> <li>• Increased capabilities for alternative work arrangements for the Group's employees and workers to continue servicing its customers.</li> </ul>   |
| 2. Supply-chain challenges for its business operations.  | <ul style="list-style-type: none"> <li>• Recent assessments found that ports will remain open amidst the current community quarantine scenario and the Bureau of Customs has a team in place to accept shipments.</li> <li>• Contingencies are in place in the event of enhanced scenarios, including alternative ports and suppliers that can temporarily augment our business requirements.</li> </ul>                                       |
| 3. Sales and collections performance may be affected by the community quarantine enforced by the government. | <ul style="list-style-type: none"> <li>• Activated full shift to online marketing activities as part of its contingency plans.</li> <li>• Established frequent and open communication with clients to help address concerns.</li> <li>• Measures are in place for clients who may encounter difficulties in their purchase journey.</li> <li>• Options are discussed thoroughly with customers to avoid any untoward cancellations.</li> </ul> |

**MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS**

*Results of Operations and Material Changes to the Company's Income Statement for the nine-month period ended September 30, 2020 compared to September 30, 2019  
(In Millions of Peso)*

|   | 2020            | 2019     | Amount     | Movement<br>% |
|---|-----------------|----------|------------|---------------|
| <b>REVENUE</b>  |                 |          |            |               |
| Real estate revenue                                   | 7,319.43        | 8,856.44 | (1,537.01) | -17.35%       |
| Leasing revenue                                       | 542.44          | 404.07   | 138.37     | 34.25%        |
| Property management fee and other services            | 256.15          | 313.69   | (57.54)    | -18.34%       |
| Interest income from real estate sales                | 116.50          | 219.98   | (103.48)   | -47.04%       |
|   | <b>8,234.52</b> | 9,794.17 | (1,559.66) | -15.92%       |
| <b>COST AND EXPENSES</b>                              |                 |          |            |               |
| Cost of real estate revenue                           | 4,915.23        | 5,826.14 | (910.92)   | -15.63%       |
| Cost of leasing                                       | 107.32          | 171.97   | (64.64)    | -37.59%       |
| Cost of services                                      | 186.97          | 226.78   | (39.81)    | -17.55%       |
|   | <b>5,209.52</b> | 6,224.89 | (1,015.37) | -16.31%       |
| <b>GROSS PROFIT</b>                                   | <b>3,025.00</b> | 3,569.29 | (544.29)   | -15.25%       |
| <b>GENERAL, ADMINISTRATIVE AND SELLING EXPENSES</b>   |                 |          |            |               |
|   | <b>1,856.58</b> | 2,185.71 | (329.13)   | -15.06%       |
| <b>OTHER INCOME (EXPENSES)</b>                        |                 |          |            |               |
| Interest and other income                             | 294.44          | 535.89   | (241.46)   | -45.06%       |
| Gain from change in fair value of investment property | 474.58          | 152.43   | 322.15     | 211.35%       |
| Share in net income                                   | 6.79            | 11.18    | (4.39)     | -39.27%       |
| Loss from change in fair value of derivatives         | -               | (76.06)  | 76.06      | -100.00%      |
| Interest and other financing charges                  | (395.01)        | (573.79) | 178.78     | -31.16%       |
| Unrealized foreign exchange gain (loss)               | -               | 23.30    | (23.30)    | -100.00%      |
|   | <b>380.79</b>   | 72.95    | 307.84     | 421.97%       |
| <b>INCOME BEFORE INCOME TAX</b>                       | <b>1,549.21</b> | 1,456.53 | 92.68      | 6.36%         |
| <b>PROVISION FOR INCOME TAX</b>                       | <b>445.15</b>   | 345.57   | 99.58      | 28.82%        |
| <b>NET INCOME</b>                                     | <b>1,104.06</b> | 1,110.97 | (6.90)     | -0.62%        |

**17.35% decrease in real estate revenue**

Real estate revenue has a decreased as a result of the slowdown both in sales conversion and on construction and development activities due to prevailing community quarantine restrictions.

**34.25% increase in leasing revenue**

The increase was mainly due to the start of lease revenue recognition for initial leased out floor spaces of Century Diamond Tower and Asian Century Center.

**18.34% decrease in Property Management Fees**

The decrease was mainly due to reduced services rendered for the period due to streamlined building and property operations while NCR is in community quarantine.

**47.04% decrease in interest income from real estate sales**

Interest income from real estate sales represents interest accretion from installment contract receivables (ICR) and contract asset recognized during the year. Discount subject to accretion arises from the difference between present value of ICR and contract asset and its nominal value. Income decrease since majority of the projects are already turned over and slowdown in new sales during the nine-month period in 2020.

**15.63% decrease in cost of sales**

The decrease is directly attributable to the decrease of real estate revenue.

**37.59% decrease in cost of leasing**

The decrease is due to the reduction in Mall operations attributable to community quarantine restrictions in NCR.

**17.55% decrease in cost of services**

The decrease is directly attributable to the decrease of property management fees.

**45.06% decrease in interest and other income**

The decrease is mainly attributable to the decline from income from forfeited collections.

**211.35% increase in gain from fair value of investment property**

The increase was mainly due to the initial recognition of fair value gain from Century Diamond Tower building.

**100.00% decrease in fair value of derivatives and unrealized foreign exchange gain**

The decrease was due to absence of similar transactions or instruments during the first half of 2020.

**31.16% decrease in interest and other financing charges**

The decrease was due to reduced loan balances and lower average borrowing cost in 2020 compared with prior year.

**28.22% decrease in Provision for Income Tax**

The increase was primarily due to higher taxable income during the period.

**As a result of the foregoing, net income decreased by 0.62%.**

**Financial Condition and Material Changes to the Company's Statement of Financial Position for the period ended September 30, 2020 compared to December 31, 2019 (In Millions of Peso)**

|   | 2020              | 2019              | Amount            | Movement<br>%  |
|---|-------------------|-------------------|-------------------|----------------|
| <b>ASSETS</b>   |                   |                   |                   |                |
| Cash and cash equivalents   | ₱3,985.95         | ₱4,005.01         | (₱19.06)          | -0.48%         |
| Receivables   | 11,721.63         | 10,967.15         | 754.48            | 6.88%          |
| Real estate inventories   | 13,776.41         | 15,558.00         | (1,781.60)        | -11.45%        |
| Due from related parties  | 419.64            | 419.65            | (0.02)            | 0.00%          |
| Advances to suppliers and contractors                             | 2,406.90          | 2,006.51          | 400.39            | 19.95%         |
| Other current assets  | 1,837.65          | 1,409.17          | 428.48            | 30.41%         |
| <b>Total Current Assets</b>                                       | <b>34,148.17</b>  | <b>34,365.50</b>  | <b>(217.33)</b>   | <b>-0.63%</b>  |
| Noncurrent portion of installment contracts receivable            | 991.34            | 1,137.66          | (146.32)          | -12.86%        |
| Investment in bonds   | 463.75            | 463.75            | -                 | 0.00%          |
| Deposits for purchased land                                       | 1,125.73          | 1,079.44          | 46.29             | 4.29%          |
| Investments in and advances to joint ventures and associate       | 265.56            | 258.77            | 6.79              | 2.62%          |
| Investment properties   | 13,693.33         | 12,932.52         | 760.81            | 5.88%          |
| Property and equipment  | 2,014.01          | 1,648.12          | 365.89            | 22.20%         |
| Deferred tax assets – net   | 43.99             | 42.15             | 1.85              | 4.38%          |
| Other noncurrent assets   | 1,474.54          | 1,513.77          | (39.23)           | -2.59%         |
| <b>Total Noncurrent Assets</b>                                    | <b>20,072.27</b>  | <b>19,076.19</b>  | <b>996.08</b>     | <b>5.22%</b>   |
| <b>TOTAL ASSETS</b>   | <b>54,220.44</b>  | <b>53,441.69</b>  | <b>778.75</b>     | <b>1.46%</b>   |
| <b>LIABILITIES</b>  |                   |                   |                   |                |
| Accounts and other payables                                       | 6,965.53          | 5,703.06          | 1,262.46          | 22.14%         |
| Contract liabilities  | 1,444.06          | 1,784.09          | (340.04)          | -19.06%        |
| Short-term debt   | 820.80            | 1,452.69          | (631.89)          | -43.50%        |
| Current portion of:   |                   |                   |                   |                |
| Long-term debt  | 2,417.81          | 5,462.17          | (3,044.35)        | -55.74%        |
| Bonds Payable   | -                 | 1,392.65          | (1,392.65)        | -100.00%       |
| Liability from purchased land                                     | 67.20             | 67.20             | -                 | 0.00%          |
| Lease liability   | 21.64             | 21.64             | -                 | 0.00%          |
| Due to related parties  | 173.62            | 171.19            | 2.43              | 1.42%          |
| Income Tax Payable  | 0.32              | 9.35              | (9.03)            | -96.60%        |
| Other current liabilities   | 53.96             | 35.28             | 18.68             | 52.96%         |
| <b>Total Current Liabilities</b>                                  | <b>11,964.95</b>  | <b>16,099.34</b>  | <b>(4,134.39)</b> | <b>-25.68%</b> |
| Noncurrent portion of:  |                   |                   |                   |                |
| Long-term debt  | 13,135.68         | 9,880.55          | 3,255.13          | 32.94%         |
| Bonds Payable   | 3,059.50          | 3,060.38          | (0.88)            | -0.03%         |
| Liability from purchased land                                     | 208.34            | 268.34            | (60.00)           | -22.36%        |
| Lease liability   | 39.54             | 39.54             | (0.00)            | 0.00%          |
| Pension liabilities   | 315.82            | 307.40            | 8.42              | 2.74%          |
| Deposit for future stock subscription                             | -                 | 42.48             | (42.48)           | -100.00%       |
| Deferred tax liabilities  | 3,000.01          | 2,708.26          | 291.75            | 10.77%         |
| Other noncurrent liabilities                                      | 1,075.19          | 1,419.84          | (344.64)          | -24.27%        |
| <b>Total Noncurrent Liabilities</b>                               | <b>20,834.08</b>  | <b>17,726.78</b>  | <b>3,107.30</b>   | <b>17.53%</b>  |
| <b>Total Liabilities</b>  | <b>32,799.03</b>  | <b>33,826.12</b>  | <b>(1,027.09)</b> | <b>-3.04%</b>  |
| <b>EQUITY</b>   |                   |                   |                   |                |
| Capital stock   | 6,200.85          | 6,200.85          | -                 | 0.00%          |
| Preferred Shares  | 15.90             | -                 | 15.90             | 100.00%        |
| Additional paid-in capital  | 5,524.78          | 2,639.74          | 2,885.03          | 109.29%        |
| Treasury shares   | (109.67)          | (109.67)          | -                 | 0.00%          |
| Other components of equity  | (858.93)          | 99.39             | (958.33)          | -964.18%       |
| Retained earnings   | 9,464.53          | 8,733.92          | 730.62            | 8.37%          |
| Remeasurement loss on defined benefit plan                        | (81.17)           | (81.17)           | 0.00              | 0.00%          |
| Total Equity Attributable to Equity Holders of the Parent Company | 20,156.28         | 17,483.06         | 2,673.23          | 15.29%         |
| Non-controlling interest  | 1,265.13          | 2,132.51          | (867.39)          | -40.67%        |
| <b>Total Equity</b>   | <b>21,421.41</b>  | <b>19,615.57</b>  | <b>1,805.84</b>   | <b>9.21%</b>   |
| <b>TOTAL LIABILITIES AND EQUITY</b>                               | <b>₱54,220.44</b> | <b>₱53,441.69</b> | <b>₱778.75</b>    | <b>1.46%</b>   |

**11.45% decrease in inventories**

The decrease is primarily due to the recognition of cost of sales for sold units.

**19.95% increase in advances to suppliers**

Due to additional down payments to suppliers and contractors to new and ongoing projects.

**30.44% increase in Other current and non-current assets**

Increase is primarily due to increase in prepaid selling expenses for pre-sales during the period, and increase in creditable withholding taxes and input taxes.

**5.88% increase in investment property**

The increase is mostly attributable to the construction of Century Diamond Tower and recognition of gain in fair value for the period.

**22.20% increase in property and equipment**

The increase is mostly attributable to additional construction cost for Acqua 6 Tower of Acqua Private Residences.

**22.14% increase in Accounts and other payables**

The increase is primarily due to accruals made at the end of the periodm increase in inventory related purchases and dividends payable.

**19.06% decrease in total contract liabilities**

The decrease was due to recognition as revenue accounts that already qualify under revenue recognition criteria.

**2.51% decrease in total short-term and long-term Debt**

Decrease was due to net repayment of loans during the period.

**31.29% decrease in bonds payable**

The decrease was due to payment of the five-year bond payable in first quarter of 2020.

**100% increase in preferred shares and 109.29% increase in additional paid-in capital**

The increase is due to the issuance of 30,000,000 preferred shares with a par value of ₱0.53. Additional paid in capital net of issuance cost was recognized in excess of the par value of preferred shares issued.

**40.67% decrease in non-controlling interest and 964.18% decrease in**

Primarily due to acquisition of minority interest in Century City Development II net of share in net income for PPHI during the period.

**9.21% increase in total stockholders' equity**

Due to the net income recorded for the nine-month period ended September 30, 202, preferred shares issued and additional paid in capital from issuance of preferred shares amounting to ₱15.9 million and ₱2,885.03 million, respectively.



## Key Performance Indicators

### Selected Financial Indicators

September 30, 2020 and September 30, 2019

| Financial ratios                    | Sep-20                | Sep-19                |
|-------------------------------------|-----------------------|-----------------------|
| <b>Current/Liquidity Ratios</b>     |                       |                       |
| Current Assets                      | 34,148,169,711        | 34,389,971,156        |
| Current Liabilities                 | 11,964,948,573        | 18,612,908,890        |
| <b>Current Ratios</b>               | <b>2.9</b>            | <b>1.8</b>            |
| <b>Current Assets</b>               |                       |                       |
| Current Assets                      | 34,148,169,711        | 34,389,971,156        |
| Inventory                           | 13,776,406,285        | 15,624,108,787        |
| <b>Quick Assets</b>                 |                       |                       |
| Quick Assets                        | 20,371,763,426        | 18,765,862,369        |
| Current Liabilities                 | 11,964,948,573        | 18,612,908,890        |
| <b>Quick Ratios</b>                 | <b>1.7</b>            | <b>1.0</b>            |
| <b>Liabilities and Debt Ratios</b>  |                       |                       |
| Short-term debt                     | 820,804,297           | 1,491,415,157         |
| Long-term debt - Current            | 2,417,812,550         | 6,980,529,239         |
| Long-term debt - Non-current        | 13,135,676,741        | 8,848,093,256         |
| Bonds payable                       | 3,059,502,167         | 4,445,942,009         |
| <b>Debt</b>                         | <b>19,433,795,754</b> | <b>21,765,979,661</b> |
| <b>Equity</b>                       | <b>21,421,408,999</b> | <b>19,206,754,465</b> |
| <b>Debt-to-Equity</b>               | <b>0.9</b>            | <b>1.1</b>            |
| <b>Debt</b>                         |                       |                       |
| Debt                                | 19,433,795,754        | 21,765,979,661        |
| Cash and Cash Equivalents           | 3,985,949,084         | 3,790,630,694         |
| <b>Net Debt</b>                     | <b>15,447,846,670</b> | <b>17,975,348,967</b> |
| <b>Equity</b>                       | <b>21,421,408,999</b> | <b>19,206,754,465</b> |
| <b>Net Debt-to-Equity</b>           | <b>0.7</b>            | <b>0.9</b>            |
| <b>Debt</b>                         |                       |                       |
| Debt                                | 19,433,795,754        | 21,765,979,661        |
| EBITDA (Annualized for Interim)     | 2,626,304,893         | 2,762,353,976         |
| <b>Debt-to-EBITDA</b>               | <b>7.40</b>           | <b>7.88</b>           |
| <b>Income before Income Tax</b>     |                       |                       |
| Income before Income Tax            | 1,549,214,205         | 1,456,533,844         |
| Interest expense                    | 395,011,697           | 573,789,848           |
| Depreciation and amortization       | 25,502,768            | 41,441,790            |
| <b>EBITDA</b>                       | <b>1,969,728,670</b>  | <b>2,071,765,482</b>  |
| <b>Asset to Equity Ratios</b>       |                       |                       |
| Total Assets                        | 54,220,437,440        | 53,790,833,055        |
| Total Equity                        | 21,421,408,999        | 19,206,754,465        |
| <b>Asset to Equity Ratio</b>        | <b>2.5</b>            | <b>2.8</b>            |
| <b>Liabilities to Equity Ratios</b> |                       |                       |
| Total Liabilities                   | 32,799,028,441        | 34,584,078,590        |
| Total Equity                        | 21,421,408,999        | 19,206,754,465        |
| <b>Liabilities to Equity Ratio</b>  | <b>1.5</b>            | <b>1.8</b>            |

### Profitability ratios

|   |                       |                       |
|---|-----------------------|-----------------------|
| Revenue   | 8,234,515,090         | 9,794,174,491         |
| Gross Profit  | 3,024,995,362         | 3,569,288,486         |
| <b>Gross Profit Ratio</b>                                       | <b>37%</b>            | <b>36%</b>            |
| Net Income Attributable to Equity holders of the Parent Company | 1,029,613,662         | 1,049,970,658         |
| Revenue   | 8,234,515,090         | 9,794,174,491         |
| <b>Net Income Margin</b>  | <b>12.5%</b>          | <b>10.7%</b>          |
| <b>Total Net Income after tax (Annualized)</b>                  | <b>1,472,086,623</b>  | <b>1,481,290,067</b>  |
| Total Asset CY  | 54,220,437,440        | 53,790,833,055        |
| Total Asset PY  | 53,473,083,982        | 49,366,682,829        |
| <b>Average total asset</b>                                      | <b>53,846,760,711</b> | <b>51,578,757,942</b> |
| <b>Return on Asset</b>  | <b>2.7%</b>           | <b>2.9%</b>           |
| <b>Total Net Income after tax (Annualized)</b>                  | <b>1,472,086,623</b>  | <b>1,481,290,067</b>  |
| Total Equity CY   | 21,421,408,999        | 19,206,754,465        |
| Total Equity PY   | 19,596,463,885        | 17,463,466,559        |
| <b>Average total equity</b>                                     | <b>20,508,936,442</b> | <b>18,335,110,512</b> |
| <b>Return on Equity</b>   | <b>7.2%</b>           | <b>8.1%</b>           |
| Net Income  | 1,104,064,967         | 1,110,967,550         |
| Revenue   | 8,234,515,090         | 9,794,174,491         |
| <b>Net Income Margin</b>  | <b>13.4%</b>          | <b>11.3%</b>          |

**PART II--OTHER INFORMATION**

**Item 3. 3<sup>rd</sup> Quarter of 2020 Developments**

**A. New Projects or Investments in another line of business or corporation.**

*None*

**B. Composition of Board of Directors**

| <b>Name of Director</b> | <b>Position</b>       |
|-------------------------|-----------------------|
| Jose E.B. Antonio       | Chairman of the Board |
| John Victor R. Antonio  | Director              |
| Jose Marco R. Antonio   | Director              |
| Jose Roberto R. Antonio | Director              |
| Jose Carlo R. Antonio   | Director              |
| Ricardo Cuerva          | Director              |
| Rafael G. Yaptinchay    | Director              |
| Hilda R. Antonio        | Director              |
| Jose L. Cuisia          | Independent Director  |
| Stephen T. CuUnjieng    | Independent Director  |
| Carlos C. Ejercito      | Independent Director  |

**C. Performance of the corporation or result/progress of operations.**

*Please see unaudited Financial Statements and Management’s Discussion and Analysis.*

**D. Declaration of Dividends.**

*None*

**E. Contracts of merger, consolidation or joint venture; contract of management, licensing, marketing, distributorship, technical assistance or similar agreements.**

*None*

**F. Offering of rights, granting of Stock Options and corresponding plans thereof.**

*None*

**G. Acquisition of additional mining claims or other capital assets or patents, formula, real estate.**

*Not Applicable*

**H. Other information, material events or happenings that may have affected or may affect market price of security.**

*None.*

**I. Transferring of assets, except in normal course of business.**

*None.*

**Item 4. Other Notes as of 3<sup>rd</sup> Quarter of 2020 Operations and Financials.**

**J.** Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that is unusual because of their nature, size, or incidents.

*None.*

**K.** Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period.

*There were no changes in estimates of amounts reported in prior interim period or prior financial years that have a material effect in the current interim period.*

**L.** New financing through loans/ issuances, repurchases and repayments of debt and equity securities.

*See Notes to Financial Statements and Management Discussion and Analysis.*

**M.** Material events to the end of the interim period that have not been reflected in the financial statements for the interim period.

*None*

**N.** The effect of changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

*None*

**O.** Changes in contingent liabilities or contingent assets since the last annual statement of financial position date.

*None*

**P.** Existence of material contingencies and other material events or transactions during the interim period

*None.*

**Q.** Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

*None*

**R.** Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

*None.*

**S.** Material commitments for capital expenditures, general purpose and expected sources of funds.

*The movement of capital expenditures being contracted arose from the regular land development and construction requirements.*



**T.** Known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/income from continuing operations.

*As of September 30, 2020, there are no known trends, events or uncertainties that are reasonably expected to have impact on sales/revenues/income from continuing operations except for those being disclosed in the 3<sup>rd</sup> quarter of 2020 financial statements.*

**U.** Significant elements of income or loss that did not arise from continuing operations.

*None.*

**V.** Causes for any material change/s from period to period in one or more-line items of the financial statements.

*See Notes to Financial Statements and Management Discussion and Analysis (MD&A) as material changes are described in detail in the MD&A section*

**W.** Seasonal aspects that had material effect on the financial condition or results of operations.

*None.*

**X.** Disclosures not made under SEC Form 17-C.

*None.*



**SIGNATURES**

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

**CENTURY PROPERTIES GROUP INC.**

**By:**

**JOHN PAUL C. FLORES**  
VP Comptroller

A handwritten signature in black ink, appearing to read "JPF", is written over the printed name and title of John Paul C. Flores.