

# COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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(Business Address: No. Street Company / Town / Province)

MR. MARK ANTHONY M. RAMOS

### Contact Person

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Month

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Day

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FORM TYPE **DEFINITIVE**

8631-3179

Company Telephone Number

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Month

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Day

Annual Meeting

N/A
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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

### Total Amount of Borrowings

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Total No. of Stockholders

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned



# Philippine Realty & Holdings Corporation

## NOTICE AND AGENDA OF ANNUAL STOCKHOLDERS MEETING

Notice is hereby given that the Annual Stockholders Meeting ("ASM" or "Meeting") of **PHILIPPINE REALTY AND HOLDINGS CORPORATION** (the "**Company**") will be held on **Wednesday, June 30, 2021, at 3:00 p.m.** The Meeting will be conducted virtually and there will no longer be a physical venue for the ASM.

The Agenda of the Meeting is as follows:

1. Call to Order;
2. Certification of Notice of Meeting and Determination of Quorum;
3. Approval of the Minutes of the Previous ASM held on August 20, 2020;
4. Report of the President and approval of the 2020 Annual Report and the 2020 Audited Financial Statements;
5. Election of the Members of the Board of Directors for the ensuing year;
6. Approval and Ratification of all Acts, Contracts, and Deeds of the Board of Directors, Board Committees, Management and Officers during their terms of office;
7. Amendments to the Articles of Incorporation and By-Laws

7.1 Article Four of the Articles of Incorporation will be amended to read as follows:

"That the term for which the corporation is to exist is perpetual."

7.2 Article III, Section 3 of the By Laws will be amended to read as follows:

"The President, shall be the Chief Executive Officer of the corporation, and who must be elected by the Board from their membership. In addition to such duties as may be delegated to him by the Board of Directors, he shall preside at all meetings of the directors and the stockholders of the corporation in case of the absence of the Chairman and the Vice-Chairman. He shall have general supervision of the affairs and property of the corporation, and over its several officers and employees. He shall execute all resolutions of the Board. The President shall submit to the Board as soon as possible after the close of its fiscal year, and to the stockholders at each annual meeting, a complete report of the operations of the corporation for the preceding year, and the state of its affairs, and he shall, from time to time, report to the Board, all matters within his knowledge which the interests of the corporation may require to be brought to its notice. He shall do and perform such other duties as from time to time may be assigned to him by the Board of Directors."

8. Appointment of External Auditor.
9. Other business that may properly be brought before the Meeting; and
10. Adjournment

Only stockholders of record as of March 31, 2021 are entitled to notice of, and to vote at, the said Meeting.



## Philippine Realty & Holdings Corporation

Considering the COVID-19 global pandemic, stockholders may only attend the Meeting by remote communication, by voting *in absentia*, or through proxy. The conduct of the annual stockholders meeting will be streamed live, and stockholders may attend the Meeting by registering on or 5:00 PM of June 16, 2021.

Stockholders who intend to participate in the virtual ASM may register by sending an email to [asmregistration@philrealty.com.ph](mailto:asmregistration@philrealty.com.ph) of their intention to participate on or before 5:00 PM of June 16, 2021, together with the requirements set forth in the Information Statement and published at the Company's website at <http://www.philrealty.com.ph>.

Upon successful registration and validation of the documents submitted through email above, the stockholder will receive an email confirmation containing the link [www.philrealtyasm.com](http://www.philrealtyasm.com) and a code to log in and view the 2021 ASM.

Electronic copy of Information statement and Management report, and SEC form 17A and other relevant documents in relation to the annual stockholders meeting may also be accessed through the aforementioned website [www.philrealty.com.ph/investor-relations/](http://www.philrealty.com.ph/investor-relations/) and through the PSE EDGE portal [https://edge.pse.com.ph/openDiscViewer.do?edge\\_no=fb2bd9b3c05f34ec5d542af6f1e997b9](https://edge.pse.com.ph/openDiscViewer.do?edge_no=fb2bd9b3c05f34ec5d542af6f1e997b9)

Pasig, Metro Manila, June 01, 2021.



Atty. Rex P. Bonifacio  
Corporate Secretary

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

**Information Statement Pursuant to Rule 20  
of the Securities Regulation Code**

1. Check the appropriate box  
☐ Preliminary Information Statement  
☒ Definitive Information Statement
2. Name of registrant as specified in its charter
- PHILIPPINE REALTY AND HOLDINGS CORPORATION
3. Country of Incorporation: Philippines
4. SEC Identification : 99905
5. Tax Identification No.: 000-188-233-000
6. Address of Principal Office: One Balete, 1 Balete Drive Corner N. Domingo St.  
Brgy. Kaunlaran District 4, Quezon City
- Address of Satellite Office: 2001B 20<sup>th</sup> Floor, East Tower, Philippine Stock Exchange  
Centre, Exchange Road, Ortigas Center, Pasig City, 1605
7. Registrant's telephone number, including area code:
- (02) 8631-3179
8. Date, time and place of the Meeting of the security holders
- Date: June 30, 2021  
Time: 3 p.m.  
Place: Virtually from One Balete 1 Balete drive Corner N. Domingo  
Street, Barangay Kaunlaran, Quezon City and via livestream by  
accessing the Online web address URL (for participation by  
remote communication) [www.philrealtyasm.com](http://www.philrealtyasm.com)
9. Approximate date on which the Information Statement is first to be sent or given to security holders
- June 9, 2021
10. Securities registered pursuant to Sections 4 and 8 of the RSA:
- | Title of each Class | Number of Shares of Common Stock<br>Outstanding or amount of Debt<br>Outstanding |
|---------------------|--|
| Common              | 4,922,324,907 shares   |
11. Are any or all of registrant's securities listed on the Philippine Stock Exchange?  
Yes ☒ No ☐

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:  
**The common stock of the Company is listed at the Philippine Stock Exchange, Inc. (PSE)**



**A. GENERAL INFORMATION**

**Item 1. Date, Time and Place of Annual Stockholders' Meeting**

The 2021 Annual Stockholders' Meeting ("**ASM**" or "**Meeting**" for brevity) of Philippine Realty and Holdings Corporation ("**Company**" for brevity) will be held on June 30, 2021 at 3 p.m. The Meeting will be conducted virtually and there will no longer be a physical venue for the ASM.

The complete mailing address of the satellite office of the Company is 2001B 20th Floor, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City.

The approximate date on which the Information Statement is first to be sent and given to the security holders shall be June 09, 2021.

**Item 2. Dissenter's Right of Appraisal**

No corporate matters or action will be submitted in the Meeting that may call for the exercise of the Right of Appraisal under Title X of Republic Act No. 11232 or the "Revised Corporation Code of the Philippines" ("**Revised Corporation Code**").

Any shareholder of the Company shall have the right to dissent and demand payment of the fair value of his shares only in the following instances, as provided by the Revised Corporation Code.

The appraisal right, when available, maybe exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken: *Provided*, That failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented, the corporation shall pay the stockholder, upon surrender of the certificate or certificates of stock representing the stockholder's shares, the fair value thereof as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If, within sixty (60) days from the approval of the corporate action by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation, and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: *Provided*, That no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment: *Provided, further*, That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer the shares to the corporation.

**Item 3. Interest of Certain Person in or Opposition to Matters to be Acted Upon**

- (a) No current director or officer of the Company, or nominee for election as director of the Company or any associate thereof, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than election to office.
- (b) No director has informed the Company that he intends to oppose any action to be taken by the registrant at the Meeting.

## B. CONTROL AND COMPENSATION INFORMATION

### Item 4. Voting Securities and Principal Holders Thereof

#### a. Number of shares Outstanding as of March 31, 2021

Common Shares: 4,922,324,907

Number of Votes Entitled: one (1) vote per share

- b. All stockholders of record as of March 31, 2021 are entitled to receive notice of, and to vote at, the annual stockholders' meeting.

#### c. Manner of Voting

A stockholder entitled to vote at the Meeting shall have the right to vote in person, by proxy, through remote communication or *in absentia* the number of shares registered in his name in the stock and transfer book of the Company as of the record date, for as many persons as there are directors to be elected. Each stockholder shall have the right to cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same cumulative voting principle among as many nominees as he shall see fit; provided, that the whole number of votes cast by him shall not exceed the number of said shares multiplied by the whole number of directors to be elected.

Pursuant to Section 23 and 57 of the Revised Corporation Code which allow voting through remote communication or in absentia, stockholders intending to participate by remote communication should notify the Company by email to [asmregistration@philrealty.com.ph](mailto:asmregistration@philrealty.com.ph) on or before 5:00 PM of June 16, 2021. A stockholder voting remotely or in absentia shall be deemed present for purposes of quorum.

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

#### d. Security Ownership of Certain Record and Beneficial Owners and Management

- i. The following persons are known to the Company to be directly or indirectly the record or beneficial owner of more than 5% of the Company's voting security as of March 31, 2021.

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name and Address of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Owned	% Owned
Common	Phil. Depository & Trust Corp. 37/F Tower I, The Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati / PCD Nominee		Filipino/ Non-Filipino	2,457,857,926 shares	49.93%
Common		Greenhills Properties, Inc. E-2003B, PSE Centre Exchange Rd., Pasig City / Stockholder	Filipino	1,755,779,066 shares	35.67%
Common	Campos, Lanuza & Co., Inc. E-2003B, PSE Centre Exchange Road, Pasig City / Stockholder	Campos, Lanuza & Co., Inc. E-2003B, PSE Centre Exchange Rd., Pasig City / Stockholder	Filipino/ American/ Spanish/ Other Alien	275,196,201 shares (net of shares under PCD)	5.59%

Note: Greenhills Properties, Inc. is represented by its President, Gerardo O. Lanuza Jr., and Treasurer, Antonio O. Olbes.

Campos, Lanuza & Co., Inc. is represented by its President, Antonio Reyes-Cuerva.

PCD Nominee holds 49.93% interest. PCD Nominee is the registered owner of shares beneficially owned by participants in the PCD. Campos, Lanuza & Co., a participant of PCD has a total of 1,603,457,397 shares under PCD equivalent to 32.58% of the Company's voting securities.

**Shares held by Directors and Executive Officers as of March 31, 2021:**

ii. Security Ownership of Certain Record and Beneficial Owners and Management

Title of Class	Name of Beneficial Owner	Amount and Nature of Class		Citizenship	%age Owned
		Direct	Indirect		
Common	Gerardo Domenico Antonio V. Lanuza	226,786,043	65,083,203	Filipino	5.93
Common	Gerardo O. Lanuza, Jr.	2,174,024	204,911,203	Spanish/Filipino	4.21
Common	Alfredo S. Del Rosario Jr.	20,261,000	-	Filipino	0.41
Common	Edmundo C. Medrano	6,000,000	-	Filipino	0.12
Common	Gregory G. Yang	1,831,000	-	Filipino	0.03
Common	Antonio O. Olbes	506,388	-	Filipino	0.01
Common	Amador C. Bacani	229,980	-	Filipino	0.00
Common	Andrew C. Ng	84,000	-	Filipino	0.00
Common	Renato G. Nuñez	10,000	-	Filipino	0.00
Common	Jomark O. Arollado	10,000	-	Filipino	0.00
Common	Alfonso Martin E. Eizmendi	10,000	-	Filipino	0.00
	<b>Total</b>	<b>257,902,435</b>	<b>269,994,406</b>		<b>10.71</b>

iii. Voting Trust Holders of 5% or more

The Company is not aware of any person holding more than 5% of common shares under a voting trust or similar agreement.

iv. Change in Control

At present, there is no change in control nor is the Company aware of any arrangement that may result in a change in control of the Company since the beginning of the last fiscal year.

e. Foreign ownership level as of March 31, 2021

Security	Total outstanding shares	Shares owned by Foreigners	Percent of Ownership
Common Shares	4,922,324,907	76,263,679	1.55%

**Item 5. Directors and Executive Officers**

The By-Laws provides in part:

Each director is chosen by the stockholders at the annual meeting, or at such subsequent Meeting as may then be determined and shall hold office for one year until his successor is duly elected and qualified. (Section 1, Article II, By-Laws).

The Management Committee members and other officers, unless removed by the Board, shall serve as

such until their successors are elected or appointed.

**(a) Information required of Directors and Executive Officers**

**i. Directors and Executive Officers**

Pursuant to Section 38 of the new Securities Regulation Code (“SRC”) and SEC Memorandum Circular No. 16-02 (Guidelines on the Nomination and Election of Independent Directors), the By-Laws has been amended on October 30, 2003 to provide for the Nomination Committee and Election of Independent Directors under Article II, Sections 5 and 6, which reads:

**“Section 5. Nomination Committee** - There shall be a Nomination Committee which shall be independent and shall have at least three (3) voting members, one of whom is an independent director. It shall promulgate guidelines or criteria to govern the conduct of the nomination. It shall pre-screen the qualifications and prepare a final list of candidates which shall contain all the information about all the nominees for independent directors.

The Committee shall be constituted at least one month before the date set for the annual stockholders’ meeting. The nomination of independent director/s shall be conducted by the Committee prior to a stockholders’ meeting.

Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director/s. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders’ meeting.”

Last year, the Company amended the Corporate Governance Manual and subsumed the function of the Nominations Committee to the Corporate Governance Committee to create a Corporate Governance and Nominations Committee.

**“Section 6. Election of Independent Directors** - The election of Independent Directors shall be made in accordance with the by-laws of the Corporation, except as otherwise provided in other parts of these by-laws and subject to pertinent existing laws, rules and regulations of the Commission.

Cumulative voting shall not apply to the election of an independent director. Single balloting for the regular and independent director/s shall be made. In case however of failure of election for independent director/s, the Chairman of the Meeting shall call a separate election during the same Meeting to fill up the vacancy.

In case of resignation, disqualification or cessation of independent directorship, the vacancy shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Corporate Governance and Nomination Committee; otherwise, said vacancies shall be filled by the stockholders in a regular or special meeting called for that purpose. An independent director so elected to fill a vacancy shall serve only for the unexpired term of his predecessor in office.”

Following the recommendations of SEC Memorandum Circular 19, Series of 2016, issued on 22 November 2016 that approved the Code of Corporate Governance for Publicly-Listed Companies, the Corporate Governance and Nomination Committee was constituted by the Board of Directors on 20 November 2018 to assist the Board in the performance of its corporate governance responsibilities,

granting the said Committee the functions that were formerly assigned to the Nomination Committee. The charter of the Corporate Governance and Nomination Committee was approved by the Board of Directors also on 20 November 2018.

At the August 20, 2020 organizational meeting of the Board of Directors, the following directors were elected as members of the Corporate Governance and Nomination Committee: Mr. Alfonso Martin E. Eizmendi, Independent Director (as Chairman), Mr. Renato G. Nuñez, Independent Director (Member) and Mr. Jomark O. Arollado, Independent Director (Member).

The following persons, who constitute the final list of candidates presented and approved by the Corporate Governance and Nomination Committee have been nominated to the Board for the ensuing year and have accepted their nominations:

Gerardo Domenico Antonio V. Lanuza  
Renato G. Nuñez  
Gerardo O. Lanuza, Jr.  
Antonio O. Olbes  
Alfredo S. Del Rosario, Jr.  
Edmundo C. Medrano  
Gregory G. Yang  
Andrew C. Ng  
Amador C. Bacani  
Jomark O. Arollado  
Alfonso Martin E. Eizmendi

Mr. Alfonso Martin E. Eizmendi, Mr. Renato G. Nuñez, and Mr. Jomark O. Arollado were nominated as the three (3) Independent Directors to be elected at the Meeting. They were nominated by minority stockholders, Eduardo Lucero, Alfredo Alfonso and Patricia Sandejas, respectively.

Further, all the nominees possess all the qualifications and none of the disqualifications provided for in the SRC and its Implementing Rules and Regulations.

SEC Memorandum Circular No. 4, Series of 2017 prescribes a cumulative term limit of nine (9) years for independent directors of publicly listed companies, reckoned from the year 2012. The same circular provides, however, that where a company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting. The current tenure of the Company's three independent directors is still within the maximum cumulative term limit of 9 years.

Except for proceedings involving a director or executive officer in his/her official capacity, no one from the directors/executive officers for election at the Meeting has been involved in any legal or administrative proceedings in his/her personal capacity during the past five (5) years up to the present date that would materially affect his/her ability and integrity to serve as a director or executive officer.

A summary of the qualifications of the incumbent directors, nominees for directors for election at the annual stockholders meeting and incumbent officers is set forth in Annex "A"

**ii. Significant Employees**

Any director or officer who may be elected at the Meeting is expected to make significant contributions to the operations and business of the Company. Likewise, each employee is expected to do his share in achieving the Company's set goals.

**iii. Family Relationships**

Mr. Gerardo O. Lanuza, Jr., Chairman Emeritus of the Board, is the father of Mr. Gerardo Domenico Antonio V. Lanuza and first cousin of Mr. Antonio O. Olbes. Mr. Gregory Yang

is the father-in-law of Mr. Gerardo Domenico Antonio V. Lanuza

**iv. Involvement in Certain Legal Proceedings**

None of the Directors or Executive Officers is or has been involved in any criminal or bankruptcy proceeding, or is or has been subject to any judgment of a competent court barring or otherwise limiting his involvement in any type of business, or has been found to have violated any securities laws during the past five (5) years and up to the latest date.

In 1998, the Company sued Universal Leisure Corporation (“**ULC**”) for failing to pay the remaining sales price of condominium units. ULC bought the West Tower penthouse unit and 74 parking slots under two (2) Contracts to Sell. After paying a substantial amount, ULC refused to pay the balance due in the principal sums of ₱32.5 million and ₱32.4 million. In February 2004, a decision was rendered in favor of the Defendant on the account that ULC is an assignee of receivables from DMCI Project Developers, Inc. (“**DMCI-PDI**”) and Universal Rightfield Property Holdings, Inc. (“**URPHI**”). These receivables are allegedly owed by the Company to DMCI-PDI and URPHI as a result of the cancellation of a joint venture agreement in 1996 entered into by the Company, DMCI-PDI and URPHI. The Company was ordered to deliver to ULC the titles of the condominium units and return to ULC, as assignee of defendants DMCI-PDI and URPHI, the amount of ₱24.7 million; otherwise, to return to ULC the amounts which have been paid including what have been deemed paid over the condominium units and parking spaces, and pay attorney’s fees of ₱600,000. The Company appealed the decision to the Court of Appeals which affirmed the trial court’s decision with modification which reduced attorney’s fees to a total of ₱150,000. In December 2012, the Company filed a motion for Reconsideration and the same was denied. Thereafter, the Company filed a Petition for Review on Certiorari with the Supreme Court where the matter was resolved in favor of ULC.

In late 2018, the Company started discussions with ULC for an amicable settlement. On 15 March 2019, the Company fully settled and satisfied the judgement of the courts in Civil Case No. 67092, by returning to ULC (for itself and as assignee of URPHI and DMCI-PDI) the amounts that ULC paid and deemed to have paid in favor of RLT in the total amount of ₱231,150,000, covering the purchase of a Penthouse unit located at the 34th Floor, West Tower of the Philippine Stock Exchange Centre (“**PSEC**”) which was formerly called Tektite Towers, containing a floor area of 2,370 sq.m. and 74 parking slots located at the Podium 3 Parking Level of the West Tower of the PSEC. The settlement puts an amicable and mutually-beneficial closure to a 20-year-old legal case. With the agreement that also fully satisfied the judgement of the courts, RLT recovered a Penthouse unit located at the 34th Floor, West Tower of the Philippine Stock Exchange Centre (formerly Tektite Towers) and 74 parking slots located at the Podium 3 Parking Level of the West Tower of the Philippine Stock Exchange Centre (formerly Tektite Towers). The fair value of the Penthouse unit and the 74 parking slots have been determined recently by an independent property appraisal company accredited with the Securities and Exchange Commission (“**SEC**”) and with the PSE to be higher than the ₱231,150,000 returned by RLT to ULC.

In addition, the Company is involved in certain claims and pending lawsuits arising in the ordinary course of business which is either pending decision by the courts or under negotiation.

Certain subsidiaries are defendants or parties in various lawsuits and claims involving civil and labor cases. In the opinion of the subsidiaries’ management, these lawsuits and claims, if decided adversely, will not involve sums having material effect on the subsidiaries’ financial position or results of operations.

Management believes that the final settlement, if any, of the foregoing lawsuits or claims would not adversely affect the Company's financial position or results of operations.

**(b) Certain Relationships and Related Party Transactions**

The Parent Company and its subsidiaries, in their ordinary conduct of business, have engaged in transactions with associates and other related parties principally consisting of advances and reimbursement of expenses. Purchase of services to and from related parties are made on arm's length basis and at current market prices at the time of the transactions.

The Company has not entered into any material transaction nor is it a party to any transaction in which any director, executive officer or significant shareholder of the Company or any member of the immediate family of any of the persons mentioned in the foregoing had or is to have a direct or indirect material interest.

The Company's employees are required to promptly disclose any business and family related transactions with the Company to ensure that potential conflicts of interests are surfaced and brought to the attention of management.

**(c) Ownership Structure and Parent Company**

As of March 31, 2021, Greenhills Properties Inc. ("GPI") owns 35.67% of the total outstanding voting shares of the Company.

**(d) Resignation of Directors**

None of the directors have resigned or declined to stand for re-election to the Board of Directors since the date of the last annual meeting of security holders due to disagreement with the Company on any matter relating to the Company's operations, policies or practices.

**Item 6. Compensation of Directors and Executive Officers**

**(a) Executive Compensation**

	Year	Salary	Bonus	Per Diem	Other Annual Compensation	Total
President and CEO and 5 most highly compensated executive officers - Edmundo C. Medrano (EVP, COO, Treasurer), Carlos T. Paca (VP Business Development); Erwin V. Ciar (VP Project and Construction Mgt); Marissa S. Bontogon (VP Controller); Adeline Susan C. Carag (VP Property Mgt)	2019 -Actual	₱23.62M	₱7.78M	₱0.14M	None	₱31.55M
	2020 -Actual	25.98M	10.41M	0.14M	None	36.53M
	2021-Estimated	25.98M	10.41M	0.14M	None	36.53M
All officers as a group –	2019 -Actual	₱ 1.52M	₱0.21M	None	None	₱1.73M
Other officers include	2020 -Actual	1.74M	0.24M	None	None	1.95M
Richard Nicolas K. Go (VP Sales)	2021- Estimated	1.74M	0.24M	None	None	1.95M

The Executive Officers are elected annually by the Board of Directors at its first meeting following the annual stockholders' meeting. Every officer, including the President, is subject to removal at any time by the Board of Directors. All officers hold office for one year and until their successors are duly elected and qualified; provided that any officer elected to fill any vacancy shall hold office only for the unexpired term of the office filled.

The compensation of the Company's executive officers is fixed by the Board of Directors. They are covered by contract of employment and as such they are entitled to all the benefits accruing to salaried employees of the Company.

**(b) Compensation of Directors**

Directors are entitled to a per diem of ₱6,000 and ₱4,000 allowance for meals and transportation for board meetings attended except for Independent Directors who receive per diem of ₱20,000.00. In addition, the Board of Directors is entitled to a portion of the 5% of Net Income before Tax as profit-sharing incentive for directors, officers and staff.

The directors of the Registrant received per diem in the amount of ₱1,344,000, ₱1,144,000, ₱1,122,520 for 2020, 2019, and 2018, respectively

**Item 7. Independent Public Accountants**

- (a) The principal accountant and external auditor of the Company is Maceda Valencia & Co. The same accounting firm is being recommended for re-appointment at the annual stockholders meeting.

- (b) Representatives of Maceda Valencia & Co. for the current year and for the most recently completed fiscal year are expected to be present at the annual stockholders' meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

**(c) Changes in, and Disagreements with, Accountants on Accounting and Financial Disclosures**

Pursuant to the General Requirements of SRC Rule 68, Par. 3 (Qualifications and Reports of Independent Auditors), the Company has engaged Maceda Valencia & Co. as external auditor, and Mr. Antonio O. Maceda is the Partner-in-charge for the audit year 2020.

**(d) Audit and Audit-Related Fees**

The professional fees of independent auditors Maceda Valencia & Co. for 2019 and 2020 amount to ₱1,050,000 and ₱980,000, exclusive of VAT, respectively. Out of pocket expenses are pegged at 15% for 2019 and for 2020.

**(e) Tax fees**

In 2020, the Parent Company engaged the services of Maceda Valencia & Co. and Bernardo Placido Chan Lasam Law Offices for tax consulting services.

**(f) Audit Committee**

The Chairman of the Audit Committee is Renato G. Nuñez (Vice Chairman of the Board and Independent Director). The members are Alfonso Martin E. Eizmendi (Independent Director), Jomark O. Arollado (Independent Director), and Amador C. Bacani (Director).

**Item 8. Compensation Plans**

No matters or actions with respect to any compensation plan pursuant to which cash or noncash



compensation may be paid or distributed will be taken up during the Meeting.

## **C. ISSUANCE AND EXCHANGE OF SECURITIES**

### **Item 9. Authorization or Issuance of Securities Other than for Exchange**

No matters or actions concerning authorization or issuance of securities will be taken up during the Meeting.

### **Item 10. Modification or Exchange of Securities**

The Company will not be presenting any matter or act involving the modification of any class of the Company's securities or the issuance or authorization for issuance of one class of the Company's securities in exchange for outstanding securities of another class during the Meeting.

### **Item 11. Financial and Other Information**

The audited financial statements as of December 31, 2020, Management's Discussion and Analysis, Market Price of Shares and Dividends and other data related to the Company's financial information are attached hereto as Annex "B". The Schedules required under Part IV(c) of Rule 68 will be included in the Annual Report (SEC Form 17-A).

### **Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

There is no proposed merger, consolidation, acquisition by sale, or liquidation of the Company that will be presented during the Meeting.

### **Item 13. Acquisition or Disposition of Property**

There are no matters or actions to be taken up in the annual stockholders' meeting with respect to acquisition or disposition of any property by the Company requiring stockholders' approval under the Revised Corporation Code.

### **Item 14. Restatement of Accounts**

As used herein and in other sections of this Information Statement, unless the context otherwise requires, the Group refers to the Company and its subsidiaries where the Company has control pursuant to SRC Rule 68, Par. 6s (Consolidated Financial Statements).

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new and amended Philippine Financial Reporting Standards (PFRS) and the Philippine Interpretations of International Financial Reporting Interpretation Committee (IFRIC) which became effective beginning January 1, 2018.

Please refer to Note 32 of the attached Company's audited financial statements on the Summary of Significant Accounting Policies for the accounting of the new PFRS and IFRIC which became effective in 2020.

## **D. OTHER MATTERS**

### **Item 15. Action with respect to Reports**

The following matters shall be submitted to the stockholders for approval/ratification:

- (a) Approval of the Minutes of the Stockholders Meeting held on August 20, 2020,
- (b) Approval of the Annual Report of the Board of Directors and Audited Financial Statements as of December 31, 2020

- (c) Ratification of acts and proceedings of the Board of Directors, Board committees and officers since the last Annual Stockholders' Meeting held on August 20, 2020
- (d) Approval of the amendment to Article Four of the Articles of Incorporation and the amendment to Article III, Section 3 of the By Laws of the Corporation
- (e) Appointment of External Auditor for 2021; and
- (f) Other matters that may require consideration by the stockholders.

**Item 16. Matters Not Required to be Submitted**

There are no matters or actions to be taken up in the Meeting that will not require the vote of the stockholders as of the record date.

**Item 17. Amendment of Charter, By Laws or Other Documents**

The following are the amendments to be approved/ratified in the forthcoming ASM:

- (a) Article Four of the Articles of Incorporation shall be amended to read as follows:

“That the term for which the corporation is to exist is perpetual”

- (b) Article III, Section 3 of the By Laws shall be amended to read as follows:

“The President, shall be the Chief Executive Officer of the corporation, and who must be elected by the Board from their membership. In addition to such duties as may be delegated to him by the Board of Directors, he shall preside at all meetings of the directors and the stockholders of the corporation in case of the absence of the Chairman and the Vice-Chairman. He shall have general supervision of the affairs and property of the corporation, and over its several officers and employees. He shall execute all resolutions of the Board. The President shall submit to the Board as soon as possible after the close of its fiscal year, and to the stockholders at each annual meeting, a complete report of the operations of the corporation for the preceding year, and the state of its affairs, and he shall, from time to time, report to the Board, all matters within his knowledge which the interests of the corporation may require to be brought to its notice. He shall do and perform such other duties as from time to time may be assigned to him by the Board of Directors.”

There are no matters or actions to be submitted in the Meeting that will not require the vote of common stockholders as of the record date.

**Item 18. Other Proposed Action**

- (a) Ratification of the acts of the Board of Directors and Officers

Major acts of the board of directors, board committees and officers to be ratified in the forthcoming Meeting of the stockholders.

- i. Approval of the Charter of the Board of Directors
- ii. Availment of Metropolitan Bank & Trust Company's banking products and services
- iii. Execution by the Company of Non-Disclosure Agreement with Ifaratoc Mineral Resources Corporation
- iv. Approval of the revised audit fees of Maceda Valencia & Co.
- v. Appointment of Company's authorized representative to deal with various government offices in connection with sale or purchase of the Company's condominium units and parking spaces in Andrea North Skyline Tower, SkyVillas Tower, Tektite Towers, The Icon Plaza and Icon Residences
- vi. Sale of Company's condominium units/parking spaces in Andrea North Skyline Tower and SkyVillas Tower and appointment of signatory to the sale transaction

- vii. Opening of Account with Security Bank Corporation with authority to obtain loans and other credit accommodations from the said bank
- viii. Presentation of the Company's 10-year Project Plan Development Strategy
- ix. Approval of the Company's 2021 Financial Budget
- x. Approval of the date, time, place and manner of conducting the 2021 Annual Stockholders' Meeting
- xi. Approval and issuance of the Company's Audited Financial Statements ("AFS") for the year ended 2020 and the grant of authority to the President and CEO, Mr. Alfredo Del Rosario, Jr. to sign the AFS and to the Chairman, President and CEO and Executive Vice President and COO and Treasurer to sign the Statement of Management Responsibility for the FS and Annual Income Tax Return
- xii. Approval of the amendment to Article Four of the Articles of Incorporation and the amendment to Article III, Section 3 of the By-laws of the Corporation
- xiii. Conveyance by the Company of the lands, common areas and facilities of The Icon Residences (Icon Tower I and Icon Tower II) in favor of The Icon Residences Condominium Corporation in compliance with the Condominium Act, the Project's Master Deed and other applicable laws
- xiv. Appointment of Rizal Commercial Banking Corporation (RCBC) as one of the Corporation's Depositary Banks and Authorizing the Corporation to Avail of RCBC's Other Products and Services

#### **Item 19. Voting Procedures**

Voting in the 2021 ASM will be conducted virtually. The procedures for registration, participation and voting in the 2021 Annual Stockholders Meeting of the Company are detailed in "ANNEX F" of the Information Statement.

In the election of directors, the (11) nominees with the greatest number of votes will be elected directors. If the number of nominees for election as directors does not exceed the number of directors to be elected, the Secretary of the Meeting shall be instructed to cast all votes represented at the Meeting equally in favor of all such nominees. However, if the number of nominees for election as directors exceeds the number of directors to be elected, voting shall be done by ballot, cumulative voting will be followed, and counting of votes shall be done by three (3) election inspectors to be appointed by the stockholders who will participate in the Meeting. Should we include this considering that there are only 11 nominees to fill up the 11 seats and the voting is through online?

For corporate matters that will be submitted for approval and for such other matters as may properly come before the Meeting, a vote of the majority of the shares present at the Meeting is necessary for their approval.

All agenda items indicated in the Notice of Meeting will be included in the Online Stockholder Voting System and the registered stockholder may vote as follows:

- i. For items other than election of the Directors, the stockholder may vote: "For", "Against", or "Abstain". The vote shall be considered as cast for all the stockholder's shares.
- ii. For the election of Directors, the stockholder may vote for all the nominees, not vote for any of the nominees, or vote for some of the nominees only, in such number of shares as the stockholder may see fit, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of Directors to be elected.

The company undertakes to provide, free of charge, the Annual Report on SEC Form 17-A and 17Q ending March 31, 2021, should the stockholder request for one. The written request should be forwarded by mail to Atty. Rex P. Bonifacio, Corporate Secretary, Philippine Realty and Holdings Corporation, 5th Floor East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center,

Pasig City, or via email at [corporatesecretary@philrealty.com.ph](mailto:corporatesecretary@philrealty.com.ph). At the discretion of management, a charge may be made for exhibits, provided such charge is limited to reasonable expenses incurred by the registrant in furnishing such exhibits.

This information statement and the Annual Report in SEC Form 17-A will also be posted at the Company's website at <http://www.philrealty.com.ph/>

#### **SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, and based on available records, I certify that the information set forth in this report is true, complete, and correct. This report is signed in the City of Pasig on June 01, 2021

#### **PHILIPPINE REALTY AND HOLDINGS CORPORATION**

Issuer



ATTY. REX P. BONIFACIO  
Corporate Secretary

## **ANNEX “A”**

### **DIRECTORS AND KEY OFFICERS (as of December 31, 2020)**

The write-ups below include positions held as of December 31, 2020, and in the past five years, and personal data as of December 31, 2020, of directors and executive officers.

#### **Board of Directors**

Gerardo O. Lanuza, Jr.	Chairman Emeritus
Antonio O. Olbes	Vice-Chairman Emeritus
Gerardo Domenico Antonio V. Lanuza	Chairman
Renato G. Nuñez	Vice-Chairman and Independent Director
Alfredo S. Del Rosario, Jr.	Member
Edmundo C. Medrano	Member
Gregory G. Yang	Member
Andrew C. Ng	Member
Amador C. Bacani	Member
Jomark O. Arollado	Independent Director
Alfonso Martin E. Eizmendi	Independent Director

#### **Gerardo Lanuza, Jr. / 74 – Spanish / Filipino**

Chairman Emeritus of the Board of Philippine Realty and Holdings Corporation, Meridian Assurance Corporation, Universal Travel Corporation and Chairman and President of Greenhills Properties Inc. He sits as a Director in the following corporations: Gerzon Management Corporation, Broadford Property Holdings Inc., Merdom Corporation, Al Husn Manila, Inc., Domera Trading Corporation, Chiamil Trading Corporation, Nicora Trading Corporation, Xcell Property Ventures Inc., Julnad Assets Holdings Inc., Mernic Assets Holdings Inc., La Bodequita del Medio Inc., Merlan Holdings Inc., Peridot Asset Holdings Inc., Penzance Properties Holdings Corporation, Ju-Lan Assets Holdings Co. Inc., and Stonehaven Realty Services Inc. He is the nominee of Campos Lanuza & Co. Inc. to the Philippine Stock Exchange. He also serves as Treasurer of Lanuza Asset Holding Co. He was formerly Chairman of International Exchange Bank (“IBank”), Vice Chairman of Philippine Racing Club Inc., Vice President and Director of Makati Stock Exchange, Inc. and Director of Vulcan Industrial & Mining Corporation, Golden Arrow Mining Co., Inc., Apex Mining Co. Inc., Concrete Aggregates Corp., Philippine Overseas Drilling and Oil Development Corp., Surigao Consolidated Mining Co., Inc. and A Brown Company, Inc. He is a member of the Pasay-Makati Realtors Board, Inc. and Chamber of Real Estate and Builders Association, Inc. He graduated from De La Salle College with a degree in Bachelor of Science in Mechanical Engineering in 1969.

#### **Antonio O. Olbes / 74 - Filipino**

Vice-Chairman Emeritus of the Philippine Realty and Holdings Corporation and Director since 1968. He had previously served as Chairman and President of Meridian Assurance Corp. from 1994-2008, and President of Raco Trading Phils., Inc. He was formerly a manager at Sycip, Gorres, Velayo & Co., and was Executive Vice President, in charge of trading, at Francisco de Asia and Co. He held a number of directorships, which includes seats in the following groups: PRHC Property Managers, Inc., Greenhills Properties Inc. (Treasurer), Universal Travel Corporation (Vice-Chairman), ICON Tower Residences, Green Vista Development Corporation, SEBLO Business

Holdings Corporation, and Xcell Properties. He has also been named Honorary Consul General (in the Philippines) for the Republic of Nicaragua. He earned his Bachelor of Arts degree in Economics at Holy Cross College, Massachusetts, USA, and his master's degree in Business Administration from Bobson College, Massachusetts, USA. He completed his Advanced Management Programme at Oxford University, United Kingdom, in July 1995.

**Gerardo Domenico Antonio V. Lanuza / 37 – Filipino**

Chairman of the Board of Philippine Realty and Holdings Corporation. He was Executive Vice President and Chief Operating Officer of Philippine Realty and Holdings Corporation from 2014 to 2019 and was Vice President for Special Projects in 2010. He is a director at various companies such as Greenhills Properties Inc., British United Automotive Corp., A Brown Co. Inc., Klassik Motors Corp., and Campos, Lanuza & Co. Inc., where he also serves as the Vice President for Sales. He earned his Bachelor of Science degree in Legal Management at the De La Salle University, Manila in 2006.

**Renato G. Nuñez / 51 (Independent Director) - Filipino**

Vice-Chairman and Independent Director of Philippine Realty and Holdings Corporation since 2015. He is currently the President of CATS Motors, Inc., Techglobal Data Center, Inc., Techzone Philippines, Inc., LIA Philfoods, Inc., and Everland Estate Development Corp. Moreover, he is also a current Director of All British Cars, Inc., Cambie Property, Inc. Coventry Motors Corp., and Total Consolidated Asset Management, Inc. Previously, he served as Vice President of Leisure & Resorts World Corp., as well as Midas Hotel & Casino. He was once the Managing Director of Blue Chip Gaming & Leisure Corp., Vice President and Director of AB Leisure Global, Inc., President of Arwen Gaming & Leisure Specialist, Inc., Vice President for Finance of Binondo Leisure and Resort Corp., and Vice President of AB Leisure Exponent., Inc. He completed his BS Industrial Management Engineering degree Minor in Mechanical Engineering at De La Salle University in 1991.

**Alfredo S. Del Rosario / 65 – Filipino**

President and Chief Executive Officer of Philippine Realty and Holdings Corporation since August 1, 2016. Currently, Mr. Del Rosario is Chairman of Recon-X Energy Corporation and is also a member of Board of Directors of PRHC Property Management, Inc., Universal Travel, Inc., Sultan Power, Inc., Rizal MicroBank, and Camera Club of the Philippines Center, Inc. Prior to joining RLT, he worked for Rizal Commercial Banking Corporation ("RCBC") as Executive Vice President, heading several groups of the bank, including Commercial Banking, Overseas Filipino Banking, and Asset Management and Remedial. Before joining RCBC, he also headed the Trust and Investment Division and Information Technology Division of AB Capital and Investment Corporation as a Senior Vice President. He also held various positions in AsianBank, Bank of America NT & SA Manila, Philippine Airlines, and Ayala Investments & Development Corporation. He graduated from Ateneo de Manila University with a Bachelor of Science degree in Management in 1976. He has taken up units towards an MBA degree at the Ateneo Graduate School and subjects leading to a Juris Doctor degree at the Ateneo Law School.

**Edmundo C. Medrano / 67 – Filipino**

Executive Vice President and Chief Operating Officer, Chief Financial Officer and Treasurer of Philippine Realty and Holdings Corporation. He was elected in 2018 as an Independent Director of Credit Information Corporation representing the private sector and Chairman of its Audit Committee. He is currently a member of the Board of Directors of Casa Miguel Condominium Corporation, Universal Travel Corporation, Andrea North Condominium Corporation and Recon-X Energy Corporation. He previously held the positions of Executive Vice President at Philtrust Bank; Vice Chairman, President and Chief Operating Officer at Producers Savings Bank Corporation; Senior Vice President at Asiatruster Development Bank; Senior Vice President at AB Capital and Investment Corporation and Head of Investment Banking and concurrently General Manager of AB Leasing and Finance Corporation; and First Vice President at AsianBank Corporation. He took his Masters of Business Management at the Asian Institute of Management from 1974 to 1976. He graduated from De La Salle College with a Degree of Bachelor of Science in Commerce major in Accounting in 1974, **Cum Laude**, and Bachelor of Arts major in Economics in 1974, **Cum Laude**.

**Gregory G. Yang / 64 – Filipino**

Formerly Senior Vice President and General Manager of the operating company, McGeorge Food Industries (local licensee of McDonald's). He opened the first McDonald's in 1981, having trained in Hong Kong and USA for one year and earning a degree in hamburgerology from McDonald's Hamburger University. His previous work experience includes serving as Assistant Manager of the International Corporate Bank, from 1978 to 1980, and Account Officer at the Makati Leasing and Financing Corporation from 1976 to 1978. He graduated from University of the Philippines in 1976 with a BS Business Administration degree.

**Andrew C. Ng / 37 – Filipino**

Vice President of Alpha Alleanza Manufacturing, Inc. Philippines since 2009. He was formerly the Assistant Operations Manager Trainee of Pinncale Foods, Inc., Philippines, serving from 2005 to 2009, and was a Management Trainee at Procter & Gamble Philippines in 2004. He earned his Bachelor of Science degree in Industrial Engineering at De La Salle University, Manila in 2005.

**Amador C. Bacani / 72 – Filipino**

Formerly the President of Philippine Realty and Holdings Corporation from 2002 to 2014. He also worked in the same Company as Executive Vice President from 1995 to 2002. He is currently the President of Xcell Property Ventures, Inc. (a joint venture partner of the Company). Previously, he was First Vice President and Head of Consumer Banking Group of Rizal Commercial Banking Corporation and served as First Vice President & Head of Branches Operations Support Division as well. He held several other high-level positions in Campos, Lanuza & Co. Inc., Decision Systems Corporation, Security Bank and Trust Company, Allied Banking Corporation, Asian Merchant Finance Inc., Bank of the Philippine Islands, Citibank, N.A. (Manila), and Procter & Gamble Phils., Inc. He graduated with a Bachelor of Science degree in Mechanical Engineering, **Summa Cum Laude**, from De La Salle College in 1969, and earned his Master of Science in Industrial Administration degree at the Carnegie-Mellon, USA, in 1972.

**Jomark O. Arollado / 37 (Independent Director) – Filipino**

Served as Plant Manager and Strategic Business Unit ("**SBU**") Head of Rapid Forming Corporation since 2013. Previously, he was also a Plant Manager of Silangan Philtrade Corporation, serving from

2011 to 2012. His first professional stint at Rapid Forming Corporation was in 2006 as the SBU head. Prior, he has worked as the ISO Document Controller at SGV & Co. in 2004. He graduated with a Bachelor of Science degree in Industrial Engineering at Dela Salle University Manila in 2005.

**Alfonso Martin E. Eizmendi / 56 (Independent Director) - Filipino**

President and CEO of Royal Link Industries Inc., Yields Financial Corporation, Park Cent Tower Realty Corp., and WGP Villa Realty Corp. Aside from Philippine Realty and Holdings Corp., he is also a Director of Meridian Assurance Corp. Secret 6 Inc., CleanPro, Director and President of The Icon Plaza Condominium Corp., Frimar Realty and Frimar USA. He was formerly the Vice-Chairman of Vi@je Corp. from 2000 to 2001, and Chairman of Blue Star Insurance Brokerage from 1998 to 2001. He graduated from De La Salle University in 1986 with bachelor's degree in Political Science.

**Key Executive Officers**

Alfredo S. Del Rosario Jr.*	President and Chief Executive Officer
Edmundo C. Medrano*	Executive Vice President and Chief Operating Officer and Treasurer
Erwin V. Ciar	Vice President and Head, Project Construction and Management
Adeline Susan C. Carag	Vice President and Head, Property Management Services
Carlos Miguel T. Paca	Vice President and Head, Business Development and Investment Relations Officer
Richard Nicolas K. Go	Vice President and Head, Sales
Marissa S. Bontogon	Vice President and Controller and Risk Officer
Atty. Rex P. Bonifacio	Corporate Secretary
Mark Anthony M. Ramos	Assistant Vice President for Accounting, Compliance Officer and Data Protection Officer

\* Members of the Board

**Erwin V. Ciar / 46 – Filipino**

Vice President and Head, Project Construction and Management of Philippine Realty and Holdings Corporation since September 2014. Concurrently, he is also Member of Board of Directors and Treasurer of PRHC Property Managers Inc. Mr. Ciar has extensive work experience for twenty-three years in the fields of project and construction management, construction supervision and contract management. He was the Vice Director PCMD for Bitexco Group of Companies from 2008 to 2014. He graduated at Pamantasan ng Lungsod ng Maynila in 1996 with a Bachelor of Science in Civil Engineering.

**Adeline Susan C. Carag / 63 – Filipino**

Ms. Carag is currently Vice President and Head, Property Management Services of Philippine Realty and Holdings Corporation. She is also currently the President of PRHC Property Managers Inc. She graduated from Eulogio “Amang” Rodriguez Institute of Science and Technology (“**EARIST**”) in 1978 with a degree of Bachelor of Science in Chemical Engineering and Bachelor of Science in Industrial Education.

**Carlos Miguel T. Paca / 45 – Filipino**



Mr. Paca concurrently holds the positions of Vice President Head, Business Development and Investor Relations Officer of Philippine Realty and Holdings Corporation. He also holds the position as Member of the Board of Directors of Philippine Stock Exchange Centre Condominium Corporation, Hola Comerciantes, Inc., and Meridian Assurance Corp. He graduated at De La Salle University with a degree of Bachelor of Science, Industrial Engineering with Minor in Mechanical Engineering in 1995.

**Richard Nicolas K. Go / 38 – Filipino**

Mr. Go is currently the Vice President and Head of Sales of Philippine Realty and Holdings Corporation. He previously worked as Sales Manager at Arthaland Corporation. He graduated from De La Salle University College of Saint Benilde in 2004 with a degree in Hotel, Restaurant and Institution Management.

**Marissa S. Bontogon / 48 – Filipino**

Vice President and Controller and Risk Officer of Philippine Realty and Holdings Corporation. She is a Certified Public Accountant and Certified Financial Consultant. She received her Bachelor of Science degree in Accountancy from De La Salle University in 1992.

**Atty. Rex P. Bonifacio / 48 – Filipino**

Atty. Bonifacio is the current Corporate Secretary of Philippine Realty and Holdings Corporation. Concurrently, he is also the Corporate Secretary of Philippine Stock Exchange Centre Condominium Corporation and a Partner at Pastelero Law Office. He finished his Pre-law at San Sebastian College Recoletos Manila in 1992 with a degree of AB Political Science, **Cum Laude**. In 1996, he completed his Bachelor of Laws degree in San Sebastian College of Law and passed the Bar in 2004.

**Mark Anthony M. Ramos / 38 – Filipino**

Mr. Ramos concurrently holds the positions of Assistant Vice President for Accounting, Compliance Officer and Data Protection Officer. He is a Certified Public Accountant and Certified Internal Auditor. He earned his Masters in Business Administration from Ateneo Graduate School of Business. He graduated from Philippine School of Business Administration with a Degree of Bachelor of Science in Accountancy in 2003, **Cum Laude**.

## ANNEX “B”

### MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Philippine Realty and Holdings Corporation (interchangeably referred to as the “**Company**” or the “**Parent Company**”) continues to improve on its operations and financial performance, exhibiting improvements in profitability and maintaining very healthy liquidity and solvency position.

#### A. REVIEW OF 2020 OPERATIONS VS 2019

##### I. REVIEW OF CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDING DECEMBER 31, 2020 VS. DECEMBER 31, 2019

1. **Consolidated net income after tax.** Philippine Realty and Holdings Corporation posted net income after tax of **₱40 Million** for the 12 months ended December 31, 2020 compared to **₱485 Million** net income after tax for the same period last year. The decrease in the Company’s profitability is explained below.

##### a. **Income**

- 1) **Sales of real estate.** Sales of real estate decreased by **₱810 Million** or by 75% for the 12 months ended December 31, 2020 compared to the sales of real estate for the same period in 2019. Sales of real estate pertains to units sold at Skyline and SkyVillas Towers located in Quezon City, and at Icon Plaza located in Bonifacio Global City.
- 2) **Rent.** Rental income was steady in spite of COVID 19 pandemic, reflecting an increase of **₱18 Million** or an increase of 36% compared to last year.
- 3) **Commission Income.** This item was lower by 22% compared to 2019 due to the pandemic.
- 4) **Other income.** Other income for the twelve months ended December 31, 2020 decreased by **₱386 Million** or by 55% compared to the twelve months ended December 31, 2019. Other income consists largely of Gain on fair value changes on investment properties. Gain on fair value decreased by **₱260 Million** or by 48% as the increase in the fair value of Investment properties, consisting of commercial, office and storage condominium units for lease as well as parking units for lease located in the PSEC (Tektite Towers) and at the Icon Plaza located in BGC, was not as large as the Gain on fair value recorded in 2019.

##### b. **Costs and Expenses**

- 1) **Cost of real estate sold.** In terms of percentage to Sales of real estate, Cost of real estate sold decreased to 48% in 2020, whereas it was at 52% of Sales of real estate for the same period in 2019.
- 2) **General and administrative expenses.** General and administrative expenses decreased by **₱216 Million** or by 42%, accounted for by the **₱114 Million** decrease in Commissions and Selling expenses; and a decrease by **₱140 Million** in

impairment losses.

**c. Subsidiaries.**

The contributions of the Parent Company's subsidiaries to revenues and net income are shown below.

- 1) **PRHC Property Managers, Inc. ("PPMI")**. The Parent Company's property management subsidiary registered a Net income of ₱9.2 Million for the twelve months ended December 31, 2020. It is higher by ₱2.5 Million compared to the Net income registered by PPMI for the same period last year.
- 2) **Tektite Insurance Brokers, Inc. ("TIBI")**. The Group's insurance brokerage firm posted a net loss of ₱0.8 Million for the for twelve months ended December 31, 2020 compared to the ₱0.7 Million net loss registered by TIBI for the same period last year.

**II. REVIEW OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE PERIOD ENDING DECEMBER 31, 2020 VS. DECEMBER 31, 2019**

1. **Total assets**. The Company's Total assets stood at ₱6.10 Billion as of December 31, 2020, lower by ₱89 Million compared to the ₱6.19 Billion level of Total assets as of December 31, 2019.

The Company's Real estate assets accounted for 61% of the Total assets of the Company as of December 31, 2020.

Real estate inventories decreased by ₱358 Million from December 31, 2019 to December 31, 2020, or by 31%, due to the reclassification of the Parent Company's Baguio property to Investment property from Real estate inventories.

Investment properties increased by ₱689 Million or from ₱2.223 Billion in 2019 to ₱2.912 Billion in 2020 largely due to: i) Reclassification from Real estate Inventory of Baguio property to Investment property; and ii) recognition of gain on fair value adjustments on the Parent Company's Investment properties.

2. **Total liabilities**. Total liabilities decreased by ₱127 Million on account of: i) loan payments by the Parent Company; and ii) payments of trade payables to different suppliers and contractors by the Parent Company.
3. **Total Equity**. Total equity was recorded at ₱3.973 Billion as of December 31, 2020, higher by ₱38.0 Million compared to ₱3.935 Billion as of December 31, 2019.

Total equity increased by ₱38 Million from December 31, 2019 to December 31, 2020, which increase corresponds to the RLT Group's Total comprehensive income of ₱40 Million for the year 2020 less P2 Million reduction in Reserves.

### III. Performance Indicators

The table below presents the comparative performance indicators of the Company and its subsidiaries.

Performance Indicators	31 December 2020 Audited	31 December 2019 Audited
Current ratio <sup>1</sup>	5.15:1	2.91:1
Debt-to-equity ratio <sup>2</sup>	0.54:1	0.57:1
Asset-to-equity ratio <sup>3</sup>	1.54:1	1.57:1
Book value per share <sup>4</sup>	₱0.85	₱0.84
Earnings per share <sup>5</sup>	₱0.01	₱0.10

<sup>1</sup> *Current assets / current liabilities*

<sup>2</sup> *Total debt / consolidated stockholders' equity*

<sup>3</sup> *Total assets / Total stockholders' equity*

<sup>4</sup> *Total stockholders' equity plus Subscriptions receivable / No. of shares outstanding*

<sup>5</sup> *Net income attributable to equity holders of Parent Company / Weighted average no. of common shares issued and outstanding*

The table above reflects the continuing improvement of the RLT Group in terms of liquidity, solvency and profitability.

- 1. Current ratio.** The Group's current ratio, already very healthy in 2019, reflected substantial improvement still in 2020. Current ratio improved from 2.91:1 as of 31 December 2019 to 5.15:1 as of 31 December 2020.
- 2. Debt-to-equity ratio.** Similarly, the RLT Group's Debt-to-equity ratio remained very conservative for the periods under review as the Company's financial leverage improved further to 0.54:1 in 2020 from 0.57:1 in 2019. This is due to the combined favorable effects of reduction in Loans payable and Accounts payable and increase in Equity.
- 3. Asset-to-equity ratio.** The Asset-to-equity ratio of the Company also showed improvement at 1.57:1 in December 2020 from 1.54:1 as of December 2019.

The steady performance of Debt-to-equity ratios and Asset-to-equity ratios of the RLT Group for the periods under review clearly demonstrate that the Parent Company's real estate business is currently being financed primarily by funds provided by its shareholders and a small amount of debt.

- 4. Book value per share.** The performance of the RLT Group's Book value per share has also been a very encouraging. It has been consistently improving from ₱0.84 per share as of end-December 2019 and to ₱0.85 per share as of 31 December 2020.

There was no issuance, repurchase or payment/repayment of neither debt and equity securities nor dividends during the year 2020.

As of this report, there is no other known event that will trigger direct or contingent financial obligation that is material to the Company. Moreover, there is no material off-balance sheet transaction, arrangement, obligation and other relationship of the Company with unconsolidated entities or other persons created during this period.

5. **Earnings per share.** Due largely to the unfavorable effect of the COVID-19 pandemic to its operations, the RLT Group's Earnings per share decreased from ₱0.10 per share to ₱0.01 per share.

## **B. REVIEW OF 2019 OPERATIONS VS 2018**

### **I. REVIEW OF CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDING DECEMBER 31, 2019 VS. DECEMBER 31, 2018**

1. **Consolidated net income after tax.** The Company posted net income after tax of ₱485 Million for the 12 months ended December 31, 2019 compared to ₱391 Million net income after tax for the same period last year, or an increase in the Company's consolidated net income after tax of ₱94 Million or a 24% increase. The improvement in the Company's profitability is explained below.

#### **a. Income**

- 1) **Sales of real estate.** Sales of real estate increased by ₱65 Million or by 6% for the 12 months ended December 31, 2019 compared to the sales of real estate for the same period in 2018. Sales of real estate pertains to units sold at Skyline and SkyVillas Towers located in Quezon City, and at Icon Plaza located in Bonifacio Global City "BGC". The increase in sales in 2019 is due to the aggressive sales and marketing efforts of the Parent Company.
- 2) **Management fees.** This item was also higher by 26% due to additional engagements obtained by one of the Parent Company's subsidiaries.
- 3) **Other income.** Other income for the twelve months ended December 31, 2019 increased by ₱35 Million or by 5% compared to the twelve months ended December 31, 2018. Other income consists of Gain on fair value changes in investment property, which increased by ₱30 Million or a 6% increase due to the increase in the fair value of Investment properties consisting of commercial, office and storage condominium units for lease as well as parking units for lease located in the Philippine Stock Exchange Centre ("PSEC") which was formerly known as Tektite Towers, and at the Icon Plaza located in BGC.

#### **b. Costs and Expenses**

- 1) **Cost of service and units sold.** In terms of percentage to Sales of real estate, Cost of service and units sold decreased in 2019 at 58%, whereas it was at 60% of Sales of real estate for the same period in 2018.
- 2) **General and administrative expenses.** General and administrative expenses increased by ₱6 Million or by 1%, but the higher level of expenses was accounted for by the ₱80.8 Million increase in Allowance for impairment losses in 2019 due to the aggressive compliance by the Parent Company to the requirements of PFRS 9.

It may be worthwhile to note that in spite of the 6% increase in Sales of real estate in 2019 compared to 2018, Marketing expenses went down by ₱30.6 Million or by 16% in 2019.

c. **Subsidiaries.**

The contributions of the Parent Company's subsidiaries to revenues and net income are shown below.

- 1) **PRHC Property Managers, Inc. ("PPMI")**. The Parent Company's property management subsidiary registered a Net income of ₱6.4 Million for the twelve months ended December 31, 2019. It is higher by ₱3.6 Million compared to the Net income registered by PPMI for the same period last year.
- 2) **Tektite Insurance Brokers, Inc. ("TIBI")**. The Group's insurance brokerage firm posted a net loss of ₱0.7 Million for the for twelve months ended December 31, 2019 which is lower by ₱2.3 Million compared to the ₱3 Million net loss registered by TIBI for the same period last year.

II. **REVIEW OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE PERIOD ENDING DECEMBER 31, 2019 VS. DECEMBER 31, 2018**

1. **Total assets.** The Company's Total assets stood at ₱6.2 Billion as of December 31, 2019, higher by ₱1.2 Billion compared to the ₱5 Billion level of Total assets as of December 31, 2018.

The Company's Real estate assets accounted for 55% of the Total assets of the Company as of December 31, 2019.

Real estate inventories decreased by ₱272 Million from December 31, 2018 to December 31, 2019, or by 19%, due to the hugely successful effort of the Parent company to sell its Skyline and SkyVillas inventory of condominium units.

The decrease in Real estate inventories is somehow compensated for by the ₱353 Million increase in Net trade and other receivables that increased by 28% from December 31, 2018 to December 31, 2019, as a result of selling terms granted to some of the Company's buyers.

Investment properties increased by ₱530 Million or from ₱1.693 Billion in 2018 to ₱2.223 Billion in 2019 due to largely to: i) new acquisitions by the Parent Company of condominium units and parking slots at Tektite Towers below market prices as part of a deliberate strategy of the Parent Company to acquire properties for lease to increase its recurring income; and ii) recognition of gain on fair value adjustments on the Parent Company's Investment properties.

2. **Total liabilities.** Total liabilities increased by ₱705 Million largely due to additional loans acquired by the Parent Company.
3. **Total Equity.** Total equity was recorded at ₱3.9 Billion as of December 31, 2019 compared to ₱3.5 Billion as of December 31, 2018.

Total equity increased by ₱464 Million from December 31, 2018 to December 31, 2019, which increase corresponds to the RLT Group's Total comprehensive income for the year 2019.

### III. Performance Indicators

The table below presents the comparative performance indicators of the Company and its subsidiaries.

Performance Indicators	31 December 2019 Audited	31 December 2018 Audited
Current ratio <sup>1</sup>	2.91:1	4.15:1
Debt-to-equity ratio <sup>2</sup>	0.57:1	0.45:1
Asset-to-equity ratio <sup>3</sup>	1.57:1	1.45:1
Book value per share <sup>4</sup>	₱0.84	₱0.74
Earnings per share <sup>5</sup>	₱0.10	₱0.08

<sup>1</sup> *Current assets / current liabilities*

<sup>2</sup> *Total debt / consolidated stockholders' equity*

<sup>3</sup> *Total assets / Total stockholders' equity*

<sup>4</sup> *Total stockholders' equity plus Subscriptions receivable / No. of shares outstanding*

<sup>5</sup> *Net income attributable to equity holders of Parent Company / Weighted average no. of common shares issued and outstanding*

The table above reflects the continuing improvement of the RLT Group in terms of liquidity, solvency and profitability.

1. **Current ratio.** While the Group's current ratio is showing a decreasing trend by from 4.15:1 in December 2018 to 2.91:1 in December 2019, the Company's current ratio is still way, way above the acceptable level and is still extremely healthy.
2. **Debt-to-equity ratio.** Similarly, the RLT Group's Debt-to-equity ratio has remained very conservative for the periods under review as the Company's financial leverage stayed steady at 0.57:1 in spite of the Parent Company taking in additional loans.
3. **Asset-to-equity ratio.** The Asset-to-equity ratio of the Company also showed steadiness over time as it is stood unchanged at 1.57:1 from December 2018 to December 2019.

The steady performance of Debt-to-equity ratios and Asset-to-equity ratios of the RLT Group for the periods under review clearly demonstrate that the Parent Company's real estate business is currently being financed primarily by funds provided by its shareholders and a small amount of debt.

4. **Book value per share.** The performance of the RLT Group's Book value per share has also been a very encouraging. It has been consistently improving from ₱0.74 per share as of end-December 2018 and to ₱0.84 per share as of 31 December 2019 or an improvement of 13%.

There was no issuance, repurchase or payment/repayment of neither debt and equity securities nor dividends during the year 2019.

As of this report, there is no other known event that will trigger direct or contingent financial obligation that is material to the Company. Moreover, there is no material off-balance sheet transaction, arrangement, obligation and other relationship of the Company with unconsolidated entities or other persons created during this period.



5. **Earnings per share.** Due largely to the Parent Company's improving earnings performance, the RLT Group's Earnings per share improved by 26% in 2019 from ₱0.08 per share to ₱0.10 per share.

## C. REVIEW OF 2018 OPERATIONS VS 2017

### I. REVIEW OF CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDING DECEMBER 31, 2018 VS. DECEMBER 31, 2017

1. **Consolidated net income after tax.** The Company posted net income after tax of **₱390 Million** for the 12 months ended December 31, 2018 compared to **₱263 Million** net income after tax for the same period last year, or an increase in the Company's consolidated net income after tax of **₱127 Million** or a by a hefty 48% increase. The improvement in the Company's profitability is explained below.

#### a. Income

1. **Sales of real estate.** Sales of real estate increased by **₱223 Million** or by 28% for the 12 months ended December 31, 2018 compared to the sales of real estate for the same period last year. Sales of real estate pertains to units sold at SkyLine and SkyVillas Towers located in Quezon City, and at Icon Plaza located in Bonifacio Global City. The increase in sales in 2018 is due to the aggressive sales and marketing efforts of the Parent Company.
2. **Rent.** Rental income increased **₱55 Million** or by 117% due to the increase in leasable spaces and additional lease agreements entered into by the Parent Company.
3. **Management fees.** This item was also higher by 12% due to additional engagements obtained by one of the Company's subsidiaries.
4. **Gain on sale of property and equipment.** Gain on sale of property and equipment increased by **₱4 Million** due to the sale of an Office unit by one of the Parent Company's subsidiaries.
5. **Other income.** Other income for the twelve months ended December 31, 2018 increased by **₱302 Million** or by 70% compared to the twelve months ended December 31, 2017. Other income consists of Gain on fair value changes in investment property, which increased by **₱157 Million** or a 44% increase due to the increase in the fair value of Investment properties consisting of commercial, office and storage condominium units for lease as well as parking units for lease located in the Philippine Stock Exchange Centre (also known as "Tektite Towers") and at the Icon Plaza located in Bonifacio Global City ("BGC").

#### b. Costs and Expenses

1. **Cost of service and unit sold.** For the twelve months ended December 31, 2018 compared to the twelve months ended December 31, 2018, Cost of service and unit sold increased by 23%, but this is due to the proportionate increase in Sales of real estate registered in 2018.

In terms of percentage to Sales of real estate, Cost of service and unit sold decreased in 2018 at 60%, whereas it was at 65% of Sales of real estate for the same period in 2017.

2. **General and administrative expenses.** General and administrative expenses

increased by ₱188 Million or by 59%, but the higher level of expenses was accounted for by the ₱108 Million increase in Marketing, commission and sales expenses.

**c. Subsidiaries**

The contributions of the Company's subsidiaries to revenues and net income are shown below.

4. **PRHC Property Managers, Inc. ("PPMI")**. The Company's property management subsidiary, registered a Net income of ₱2.8 Million for the twelve months ended December 31, 2018. It is lower by ₱14 Million compared to the Net income registered by PPMI for the same period last year.
5. **Tektite Insurance Brokers, Inc. ("TIBI")**. The Group's insurance brokerage firm, posted a net loss of ₱3 Million for the for twelve months ended December 31, 2018 which is higher by ₱2 Million compared to the ₱1 Million net loss registered for the same period last year.

**II. REVIEW OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE PERIOD ENDING DECEMBER 31, 2018 VS. DECEMBER 31, 2017**

1. **Total assets**. The Company's Total assets stood at ₱5 Billion as of December 31, 2018, higher by ₱559 Million compared to the ₱4.5 Billion level of Total assets as of December 31, 2017.

The Company's Real estate assets accounted for 62% of the Total assets of the Company as of December 31, 2018.

Real estate inventories decreased by ₱474 Million from December 31, 2017 to December 31, 2018, or by 25%, due to the hugely successful effort of the Parent company to sell its SkyLine and SkyVillas inventory of condominium units.

The decrease in Real estate inventories is somehow compensated for by the ₱203 Million increase in Net trade and other receivables that increased by 19% from December 31, 2017 to December 31, 2018, as a result of selling terms granted to some of the Company's buyers.

Investment properties increased by ₱828 Million or from ₱865 Million in 2017 to ₱1.693 Billion in 2018 due to largely to: i) acquisition by the Parent Company of condominium units and parking slots at Tektite Towers below market prices as part of a deliberate strategy of the Parent Company to acquire properties for lease to increase its recurring income; ii) acquisition by the Parent Company of condominium units and parking slots from Xcell Property Ventures Inc. ("Xcell") at sub-market prices as part of the settlement by Xcell of its payables to the Parent Company; and iii) recognition of gain on fair value adjustments on the Company's Investment properties.

2. **Total liabilities**. Total liabilities increased by ₱170 Million largely due to accrual of Parent Company's liability to Universal Leisure Corporation (for itself and as assignee of URPHI and DMCI-PDI) as a result of an amicable settlement to fully settle and satisfy the judgement of the courts in Civil Case No. 67092, by returning to Universal Leisure Corporation ("ULC") the amounts that ULC paid and deemed to have paid in favor of the Company in the total amount of ₱231.150 Million, covering the cancellation of sale of a Penthouse unit located at the 34<sup>th</sup> Floor, West Tower of the Tektite Towers containing a floor area of 2,370 sq.m. and 74 parking

slots located at the Podium 3 Parking Level of the West Tower of the Tektite Towers.

- 3. Total Equity.** Total equity was recorded at ₱3.5 Billion as of December 31, 2018 compared to ₱3.0 Billion as of December 31, 2017.

Total equity increased by ₱389 Million from December 31, 2017 to December 31, 2018.

Retained earnings increased by ₱464 Million during the same period. The net income for the period and the reclassification of ₱140.3 Million from Appropriated retained earnings for buy-back of shares to Unappropriated retained earnings caused the 303% increase in Unappropriated retained earnings in December 2018.

### III. PERFORMANCE INDICATORS

The table below presents the comparative performance indicators of the Company and its subsidiaries.

Performance Indicators	31 December 2018 Audited	31 December 2017 Audited
Current ratio <sup>1</sup>	4.15:1	11.13:1
Debt-to-equity ratio <sup>2</sup>	0.45:1	0.45:1
Asset-to-equity ratio <sup>3</sup>	1.45:1	1.45:1
Book value per share <sup>4</sup>	₱0.74	₱0.66
Earnings per share <sup>5</sup>	₱0.08	₱0.05

<sup>1</sup> *Current assets / current liabilities*

<sup>2</sup> *Total debt / consolidated stockholders' equity*

<sup>3</sup> *Total assets / Total stockholders' equity*

<sup>4</sup> *Total stockholders' equity plus Subscriptions receivable / No. of shares outstanding*

<sup>5</sup> *Net income attributable to equity holders of Parent Company / Weighted average no. of common shares issued and outstanding*

The table above reflects the continuing improvement of the Company in terms of liquidity, solvency and profitability.

- 1. Current ratio.** The Company's Current ratio decreased by 63% from December 2017 to December 2018 mainly due to a combined increase in current liabilities and decrease in current assets. However, the current ratio of 4.15:1 as of 31 December 2018 is still extremely healthy.
- 2. Debt-to-equity ratio.** Similarly, the Company's Debt-to-equity ratio has remained very conservative for the periods under review as the Company's financial leverage stayed steady at 0.45:1.
- 3. Asset-to-equity ratio.** The Asset-to-equity ratio of the Company also showed steadiness over time as it is stood unchanged at 1.45:1 from December 2017 to December 2018.

The steady performance of Debt-to-equity ratios and Asset-to-equity ratios of the Company for the periods under review clearly demonstrate that the Company's real estate business is currently being financed primarily by funds provided by its shareholders and a small amount of debt.

4. **Book value per share.** The performance of the Company's Book value per share has also been a very encouraging. It has been consistently improving from ₱0.66 per share as of end-December 2017 and to ₱0.74 per share as of 31 December 2018 or an improvement of 12%.

There was no issuance, repurchase or payment/repayment of neither debt and equity securities nor dividends during the year 2018.

As of this report, there is no other known event that will trigger direct or contingent financial obligation that is material to the Company. Moreover, there is no material off-balance sheet transaction, arrangement, obligation and other relationship of the Company with unconsolidated entities or other persons created during this period.

5. **Earnings per share.** Due largely to the Parent Company's improving earnings performance, the Company's Earnings per share improved by 60% in 2018 from ₱0.05 per share to ₱0.08 per share.

#### **D. FINANCIAL RISK MANAGEMENT**

The Company's activities expose it to a variety of financial risks. The Group's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Group. The policies for managing specific risks are summarized below:

1. **Foreign currency risk.** The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise with respect to transactions denominated in US Dollars. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. Significant fluctuation in the exchange rates could significantly affect the Group's financial position.

Foreign exchange risk exposure of the Group is limited to its cash and cash equivalents. Currently, the Group has a policy not to incur liabilities in foreign currency. Construction and supply contracts, which may have import components, are normally denominated in Philippine peso.

2. **Credit risk.** Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group has adopted stringent procedures in evaluating and accepting risk by setting counterparty and transaction limits. In addition, the Group has policies in place to ensure that sales are made to customers with an appropriate and acceptable credit history.

In respect of installments receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Company also undertakes supplemental credit review procedures for certain installment payment structures. The Company's stringent customer requirements and policies in place contribute to lower customer default than its competitors. Customer payments are facilitated through various collection modes including the use of postdated checks. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Company security deposits and advance rentals which help reduce the Company's credit risk exposure in case of defaults by the tenants. For existing tenants, the Company has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Other financial assets are comprised of cash and cash equivalents excluding cash on hand, financial assets at Fair Value through Profit and Loss ("FVPL"), financial assets at Fair Value through Other Comprehensive Income ("FVOCI") and advances to subsidiaries and associates. The Company adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank investment limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Company closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

3. **Interest rate risk.** Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The primary source of the Group's interest rate risk relates to its cash and cash equivalents and loans payable.

Cash and cash equivalents are short-term in nature and with the current interest rate level, any variation in the interest will not have a material impact on the profit or loss of the Group.

Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

4. **Price risk.** Price risk is the risk that the fair value of the financial investments particularly debt and equity instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. The Group's Board of Directors reviews and approves all equity investment decisions.

5. **Liquidity Risk.** The Group maintains adequate highly liquid assets in the form of cash and cash equivalents to assure necessary liquidity. Free cash flows have been restricted primarily for the settlement of the Parent's Company's debt obligations.

The Company manages liquidity risk by maintaining adequate reserves, establishing banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

6. **Risks Related to COVID-19**. Currently, many countries, including the Philippines, are suffering from the COVID-19 global pandemic. We consider this to be a key risk element as this has adversely affected our Company's business in 2020 with spillover effects to 2021. The RLT Group has keenly monitored the situation as COVID-19 has been identified as a genuine risk and game changer. With the continuing escalation of the COVID-19 pandemic, the RLT Group has activated its business continuity plan ("**BCP**") to mitigate the risk impact to operations and its personnel. The Group subscribes to, adheres to and follows national and local government directives and guidelines as well as the best practices being promoted by the Department of Health ("**DOH**"), the Inter-Agency Task Force for the Management of Emerging Infectious Diseases ("**IATF**"), Department of Trade and Industry ("**DTI**"), Department of Public Works and Highways ("**DPWH**"), Department of Labor and Employment ("**DOLE**"), local government units ("**LGUs**") where the Group operates in, etc.

Experienced gained from this pandemic will be used to improve the Group's handling of similar emergencies moving forward.

## ANNEX “C”

### MARKET PRICE AND DIVIDENDS ON THE REGISTRANT’S COMMON EQUITY

#### A. Principal Market where the Registrant’s common equity is traded

##### Market Information

Principal market for the Registrant's Common shares: Philippine Stock Exchange

High and Low Sales Prices for each quarter for years 2019, 2020, and 2020 based on Philippine Stock Exchange’s Daily Quotation Report:

	2019		2020		2021	
	High	High	High	Low	High	Low
1 <sup>st</sup> Quarter	0.46	0.275	0.28	0.57	0.27	0.25
2 <sup>nd</sup> Quarter	0.41	0.245	0.25	0.61		
3 <sup>rd</sup> Quarter	0.39	0.39	0.22	0.21		
4 <sup>th</sup> Quarter	0.31	0.31	0.33	0.31		

The market capitalization of the Company as of end-2020, based on the closing price of ₱0.33 is ₱1,624,367,219

The price information as of the close of the latest practicable trading date March 31, 2021 is ₱0.27.

#### B. Holders

As of March 31, 2021, the Company had 2,330 stockholders. The list of the top twenty (20) stockholders of the Company as of March 31, 2021 is as follows:

Name of Stockholder	Citizenship	No. of Shares	Percentage (%)
PCD Nominee Corporation	Filipino	2,457,857,926	49.91%
Greenhills Properties, Inc.	Filipino	1,755,779,066	35.67%
Campos, Lanuza & Co., Inc.	Filipino	275,196,201	5.59%
Belson Securities, Inc.	Filipino	30,580,956	0.62%
Socorro C. Ramos	Filipino	21,291,750	0.43%
Brisot Economic Dev. Corp	Filipino	15,280,621	0.31%
Vulcan Industrial & Mining Corp.	Filipino	15,159,434	0.31%
Ramon de Leon	Filipino	11,810,854	0.24%
Ricardo Leong	Filipino	11,810,854	0.24%
Calixto Laureano	Filipino	11,810,854	0.24%
Gerardo Domenico Antonio Lanuza	Filipino	9,843,366	0.20%
Oscar S. Cu ITF Anthony Cu	Filipino	7,390,000	0.15%
Meridian Securities	Filipino	6,269,888	0.13%
Guoco Sec (Phils) Inc.	Filipino	5,961,532	0.12%
Guild Securities	Filipino	5,598,162	0.11%
E. Chua Chiaco Securities, Inc.	Filipino	5,538,016	0.11%
Citisecurities, Inc.	Filipino	5,408,078	0.11%
National Bookstore, Inc.	Filipino	5,393,450	0.11%
Wellington Chan	Filipino	5,185,801	0.11%
Madrigal Maria Susana Abad-Santos	Filipino	4,600,000	0.09%
Gustav P. Warnsvicente	Filipino	4,600,000	0.09%
Oscar Cu	Filipino	4,550,750	0.09%
Cualoping Securities	Filipino	4,335,974	0.09%
<b>Total</b>		<b>4,681,253,533</b>	<b>95.07%</b>



**C. Dividends**

No dividend was declared by the Company since its last declaration on October 24, 1995. There are no unappropriated retained earnings to be distributed to stockholders since 1997. In 1996, the Board of Directors approved the appropriation of ₱250 million of the Company's retained earnings for the purchase of its own capital stock. In 2018, the Board approved the reclassification of ₱140 million Appropriated Retained Earnings to Unappropriated Retained Earnings.

**D. Recent sales of unregistered securities**

For year 2020, the Company has no sales of unregistered securities.

**E. Corporate Governance**

The Company, its directors, officers and employees complied with the leading practices and principles on good corporate governance as embodied in the Company's Manual on Corporate Governance ("Manual"). The Company accomplished the PSE Corporate Governance Guidelines for Listed Companies: Disclosure Survey for 2016. On August 28, 2012, the Company's Board of Directors approved the Audit Committee Charter in compliance with SEC Memorandum Circular No. 4, Series of 2012. Pursuant thereto, the Company created an Internal Audit Unit and has engaged the services of an Accountant for the Internal Auditor post.

The Company has complied with all leading practices of good governance. An evaluation system has been established to measure the level of compliance with the Manual by Directors and top-level management. The Company has undertaken minor revisions in its internal control system and adopted a strict implementation of the provisions of its Manual including the adoption of appropriate penalties for non-compliance. Since the last Annual Meeting, there has been no deviation from the Company's Manual that would require a report or disclosure.

Last May 2017, the Company revised the Corporate Governance Manual in accordance with the SEC Memorandum Circular No. 19 which contained the Code of Corporate Governance for Publicly-Listed Companies.

On June 13, 2019, the Company amended its Manual on Corporate Governance.

## ANNEX “D”

### NATURE AND SCOPE OF BUSINESS

Philippine Realty and Holdings Corporation was incorporated on July 13, 1981 with an initial capitalization of ₱2 million. In 1986, the Company’s capitalization was increased to ₱100 Million to accommodate the entry of new stockholders. In September 1987, the Company became a public corporation. Its present authorized capital stock is ₱8 Billion, divided into 8 billion shares, of which 4.92 billion shares are outstanding and subscribed.

The Company’s main real estate activity since it started operations has been the development and sale of residential/office condominium projects and to a limited extent, the lease of commercial and office spaces.

It has developed unique and trend setting projects: *The Alexandra*, the first to offer consumers the combination of high-rise condominium and subdivision living; *Philippine Stock Exchange Centre*, the official headquarters of the Philippine Stock Exchange, Inc. and home of the country's corporate and financial stalwarts; *The Alexis*, a low-rise condominium within an upscale subdivision; the exclusive *La Isla*; and *Casa Miguel*, a 4-storey walk-up residential condominium in San Juan, Metro Manila.

After the completion of the Philippine Stock Exchange Centre in January 1996, the Company launched its Andrea North project in the 2.8-hectare former Pepsi Cola property in New Manila, Quezon City. This project is an Alexandra-type upscale and high-rise condominium complex, which consists of five residential towers.

On November 16, 2012 the Company held the Ceremonial Concrete Pouring for its second tower in the Andrea North Complex named the SkyVillas Tower. The Company also completed the construction of its Showroom which showcases the model units of The SkyVillas Tower and an area dedicated for retail shops. Construction of the joint venture project, Icon Plaza at the Bonifacio Global City with Xcell Property Ventures, Inc. commenced in mid-2010 and is 74.28% completed as of year-end.

In 2002, the Company filed with the court a petition for corporate rehabilitation with prayer for suspension of payments. The Company settled its loan obligations with all the five creditor banks through *dacion-en-pago*, cash payments from the sale of assets and loan restructuring. The Company has completed another major component of the rehabilitation plan which is the completion of construction of the Andrea North Skyline Tower. In February 2011, the Company filed a Motion to terminate rehabilitation proceeding on the account of successful implementation of the Rehabilitation Plan. However, in November 2012 the court denied the Company’s motion on the basis that it has still substantial obligations to pay in accordance with the court-approved rehabilitation plan.

As of December 20, 2013, the Company’s liabilities to the contractor, Andrea North Skyline buyers and unsecured creditors were already paid, such that, the Company has filed a motion to terminate the rehabilitation proceedings on the account of the successful implementation of the rehabilitation plan, which was recently granted on March 31, 2014. The funds were sourced from the balance of the Company's receivables from its joint venture with Xcell Property Ventures, Inc. over two (2) parcels of land in BGC, which is projected to continue to be amortized over the same 14-month period and to be fully collected by December 2014.

On February 9, 2016, the SEC approved the Company’s quasi-reorganization reducing the par value of its shares from P1.00 to P0.50 and the additional paid in capital arising from the reduction of the par value will be subsequently applied to the Company’s accumulated deficit.

On January 4, 2017, the Regional Trial Court Branch 93 of Quezon City has issued a Certificate of Finality to certify that the order issued dated March 18, 2014 has become final and executory.

The Company plans to leverage its key understanding of the property market through its Medium-Term Business and Financial plan. The objective of the plan is to serve as a roadmap which will drive the

Company's profitability primarily by operating income from recurring revenue sources and the proposed projects be undertaken. First, major properties owned by the company and GPI, who has undertaken to provide operational and financial support to the Company, will be developed for sale and lease. The Company plans to also maximize the utilization of all its existing developments and investment properties. The Company is likewise looking to grow its business through acquisition of revenue generating assets or developments in key cities within and outside Metro Manila. Lastly, aside from internally-generated funds, the company will continue to consider securing necessary and sufficient funding from various financial sources.

### **Significant Subsidiaries**

In line with Management thrust to venture into non-real estate activities, the Company has organized/invested in the following subsidiaries and affiliates:

#### ***PRHC Property Managers, Inc. (100% owned)***

PRHC Property Managers, Inc. ("PPMI") was incorporated in May 1991 to oversee the administration, operation and monitoring of RLT's growing number of real estate properties. Its clients include: Philippine Stock Exchange Centre Condominium Corporation, Icon Residences Condominium Corporation, Icon Plaza Condominium Corporation, Casa Miguel Condominium Corporation, Andrea North Condominium Corporation, Nobel Plaza Condominium, LTA Condominium, Greenhills Properties Inc.'s El Pueblo Real de Manila, The Pinnacle Condominium and Greenrich Mansion Condominium, Tycoon Centre Condominium Unitowners Association Inc., and Seibu Tower Condominium Corporation.

PPMI ensures that the properties are managed according to the established requirements and standards in the industry. PPMI is also engaged in the sale and leasing of managed buildings as well as other real estate.

#### ***Tektite Insurance Brokers, Inc. (100% owned)***

Tektite Insurance Brokers, Inc. ("TIBI") was incorporated in January 1989 as Philrealty Insurance Agency. Due to increasing demand, it was reorganized to become an insurance brokerage firm in 1994. Major clients include: RLT Group of Companies, RG Meditron, Philippine Stock Exchange Centre Condominium Corporation, Icon Residences Condominium Corporation, Icon Plaza Condominium Corporation and Develop Dimension Inc.

#### ***Universal Travel Corporation (81.53% owned)***

Universal Travel Corporation ("UTC") was incorporated in October 1993 and was engaged in the business of travel services by providing, arranging, marketing, engaging or rendering advisory and consultancy services relating to tours and tour packages. UTC catered principally to the offices at the Philippine Stock Exchange Centre ("PSEC"). In August 2018, the Company announced that it ceased its travel agency business operations on a voluntary basis due to continuing losses and increasing capital deficiency. The terminated employees of UTC were all paid their separation benefits and all creditors were also paid prior to the temporary cessation of its business operations. This move is part of the business rationalization process presently being undertaken by RLT wherein the Parent Company sought to explore new investment/business opportunities while at the same time lightening up on existing unrelated or unprofitable investments.

#### ***Sultan Power Inc. (100% owned)***

Sultan Power, Inc. ("SPI") was incorporated under Philippine laws and registered with the SEC on March 19, 2015 as a holding company and commenced its operations as such by acquiring the majority outstanding shares of stock of Recon-X Energy Corporation ("Recon-X"). SPI subscribed to 51% of the total and issued and outstanding shares of Recon-X. Recon-X was incorporated under Philippine laws and registered with the SEC on June 27, 2014 to engage in the business of recycling

and converting plastics into fuel (gasoline, diesel and kerosene) using patented technology which was duly-certified on November 2, 2015 by the Intellectual Property Office of the Philippines (“IPP”) for “Improved Method of Converting Land-Filled Plastic Wastes into Hydrocarbon Fuel”, certified by the Department of Science and Technology (“DOST”) and by the Department of Energy (“DOE”). Recon-X is still in pre-operating stage.

### **Product/Services**

#### **A. Sale of Condominium units**

The Company develops and sells high end Condominium units located in One Balete drive Corner N. Domingo Street, Quezon City and 5<sup>th</sup> Avenue Bonifacio Global City, Taguig City. In Quezon City, the Parent Company developed Two Towers, namely Andrea North Skyline Tower and Andrea North SkyVillas Tower. In addition, The Parent Company entered into two joint-venture arrangements with Xcell Property Ventures Inc., for the development of Icon Residences (twin-tower residential condominium) and Icon Plaza (Residential/commercial condominium units). The Parent Company has several units for sale and for lease in Icon Plaza.

#### **B. Leasing**

Philrealty has leased some of its office unit, storage units and parking slots located at Philippine Stock Exchange Centre located in PSE Centre Exchange Road Ortigas Center Pasig City, Icon Plaza Building located at 5<sup>th</sup> Avenue Bonifacio Global City, Taguig City, and Skyline Premiere and Skyvillas Tower located at One Balete drive Corner N. Domingo Street, Quezon City to individuals or corporations at prevailing rates. The contracts of lease are renewable for periods ranging from six months to five years.

The Parent Company has also leased two Parcels of land with total area of 3,200 square meters wherein one of the lands has an existing improvement with a total gross floor area of 1,172.27 square meters located at 5<sup>th</sup> Avenue Bonifacio Global City, Taguig City.

Moreover, Philrealty entered into a six years lease agreement with a lessee to lease the ground floor of One Balete Building, with a total area of 500 square meter. One Balete Building is located at One Balete drive Corner n Domingo Street, Quezon City.

#### **C. Property Management**

The property management subsidiary, PRHC Property Managers, Inc. (“PPMI”) oversees the administration, operation and monitoring of real estate assets of Philrealty and other Companies.

#### **D. Insurance Brokerage**

Tektite Insurance Brokers, Inc. (“TIBI”) operates as insurance brokerage firm for Philrealty and other Companies.

## **ANNEX “E”**

### **CONSOLIDATED FINANCIAL STATEMENTS**

**COVER SHEET**  
for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

0	9	9	9	0	5				
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Company Name

P	H	I	L	I	P	P	I	N	E		R	E	A	L	T	Y		A	N	D		H	O	L	D	I	N	G	S
C	O	R	P	O	R	A	T	I	O	N		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S		

Principal Office ( No./Street/Barangay/City/Town)Province)

O	N	E		B	A	L	E	T	E	,		1		B	A	L	E	T	E		D	R	I	V	E			
C	O	R	N	E	R		N	.		D	O	M	I	N	G	O		S	T	R	E	E	T					
B	R	G	Y	.		K	A	U	N	L	A	R	A	N		D	I	S	T	R	I	C	T		4	,		
Q	U	E	Z	O	N		C	I	T	Y																		

Form Type

A	A	F	S
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Department requiring the report

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Secondary License Type, If Applicable

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**COMPANY INFORMATION**

Company's Email Address

edmund.medrano@philrealty.com.ph

Company's Telephone Number/s

02-86313179

Mobile Number

No. of Stockholders

2,331

Annual Meeting  
Month/Day

Any day of June

Fiscal Year  
Month/Day

December 31

**CONTACT PERSON INFORMATION**

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

Name of Contact Person

EDMUNDO C. MEDRANO

Email Address

edmund.medrano@philrealty.com.ph

Telephone Number/s

02-86313179

Mobile Number

Contact Person's Address

One Balete, 1 Balete Drive cor. N. Domingo Street Brgy. Kaunlaran District 4, Quezon City

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

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

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND  
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2020, 2019 and 2018



## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of PHILIPPINE REALTY AND HOLDINGS CORPORATION and SUBSIDIARIES (the Group) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2020, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud and error.

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

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

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

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



GERARDO DOMÉNICO ANTONIO V. LANUZA  
Chairman of the Board



ALFREDO S. DEL ROSARIO, JR.  
President and Chief Executive Officer



EDMUNDO C. MEDRANO  
Executive Vice President and Chief Operating Officer and Treasurer

Signed this 16<sup>th</sup> day of March 2021.



26 APR 2021

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2021, affiants exhibiting to me their Tax Identification Nos. as follows:

Name	Tax Identification No.
Gerardo Domenico Antonio V. Lanuza	243-616-771
Alfredo S. Del Rosario, Jr.	108-160-980
Edmundo C. Medrano	134-515-229

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Page No. 44  
Book No. 44  
Series of 202

ATTY. RUBEN M. AZAÑES, JR.  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2021  
PTR NO. 0694960, QUEZON CITY  
IBP NO. 132791-Quezon City CHAPTER  
Roll of Attorney's No. 46427  
Admin Matter No. 004  
MCLE-VI-0030360-2-19-2020  
TIN: 140-394-386-000  
UNIT 2 UGF-2 Opulent Bldg., Quezon City

**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE  
SECURITIES AND EXCHANGE COMMISSION**

The Shareholders and Board of Directors  
Philippine Realty and Holdings Corporation and Subsidiaries  
One Balete, 1 Balete Drive corner N. Domingo Street  
Brgy. Kaunlaran District 4  
Quezon City

We have audited the financial statements of Philippine Realty and Holdings Corporation and Subsidiaries as at and for the year ended December 31, 2020, on which we have rendered our report dated March 16, 2021.

In compliance with the Revised Securities Regulation Code Rule 68 and based on the certification received from the Company's corporate secretary and the results of our work done, as at December 31, 2020, we are stating that the said Company has two thousand two hundred seventy-six (2,276) shareholders owning one hundred (100) or more common shares.

**MACEDA VALENCIA & CO.**



**ANTONIO O. MACEDA, JR.**

Partner

CPA License No. 20014

PTR No. 8564731

Issued on January 22, 2021 at Makati City

SEC Accreditation No. (individual) as general auditor 1761-A Category A,

Effective until July 31, 2022

SEC Accreditation No. (firm) as general auditors 4748-SEC;

Effective until February 17, 2023

TIN 102-090-963-000

BIR Accreditation No. 08-001987-004-2021,

Effective until April 11, 2024

BOA/PRC Reg. No. 4748, effective until June 26, 2021

March 16, 2021

Makati City

## REPORT OF INDEPENDENT AUDITORS

The Shareholders and Board of Directors  
Philippine Realty and Holdings Corporation and Subsidiaries  
One Balete, 1 Balete Drive corner N. Domingo Street  
Brgy. Kaunlaran District 4  
Quezon City

### Opinion

We have audited the consolidated financial statements of Philippine Realty and Holdings Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of total comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

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

### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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

## Valuation of Real Estate Inventories

### *The Risk*

Real estate inventories constitute a material component in the Group's consolidated statements of financial position. Real estate inventories amounted to P0.80 billion representing 13% of the total assets as at December 31, 2020. Real estate inventories include properties under construction, newly built and acquired properties that are held for sale in the ordinary course of business and land held for development. Real estate inventories are valued at the lower of cost or market and net realizable value.

The valuation of real estate inventories is influenced by assumptions and estimates regarding construction costs to be incurred, and future selling prices. Weak demand and the consequential over supply of residential units might exert downward pressure on transaction volumes and selling prices of residential properties.

### *Our Response*

Based on a sample selected according to qualitative and quantitative factors, our audit procedures included the following:

- Evaluation of recognized costs for selected projects in terms of eligibility for capitalization and allocation on the basis of the respective financial forecast;
- Identification of deviations between financial forecasts and the respective project accounts together with a critical assessment of these deviations through discussions with project managers, and reconciliation of actual costs with construction cost statements; and
- Analysis of realizable values by inspecting the most recent sales contracts and comparing expected future costs, costs already capitalized and expected sales proceeds from remaining properties.

## Allowance for Impairment Losses on Trade and Other Receivables

### *The Risk*

The allowance for impairment losses on trade and other receivables is considered to be a matter of significance as it requires the application of judgment and use of subjective assumptions by management. As of December 31, 2020, trade and other receivables has a total carrying amount of P1.25 billion contributing 21% of the Group's total assets.

### *Our Response*

Our audit procedures included the following:

- Testing the Group's controls over the receivables collection processes.
- Testing the adequacy of the Group's provisions against trade receivables by assessing management's assumptions, taking account of externally available data on trade credit exposures and our own knowledge of recent bad debt experience in this industry and expected cash flows from the sale of collateral held or other credit enhancements.
- We also considered the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the provision.

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

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

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

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

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Antonio O. Maceda, Jr.

**MACEDA VALENCIA & CO.**



**ANTONIO O. MACEDA, JR.**

Partner

CPA License No. 20014

PTR No. 8564731

Issued on January 22, 2021 at Makati City

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TIN 102-090-963-000

BIR Accreditation No. 08-001987-004-2021,

Effective until April 11, 2024

BOA/PRC Reg. No. 4748, effective until June 26, 2021

March 16, 2021

Makati City

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2020 AND 2019**

	<i>Note</i>	2020	2019
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	P207,245,299	P218,430,583
Financial assets at fair value through profit or loss (FVPL)	4	6,750,000	6,750,000
Trade and other receivables - current portion	6	1,073,360,534	351,394,206
Real estate inventories	7	801,055,720	1,159,131,710
Prepayments and other assets - net	8	408,738,974	406,326,485
<b>Total Current Assets</b>		<b>2,497,150,527</b>	<b>2,142,032,984</b>
<b>Non-current Assets</b>			
Financial assets at fair value through other comprehensive income (FVOCI)	5	41,010,520	35,693,930
Trade and other receivables - non current portion	6	179,618,624	1,273,794,211
Investments in and advances to associates - net	9	64,155,487	74,609,802
Investment properties	10	2,912,479,607	2,223,285,470
Property and equipment - net	11	81,045,297	93,978,372
Right of use assets	12	98,167,126	107,862,621
Investment in finance lease	12	230,261,995	241,562,399
Other non-current assets		53,386	53,388
<b>Total Non-current Assets</b>		<b>3,606,792,042</b>	<b>4,050,840,193</b>
		<b>P6,103,942,569</b>	<b>P6,192,873,177</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables - current portion	13	P128,580,812	P238,703,926
Unearned income	14	1,361,382	1,295,643
Loans and note payable – current portion	15	340,339,916	481,658,467
Lease liability - current portion	12	14,459,726	14,112,902
<b>Total Current Liabilities</b>		<b>484,741,836</b>	<b>735,770,938</b>
<b>Non-current Liabilities</b>			
Trade and other payables - net of current portion	13	148,000,694	120,758,909
Loans and note payable - net of current portion	15	692,985,762	673,427,834
Retirement benefit obligation	17	73,420,911	55,320,659
Deferred tax liabilities - net	26	504,925,466	428,965,492
Lease liability – net of current portion	12	187,879,730	202,339,455
Other non-current liabilities	12	39,467,676	41,540,793
<b>Total Non-current Liabilities</b>		<b>1,646,680,239</b>	<b>1,522,353,142</b>
<b>Total Liabilities</b>		<b>2,131,422,075</b>	<b>2,258,124,080</b>
<b>EQUITY</b>			
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
Capital stock	27	2,344,226,245	2,344,226,245
Additional paid-in capital	27	557,014,317	557,014,317
Reserves	28	44,304,162	46,376,118
Retained earnings		1,155,073,841	1,113,176,522
Treasury stock	27	(110,049,633)	(110,049,633)
		<b>3,990,568,932</b>	<b>3,950,743,569</b>
<b>Equity Attributable to Non-Controlling Interests</b>	29	<b>(18,048,438)</b>	<b>(15,994,472)</b>
		<b>3,972,520,494</b>	<b>3,934,749,097</b>
		<b>P6,103,942,569</b>	<b>P6,192,873,177</b>

See Notes to the Consolidated Financial Statements.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF TOTAL COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018**

	<i>Note</i>	2020	2019	2018
<b>INCOME</b>				
Sales of real estate		<b>P264,772,984</b>	P1,074,673,171	P1,009,230,247
Rent	12	<b>69,344,550</b>	50,850,057	102,120,869
Management fees	19	<b>42,852,821</b>	42,954,915	34,047,671
Interest	21	<b>13,728,349</b>	14,697,898	3,574,804
Commission	20	<b>4,455,984</b>	5,727,141	6,676,026
Gain on sale of property and equipment		-	-	3,952,737
Other income	22	<b>310,176,111</b>	696,372,717	661,531,938
		<b>705,330,799</b>	1,885,275,899	1,821,134,292
<b>COSTS AND EXPENSES</b>				
Cost of real estate sold	7	<b>161,787,110</b>	583,833,983	594,013,963
Cost of services	23	<b>83,154,975</b>	72,201,825	70,491,179
General and administrative expenses	24	<b>295,932,566</b>	512,378,346	506,541,946
Finance cost	12,15,16	<b>36,787,064</b>	17,069,529	8,474,222
Equity in net loss of an associate	9	<b>3,409,093</b>	2,063,651	8,204,998
Other expenses	25	<b>1,660,400</b>	611,650	63,633,979
		<b>582,731,208</b>	1,188,158,984	1,251,360,287
<b>INCOME BEFORE INCOME TAX</b>		<b>122,599,591</b>	697,116,915	569,774,005
<b>INCOME TAX EXPENSE</b>	26	<b>82,756,238</b>	212,227,312	178,840,222
<b>NET INCOME</b>		<b>P39,843,353</b>	P484,889,603	P390,933,783
<b>Attributable to:</b>				
Equity holders of the parent		<b>P41,897,319</b>	P495,717,398	P392,632,613
Non-controlling interest	29	<b>(2,053,966)</b>	(10,827,795)	(1,698,830)
		<b>P39,843,353</b>	P484,889,603	P390,933,783
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<b>Items that will not be reclassified to profit or loss</b>				
Remeasurement of defined benefit obligation, net of tax	28	<b>(7,388,546)</b>	(14,686,450)	8,137,444
Unrealized holding gain (loss) on financial assets at FVOCI	28	<b>5,316,590</b>	(5,639,548)	(15,449,604)
		<b>(2,071,956)</b>	(20,325,998)	(7,312,160)
<b>Total Comprehensive Income</b>		<b>P37,771,397</b>	P464,563,605	P383,621,623
<b>BASIC EARNINGS PER SHARE</b>	30	<b>P0.01</b>	P0.10	P0.08

*See Notes to the Consolidated Financial Statements.*



**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018**

Equity Attributable to Equity Holders of the Parent Company							
	Capital Stock (Note 27)	Additional Paid-in Capital (Notes 27)	Reserves (Note 28)	Retained Earnings	Treasury Stock (Note 27)	Total	Non- controlling Interests (Note 29)
<b>Balance at January 1, 2018</b>	P2,344,198,495	P557,014,317	P195,307,585	P153,038,847	(P160,904,214)	P3,088,655,030	(P6,956,159)
<b>Comprehensive income</b>							
Net income for the year	-	-	-	392,632,613	-	392,632,613	(1,698,830)
Other comprehensive loss for the year	-	-	(7,312,160)	-	-	(7,312,160)	-
Total comprehensive income for the year	-	-	(7,312,160)	392,632,613	-	385,320,453	(1,698,830)
Effect of reclassification of financial assets at FVPL to financial assets at FVOCI	-	-	17,308,122	(17,308,122)	-	-	-
Disposal of financial assets at FVOCI	-	-	1,924,192	-	-	1,924,192	3,488,312
Reissuance of shares	-	-	-	(51,191,775)	51,191,775	-	-
Reversal of appropriation	-	-	(140,287,561)	140,287,561	-	-	-
<b>Balance at December 31, 2018</b>	2,344,198,495	557,014,317	66,940,178	617,459,124	(109,712,439)	3,475,899,675	(5,166,677)
<b>Comprehensive income</b>							
Net income for the year	-	-	-	495,717,398	-	495,717,398	(10,827,795)
Other comprehensive loss for the year	-	-	(20,325,998)	-	-	(20,325,998)	-
Total comprehensive income for the year	-	-	(20,325,998)	495,717,398	-	475,391,400	(10,827,795)
Collection of subscription receivable	27,750	-	-	-	-	27,750	-
Disposal	-	-	(238,062)	-	-	(238,062)	-
Acquisition of shares	-	-	-	-	(337,194)	(337,194)	-
	27,750	-	(238,062)	-	(337,194)	(547,506)	-
<b>Balance at December 31, 2019</b>	2,344,226,245	557,014,317	46,376,118	1,113,176,522	(110,049,633)	3,950,743,569	(15,994,472)
<b>Comprehensive income</b>							
Net income for the year	-	-	-	41,897,319	-	41,897,319	(2,053,966)
Other comprehensive loss for the year	-	-	(2,071,956)	-	-	(2,071,956)	-
Total comprehensive income for the year	-	-	(2,071,956)	41,897,319	-	39,825,363	(2,053,966)
<b>Balance at December 31, 2020</b>	P2,344,226,245	P557,014,317	P44,304,162	P1,155,073,841	(P110,049,633)	P3,990,568,932	(P18,048,438)

See Notes to the Consolidated Financial Statements.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018**

	<i>Note</i>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		<b>P122,599,591</b>	P697,116,915	P569,774,005
Adjustments for:				
Finance costs	12,15,16	<b>36,787,064</b>	17,069,529	8,474,222
Depreciation and amortization	23,24	<b>24,452,354</b>	26,197,729	13,478,898
Provision for retirement benefits	17	<b>14,596,841</b>	8,940,538	11,008,355
Impairment loss on trade and other receivables	24	<b>5,107,257</b>	80,758,365	26,262,781
Equity in net loss of an associate	9	<b>3,409,093</b>	2,063,651	8,204,997
Unrealized foreign exchange loss (gain) – net	22,25	<b>1,183,942</b>	403,018	(1,809,732)
Gain on fair value adjustment of investment properties	10,22	<b>(286,750,907)</b>	(546,695,730)	(511,432,937)
Interest income	21	<b>(13,728,349)</b>	(14,697,898)	(3,574,804)
Gain on repossession of assets	22	<b>(12,057,967)</b>	(4,912,075)	-
Impairment loss on property and equipment	24	-	19,406,340	-
Gain on sublease	22	-	(139,125,678)	-
Dividend income	22	-	(716,722)	(626,337)
Reversal of various liabilities	22	-	(24,484)	(109,006,274)
Impairment loss on other assets	24	-	-	16,637,343
Gain on sale of property and equipment – net		-	-	(3,644,424)
Operating income (loss) before working capital changes		<b>(104,401,081)</b>	145,783,498	23,746,093
Decrease (increase) in:				
Trade and other receivables		<b>367,102,002</b>	(434,322,340)	(425,662,730)
Prepayments and other assets		<b>(6,042,231)</b>	(120,837,375)	(132,871,065)
Real estate inventories		<b>29,067,260</b>	363,270,881	473,960,364
Increase (decrease) in:				
Trade and other payables		<b>(84,355,227)</b>	(225,834,243)	344,580,489
Unearned income		<b>65,739</b>	395,856	(3,897,629)
Other non-current liabilities		<b>(2,073,117)</b>	3,525,729	(27,048,517)
Cash generated from (used in) operations		<b>199,363,345</b>	(268,017,994)	252,807,005
Interest received	21	<b>13,728,349</b>	14,697,897	3,574,804
Retirement benefit paid	17	<b>(5,501,967)</b>	-	(395,000)
Contributions to retirement fund	17	<b>(2,000,000)</b>	-	(4,500,000)
Dividends received	22	-	716,722	626,337
Net cash provided by (used in) operating activities		<b>205,589,727</b>	(252,603,375)	252,113,146
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to investment properties	10	<b>(61,376,533)</b>	(69,659,161)	(135,765,653)
Additions to property and equipment	11	<b>(1,995,547)</b>	(11,442,647)	(8,800,170)
Return of investments	9	<b>7,045,222</b>	-	-
Proceeds from disposal of property and equipment	11	<b>171,763</b>	-	9,902,823
Proceeds from sale of AFS financial assets	5	-	-	21,952,385
Proceeds from sale of HTM Investments		-	-	1,000,000
Net cash used in investing activities		<b>(P56,155,095)</b>	(P81,101,808)	(P111,710,615)

*Forward*

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018**

	<i>Note</i>	2020	2019	2018
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from availment of loans and note payable	15	<b>P831,343,910</b>	P860,815,000	P9,287,000
Finance lease receipts		<b>11,300,404</b>	11,066,012	-
Payments of loans and note payable	15	<b>(953,104,533)</b>	(366,407,748)	(205,429,114)
Finance cost paid		<b>(34,862,853)</b>	(17,069,529)	(8,474,222)
Lease liability payments		<b>(14,112,902)</b>	(14,355,492)	-
Collection of subscriptions receivable	27	-	27,750	-
Net cash from (used in) financing activities		<b>(159,435,974)</b>	474,075,993	(204,616,336)
<b>EFFECTS OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS</b>				
		<b>(1,183,942)</b>	(403,018)	1,809,732
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
		<b>(11,185,284)</b>	139,967,792	(62,404,073)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
	3	<b>218,430,583</b>	78,462,791	140,866,864
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
	3	<b>P207,245,299</b>	P218,430,583	P78,462,791

*See Notes to the Consolidated Financial Statements.*

**1. Corporate Information**

Philippine Realty and Holdings Corporation (the "Parent Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 13, 1981 with a corporate life of fifty (50) years. The principal activities of the Parent Company include the acquisition, development, sale and lease of all kinds of real estate and personal properties, and as an investment and holding company.

The Parent Company was listed with the Philippine Stock Exchange (PSE) on September 7, 1987.

The Parent Company is 35.67% owned by Greenhills Properties, Inc. (GPI), a corporation incorporated under the laws of the Philippines. The remaining shares are owned by various individuals and institutional stockholders.

The financial position and results of operations of the Parent Company and its subsidiaries (collectively referred to as the "Group") are consolidated in these financial statements (see Note 36).

On April 18, 2018, the Board of Directors of the Parent Company approved the contribution by GPI into the Parent Company of two (2) vacant lots located in Bonifacio Global City (BGC) more particularly described as follows: 1) Lot 1 Block 8 containing 1,600 sq.m., located at the corner of 6<sup>th</sup> Avenue and 24<sup>th</sup> Street; and 2) Lot 4 Block 8 also containing 1,600 sq.m., located at 6<sup>th</sup> Avenue corner 25<sup>th</sup> Street. Lot 1 Block 8 is registered under the name of GPI, while lot 4 block 8 was acquired by GPI from its wholly owned subsidiary, Lochinver Assets Inc. (LAI), by way of merger approved by the SEC, with GPI as the Surviving Corporation and LAI as the Absorbed Corporation.

The proposed transaction will involve the issuance of 4,177,777,778 new common shares by the Parent Company in favor of GPI, to be issued from the increase in the authorized capital stock (ACS) of the Parent Company, in exchange for GPI's contribution of two (2) vacant lots in the BGC as capital.

On July 23, 2018, the Stockholders approved the above transaction and the amendment of Article VII of the Parent Company's Articles of Incorporation increasing the Parent Company's authorized capital stock from 8,000,000,000 common shares with a par value of PhP0.50 per share to 16,000,000,000 common shares with a par value of PhP0.50 per share. The Parent Company's application with the SEC for the increase in authorized capital was approved on May 14, 2019.

The contribution of two (2) vacant lots in the BGC by GPI in exchange for the Parent Company's shares of stock is still pending. The transfer of title of the two vacant lots is in the final processing stage at the Registry of Deeds as of reporting date. Issuance of shares will be done upon complete transfer of title to the Parent Company.

The Parent Company's registered office is at One Balete, 1 Balete Drive Corner N. Domingo St. Brgy. Kaunlaran, District 4, Quezon City 1111, Philippines.

Outlook for the Future

The Philippines is experiencing a general economic downturn due to a global pandemic. Presently, the National Capital Region and other parts of the country are under various stages of community quarantine. Management believes that the outbreak of COVID-19 pandemic and the quarantine declarations, while causing some uncertainties and growth in risks, do not adversely impact the Group's ability to continue as a going concern.

Events After the Reporting Period

*Impact of the proposed Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)*

On February 3, 2021, the Congress ratified the "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE", which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted, and performance-based.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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As of the issue date of these financial statements, the CREATE bill is awaiting approval by the President of the Philippines.

The following are certain provisions of the bill that are expected to have an impact on the Group's financial statements once passed into law:

- Reduced RCIT rate effective July 1, 2020 as follows:

Domestic corporations shall be subject to the following reduced RCIT rates depending on their assets and taxable income:

- a. Those with assets amounting to P100,000,000 and below, excluding land, and with taxable income equivalent to P5,000,000 and below will be subjected to a 20% tax rate;
- b. Those with assets above P100,000,000 or those with taxable income amounting to more than P5,000,000 will be subjected to a 25% tax rate.

- Reduced MCIT rate of 1% effective July 1, 2020 until June 30, 2023

In accordance with Philippine Interpretations Committee Questions and Answers No. 2020-07 (which is still subject to the Board of Accountancy's approval as of the issue date), the CREATE Bill is considered to be not substantively enacted as of December 31, 2020; accordingly, the current and deferred taxes for financial reporting purposes as of December 31, 2020 are measured using the regular income tax rate in effect as of December 31, 2020, which is 30%.

CREATE is expected to reduce the current income tax expense of the Group in 2020 and in future years. Deferred income tax is expected to decrease with corresponding decrease in deferred tax liability.

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## **2. Basis of Preparation**

### Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which include the availment of the relief granted by the Securities and Exchange Commission (SEC) under Memorandum Circular Nos. 14-2018 and 3-2019 as discussed in the section below on Adoption of New and Amended Accounting Standards and Interpretations. PFRS includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC), as approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The accompanying consolidated financial statements as at and for the year ended December 31, 2020 were approved and authorized for issuance by the Board of Directors (BOD) on March 16, 2021.

### Basis of Measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the following which are measured using alternative basis at each reporting date:

Financial assets at FVPL	Fair value
Financial assets at FVOCI	Fair value
Investment properties	Fair value
Retirement benefit obligation	Present value of the defined benefit obligation less fair value of plan assets

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the presentation and functional currency of the Group. All financial information presented have been rounded to the nearest peso, unless otherwise stated.

Use of Estimates and Judgments

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in Note 32.

**3. Cash and Cash Equivalents**

This account consists of:

	2020	2019
Cash in banks	<b>P191,605,216</b>	P139,350,554
Cash on hand	<b>51,500</b>	48,500
Cash equivalents	<b>15,588,583</b>	79,031,529
	<b>P207,245,299</b>	P218,430,583

Cash in banks earn average annual interest ranging from 1.0% to 1.25% in 2020 and 2019. Cash equivalents represent short-term money market placements with maturities up to three months and earn annual interest at the prevailing short-term investment rates.

Interest income recognized amounted to P0.83 million, P1.21 million and P2.40 million as at December 31, 2020, 2019 and 2018, respectively (see Note 21).

**4. Financial Assets at FVPL**

This account is composed of listed equity securities that are held for trading amounting to P6,750,000. The fair values of these securities are based on quoted market price.

**5. Financial Assets at FVOCI**

As at December 31, financial assets at FVOCI consist of investments in:

	Note	2020	2019
At cost:			
Listed shares of stock		<b>P58,332,808</b>	P58,332,808
Golf and country club shares		<b>3,350,000</b>	3,350,000
		<b>61,682,808</b>	61,682,808
Accumulated unrealized holding loss	28	<b>(20,672,288)</b>	(25,988,878)
		<b>P41,010,520</b>	P35,693,930

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
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The movements in this account are summarized as follows:

	<i>Note</i>	<b>2020</b>	<b>2019</b>
Balance at beginning of year		<b>P35,693,930</b>	P41,333,478
Fair value adjustments	<i>28</i>	<b>5,316,590</b>	(5,639,548)
Balance at end of year		<b>P41,010,520</b>	P35,693,930

These are investments in shares of stock of various listed equity securities, and golf and country club shares that present the Parent Company with opportunity for return through dividend income. The fair values of these investments are based on quoted market prices. Unrealized holding gains or losses from market value fluctuations are recognized as part of the Group's reserves.

The above investments in equity instruments are not held for trading and the Group irrevocably elected to present subsequent changes in fair values in OCI.

Unrealized holding gain (loss) recognized in other comprehensive income from financial assets at FVOCI amounted to P5.3 million in 2020, (P5.6) million in 2019 and (P15.4) million in 2018 (see Note 28).

Proceeds from disposal of investments amounted to nil, nil and P21,952,385 in 2020, 2019 and 2018, respectively.

Dividend income recognized in profit or loss amounted to nil, P716,722 and P626,337 in 2020, 2019 and 2018, respectively (see Note 22).

## **6. Trade and Other Receivables**

This account is composed of:

	<b>2020</b>	<b>2019</b>
Trade:		
Sale of real estate	<b>P1,087,032,291</b>	P1,494,999,148
Lease	<b>25,945,740</b>	10,911,410
Management fees	<b>9,575,876</b>	8,188,370
Commission	<b>6,503,890</b>	420,558
Premiums receivable	-	3,009,253
Advances	<b>38,798,168</b>	46,446,609
Other receivables	<b>183,447,504</b>	167,901,338
	<b>1,351,303,469</b>	1,731,876,686
Less: allowance for impairment loss	<b>98,324,311</b>	106,688,269
	<b>P1,252,979,158</b>	P1,625,188,417

Trade receivables from sale of real estate include amounts due from buyers of the Parent Company's condominium projects, generally over a period of three (3) or four (4) years. The condominium certificates of title remain in the possession of the Parent Company until full payment has been made by the customers. Trade receivables due after one-year amounted P0.18 billion in 2020 and P1.27 billion in 2019. Trade receivables carry yield-to-maturity interest rates of 5.64% in 2020, 2019 and 2018. Interest income recognized amounted to P2,016,397, P2,484,558 and P1,020,842 in 2020, 2019 and 2018, respectively (see Note 21).

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
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Certain trade receivables with total carrying value of P184.54 million as at December 31, 2020 are pledged to a local bank as collateral to the Parent Company's loans payable (see Note 15).

Advances consist mainly of advances to officers and employees.

In 2014, the Parent Company and Xcell entered into a final joint arrangement that will be the final settlement for both parties since Icon Residences and Icon Plaza were 100% completed and the objectives of the agreement were already achieved. The Parent Company's final settlement from the project amounted to a total of P891 million. As at December 31, 2020 and 2019, there are outstanding receivables from Xcell amounting to P9.7 million included in the other receivables.

Other receivables also consist of receivables amounting to P100.7 million as at December 31, 2020 and 2019 in relation to the parcels of land sold in 2014. The remaining balances are receivables from concessionaires.

Receivables amounting to P98.32 million and P106.69 million as of December 31, 2020 and 2019, respectively, were impaired and fully provided for. The allowance for doubtful accounts for trade receivables has been determined as follows:

	2020	2019
Subject to 12-month ECL	<b>P26,622,447</b>	P20,259,346
Subject to lifetime ECL	<b>71,701,864</b>	86,428,923
Total	<b>P98,324,311</b>	P106,688,269

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due of all customers as they have similar loss patterns. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. The security deposits and advance rental are considered in the calculation of impairment as recoveries. As of December 31, 2020, and 2019, the exposure at default amounts to P486 million and P359 million, respectively. The expected credit loss rate is 6% that resulted in the ECL of P26.6 million and P20.3 million as at December 31, 2020 and 2019, respectively (see Note 34).

Movements in allowance for impairment losses on receivables in 2020 and 2019 are as follows:

	Note	2020	2019
Balance at beginning of year		<b>P106,688,269</b>	P25,929,904
Provisions for the year	24	<b>5,107,257</b>	80,758,365
Reversal of provisions	22	<b>(13,471,215)</b>	-
Balance at end of year		<b>P98,324,311</b>	P106,688,269



**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**7. Real Estate Inventories**

This account consists of:

	2020	2019	2018
In progress:			
Andrea North SkyVillas Tower	<b>P112,178,615</b>	P209,667,249	P652,132,911
Andrea North Estate	<b>137,714,537</b>	88,058,328	72,612,549
BGC Project	<b>223,055,991</b>	154,516,512	54,522,805
	<b>472,949,143</b>	452,242,089	779,268,265
Completed units:			
Andrea North Skyline Tower	<b>144,979,500</b>	182,695,848	219,779,747
The Icon Plaza	<b>40,864,850</b>	40,864,849	19,846,249
Casa Miguel	<b>6,895,314</b>	6,895,314	6,895,314
	<b>192,739,664</b>	230,456,011	246,521,310
Land held for development:			
New Manila, Quezon City	<b>135,366,913</b>	135,366,913	135,566,913
Baguio	<b>-</b>	341,066,697	269,892,466
	<b>135,366,913</b>	476,433,610	405,459,379
	<b>P801,055,720</b>	P1,159,131,710	P1,431,248,954

BGC Project represent the cost of the master plan design of the new towers in BGC.

In July 2011, the Parent Company had a joint arrangement with Xcell for the development of a residential/commercial condominium on the Parent Company's Fort Bonifacio lot to be called "The Icon Plaza." The Parent Company contributed lot 9-4 to the joint arrangement and in return will receive twenty percent (20%) of the aggregated area of all the completed and saleable units of the project, plus 35% of the joint arrangement's pre-tax profits from the project which was agreed by the parties in 2014 to amount to P891 million.. The Parent Company's share on the saleable area of The Icon Plaza under joint arrangement with Xcell is recorded as real estate inventories.

In December 2020, the Parent Company entered in to a lease agreement with PRHC Property Managers, Inc. (PPMI) to lease the Baguio property to for a period of two (2) years. This lease is renewable upon mutual agreement of both parties. Consequently, due to the change in use, the Baguio property was reclassified to investment property (see Note 10).

Certain real estate inventories are mortgaged as collaterals to loans (see Note 15).

The cost of real estate inventories recognized as cost of sales amounted to P161,787,110, P583,833,983 and P594,013,963 in 2020, 2019 and 2018, respectively.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
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**8. Prepayments and Other Assets**

This account consists of:

	2020	2019
Prepaid taxes	P155,834,221	P155,834,221
Creditable withholding tax	151,768,771	127,043,469
Prepaid expenses	78,347,856	93,996,571
Deposits	4,723,660	4,723,660
Deferred input VAT	4,428,704	14,041,807
Input tax – net	212,832	127,343
Other assets	13,422,930	10,559,414
	<b>P408,738,974</b>	<b>P406,326,485</b>

Prepaid taxes are unutilized creditable withholding taxes, a portion of which was filed for refund with the Bureau of Internal Revenue.

Creditable withholding tax is the tax withheld by the customers from their payment to the Group and which tax is creditable against the income tax payable of the Group.

Prepaid expenses consist of advance payment for rent, real property tax, insurance premium and membership dues.

Deposits pertain to refundable deposits paid to utility companies. These also include security deposits paid in relation to an office lease agreement.

**9. Investments in and Advances to Associates**

Details of the ownership interests in associates as at December 31 are as follows:

	2020	2019
Le Cheval Holdings, Inc. (LCHI)	45%	45%
Alexandra (USA), Inc. (AUI)	45%	45%
Meridian Assurance Corporation	30%	30%

Details of investments in and advances to associates are as follows:

	2020	2019
<b>Meridian Assurance Corporation</b>		
Investment - acquisition cost	P88,875,080	P88,875,080
Release of investment	(7,045,222)	-
Investment - acquisition cost	81,829,858	88,875,080
Accumulated equity in net loss:		
Balance at beginning of year	(14,390,427)	(12,335,756)
Equity in net loss for the year	(3,409,093)	(2,054,671)
Balance at end of year	(17,799,520)	(14,390,427)
	<b>P64,030,338</b>	<b>P74,484,653</b>

*Forward*

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
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	2020	2019
<b>Le Cheval Holdings, Inc.</b>		
Investment - acquisition cost	P11,250	P11,250
Allowance for impairment loss	(11,250)	(11,250)
	-	-
Accumulated equity in net income:		
Balance at beginning of year	125,149	134,129
Equity in net loss for the year	-	(8,980)
Balance at end of year	125,149	125,149
	125,149	125,149
<b>Alexandra (USA), Inc.</b>		
Investment - acquisition cost	14,184,150	14,184,150
Allowance for impairment loss	(14,184,150)	(14,184,150)
	-	-
Advances to AUI	132,417,765	132,417,765
Allowance for unrecoverable advances	(132,417,765)	(132,417,765)
	-	-
	P64,155,487	P74,609,802

The Parent Company's management performed an assessment for impairment on its investment in and advances to associates. The imminent liquidation of Alexandra USA, Inc. (AUI) indicates the possible impairment in the value of investment in this entity. In 2011, the Parent Company provided an allowance for impairment loss amounting to P14,184,150 for investments in AUI. The advances were likewise provided with 100% allowance.

The Parent Company also provided an allowance for impairment loss amounting to P11,250 for investments in LCHI.

Aggregated amounts relating to associates are as follows:

	2020	2019
<b>Meridian Assurance Corporation (MAC)</b>		
Total assets	P245,278,345	P288,669,121
Total liabilities	32,858,619	39,456,488
Net assets	212,419,726	249,212,633
Income	13,419,950	14,572,878
Cost and expenses	(24,783,586)	(21,421,781)
Net loss	(P11,363,636)	(P6,848,903)
<b>Le Cheval Holdings, Inc. (LCHI)</b>		
Total assets	P45,362	P45,362
Total liabilities	142,248	142,248
Net liabilities	(96,886)	(96,886)
Income	-	-
Cost and expenses	-	(19,955)
Net loss	P -	(P19,955)

The following are the principal activities of the Group's Associates:

Meridian Assurance Corporation

MAC was incorporated and registered with the SEC on March 16, 1960, renewed on November 13, 2007, primarily to engage in the business of insurance and guarantee of any kind and in all branches except life insurance, for consideration, to indemnify any person, firm or corporation against loss, damage or liability arising from any unknown or contingent event, and to guarantee liabilities and obligations of any person, firm or corporation and to do all such acts and exercise all such powers as may be reasonably necessary to accomplish the above purposes which may be incidental.

MAC did not comply with the minimum capital requirement set by the Insurance Commission as of December 31, 2016, as it is ceding its insurance business portfolio to another insurance company. MAC, however, will continue servicing the administrative requirements of all outstanding policies issued until their expiry. On March 30, 2017, MAC wrote the Insurance Commission to apply for a license as a servicing company and tendered its Certificate of Authority (CA) as non-life insurance company. Pending issuance of the servicing license, MAC still issued new policies up to April 30, 2017. On May 1, 2017, the Insurance Commission approved MAC's application as a servicing company and issued a servicing license. As a servicing insurance company, MAC's transactions are confined to: (i) accepting periodic premium payments from its policyholders; (ii) granting policy loans and paying cash surrender values of outstanding policies to its policyholders; (iii) reviving lapsed policies of its policyholders, and (iv) such other related services. Upon divestment of the insurance business, MAC plans to engage in the business of asset management.

In 2020, the Insurance Commission approved the release of the contingency surplus of MAC to its stockholders. The Parent Company received its 30% share amounting to P7,045,222.

The registered office of MAC is at 2003-B East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City. Aside from its head office in Metro Manila, it maintains offices in the cities of Cebu and Davao.

Le Cheval Holdings, Inc.

LCHI was incorporated and registered with the SEC on August 30, 1994 as a holding company and commenced operations as such by acquiring the majority outstanding shares of stock of Philippine Racing Club, Inc. (PRCI), a holding company incorporated in the Philippines. In 1996, LCHI sold its shares of stock with PRCI. Thereafter, LCHI became inactive.

Alexandra (USA), Inc.

AUI was incorporated in the United States of America (USA). AUI is involved in property development in Florida, USA. AUI is jointly owned with GPI (45%) and Warrenton Enterprises Corporation (10%) of William Cu-Unjieng. AUI is in the process of liquidation after the completion of the projects in Naples and Orlando. No information was obtained in the financial status and operations of AUI since 2012.

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**10. Investment Properties**

The Group obtained the services of an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The effects are detailed below:

	<i>Note</i>	<b>2020</b>	<b>2019</b>
Balance, beginning		<b>P2,223,285,470</b>	P1,693,172,141
Additions		<b>61,376,533</b>	69,659,161
Reclassification from (to) inventory	7	<b>341,066,697</b>	(86,241,562)
Gain on change in fair value	22	<b>286,750,907</b>	546,695,730
Balance, ending		<b>P2,912,479,607</b>	P2,223,285,470

An independent valuation of the Group's investment properties as of December 9, 2020 and December 16, 2020 was performed by an independent appraiser accredited with both the PSE and the SEC to determine their fair value. The external independent appraiser used sales comparison approach in arriving at the value of the properties. In this approach, the value of the properties is based on sales and listings of comparable properties. This is done by adjusting, the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity or at a different floor level of the same building. Comparison would be premised on factors such as location, size and physical attributes, selling terms, facilities offered and time element.

In 2020 and 2019, the Parent Company acquired condominium units and parking spaces of PSE Tower I and II.

Details of investment properties are as follows:

	<b>2020</b>	<b>2019</b>
Condominium units and parking spaces		
PSE Tower I	<b>P1,501,557,180</b>	P1,355,498,720
PSE Tower II	<b>654,934,490</b>	630,856,610
Baguio - residential properties	<b>474,069,719</b>	-
Icon Plaza	<b>281,918,218</b>	236,930,140
	<b>P2,912,479,607</b>	P2,223,285,470

Rental income recognized from the investment properties amounted to P69,119,550 in 2020, P49,396,324 in 2019, and P76,466,492 in 2018. Real property taxes attributable to the investment property amounted to P22,124,552 in 2020, P8,693,849 in 2019 and P6,008,868 in 2018 are included as part of taxes and licenses in cost of services. Condominium dues attributable to the investment properties amounted to P10,127,213 in 2020, P11,117,177 in 2019 and P9,247,509 in 2018 are included also in cost of services.

Certain investment properties are mortgaged as collateral to loans (see Note 15).

In 2019, the management decided to change the plan for the Baguio property previously recorded as investment property from held for development to earn rental income to held for development and sale. In effect, the property was reclassified as inventory.

In December 2020, the Baguio Property which consists of land with total area of 16,158sqm, buildings and other land improvements was returned to investment property from real estate inventories under land for development due to commencement of an operating lease with another party, as disclosed in Note 7.

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**11. Property and Equipment**

The details of the carrying amounts of property and equipment, the gross carrying amounts, and accumulated depreciation and amortization of property and equipment are shown below:

	For the Years Ended December 31, 2020 and 2019				
	Condominium Units, Building and Building Improvements	Office Furniture, Fixtures and Equipment	Transportation and Other Equipment	Leasehold and Office Improvements	Total
<b>Cost</b>					
January 1, 2019	P115,496,698	P25,326,969	P56,541,454	P1,221,181	P198,586,302
Additions	-	2,590,130	8,852,517	-	11,442,647
Impairment loss	(19,406,340)	-	-	-	(19,406,340)
December 31, 2019	96,090,358	27,917,099	65,393,971	1,221,181	190,622,609
Additions	336,841	295,689	1,363,017	-	1,995,547
Disposal	-	-	(381,696)	-	(381,696)
December 31, 2020	96,427,199	28,212,788	66,375,292	1,221,181	192,236,460
<b>Accumulated Depreciation and Amortization</b>					
January 1, 2019	28,195,385	22,102,513	28,751,049	1,093,055	80,142,002
Provision	3,336,010	3,768,991	9,381,777	15,457	16,502,235
December 31, 2019	31,531,395	25,871,504	38,132,826	1,108,512	96,644,237
Provision	3,370,946	1,784,574	9,585,882	15,457	14,756,859
Disposal	-	-	(209,933)	-	(209,933)
December 31, 2020	34,902,341	27,656,078	47,508,775	1,123,969	111,191,163
At December 31, 2019	P64,558,963	P2,045,595	P27,261,145	P112,669	P93,978,372
At December 31, 2020	P61,524,858	P556,710	P18,866,517	P97,212	P81,045,297

Certain transportation equipment of the Group with total carrying value of P19.89 million and P22.68 million and as at December 31, 2020 and 2019, respectively are pledged as security under chattel mortgage (see Note 15).

**12. Leases**

Lease agreement as lessee

The Parent Company leases two parcels of land located at 5<sup>th</sup> Avenue corner 25<sup>th</sup> Street, Bonifacio Global City, Taguig City. These contracts have a term of fifteen (15) years, renewable for another ten years upon submission of a written notice to renew at least ninety days prior to the expiration of the original term, with terms and conditions mutually agreed by both parties.

The Parent Company also leases a condominium unit located at the 20<sup>th</sup> Floor, East Tower of Philippine Stock Exchange Centre, Exchange Centre, Exchange Road, Ortigas Center, Pasig City. The contract has a term of five (5) years and is renewable upon mutual agreement of both parties.

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The carrying amount of right-of-use assets as at December 31, 2020 and 2019 is shown below.

	2020	2019
Right-of-use assets	<b>P117,558,116</b>	P117,558,116
Accumulated amortization	<b>(19,390,990)</b>	(9,695,495)
Carrying amount	<b>P98,167,126</b>	P107,862,621

A maturity analysis of lease liabilities based on discounted gross cash flows is reported in the table below:

	2020	2019
Less than 1 year	<b>P14,459,726</b>	P14,112,902
More than 1 year	<b>187,879,730</b>	202,339,455
Total lease liabilities	<b>P202,339,456</b>	P216,452,357

Amounts recognized in profit or loss:

	<i>Note</i>	2020	2019
Depreciation expense	23,24	<b>P9,695,495</b>	P9,695,495
Interest expense		<b>9,661,848</b>	9,413,508

Total expenses on short-term leases amounted to P681,791, P633,233 and P663,572 in 2020, 2019 and 2018, respectively (see Notes 23 and 24).

Lease agreements as lessor

- A. The Parent Company entered into a sublease contract relating to one of the parcels of land being leased in BGC as discussed above. This agreement was assessed by the management to be of a financing lease. This agreement is renewable at the end of the lease term of initially fifteen (15) years upon mutual consent of the parties.

<b>Receivable under finance lease</b>	2020	2019
Year 1	<b>P22,545,600</b>	P22,176,000
Year 2	<b>23,284,800</b>	22,545,600
Year 3	<b>23,672,896</b>	23,284,800
Year 4	<b>24,449,088</b>	23,672,896
Year 5	<b>24,856,576</b>	24,449,088
Onwards	<b>183,019,840</b>	207,876,416
Undiscounted lease payments	<b>301,828,800</b>	324,004,800
Present value of minimum lease payments receivable	<b>P230,261,995</b>	P241,562,399

Amounts recognized in profit or loss:

	<i>Note</i>	2020	2019
Interest income	21	<b>P10,875,595</b>	P10,405,989
Gain on sublease	22	<b>-</b>	139,125,678

- B. The Group entered into short-term lease agreements including condominium units, office spaces and food plaza spaces. The lease contracts between the Group and its lessees have a term of one year which are renewable annually.

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Total rental income earned in 2020, 2019 and 2018 amounted to P69.34 million, P50.85 million and P102.12 million, respectively.

Deferred rental income classified under other non-current liabilities amounting to P39.47 million and P41.54 million as of December 31, 2020 and 2019, respectively, pertains to advance rent received from lessees to be applied on the last three (3) months of the lease contract.

Refundable deposits on these lease agreements amounted to P17,827,514 and P21,070,902 in 2020 and 2019, respectively, and are included as part of trade and other payables as disclosed in Note 13.

**13. Trade and Other Payables**

This account consists of:

	<i>Note</i>	2020	2019
Trade payables		<b>P111,961,462</b>	P120,965,637
Accrued expenses		<b>64,300,871</b>	64,397,632
Retention fees payable		<b>41,190,780</b>	56,012,941
Customers' deposits		<b>33,659,390</b>	77,534,329
Refundable deposits	12	<b>17,827,514</b>	21,070,902
Due to government agencies		<b>4,431,946</b>	19,356,761
Due to insurance companies - net		<b>1,543,478</b>	-
Output value added tax - net		-	914
Others		<b>1,666,064</b>	123,719
		<b>P276,581,505</b>	P359,462,835

Non-current portion of trade and other payables amounted to P148,000,694 and P120,758,909 as at December 31, 2020 and 2019, respectively.

Accrued expenses consist of unpaid liabilities on outside services, insurance, supplies and other expenses.

Retention fees payable pertain to retention fees withheld from the contractors of ongoing and completed projects.

Customers' deposits consist of down payments representing less than 25% of the contract price of the condominium unit sold received from each customer which are deductible from the total contract price.

Due to government agencies consist mainly of payable to the Bureau of Internal Revenue, SSS, HDMF and Philhealth.

Others consist of refunds payable, commission payable and unearned rent income.



**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
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**14. Unearned Income**

The Parent Company has an on-going project called the Andrea North SkyVillas Tower ("SkyVillas"). SkyVillas started construction in 2011 and is 99.96% complete as at December 31, 2020 and 2019.

Details of unearned income are as follows:

	2020	2019
<b>SkyVillas Tower</b>		
Total sales value of completed units	<b>P3,403,454,645</b>	P3,239,107,500
Percentage uncompleted	<b>.04%</b>	.04%
	<b>P1,361,382</b>	P1,295,643

**15. Loans and Note Payable**

**Loans Payable**

The movements in the loans payable are summarized as follows:

	2020	2019
Balance at beginning of year	<b>P1,151,824,960</b>	P660,679,049
Availments of loan	<b>831,343,910</b>	857,071,000
Payments of principal	<b>(952,575,586)</b>	(365,925,089)
Balance at end of year	<b>P1,030,593,284</b>	P1,151,824,960

Interest on loans payable amounted to P24,864,954, P7,331,220 and P8,474,222 as at December 31, 2020, 2019 and 2018, respectively. Interest on loans payable capitalized as part of real estate inventories amounted to P61,561,281 and P64,554,325 in 2020 and 2019, respectively.

The account is composed of the following:

	2020	2019
<b>Payable within one year:</b>		
Philippine Bank of Communications	<b>P200,660,372</b>	P122,520,371
Philippine National Bank	<b>100,000,000</b>	350,000,000
Maybank Philippines, Inc.	<b>30,137,149</b>	-
Union Bank of the Philippines	<b>5,313,014</b>	5,206,899
RCBC Savings Bank	<b>3,402,557</b>	2,962,245
	<b>339,513,092</b>	480,689,515
<b>Payable after one year:</b>		
Philippine Bank of Communications	<b>525,495,279</b>	654,295,652
Maybank Philippines, Inc.	<b>154,401,777</b>	-
Union Bank of the Philippines	<b>7,258,169</b>	11,303,778
RCBC Savings Bank	<b>3,924,967</b>	5,536,015
	<b>691,080,192</b>	671,135,445
	<b>P1,030,593,284</b>	P1,151,824,960

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Maybank Philippines, Inc. (Maybank)

In 2016, the Parent Company entered into a loan and hold-out agreement with Maybank. In April 2016, Maybank approved a P150 million credit line under which the Parent Company drew down P80 million in April 2016 and P70 million in May 2016. These loans are payable three (3) years from date of drawdown.

These loans bear 3.75% interest rate, payable monthly in arrears and secured by hold-out rights in favor of Maybank over the time deposit covering the total amount of P150 million maintained by GPI in Maybank Ortigas Branch.

This loan has been fully paid as at December 31, 2019.

On February 27, 2020, the Parent Company entered into a contract to sell receivables with recourse with Maybank for a total amount of P200 million, of which P184.54 million are outstanding as at December 31, 2020. These loans bear an interest of 6.75% subject to annual re-pricing with lump-sum payment upon maturity.

Union Bank of the Philippines (UBP)

In July 2016, the Parent Company availed car loans from Union Bank which bears 9.11% interest and is payable in installment over sixty (60) months. These loans are secured by certain transportation equipment of the Group (see Note 11).

RCBC Savings Bank (RCBC)

In July 2017, the Parent Company availed car loans from RCBC Savings Bank which bear 8.72% interest and are payable in installment over sixty (60) months. These loans are secured by certain transportation equipment of the Group (see Note 11).

Philippine Bank of Communications (PBCom)

In 2017, the Parent Company entered into a bridge funding agreement with PBCom. PBCom approved a P1.1 billion credit line under which the Parent Company drew down P500 million in 2017, P500 million in 2019 and P100 million in 2020. These loans are payable within five (5) years from date of drawdown. These loans bear 6% interest rate, payable quarterly in arrears and secured by certain condominium units and other properties mortgaged in favor of PBCom with total carrying amount of P2.1 billion as at December 31, 2020.

Philippine National Bank (PNB)

In 2019, the Parent Company availed working capital loans from Philippine National Bank with a total principal amount of P800 million which has been fully paid in 2020. The Parent Company availed new loans in 2020 with total principal amount of P100 million. These loans bear an interest of 5.25% annually and payable within three (3) months subject to extension upon lapse of the maturity date. Interest rates will then be re-evaluated to conform with the current period's rate. These loans are secured by the land in New Manila Quezon City with the carrying amount of P135.4 million (see Note 7).

Note Payable

RCBC Savings Bank

In 2019, PPMI availed of a five-year note payable amounting to P3,744,000 from a local bank to finance the purchase of transportation equipment. The note carries interest at 11.04% per annum. The loan was obtained in February 2019 and will mature in February 2024.

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The movements in the note payable are summarized as follows:

	2020	2019
Balance at beginning of year	<b>P3,261,341</b>	P -
Availments of loan	-	3,744,000
Payments of principal	<b>(528,947)</b>	(482,659)
Balance at end of year	<b>P2,732,394</b>	P3,261,341

Outstanding balance of note is composed of the following:

	2020	2019
Payable within one year	<b>P826,824</b>	P968,952
Payable after one year	<b>1,905,570</b>	2,292,389
	<b>P2,732,394</b>	P3,261,341

Interest expense charged to profit or loss amounted to P278,513 and P324,801 in 2020 and 2019, respectively.

**16. Related Party Transactions**

The details of related party transactions and balances are as follows:

As at and for the year ended December 31, 2020:	Transactions	Outstanding balance	Terms and conditions
<i>Sale of real estate inventories</i>			
Principal Shareholder Greenhills Properties, Inc.			Sales of condominium units to related parties are based on the effective price list and terms that would be available to third parties.
Collections during the year	<b>P73,863,594</b>	<b>P51,892,140</b>	The receivables are secured with related units until full payment; and payable monthly in two (2) years.
Gain on repossession of asset	<b>12,057,967</b>	-	
<i>Purchase of services</i>			
Subsidiary Tektit Insurance Brokers, Inc.			Purchases of services are negotiated with related parties on a cost-plus basis and are due 30 days after the end of the month. These receivables are unsecured and bear no interest and settled in cash.
Purchase of services	<b>7,945,497</b>	-	
Payments during the year	<b>(7,945,497)</b>	-	
PRHC Property Managers, Inc.			
Purchase of services	-	-	
Payments during the year	-	-	
<i>Advances</i>			
Alexandra (USA), Inc., Associate	-	<b>132,417,765</b>	Advances to subsidiaries and associates are unsecured, non-interest bearing and to be settled in cash.
Le Cheval Holdings, Inc., Associate	-	<b>122,248</b>	
Meridian Assurance Corp. Associate	<b>627</b>	<b>(16)</b>	
Less: Allowance for impairment loss	<b>(122,232)</b>	<b>(132,539,997)</b>	
Balance, net	<b>(121,605)</b>	-	
<i>Interest expense</i>			
Associate Meridian Assurance Corp.			In 2020, the Parent Company paid its 30% share on the interest expense of the loan related to contingency surplus.
Payments during the year	<b>(1,981,749)</b>	-	
<i>Forward</i>			

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<b>As at and for the year ended December 31, 2020:</b>	<b>Transactions</b>	<b>Outstanding balance</b>	<b>Terms and conditions</b>
<i>Key management personnel</i>			
Short-term benefits			Key management includes directors (executive and non-executive) and executive officers.
Salaries and other short-term employee benefits	17,694,348	-	Short-term benefits are payable monthly and termination benefits are payable upon retirement
Termination benefits		-	
Provision for retirement benefits/PVO	6,670,000	-	
<hr/>			
<b>As at and for the year ended December 31, 2019:</b>	<b>Transactions</b>	<b>Outstanding balance</b>	<b>Terms and conditions</b>
<i>Sale of real estate inventories</i>			
Principal Shareholder Greenhills Properties, Inc.			Sales of condominium units to related parties are based on the effective price list and terms that would be available to third parties.
Collections during the year	P39,556,687	P125,755,734	The receivables are secured with related units until full payment; and payable monthly in two (2) years.
Gain on repossession of asset	4,912,075	-	
<hr/>			
<i>Purchase of services</i>			
Subsidiary Tektite Insurance Brokers, Inc.			Purchases of services are negotiated with related parties on a cost-plus basis and are due 30 days after the end of the month. These receivables are unsecured and bear no interest and settled in cash.
Purchase of services	5,725,628	-	
Payments during the year	(5,725,628)	-	
PRHC Property Managers, Inc.			
Purchase of services	-	-	
Payments during the year	(79,254)	-	
<hr/>			
<i>Advances</i>			
Alexandra (USA), Inc., Associate			Advances to subsidiaries and associates are unsecured, non-interest bearing and to be settled in cash.
Le Cheval Holdings, Inc., Associate	-	132,417,765	
	19,955	122,248	
Meridian Assurance Corp. Associate	-	(643)	
Less: Allowance for impairment loss		(132,417,765)	
Balance, net	19,955	121,605	
<hr/>			
<i>Loans payable</i>			
Associate Meridian Assurance Corp.			
Payments during the year	(50,000,000)	-	See Note 15.
<hr/>			
<i>Key management personnel</i>			
Short-term benefits			Key management includes directors (executive and non-executive) and executive officers.
Salaries and other short-term employee benefits	15,894,348	-	Short-term benefits are payable monthly and termination benefits are payable upon retirement
Termination benefits	-	-	
Provision for retirement benefits/PVO	6,268,941	-	

**Management Services**

The Group provides general management services and financial management and supervision over the janitorial and security services for the efficient administration of the properties of GPI, the ultimate parent company, and third parties, collectively referred herein as property owners. In consideration for said services, the Group charges the property owners a fixed monthly amount, with a 10% escalation rate annually. These management contracts are renewable for a period of two (2) to three (3) years upon mutual agreement of both the Group and the property owners.

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*Advances to (from) related parties*

The Parent Company's substantial receivables from AUI, an associate, which is intended to fund the latter's working capital requirement, represents non-interest-bearing advances with no fixed term with the option to convert to equity in case of increase in capital. Advances contributed by AUI's stockholders were in accordance with the percentage of ownership of the stockholders in AUI. With the imminent liquidation of AUI, the receivables have been fully provided with an allowance since 2011.

**17. Retirement Benefit Plans**

The Parent Company and TIBI operate funded, non-contributory defined benefit retirement plans covering substantially all of their regular employees. The plans are administered by local banks as trustee and provide for a lump-sum benefit payment upon retirement. The benefits are based on the employees' monthly salary at retirement date multiplied by years of credited service. No other post-retirement benefits are provided.

PPMI has an unfunded, noncontributory defined benefit retirement plan.

Through their defined benefit retirement plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

- *Asset volatility* - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit.
- *Inflation risk* - Some of the Group retirement obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plans' assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by an independent actuary on February 22, 2021 for the year ended December 31, 2020. The present values of the defined benefit obligations, the related current service costs and past service costs were measured using the Projected Unit Credit Method.

Key assumptions used for the Parent Company:

	Valuation at	
	2020	2019
Discount rate	3.96%	5.00%
Future salary increase	4.00%	4.00%

Key assumptions used for PPMI:

	Valuation at	
	2020	2019
Discount rate	4.13%	5.22%
Future salary increase	6.00%	6.00%

Key assumptions used for TIBI:

	Valuation at	
	2020	2019
Discount rate	3.47%	5.80%
Future salary increase	3.00%	5.00%

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Assumptions regarding future mortality and disability are set based on actuarial advice in accordance with published statistics and experience.

The reconciliation of the present value of the defined benefit obligation (DBO) and the fair value of the plan assets to the recognized liability presented as accrued retirement liability in the consolidated statements of financial position is as follows:

	2020	2019
Present value of defined benefit obligation	<b>P101,087,591</b>	P87,327,537
Fair value of plan assets	<b>27,666,680</b>	32,006,878
Recognized liability	<b>P73,420,911</b>	P55,320,659

The movements in the present value of defined benefit obligation are shown below:

	2020	2019
Liability at beginning of year	<b>P87,327,537</b>	P56,239,182
Current service cost	<b>12,252,598</b>	7,574,137
Interest cost	<b>4,264,383</b>	3,542,455
Adjustments	<b>770,152</b>	-
Benefits paid from Company operating funds	<b>(5,501,967)</b>	(432,000)
Benefits paid from plan assets	<b>(5,265,029)</b>	-
Remeasurement losses (gains)		
Changes based on experience	<b>(3,762,130)</b>	3,050,851
Changes in financial assumptions	<b>11,002,047</b>	17,352,912
Liability at end of year	<b>P101,087,591</b>	P87,327,537

The movements in the plan assets are shown below:

	2020	2019
Fair value of plan assets at beginning of year	<b>P32,006,878</b>	P30,839,705
Contributions of the employers to the plans	<b>2,000,000</b>	-
Interest income	<b>1,920,140</b>	2,176,054
Adjustments	<b>319,841</b>	-
Benefits paid	<b>(5,265,029)</b>	-
Remeasurement loss		
Return on plan assets, excluding amounts included in interest income	<b>(3,315,150)</b>	(1,008,881)
Fair value of plan assets at end of year	<b>P27,666,680</b>	P32,006,878

The Group expects to contribute P17,817,298 to the retirement fund in 2021.

The major category of plan assets as of December 31, 2020 and 2019 are as follows:

	2020	2019
Cash and cash equivalents	<b>P21,197,981</b>	P22,942,530
Equity instruments	<b>6,463,059</b>	9,064,348
Accrued interest	<b>5,640</b>	-
	<b>P27,666,680</b>	P32,006,878

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The retirement expense recognized in profit or loss consists of:

	2020	2019	2018
Current service cost	<b>P12,252,598</b>	P7,574,137	P9,524,942
Net interest on defined benefit liability	<b>2,344,243</b>	1,366,401	1,483,413
	<b>P14,596,841</b>	P8,940,538	P11,008,355

The retirement expense is recognized as part of employees' benefits under operating expenses in the consolidated statements of total comprehensive income.

The sensitivity analysis of the defined benefit obligation is:

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rate	1.00%	(P5,313,643)
	(1.00%)	6,840,583
Future salary increase	1.00%	7,594,690
	(1.00%)	(4,754,161)

The above sensitivity analyses are based on changes in principal assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement liability recognized in the consolidated statements of financial position.

The BOD reviews the level of funding required for the retirement fund. This includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation.

As of December 31, 2020, the weighted average duration of defined benefit obligation is 19.63 years (2019: 20.15 years).

## **18. Provisions and Contingencies**

### Parent Company

In 1998, the Parent Company sued Universal Leisure Corporation (ULC) for failing to pay the remaining sales price of condominium units. ULC bought the penthouse unit located in the 34<sup>th</sup> floor of the West Tower of the Philippine Stock Exchange Centre and 74 parking slots located at the Podium 3 Parking Level of the West Tower under two Contracts to Sell. After paying the down payment, ULC refused to pay the balance due in the principal sums of P32.5 million and P32.4 million. In February 2004, a decision was rendered in favor of the defendant on the account that ULC is an assignee of receivables of DMCI Project Developers, Inc. (DMCI-PDI) and Universal Rightfield Property Holdings, Inc. (URPHI). These receivables are allegedly owed by the Parent Company to DMCI-PDI and URPHI as a result of cancellation of a joint venture agreement in 1996 entered into by the Parent Company, DMCI-PDI and URPHI. The Parent Company was ordered to either (i) deliver to ULC the titles of the condominium units and return to ULC, as assignee of defendants DMCI and URPHI, the amount of P24.7 million or; (ii) to return to ULC the amounts which have been paid including what have been deemed paid over the penthouse unit and the parking spaces, and pay attorney's fees of P600,000. The Parent Company appealed the decision to the Court of Appeals which affirmed the trial court's decision with modification

that reduced the attorney's fees from a total of P600,000 to P150,000. During 2011, the Parent Company provided an allowance of P15,507,800 for accounts receivable that are deemed not recoverable from ULC. In December 2012, the Parent Company filed a motion for Reconsideration and the same was denied. Thereafter, the Parent Company filed a Petition for Review on Certiorari with the Supreme Court where the matter resulted to amicable settlement and termination of legal proceedings.

In October 2018, the Parent Company initiated discussions on amicable settlement with ULC offering the return of the amounts paid and deemed paid for the penthouse unit and the 74 parking slots in exchange for getting back the said properties. The parties were able to execute a settlement agreement on February 19, 2019, wherein the Parent Company will pay ULC a total amount of P231,000,000, covering the return of the amounts paid/deemed paid by ULC (for itself and as assignee of DMCI-PDI and URPHI) for the penthouse unit located in the 34<sup>th</sup> floor, West Tower of the Philippine Stock Exchange Centre (formerly Tektite Towers) containing a floor area of 2,370 square meters and 74 parking slots located at the Podium 3 Parking Level of the West Tower of the Philippine Stock Exchange Centre which shall all be returned to the Parent Company, plus total legal fees of P150,000.

With the settlement, ULC allowed the Parent Company to withdraw P18,808,073 from the joint account set-up for the discontinued joint venture project by and among the Company, DMCI-PDI and URPHI. DMCI-PDI and URPHI contributed the funds in the joint venture account. The Parent Company had to reverse the sale transactions it previously booked and reinstated the investment properties returned at their cost of P180.62 million and had to recognize a net loss on the settlement of P62.07 million (see Note 25).

The Parent Company is also a party to legal claims that arise in the ordinary course of business, the outcome of which is not presently determinable. The Parent Company and its legal counsel, however, believe that final settlement, if any, will not be material to the Parent Company's financial results.

#### Subsidiaries

Certain subsidiaries are defendants or parties in various lawsuits and claims involving civil and labor cases. In the opinion of the subsidiaries' management, these lawsuits and claims, if decided adversely, will not involve sums having material effect on the subsidiaries' financial position or results of operations.

Management believes that the final settlement, if any, of the foregoing lawsuits or claims would not adversely affect the Group's financial position or results of operations.

Accordingly, no provision has been made in the accounts for these lawsuits and claims.

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## **19. Management Fees**

The Group provides general management services and financial management and supervision over the janitorial and security services through PPMI. In consideration for the said services, the Group charges the property owners a fixed monthly amount with a 10% escalation rate annually. These management contracts are renewable for a period of two (2) to three (3) years upon mutual agreement of both PPMI and the property owners. The Group is entitled to fixed reimbursement of actual cost of the on-site staff. The total income from management fees amounted to P42.85 million, P42.95 million and P34.05 million in 2020, 2019 and 2018, respectively.



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**20. Commission**

The Group's commission income was derived from the following activities:

	2020	2019	2018
Insurance brokerage	<b>P4,455,984</b>	P5,727,141	P6,583,300
Others	-	-	92,726
	<b>P4,455,984</b>	P5,727,141	P6,676,026

**21. Interest Income**

The Group's interest income was derived from the following:

	<i>Note</i>	2020	2019	2018
Sublease	12	<b>P10,875,595</b>	P10,405,989	P -
Trade receivables	6	<b>2,016,397</b>	2,484,558	1,020,842
Cash and cash equivalents	3	<b>836,357</b>	1,211,762	2,401,445
Others		-	595,589	152,517
		<b>P13,728,349</b>	P14,697,898	P3,574,804

**22. Other Income**

The account consists of:

	<i>Note</i>	2020	2019	2018
Gain on fair value adjustment of investment properties	10	<b>P286,750,907</b>	P546,695,730	P511,432,937
Gain on sublease	12	-	139,125,678	-
Gain on money market investments		-	1,191,166	-
Dividend income	5	-	716,722	626,337
Reversal of various payables and accruals		-	24,484	109,006,274
Unrealized foreign exchange gain		-	-	1,809,732
Others	6,16	<b>23,425,204</b>	8,618,937	38,656,658
		<b>P310,176,111</b>	P696,372,717	P661,531,938

In 2018, the Group reversed its long outstanding balances of retention and other payables.

Others mainly consists of reversal of allowance for impairment losses on receivables and gain on repossession of assets.

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**23. Cost of Services**

The account consists of:

	<i>Note</i>	2020	2019	2018
Salaries, wages, and other benefits		<b>P25,810,786</b>	P26,911,745	P27,803,914
Taxes and licenses		<b>23,352,566</b>	10,304,356	6,172,262
Condominium dues	10	<b>10,127,213</b>	11,117,177	9,247,509
Depreciation and amortization				
ROU assets	12	<b>8,430,511</b>	-	-
Property and equipment	11	-	-	68,195
Utilities		<b>4,283,890</b>	4,238,935	2,892,057
Outside services		<b>3,745,552</b>	6,288,051	11,065,543
Insurance and bond premiums		<b>2,050,936</b>	3,127,328	2,270,615
SSS, Pag-IBIG and other contributions		<b>1,787,728</b>	1,717,588	1,298,923
Repairs and maintenance		<b>788,667</b>	2,377,622	1,226,447
Rental	12	<b>604,252</b>	546,389	663,572
Commission		<b>357,785</b>	1,785,976	864,270
Supplies and materials		<b>258,385</b>	1,182,353	1,463,359
Employees' welfare		<b>77,419</b>	227,813	1,944,651
Transportation and travel		-	-	25,648
Others		<b>1,479,285</b>	2,376,492	3,484,214
		<b>P83,154,975</b>	P72,201,825	P70,491,179

Others include various expenses that are individually insignificant.

**24. General and Administrative Expenses**

The account consists of:

	<i>Note</i>	2020	2019	2018
Salaries, wages, and other benefits		<b>P83,787,422</b>	P74,824,822	P61,310,140
Taxes and licenses		<b>51,393,428</b>	56,292,444	40,926,242
Marketing expense		<b>47,599,104</b>	164,028,600	194,616,920
Professional fees		<b>20,094,194</b>	19,684,880	27,994,929
Transportation and travel		<b>16,448,165</b>	13,652,839	35,247,324
Depreciation and amortization				
Property and equipment	11	<b>14,756,859</b>	16,502,235	13,410,703
ROU assets	12	<b>1,264,984</b>	9,695,495	-
Provision for retirement benefits	17	<b>14,596,841</b>	8,940,538	11,008,355
Repairs and maintenance		<b>7,304,244</b>	3,060,696	144,552
Insurance and bond premiums		<b>5,570,144</b>	8,488,329	11,108,663
Provision for impairment loss on				
trade and other receivables	6	<b>5,107,257</b>	80,758,365	26,262,781
Outside services		<b>5,044,580</b>	5,095,746	6,974,218
Condominium dues		<b>5,044,517</b>	5,692,247	11,826,094
SSS, Pag-IBIG, Medicare and				
other benefits		<b>4,943,382</b>	15,894,347	11,202,768
Utilities		<b>3,076,739</b>	2,161,708	2,459,768
Postage and communication		<b>2,055,719</b>	1,588,988	1,920,092
Representation and				
entertainment		<b>644,978</b>	167,868	17,738,010

*Forward*

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	<i>Note</i>	2020	2019	2018
Supplies and materials		<b>P154,644</b>	P144,293	P141,468
Corporate social responsibility		<b>100,000</b>	5,625	869,372
Rental	12	<b>77,539</b>	86,844	-
Provision for impairment loss on property and equipment	11	-	19,406,340	-
Membership dues		-	108,850	-
Impairment loss on other assets		-	-	16,637,343
Miscellaneous		<b>6,867,826</b>	6,096,247	14,742,204
		<b>P295,932,566</b>	P512,378,346	P506,541,946

Miscellaneous expenses include PSE fees, trainings and seminars, donations and contributions, fines, penalties and various petty expenses.

**25. Other Expenses**

The account consists of:

	<i>Note</i>	2020	2019	2018
Foreign exchange loss		<b>P1,183,942</b>	P403,018	P -
Bank charges		<b>447,417</b>	206,995	372,073
Loss on money market investment		<b>29,041</b>	-	886,578
Loss on settlement of lawsuit	18	-	-	62,066,927
Loss on disposal of property and equipment		-	-	308,313
Others		-	1,637	88
		<b>P1,660,400</b>	P611,650	P63,633,979

**26. Income Taxes**

The components of income tax expense are as follows:

	2020	2019	2018
Current	<b>P3,629,744</b>	P18,780,222	P15,037,882
Deferred	<b>79,126,494</b>	193,447,090	163,802,340
	<b>P82,756,238</b>	P212,227,312	P178,840,222

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The reconciliation of the provision for income tax expense computed at the statutory rate to the provision shown in the consolidated statements of total comprehensive income is as follows:

	2020	2019	2018
Income before income tax	<b>P122,599,591</b>	P697,116,425	P569,774,005
Income tax expense	<b>P36,779,877</b>	P209,134,927	P170,932,203
Additions to (reductions in) income tax resulting from the tax effects of:			
Movement on unrecognized deferred tax assets	<b>34,069,759</b>	(38,547,350)	(12,570,995)
Non-deductible expenses	<b>12,777,838</b>	43,844,881	24,771,866
Unrecognized NOLCO	<b>1,310,840</b>	-	-
Retirement obligation	<b>120,318</b>	-	-
Limit on interest expense	<b>92,914</b>	132,600	126,329
Gain on changes in fair value of investment property of a subsidiary	<b>(2,144,400)</b>	(1,759,200)	(248,400)
Interest income subjected to final tax	<b>(250,908)</b>	(363,529)	(329,723)
Impairment loss on trade and other receivables and advances to associates	-	-	7,500,598
Dividend income	-	(215,017)	(187,901)
Reversal of accruals and payables	-	-	(11,153,755)
	<b>P82,756,238</b>	P212,227,312	P178,840,222

The Group is subject to either the 30% regular income tax or 2% minimum corporate income tax (MCIT), whichever is higher. The excess MCIT over the regular income tax shall be carried forward and applied against the regular income tax due for the next three consecutive taxable years.

The details of the Group's MCIT are as follows:

Year Incurred	Expiry date	Amount	Applied	Expired	Balance
2020	2023	P2,817,051	P -	P -	P2,817,051
2019	2022	116,761	-	-	116,761
2018	2021	149,642	-	-	149,642
2017	2020	66,087	-	(66,087)	-
		<b>P3,149,541</b>	<b>P -</b>	<b>(P66,087)</b>	<b>P3,083,454</b>

In 2020, the Group incurred NOLCO amounting to P112,782,799 which can be claimed as deduction against future taxable income until 2025, in accordance to Revenue Regulations No. 25-2020 issued on September 30, 2020. Under Section 4 of this regulation, the business or enterprise which incurred net operating loss for taxable years 2020 and 2021 shall be allowed to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

The details of the Group's NOLCO are as follows:

Year Incurred	Expiry date	Amount	Applied	Expired	Balance
2020	2025	P112,782,799	P -	P -	P112,782,799
2019	2022	169,635	-	-	169,635
2018	2021	2,908,601	(40,925)	-	2,867,676
2017	2020	1,328,004	-	(1,328,004)	-
		<b>P117,189,039</b>	<b>(P40,925)</b>	<b>(P1,328,004)</b>	<b>P115,820,110</b>

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The components of the net deferred income tax assets and liabilities recognized by the Group are as follows:

	2020		2019	
	Tax Base	Deferred Tax	Tax Base	Deferred Tax
Deferred tax assets:				
Provision for retirement benefits	P70,935,577	P21,280,673	P53,686,693	P16,106,008
Deferred rent income	39,461,577	11,838,473	41,552,793	12,465,838
Rent expense derecognized due to PFRS 16	3,814,093	1,144,228	1,859,500	557,850
Unrealized foreign exchange loss	1,198,643	359,593	381,073	114,322
Impairment loss on receivables	600,408	180,122	600,407	180,122
	116,010,298	34,803,089	98,080,466	29,424,140
Deferred tax liabilities:				
Gain on fair value adjustment of investment properties	1,667,828,770	500,348,631	1,388,225,860	416,467,758
Gain on sublease	129,650,757	38,895,227	134,579,163	40,373,749
Accrued rent receivable	1,615,657	484,697	248,343	74,503
Unrealized foreign exchange gain	-	-	4,912,073	1,473,622
	1,799,095,184	539,728,555	1,527,965,439	458,389,632
	(P1,683,084,886)	(P504,925,466)	(P1,429,884,973)	(P428,965,492)

The recognized deferred tax assets were from the Parent Company and PPML.

The Group's unrecognized deferred tax assets pertain to the following:

	2020		2019	
	Tax Base	Deferred Tax	Tax Base	Deferred Tax
Allowance for impairment loss on receivables	P333,318,409	P99,995,523	P336,960,047	P101,088,014
Net operating loss carry-over	114,640,884	34,392,265	1,835,663	550,699
Allowance for impairment loss on investments in subsidiaries and associates	55,618,197	16,685,459	19,918,197	5,975,459
MCIT	3,083,454	3,083,454	12,164	12,164
Accrued retirement benefit expense	2,485,337	745,601	-	-
Allowance for impairment loss on advances to associates	-	-	199,473	59,842
	P509,146,281	P154,902,302	P358,925,544	P107,686,178

The deferred tax assets have not been recognized in respect of the above items because it is not probable that sufficient future profit will be available against which the Group can utilize the benefits there from.

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**27. Capital and Treasury Stock**

Movements in the Group's capital stock are as follows:

	2020	2019	2018
<b>Authorized</b> 8,000,000,000 common shares at P0.50 par value	<b>P4,000,000,000</b>	P4,000,000,000	P4,000,000,000
<b>Issued and outstanding</b> 3,688,869,745 shares	<b>1,844,434,873</b>	1,844,434,873	1,844,434,873
<b>Subscribed</b> 1,314,711,262 shares	<b>657,355,632</b>	657,355,632	657,355,632
Subscriptions receivable			
Beginning balance	(157,564,260)	(157,592,010)	(157,592,010)
Collection	-	27,750	-
	<b>499,791,372</b>	499,791,372	499,763,622
<b>Total capital stock</b>	<b>2,344,226,245</b>	2,344,226,245	2,344,198,495
<b>Additional paid-in capital</b>	<b>557,014,317</b>	557,014,317	557,014,317
	<b>P2,901,240,562</b>	P2,901,240,562	P2,901,212,812
<b>Treasury stock</b>	<b>P110,049,633</b>	P110,049,633	P109,712,439

In 2019, TIBI acquired shares of the Parent Company amounting to P337,194.

**28. Reserves**

This account consists of:

	Note	2020	2019	2018
Appropriated retained earnings for:				
Treasury stock acquisitions				
Balance at beginning of year		<b>P109,712,439</b>	P109,712,439	P250,000,000
Movements during the year		-	-	(140,287,561)
Balance at end of year		<b>109,712,439</b>	109,712,439	109,712,439
Revaluation on FVOCI				
Balance at beginning of year		<b>(25,988,878)</b>	(20,349,330)	(24,132,038)
Movements during the year		<b>5,316,590</b>	(5,639,548)	(15,449,606)
Effect of adoption of PFRS 9		-	-	17,308,122
Disposal		-	-	1,924,192
Balance at end of year	5	<b>(20,672,288)</b>	(25,988,878)	(20,349,330)
Remeasurement loss on retirement benefit obligation				
Balance at beginning of year		<b>(37,347,443)</b>	(22,660,993)	(30,798,437)
Movements during the year - gross		<b>(10,555,065)</b>	(19,994,388)	11,624,918
Movements during the year - tax		<b>3,166,519</b>	5,307,938	(3,487,474)
Balance at end of year		<b>(44,735,989)</b>	(37,347,443)	(22,660,993)
Others		-	-	238,062
		<b>P44,304,162</b>	P46,376,118	P66,940,178

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**29. Non-controlling Interest**

	2020	2019
<b>UTC</b>		
January 1	<b>P2,036,275</b>	P2,041,917
Share in net loss	<b>(12,018)</b>	(5,642)
December 31	<b>2,024,257</b>	2,036,275
<b>Recon-X Energy Corporation</b>		
January 1	<b>(18,030,747)</b>	(7,208,594)
Share in net loss	<b>(2,041,948)</b>	(10,822,153)
December 31	<b>(20,072,695)</b>	(18,030,747)
	<b>(P18,048,438)</b>	(P15,994,472)

**30. Earnings Per Share**

	2020	2019	2018
Net income attributable to equity holders of Parent Company	<b>P41,897,319</b>	P495,717,398	P392,632,613
Weighted average no. of common shares issued and outstanding	<b>4,877,907,002</b>	4,877,907,002	4,877,907,002
Income per share	<b>P0.01</b>	P0.10	P0.08

The weighted average number of common shares was computed as follows:

	2020	2019	2018
Issued and outstanding shares	<b>3,688,869,745</b>	3,688,869,745	3,688,869,745
Subscribed shares	<b>1,314,711,262</b>	1,314,711,262	1,314,711,262
Treasury shares	<b>(125,674,005)</b>	(125,674,005)	(125,674,005)
Average number of shares	<b>4,877,907,002</b>	4,877,907,002	4,877,907,002

The Group has no potential dilutive shares as at December 31, 2020, 2019 and 2018.

**31. Significant Accounting Policies**

Adoption of New and Revised Standards, Amendments to Standards and Interpretations

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the Group's financial statements for the year ended December 31, 2020, except for the adoption of the following new standards and amended PFRS which became effective January 1, 2020. Unless otherwise indicated, none of these had a significant effect on the financial statements.

- 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.

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- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*. The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

*New and Amended Standards and Interpretation Not Yet Adopted*

A number of new and amended standards and interpretations are effective for annual periods beginning after January 1, 2020 and have not been applied in preparing the financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the financial statements. The Group will adopt the following new and amended standards and interpretations on the respective effective dates:

*Effective beginning on or after January 1, 2020*

- Amendments to PFRS 16, *COVID-19-related Rent Concessions* provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. It also requires lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications, to disclose that fact and apply the exemption retrospectively in accordance with PAS 8 but not require them to restate prior period figures.

The amendment is effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at May 28, 2020.

- Amendments to PFRS 3, *Reference to the Conceptual Framework* refer to amendments to PFRS 2, 3, 6 and 14, IAS 34, 37 and 38, IFRIC 12, 19, 20 and 22, and SIC-32 to update references to and quotes from the framework so that they refer to the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after January 1, 2022.

- Amendments to PAS 16, *Property, Plant and Equipment – Proceeds before Intended Use* prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by the management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are effective for annual periods beginning on January 1, 2022.

- Amendments to PAS 37, *Onerous Contracts – Cost of Fulfilling a Contract* specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The amendments are effective for annual periods beginning on January 1, 2022. Early application is permitted. Entities apply the amendments to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.



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- Annual Improvements to PFRS Standards 2018-2020
  - PFRS 1, *First-time Adoption of PFRS* permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs.
  - PFRS 9, *Financial Instruments* clarifies which fees an entity includes when it applies the '10 percent' test in paragraph B3.3.6 of PFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
  - PFRS 16, *Leases* amends Illustrative Example 13 accompanying PFRS 16 which removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The amendments are effective for annual periods beginning on January 1, 2022.

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* affect only the presentation of liabilities in the statement of financial position, not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They:
  - clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
  - clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
  - make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for annual periods beginning on January 1, 2023.

*Philippine Interpretations Committee Question and Answers (PIC Q&As) Issued in 2020 which are Subject to Approval by the BOA*

- PIC Q&A No. 2020-02, *Conclusion on PIC QA 2018-12E: On certain materials delivered on site but not yet installed*

This Q&A aims to provide guidance on how should the uninstalled materials be considered in measuring the progress of the performance obligation.

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

This Q&A aims to account the difference between the percentage of completion (POC) and the buyer's payment with the POC being ahead.

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- PIC Q&A No. 2020-04, *PFRS 15 - Step 3 - Requires and Entity to Determine the Transaction Price for the Contract (Addendum to PIC Q&A 2018-12-D)*

This Q&A aims to provide guidance in determining the transaction price considering the mismatch of the POC and schedule of payments.

- PIC Q&A No. 2020-05, *PFRS 15 - Accounting for Cancellation of Real Estate Sales (Supersedes Q&A 2018-14)*

This Q&A aims to provide guidance on the following:

- How should the Company account the sales cancellation and repossession of the property

Three approaches are acceptable but each approach should be applied consistently:

Approach 1: The reposessed property is recognized at its fair value less cost to repossess

Approach 2: The reposessed property is recognized at its fair value plus repossession cost

Approach 3: The cancellation is accounted for as a modification of the contract

- Would the accounting for the repossession change if the reposessed property is already 100% completed
- PIC Q&A No. 2020-06, *PFRS 16 Accounting for payments between and among lessors and lessees*

This Q&A aims to provide guidance on the accounting treatment, from both the lessor's and the lessee's perspectives, in respect of the payments made between and among lessors and lessees.

- PIC Q&A No. 2020-07, *PAS 12 – Accounting for the Proposed Changes in Income Tax Rates under the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) Bill*

This Q&A aims to provide guidance on the following:

- Is the CREATE Bill considered substantively enacted as of December 31, 2020,
- Is the subsequent enactment of CREATE Bill considered an adjusting event, and
- Impact on the calendar year (CY) 2020 and CY2021 financial statements of companies covered by the reduction of income tax rates

The Group is currently assessing the impact of the issued PIC Q&As.

*New Standard and Amendments to Standards Effective on or after January 1, 2021 but Not Applicable to the Group*

- PFRS 17, Insurance Contracts
- Annual improvement to *PAS 41, Agriculture to ensure consistency with the requirements in PFRS 13*

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

**Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Parent Company, the subsidiaries, up to December 31 each year. Details of the subsidiaries are shown in Note 36.

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The consolidated financial statements were prepared using uniform accounting policies for like transactions and other events in similar circumstances. Inter-company balances and transactions, including inter-company profits and unrealized profits and losses, are eliminated.

*Subsidiaries*

Subsidiaries are all entities over which the Group has control. The Parent Company controls an entity when the Parent Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Parent Company. They are deconsolidated from the date that control ceases.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired i.e. discount on acquisition is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the Parent Company.

Acquisition-related costs are expensed as incurred.

*Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

*Associates and joint ventures*

An associate is an entity over which the Parent Company is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a joint venture is a joint arrangement that involves the establishment of a separate entity in which each venturer has an interest.

An investment is accounted for using the equity method from the day it becomes an associate or joint venture. The investment is initially recognized at cost. 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 associate'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 statements of financial position at cost plus post-acquisition changes in the Parent Company's share in the net assets of the investee companies, less any impairment losses. The consolidated statements of total comprehensive income reflect the share of the results of the operations of the investee companies. The Parent Company'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 Parent Company 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.

The Group discontinues applying the equity method when their investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee companies. When the investee companies subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the investee companies and the Group are identical and the investee companies' accounting policies conform to those used by the Group for like transactions and events in similar circumstances. Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

#### Business Combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree at fair value of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

#### Segment Information

The Group's operating segments 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 operating segments is presented in Note 36 to the financial statements. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods. All inter-segment transfers are carried out at arm's length prices.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

For management purposes, the Group is currently organized into five business segments. These divisions are the basis on which the Group reports its primary segment formation.

The Group's principal business segments are as follows:

- a. Sale of Real Estate and Leasing
- b. Property Management
- c. Insurance Brokerage
- d. Holding Company
- e. Travel Services (discontinued as of July 31, 2018)

The Group's resources producing revenues are all located in the Philippines. Therefore, geographical segment information is not presented.

#### Cash and Cash Equivalents

Cash includes cash on hand and in banks and is stated at its face value. Cash in banks earns interest at the prevailing interest rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities of three (3) months or less from the date of acquisition and that are subject to an insignificant risk of change in value.

#### Financial Assets and Liabilities

##### *Financial Assets*

##### *Recognition*

Financial assets or a financial liability are recognized in the Group's consolidated financial statements when the Group becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

Financial assets are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). Transaction costs are included in the initial measurement of the Group's financial assets, except for investments classified as at fair value through profit or loss. Subsequently, financial assets are recognized either at fair value or at amortized cost.

##### *Classification*

The Group classifies its financial assets, at initial recognition, in the following categories: financial assets at amortized cost, financial assets at FVOCI and financial assets at FVPL. The classification depends on the business model of the Group for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are not reclassified subsequent to initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

*Financial Assets at Amortized Cost.* A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

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

After initial measurement, the financial assets are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition, and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are reclassified to FVPL, impaired or derecognized, as well as through the amortization process.

The Group's cash and cash equivalents, trade and other receivables and advances to associates are included under this category.

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

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of total comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group's financial assets at fair value through OCI includes investments in quoted and unquoted equity instruments.

*Financial Assets at FVPL.* Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at 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 consolidated statements of financial position at fair value with net changes in fair value recognized in profit or loss.

The Group's investments in equity instruments at FVPL are classified under this category.

#### *Impairment*

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.

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

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

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the external independent ratings to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

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

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

*Determining the stage for impairment*

At each reporting date, the Group assesses whether there has been a 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.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

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

*Derecognition*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- The right to receive cash flows from the asset has expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; 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 the Group's continuing involvement. In that case, the Group also recognizes the associated liability. The transferred asset and the associated liability are measured on the 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 is required to repay.

*Financial liabilities*

*Initial recognition and measurement*

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

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

The Group's financial liabilities include trade and other payables (except for payables to government), other non-current liabilities and loans and note payable.

*Subsequent measurement*

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

*Financial liabilities at fair value through profit or loss*

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

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

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

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

*Loans and borrowings*

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

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

This category generally applies to loans payable.

*Derecognition*

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



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Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is 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 assets and settle the liabilities simultaneously.

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to income as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the consolidated statements of financial position as current asset when the cost of goods or services related to the prepayment are expected to be incurred within one (1) year or the Group's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as non-current assets.

Real Estate Inventories

Property acquired or being developed 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.

Cost includes amounts paid to contractors for construction, borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

Net realizable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less costs to complete and the estimated costs to sell.

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

The provision account, if any, is reviewed on a monthly basis to reflect the reasonable valuation of the Group's inventories. Inventory items identified to be no longer recoverable is written-off and charged as expense for the period.

Real estate held for development is measured at lower of cost and NRV. Expenditures for development and improvements of land are capitalized as part of the cost of the land. Directly identifiable borrowing costs are capitalized while the development and construction is in progress.

Property and Equipment

Property and equipment are initially measured at cost which consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use and are subsequently measured at cost less any accumulated depreciation, amortization and impairment losses, if any.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

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Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of years
Condominium units	20
Building	25
Building improvements	5 to 10
Office furniture, fixtures and equipment	3 to 10
Transportation and other equipment	5
Leasehold and office improvements	5

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

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

*Derecognition*

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time, the cost and their related accumulated depreciation are removed from the accounts. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Investment Properties

Investment properties comprised completed property and property under development or re-development that are held to earn rentals or capital appreciation or both and that are not occupied by the Group. Investment property is initially measured at cost incurred in acquiring the asset and subsequently stated at fair value. Revaluations are made with sufficient regularity by external independent appraisers to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the period. The external independent appraiser uses sales comparison approach in arriving at the value of the properties. In this approach, the value of the properties is based on sales and listings of comparable properties. This is done by adjusting, the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity or at different floor levels of the same building. Comparison would be premised on factors such as location, size and physical attributes, selling terms, facilities offered and time element.

A gain or loss arising from a change in the fair value of investment property is recognized in profit or loss for the period in which it arises.

A transfer is made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. A transfer is made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

*Derecognition*

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. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statements of total comprehensive income in the year of retirement or disposal.

Impairment of Non-financial Assets

At each reporting date, the Group assesses whether there is any indication that any of its non-financial assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount of the non-financial asset is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense.

When an impairment loss reverses subsequently, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized in profit or loss.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between participants at measurement date.

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs for the asset or liability that are not based on observable market data.

Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Parent Company after deducting all of its liabilities. Distribution to the Parent Company's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Parent Company's Board of Directors.

*Capital stock*

Capital stock is classified as equity when there is no obligation to the transfer of cash or other assets. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

*Additional paid-in capital*

Additional paid-in capital pertains to premium paid over the par value of shares.

*Retained earnings*

Retained earnings include all the accumulated income (loss) of the Group, dividends declared and share issuance costs. Retained earnings is net of amount offset from additional paid-in capital arising from the quasi-reorganization.

*Treasury stock*

The Parent Company's equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statements of total comprehensive income 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 Group 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.

Employee Benefits

*Short-term benefits*

The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Group to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses and non-monetary benefits.

*Post-employment benefits*

The Group's net obligation in respect of its defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of the defined benefit obligation (DBO) is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the DBO at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss.

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The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Revenue Recognition

Revenue from contracts with customers

*Revenue from real estate sales*

The Parent Company primarily derives its real estate revenue from the sale of vertical 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 Parent Company expects to be entitled in exchange for those goods or services.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 32.

The Parent Company derives its real estate revenue from sale of 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 Parent Company's performance does not create an asset with an alternative use and the Parent Company has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Parent Company uses the output method. The Parent Company recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the monthly project accomplishment report prepared by the third-party surveyor as approved by the construction manager 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.

Revenue from sales of completed real estate projects is accounted for using the full accrual method.

Any excess of collections over the recognized receivables are included in the "Deposits and other current liabilities" account in the liabilities section of the consolidated statements 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 "Deposits and other current liabilities" account in the liabilities section of the consolidated statements of financial position.

The Group also derives its revenue from management fee, commission, rental and interest income for which the Group assessed that there is only one performance obligation. Revenue from contracts with customers is recognized at a point in time 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.

*Management fee*

Management fee is recognized when the related services have been performed in accordance with the terms and conditions of the management agreement and applicable policies.

*Commission income*

Commission income is recognized when the real estate and insurance brokering services have been performed in accordance with the terms and conditions of the agreement, commission scheme and applicable policies. Commission income recognized is the amount earned as an agent and excludes amounts collected on behalf of the principal.

*Interest income*

Interest income is accrued on a time proportion basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

*Rental income*

Rent income from operating leases is recognized as income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

*Miscellaneous income*

Miscellaneous income is recognized when earned.

*Cost recognition from real estate sales*

Cost of real estate sales is recognized consistent with the revenue recognition method applied and is determined with reference to the specific, including estimated costs, on the property allocated to sold area. Cost of residential and commercial lots and 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 Parent Company's in-house technical staff.

Estimated development costs include direct land development, shared development cost, building cost, external development cost, professional fees, post construction, contingency, miscellaneous and socialized housing. Miscellaneous costs include payments such as permits and licenses, business permits, development charges and claims from third parties which are attributable to the project. Contingency includes fund reserved for unforeseen expenses and/ or cost adjustments. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts are considered as special budget appropriations that are approved by management and are made to form part of total project costs on a prospective basis and allocated between costs of sales and real estate inventories.

Cost and Expense Recognition

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Costs and expenses are recognized in profit or loss on the basis of: (i) a direct association between the costs incurred and the earning of specific items of income; (ii) systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or (iii) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify for recognition in the consolidated statements of financial position as an asset.

Cost and expenses in the consolidated statements of total comprehensive income are presented using the function of expense method. General and administrative expenses are costs attributable to general, administrative and other business activities of the Group.

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 in which they were

incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs are capitalized from the commencement of the development work until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

#### Leases

The Group has applied PFRS 16 using the modified retrospective approach and therefore comparative information has not been restated and is presented under PAS 17. The details of accounting policies under both PAS 17 and IFRS 16 are presented separately below.

#### *Policies effective 1 January 2019*

##### The Group as Lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under PAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies PAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property and Equipment' policy.

Short-term leases with terms of less than 12 months or lease of low value assets are expensed as incurred.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Group applies PFRS 15 to allocate the consideration under the contract to each component.



*Policies effective prior to 1 January 2019*

Leases

*Group as Lessee*

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

*Group as Lessor*

Leases where the Group does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases. Lease payments received are recognized as an income in the consolidated statements of total comprehensive income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Foreign Currency Transactions and Translation

Transactions in currencies other than Philippine peso are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are restated at the rates prevailing on the reporting date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year.

Income Tax

Income tax expense for the year comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is calculated on the basis of the tax laws enacted at the reporting date. Management periodically evaluates positions in income tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary difference arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. The Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority and the same taxable entity.

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation, either legal or constructive, as a result of a past event; when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and; when the amount of the obligation can be estimated reliably. When the Group expects reimbursement of some or all of the expenditure required to settle a provision, the entity recognizes a consolidated asset for the reimbursement only when it is virtually certain that reimbursement will be received when the obligation is settled.

The amount of the provision recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the cash flows estimated to settle the present obligation; its carrying amount is the present value of those cash flows.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent liabilities are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Related Party Relationships and Transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Earnings per Share

*Basic earnings per share*

The Group computes its basic earnings per share by dividing net profit attributable to common equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the period.

*Diluted earnings per share*

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares.

Events After the Reporting Date

The Group identifies events after the reporting date as events that occurred after the reporting date but before the date the consolidated financial statements were authorized for issue. Any subsequent event that provides additional information about the Group's financial position at the reporting date is reflected in the consolidated financial statements. Non-adjusting subsequent events are disclosed in the notes to the consolidated financial statements when material.

**32. Critical Accounting Judgments and Key Sources of Estimation Uncertainty**

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 and cost recognition on real estate projects*

The Parent Company's revenue recognition and cost policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Parent Company's revenue from real estate and construction contracts is recognized based on the percentage of completion and 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 inputs such as materials, labor and equipment needed, the assessment process for the POC is complex and the estimated project development costs requires technical determination by management's specialists (project engineers).

Similarly, the commission is determined using the percentage of completion.

*Provision for expected credit losses of trade receivables*

The Group uses a provision matrix to calculate ECLs for trade receivables. 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 historical loss rates as input to assess credit risk characteristics. The Group determines the appropriate receivables groupings based on shared credit risk characteristics such as revenue type, collateral or type of customer. The historical loss rates are adjusted to reflect the expected future changes in the portfolio condition and performance based on economic conditions and indicators such as inflation and interest rates that are available as at the reporting date.

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.

The information about the ECLs on the Group's trade receivables is disclosed in Notes 6 and 34.

*Estimating useful lives of assets*

The useful lives of assets are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the Group's assets. In addition, the estimation of the useful lives is based on the Group's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of assets would increase the recognized operating expenses and decrease non-current assets.

*Evaluation of net realizable value of real estate inventories*

The Parent Company adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of the assets. In determining the recoverability of the assets, management considers whether those assets are damaged or if their selling prices have declined. Likewise, management also considers whether the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Results of management's assessment disclosed that there is no need for provision for impairment of inventories as at December 31, 2020 and 2019.

*Revenue recognition*

When a contract for the sale of a property upon completion of construction is judged to be a construction contract, revenue is recognized using the percentage-of-completion method as construction progresses. The Group considers the terms and conditions of the contract, including how the contract was negotiated and the structural elements that the customer specifies when identifying individual projects as construction contracts. The percentage of completion is estimated by reference to the stage of the projects and contracts determined based on the proportion of contract costs incurred to date and the estimated costs to complete.

The Group assesses its revenue arrangements to determine if it is a principal or an agent. The Group is acting as a principal when it has exposure to the significant risks and rewards with the sales transactions or rendering of services. The Group is acting as an agent when it does not have exposure to the significant risks and rewards associated with the sales transactions or rendering of services.

*Post-employment and other employee benefits*

The present value of the retirement obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of retirement obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement obligation.

Other key assumptions for retirement obligations are based in part on current market conditions. Additional information is disclosed in Note 17.

Retirement obligation as at December 31, 2020 and 2019 amounted to P73,420,911 and P55,320,659, respectively.

*Estimating fair value of investment property*

The Group obtained the services of an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment properties being valued. An independent valuation of the Group's investment properties was performed by appraisers to determine their fair values. The valuation was determined by reference to sales and listing of comparable properties.

*Recoverability of deferred tax assets*

The Group reviews the carrying amounts at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient

taxable profit to allow all or part of its deferred tax assets to be utilized. The Group considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the utilization of deferred tax assets.

Total unrecognized deferred tax assets amounted to P154,902,302 and P107,686,178 as at 2020 and 2019, respectively (See Note 26).

*Impairment losses on non-financial assets*

The Group performs an impairment review when certain impairment indicators are present. Determining the fair value of non-financial assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Group to conclude that non-financial assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial position and results of operations.

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

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

*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 – for sales contracts receivable, the customer receives a notice of cancellation and does not continue the payments.

Qualitative criteria

The customer meets unlikelihood to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:

- a. The customer is experiencing financial difficulty or is insolvent
- b. The customer is in breach of financial covenant(s)
- c. An active market for that financial assets has disappeared because of financial difficulties
- d. Concessions have been granted by the Group, for economic or contractual reasons relating to the customer's financial difficulty
- e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

The criteria above have been applied to the 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.

*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 considers 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 formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional 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 base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

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.

*Revenue recognition method and measure of progress*

The Parent Company concluded that revenue for real estate sales is to be recognized over time because: (a) the Parent Company's performance does not create an asset with an alternative use and; (b) the Parent Company has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Parent Company'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 Parent Company 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 Parent Company. The Parent Company considers that the initial and continuing investments by the buyer of about 25% would demonstrate the buyer's commitment to pay.

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

*Distinction between investment properties and owner-occupied properties and real estate inventories and held for development*

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

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately at the reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

The Group determines that a property will also be classified as real estate inventory when it will be sold in the normal operating cycle or it will be treated as part of the Group's strategic land activities for development in the medium or long-term.

*Contingencies*

The Group is currently involved in various legal proceedings and tax assessments. Estimates of probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material adverse effect on the financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the Group's strategies relating to these proceedings.

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**33. Fair Value Measurement**

The fair values of the Group's financial instruments are equal to the carrying amounts in the consolidated financial position as at December 31, 2020 and 2019.

Fair values have been determined for measurement and disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values are disclosed in the notes to the financial statements specific to that asset or liability.

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

*Cash and cash equivalents, trade and other receivables and advances to associates* – carrying amounts approximate fair values due to the relatively short-term maturities of these items.

*Trade and other receivables* carrying amounts approximate their fair values as they are either priced using prevailing market rates or that the effect of discounting is not significant.

*Financial assets at FVPL and FVOCI* – these are investments in equity securities, fair value for quoted equity securities is based on quoted prices published in markets as of reporting dates.

*Trade and other payables* – the carrying value of trade and other payables and loans payable - current approximate its fair value either because of the short-term nature of these financial liabilities or effect of discounting is immaterial.

*Loans payable* – carrying amounts approximate their fair values as they are either priced using prevailing market rates or that the effect of discounting is not significant.

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The table below analyzes financial and non-financial assets measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

**December 31, 2020**

	Level 1	Level 2	Level 3	Total
Financial assets at FVPL				
Equity investments	P6,750,000	P -	P -	P6,750,000
Financial assets at FVOCI				
Equity investments	41,010,520	-	-	41,010,520

**December 31, 2019**

	Level 1	Level 2	Level 3	Total
Financial assets at FVPL				
Equity investments	P6,750,000	P -	P -	P6,750,000
AFS financial assets				
Equity investments	35,693,930	-	-	35,693,930

**34. Financial Risk Management Objectives and Policies**

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Group. The policies for managing specific risks are summarized below.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. It monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Risk management policies and systems are reviewed regularly to reflect changes in market conditions.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

**Market Risk**

***Foreign exchange risk***

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise with respect to transactions denominated in US dollar. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. Significant fluctuation in the exchange rates could significantly affect the Group's financial position.

Foreign exchange risk exposure of the Group is limited to its cash and cash equivalents. Currently, the Group has a policy not to incur liabilities in foreign currency. Construction and supply contracts, which may have import components, are normally denominated in Philippine peso.



**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
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The amounts of the Group's foreign currency denominated monetary assets at the reporting date are as follows:

	2020		2019	
	US dollar Deposit	Peso Equivalent	US dollar Deposit	Peso Equivalent
Cash and cash equivalents	<b>\$387,024</b>	<b>P18,591,090</b>	\$362,825	P18,411,180

The closing rates applicable as at December 31, 2020 and 2019 are P48.036 and P50.744 to US\$1, respectively.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their peso translation at the period end for a 4% change in foreign currency rates. A 4% weakening of Philippine peso against the US dollar will have an increase in net income amounting to P743,643 and P736,447 in 2020 and 2019, respectively. For a 4% strengthening of the Philippine peso against the US dollar, there would be an equal and opposite impact on the net income.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The primary source of the Group's interest rate risk relates to its cash and cash equivalents and loans payable. The interest rates on cash and cash equivalents and loans payable are disclosed in Notes 3 and 15, respectively.

Cash and cash equivalents are short-term in nature and with the current interest rate level, any variation in the interest will not have a material impact on the profit or loss of the Group.

Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

Based on the sensitivity performed the impact on profit or loss of 10% increase/decrease on interest rates on cash and cash equivalents, and loans and note payable would be an estimated maximum increase/decrease for 2020 and 2019 as follows:

	2020	2019
Cash and cash equivalents	<b>P83,635</b>	P121,176
Loans payable	<b>2,486,495</b>	733,122

*Price risk*

Price risk is the risk that the fair value of the financial instrument particularly equity instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. The Parent Company's Board of Directors reviews and approves all equity investment decisions.

At December 31, 2020, the impact of 10% increase/decrease in the price of listed equity securities, with other variables held constant would have been an increase/decrease of P531.7 thousand and P597.7 thousand for 2020 and 2019, respectively, in the Group's total comprehensive income and equity for the year. The Group's sensitivity analysis takes into account the historical performance of the stock market.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
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Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group's credit risk is primarily attributable to its cash and cash equivalents and trade and other receivables as disclosed in Notes 3 and 6, respectively. The Group has adopted stringent procedure in evaluating and accepting risk by setting counterparty and transaction limits. In addition, the Group has policies in place to ensure that sales are made to customers with an appropriate credit history.

In respect of installments receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. The Group's stringent customer requirements and policies in place contribute to lower customer default than its competitors. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Group's security deposits and advance rentals which helps reduce the Group's credit risk exposure in case of defaults by the tenants. For existing tenants, the Group has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Other financial assets are comprised of cash and cash equivalents excluding cash on hand, financial assets at FVPL, financial assets at FVOCI and advances to subsidiaries and associates. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Group closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at December 31 are as follows:

	2020	2019
Cash and cash equivalents excluding cash on hand	P207,193,799	P217,626,320
Trade and other receivables	1,252,979,158	1,625,188,417
	<b>P1,460,172,957</b>	<b>P1,842,814,737</b>

The credit quality of financial assets which are neither past due nor impaired is discussed below:

*(a) Cash in banks and cash equivalents*

The Group deposits its cash balance in reputable banks to minimize credit risk exposure amounting to P207,193,799 and P217,626,320 as at December 31, 2020 and 2019, respectively. Cash deposits are considered to be of high grade.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*(b) Trade and other receivables*

The credit quality of trade and other receivables that are neither past due nor impaired can be assessed by reference to internal credit ratings or to historical information about counterparty default rates:

	Grade A	Grade B	Total
<b>2020</b>			
Trade and other receivables	P870,795,863	P4,856,041	P875,651,904
<b>2019</b>			
Trade and other receivables	P1,379,678,190	P22,476,125	P1,402,154,315

- "Grade A"  
This includes financial assets pertaining to those assets held by either the government, counterparties with good credit standing, related parties or loans and receivables that are consistently paid before the maturity date
- "Grade B"  
This includes receivables that are past due but are still collectible within 12 months.

As at December 31, 2020 and 2019, trade and other receivables of P377,327,254 and P132,110,815, respectively, were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these receivables is as follows:

	More than 90 days	More than one year	Total
<b>2020</b>			
Trade and other receivables	P42,892,223	P334,435,031	P377,327,254
<b>2019</b>			
Trade and other receivables	P12,711,701	P119,399,114	P132,110,815

As at December 31, 2020 and 2019, trade and other receivables of P98,324,311 and P106,688,269, respectively, were impaired and provided for. Provision for (reversal of) impairment loss recognized in 2020 and 2019 are (P8,363,958) and P80,758,365, respectively. It was assessed that a portion of the receivables is expected to be recovered. The aging of these receivables is as follows:

	More than 90 days	More than one year	Total
<b>2020</b>			
Trade and other receivables	P -	P98,324,311	P98,324,311
<b>2019</b>			
Trade and other receivables	P -	P106,688,269	P106,688,269

The condominium certificates of the title remain in the possession of the Parent Company until full payment has been made by the customers, thus no significant credit risk was assessed for trade receivables.

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rate based on days past due of all customers as they have similar loss patterns. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. The security deposits and advance rental are considered in the calculation of impairment as recoveries. As of December 31, 2020 and 2019, the exposure at default amounts to P486 million and P359 million, respectively. The expected credit loss rate is 6% that resulted in the ECL of P26.6 million and P20.3 million as of December 31, 2020 and 2019, respectively.

Liquidity risk

Liquidity risk refers to the risk in which the Group encounters difficulties in meeting its short-term obligations.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group maintains adequate highly liquid assets in the form of cash and cash equivalents to assure necessary liquidity.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Carrying Amount	Contractual Obligation			Total
		Less than One Year	One to Five Years	More than Five Years	
<b>2020</b>					
			(In Thousand Pesos)		
Trade and other payables*	P272,150	P93,631	P178,519	P -	P272,150
Loans and note payable	1,033,326	495,065	617,907	-	1,112,972
<b>2019</b>					
			(In Thousand Pesos)		
Trade and other payables*	P340,106	P218,745	P121,361	P -	P340,106
Loans and note payable	1,155,086	571,730	583,356	-	1,155,086

\*excluding payables to government

### 35. Capital Management

The Parent Company manages its capital to ensure that the Parent Company is able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Parent Company consists of equity, which comprises of issued capital, additional paid-in capital, reserves, retained earnings and treasury stocks.

Management reviews the capital structure on a quarterly basis. As part of this review, management considers the cost of capital and the risks associated with it.

There were no changes in the Parent Company's approach to capital management during the year.

As part of the reforms of the Philippine Stock Exchange (PSE) to expand capital market and improve transparency among listed firms, PSE requires listed entities to maintain a minimum of ten percent (10%) of their issued and outstanding shares, exclusive of any treasury shares, held by the public. The Parent Company has fully complied with this requirement in 2020 and 2019.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*Tektite Insurance Brokers, Inc. (TIBI)*

The operations of TIBI are subject to the regulatory requirements of the Insurance Commission (IC). Such regulations not only prescribe approval and monitoring of activities but also impose certain capital requirement.

In 2006, the IC issued Memorandum Circular No. 1-2006 which provides for the minimum capitalization requirements of all insurance brokers and reinsurance brokers. Under this circular, existing insurance brokers and reinsurance brokers must have a net worth in accordance with the amounts and schedule stipulated in the circular.

As at December 31, 2020 and 2019, the required statutory net worth for TIBI, being an existing insurance broker is P10 million.

TIBI has fully complied with the capitalization requirements of Memorandum Circular No. 1-2006 in 2020 and 2019.

**36. Segment Information**

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

	Principal Activities	Ownership Interest	
		2020	2019
PRHC Property Managers, Inc. (PPMI)	Property Management	100%	100%
Tektite Insurance Brokers, Inc. (TIBI)	Insurance Brokerage	100%	100%
Sultan's Power, Inc. (SPI)	Holding Company	100%	100%
Universal Travel Corporation (UTC)	Travel and Tours Agency	81.53%	81.53%

Minority interests as of 2020 and 2019 represent the equity interests in Universal Travel Corporation not held by the Group.

The segment assets and liabilities as of December 31, 2020, 2019 and 2018 and the results of operations of the reportable segments for the years ended December 31, 2020, 2019 and 2018 are as follows:

PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2020

Parent		Subsidiaries						Eliminations	Consolidated
Sale of Real Estate and Leasing	Property Management	Insurance Brokerage	Holding Company	Travel services	Other Income	(In Thousand Pesos)			
Revenue	P264,773	P43,794	P4,456	P -	P -	P398,540	(P941)		P710,622
Segment Result	(59,779)	7,574	(800)	(4,295)	(53)	-	5,463		(51,890)
Interest expense	36,509	278	-	-	-	-	-		36,787
Interest income	(13,643)	(3)	(70)	-	(12)	-	-		(13,728)
Income taxes	81,413	1,293	91	-	-	-	-		82,797
Income (loss) before minority interest	44,500	9,142	(779)	(4,295)	(65)	-	5,463		53,966
Minority interest	-	-	-	-	-	-	(2,054)		(2,054)
Net Income (Loss)	P44,500	P9,142	(P779)	(P4,295)	(P65)	P -	P3,409		P51,912
Other Information									
Segment assets	P5,948,070	P89,647	P14,084	P2,503	P1,173	P -	P579		P6,056,056
Investments at equity method	101,930	-	-	-	-	-	(30,956)		70,974
Consolidated Total Assets	P6,050,000	P89,647	P14,084	P2,503	P1,173	P -	(P30,377)		P6,127,030
Segment liabilities	P2,075,301	P32,441	P3,768	P78,694	P29,957	P -	(P77,743)		P2,142,418
Consolidated Total Liabilities	P2,075,301	P32,441	P3,768	P78,694	P29,957	P -	(P77,743)		P2,142,418
Capital expenditure and amortization Non-cash expenses other than depreciation	P1,388	P -	P607	P -	P -	P -	P -		P1,995
	23,153	890	409	-	-	-	-		24,452
	16,351	3,738	799	-	-	-	-		20,888

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

2019

	Parent		Subsidiaries					Eliminations	Consolidated
	Sale of Real Estate and Leasing	Property Management	Insurance Brokerage	Subsidiaries			Other Income		
				Holding Company	Travel services				
(In Thousand Pesos)									
Revenue	P1,074,673	P45,130	P5,727	P -	P -	P761,920	(P2,243)	P1,885,207	
Segment Result	223,973	4,481	(736)	(22,228)	(31)	-	64,745	270,253	
Interest expense	16,745	325	-	-	-	-	-	17,070	
Interest income	(14,556)	(2)	(139)	-	(1)	-	-	(14,698)	
Dividend income	(717)	-	-	-	-	-	-	(717)	
Equity in net loss of associates	775	-	-	-	-	-	-	775	
Income taxes	210,553	1,503	150	-	-	-	-	212,206	
Income (loss) before minority interest	436,773	6,355	(725)	(22,228)	(31)	-	75,573	495,717	
Minority interest	-	-	-	-	-	-	(10,828)	(10,828)	
Net Income (Loss)	P436,773	P6,307	(P725)	(P22,228)	(P31)	P -	P64,745	P484,889	
Other Information									
Segment assets	P 6,023,102	P80,223	P13,668	P2,914	P1,184	P -	P3,869	P6,124,961	
Investments at equity method	108,975	-	-	-	-	-	(34,365)	74,610	
Consolidated Total Assets	P6,132,077	P80,223	P13,668	P2,914	P1,184	P -	(P30,496)	P6,199,571	
Segment liabilities	P2,198,806	P33,150	P2,081	P74,809	P29,903	P -	(P73,935)	P2,264,814	
Consolidated Total Liabilities	P2,198,806	P33,150	P2,081	P74,809	P29,903	P -	(P73,935)	P2,264,814	
Capital expenditure	P7,153	P4,254	P35	P -	P -	P -	P -	P11,443	
Depreciation and amortization	22,791	683	371	-	-	-	-	23,846	
Non-cash expenses other than depreciation	152,345	2,672	1,894	-	-	-	-	156,911	

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

2018											
	Parent	Subsidiaries									
	Sale of Real Estate and Leasing	Property Management	Insurance Brokerage	Holding Company				Travel services	Other Income	Eliminations	Consolidated
		(In Thousand Pesos)									
Revenue	P1,009,230	P37,986	P6,583	P -	P93	P771,180	(P3,938)				P1,821,134
Segment Result	212,258	1,915	(3,209)	(2,455)	(689)	-	(8,205)				199,625
Interest expense	8,474	-	-	-	-	-	-				8,474
Interest income	(3,477)	(1)	(66)	-	(31)	-	-				(3,575)
Dividend income	(626)	-	-	-	-	-	-				(626)
Equity in net gain of associates	8,205	-	-	-	-	-	-				8,196
Income taxes	177,748	886	195	-	12	-	-				178,841
Income (loss) before minority interest	402,582	2,800	(3,080)	(2,455)	(708)	-	(8,205)				390,934
Minority interest	-	-	-	-	-	-	1,699				1,699
Net Income (Loss)	P402,582	P2,800	(P3,080)	(P2,455)	(P708)	P -	(P6,506)				P392,633
Other Information											
Segment assets	P4,834,778	P64,770	P15,514	P1,258	P25,010	P -	P5,652				P4,946,982
Investments at equity method	178,809	-	-	-	-	-	(102,136)				76,673
Unallocated corporate assets	P5,013,587	P64,770	P15,514	P1,258	P25,010	P -	(P96,484)				P5,023,655
Consolidated Total Assets	P1,499,091	P21,759	P2,160	P74,668	P29,946	P -	(P74,702)				P1,552,922
Segment liabilities	P1,499,091	P21,759	P2,160	P74,668	P29,946	P -	(P74,702)				P1,552,922
Consolidated Total Liabilities	P8,800	P -	P -	P -	P -	P -	P -				P8,800
Capital expenditure	P12,970	P62	P365	P -	P82	P -	P -				P13,479
Depreciation and amortization	45,388	3,877	4,521	-	122	-	-				53,908
Non-cash expenses other than depreciation	1,009,230	37,986	6,583	-	93	771,180	(3,938)				1,821,134



**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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The following are the principal activities of the Parent Company's subsidiaries:

PRHC Property Managers, Inc. (PPMI)

PPMI was incorporated and registered with the SEC on May 24, 1991 to engage in the business of managing, operating, developing, buying, leasing and selling real and personal property either for itself and/or for others.

The registered office of PPMI is 29th/F East Tower, Philippine Stock Exchange Centre (PSE), Exchange Road, Ortigas Center, Pasig City.

Tektite Insurance Brokers, Inc. (TIBI)

TIBI was incorporated and registered with the SEC on January 2, 1989 to engage in the business of insurance brokerage.

The registered office of TIBI is at 20/F East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City.

Universal Travel Corporation (UTC)

UTC was incorporated and registered with the SEC on November 9, 1993 to engage in the business of travel services by providing, arranging, marketing, engaging or rendering advisory and consultancy services relating to tours and tour packages. On March 15, 2018, the Board of Directors of UTC approved the resolution on the cessation of its operations effective July 31, 2018 and sold all its existing assets and paid its liabilities from the proceeds and collections of receivables and sale of assets. Thereafter, UTC became inactive.

The registered office of UTC is 29<sup>th</sup>/F, East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City.

Sultan's Power, Inc. (SPI)

SPI was incorporated under Philippine laws and registered with the SEC on March 19, 2015 as a holding company and commenced operations as such by acquiring the majority outstanding shares of stock of Recon-X Energy Corporation (Recon-X), a company incorporated in the Philippines, engaged in the business of converting plastic waste into fuel. Recon-X is currently in the initial stage of its test runs. As at December 31, 2020, Recon-X is in the process of procuring additional catalyst and materials for the plastic to diesel conversion plant to be used to process plastic wastes into fuel. The target date of Recon-X to start its commercial operations is on the third quarter of 2021.

The registered office of SPI is Unit 2001B, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City.

**STATEMENTS REQUIRED BY THE REVISED SECURITIES REGULATION CODE (SRC) RULE 68,  
ON OCTOBER 3, 2019**

The Shareholders and Board of Directors  
Philippine Realty and Holdings Corporation and Subsidiaries  
One Balete, 1 Balete Drive corner N. Domingo Street  
Brgy. Kaunlaran District 4  
Quezon City

We have audited the accompanying financial statements of Philippine Realty and Holdings Corporation and Subsidiaries as at and for the year ended December 31, 2020, on which we have rendered our report dated March 16, 2021. The supplementary information shown in the Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 5B and Annex 68-D), Financial Soundness Indicators (Part 1, 5C and Annex 68-E), and Map of Relationships Between and Among the Related Parties (Part 1, 5G) as additional components required by Part I, Section 5 of the Revised SRC Rule 68 and Schedules A, B, C, D, E, F and G, as required by Part II, Section 7 and Annex 68-J of the Securities Regulation Code, are presented for purposes of filing with the Securities and Exchange Commission and are not a required part of the basic financial statements.

Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audits of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with Part I, Section 5 and Part II, Section 7 of the Revised SRC Rule 68.

**MACEDA VALENCIA & CO.**



**ANTONIO O. MACEDA, JR.**

Partner

CPA License No. 20014

PTR No. 8564731

Issued on January 22, 2021 at Makati City

SEC Accreditation No. (individual) as general auditor 1761-A Category A,

Effective until July 31, 2022

SEC Accreditation No. (firm) as general auditors 4748-SEC;

Effective until February 17, 2023

TIN 102-090-963-000

BIR Accreditation No. 08-001987-004-2021,

Effective until April 11, 2024

BOA/PRC Reg. No. 4748, effective until June 26, 2021

March 16, 2021

Makati City

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**

As of December 31, 2020

Philippine Realty And Holdings Corporation  
One Balete, 1 Balete Drive Corner N. Domingo St.  
Brgy. Kaunlaran, District 4, Quezon City 1111, Philippines

<b>Unappropriated Retained Earnings, beginning</b>	<b>P432,872,511</b>
Adjustments for:	
(prior-year adjustments)	-
<b>Unappropriated Retained Earnings, as adjusted, beginning</b>	<b>432,872,511</b>
Add: Net income during the period closed to Retained Earnings	<b>41,897,319</b>
Less: Non-actual/unrealized income net of tax	-
Equity in net income of associate/joint venture	-
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-
Unrealized actuarial gain	-
Fair value adjustments (M2M gains)	-
Fair value adjustment of Investment Property resulting to gain adjustment due to deviation from PFRS/GAAP-gain	<b>(286,750,907)</b>
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
	<b>(286,750,907)</b>
Add: Non-actual losses	-
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP-loss	-
Loss on fair value adjustment to investment property (after tax)	-
<b>Net income actually earned/realized during the period</b>	<b>188,018,923</b>
Add (Less):	
Dividend declarations during the period	-
Appropriations of Retained Earnings during the period	-
Reversals of appropriations	-
Treasury shares	-
<b>TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND</b>	<b>P188,018,923</b>

## SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

As of December 31, 2020

Philippine Realty And Holdings Corporation  
One Balete, 1 Balete Drive Corner N. Domingo St.  
Brgy. Kaunlaran, District 4, Quezon City 1111, Philippines

	2020	2019
Current Ratio <sup>(1)</sup>	5.15	2.91
Acid Test Ratio <sup>(2)</sup>	3.50	1.34
Debt to Equity Ratio <sup>(3)</sup>	0.54	0.57
Asset to Equity Ratio <sup>(4)</sup>	1.54	1.57
Interest Coverage Ratio <sup>(5)</sup>	4.33	40.84
Net Profit Margin Ratio <sup>(6)</sup>	0.06	0.26
Return on Assets <sup>(7)</sup>	0.01	0.08
Return on Equity <sup>(8)</sup>	0.01	0.12
Solvency Ratio <sup>(9)</sup>	0.03	0.22

<sup>(1)</sup> Current ratio is measured as current assets divided by current liabilities.

<sup>(2)</sup> Acid test ratio is measured as current assets less inventory divided by current liabilities.

<sup>(3)</sup> Debt to equity ratio is measured as total liabilities divided by total equity.

<sup>(4)</sup> Asset to equity ratio is measured as total assets divided by total equity.

<sup>(5)</sup> Interest coverage ratio is measured by EBIT, or earnings before interest and taxes, divided by total financing costs.

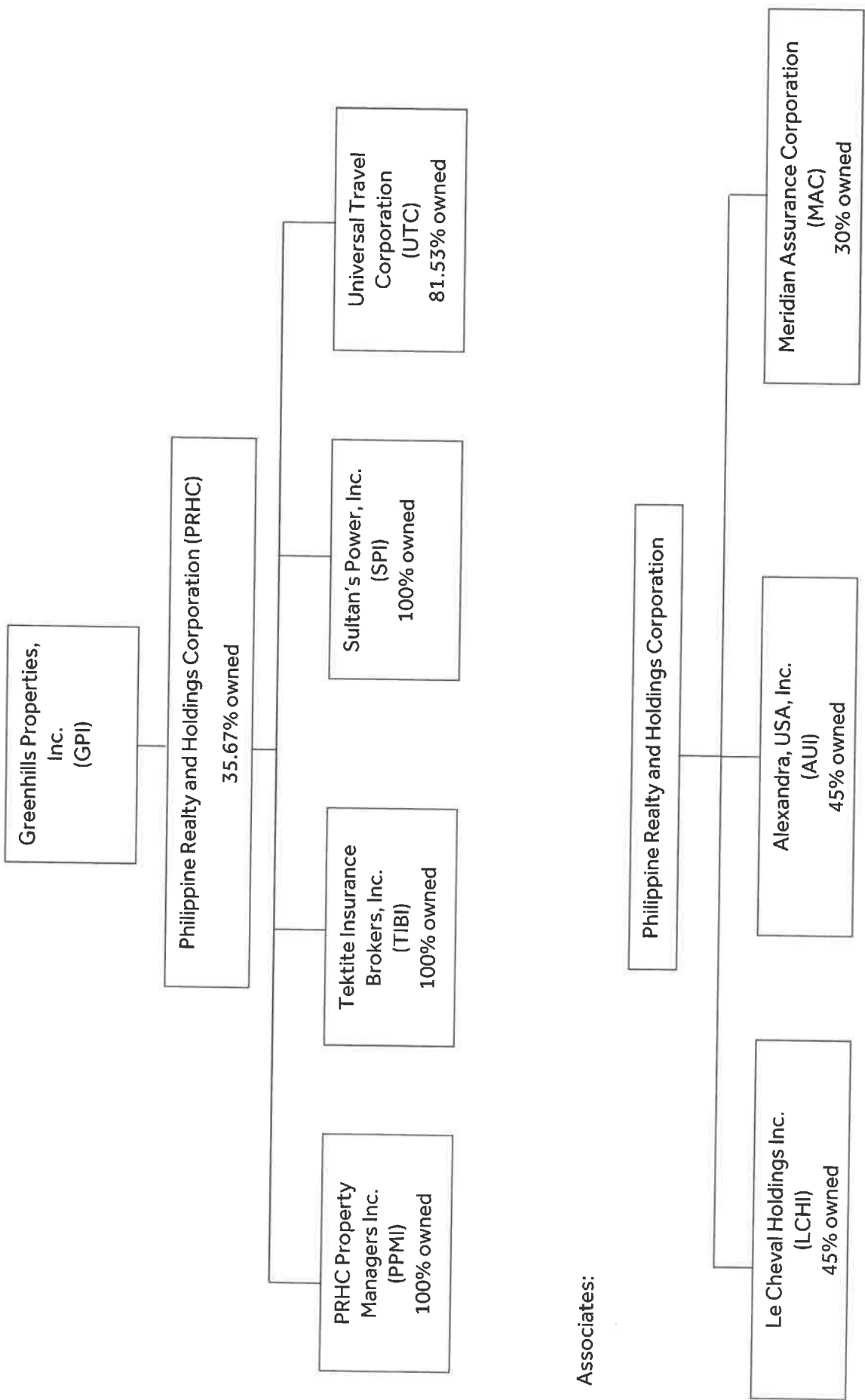
<sup>(6)</sup> Net profit margin ratio is derived by dividing net profit with total revenue.

<sup>(7)</sup> Return on assets is measured by dividing net income after tax with total assets.

<sup>(8)</sup> Return on equity is measured by dividing net income after tax with total capital accounts.

<sup>(9)</sup> Solvency ratio is measured by dividing net income after tax plus depreciation with total liabilities.

PHILIPPINE REALTY AND HOLDINGS CORPORATION  
SUBSIDIARIES, AFFILIATES GROUP STRUCTURE  
As of December 31, 2020



Associates:

**Schedule for Listed Companies with a Recent Offering of Securities to the Public  
As of December 31, 2020**

Philippine Realty And Holdings Corporation  
One Balete, 1 Balete Drive Corner N. Domingo St.  
Brgy. Kaunlaran, District 4, Quezon City 1111, Philippines

1. Gross and net proceeds as disclosed in the final prospectus  
*Not applicable*

2. Actual gross and net proceeds  
*Not applicable*

3. Each expenditure item where the proceeds were used  
*Not applicable*

4. Balance of the proceeds as of end reporting period  
*Not applicable*

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**

**Schedule A – Financial Assets**

**December 31, 2020**

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds or notes	Amount shown in the Statement of Financial Position	Valued based on market quotation at end of reporting period	Income received and accrued
<b>Financial assets at fair value through profit or loss</b>				
Tagaytay Properties	6,750,000 shares	P6,750,000	P6,750,000	P -
<b>Financial Assets at Fair Value through OCI</b>				
<i>Equity securities</i>				
A. Brown Company, Inc.	36,840,000 shares	P33,156,000	P33,156,000	P -
Premium Leisure Corporation	14,264,120 shares	6,347,535	6,347,535	-
Philippine Racing Club (prc)	944 shares	6,985	6,985	-
Orchard Golf & Country Club				
CLASS "C" Shares	1 share	500,000	500,000	-
Valley Golf Country Club	1 share	1,000,000	1,000,000	-
	51,105,066 shares	P41,010,520	P41,010,520	P -
<b>Trade and other receivables - net</b>				
		P1,263,436,773	P1,263,436,773	P2,016,397
		P1,311,197,293	P1,311,197,293	P2,016,397

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**Schedule B –Amounts Receivable from Director, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)**  
**December 31, 2020**

Name of Debtor	Balance at the beginning of the period	Additions	Amounts collected	Amounts written-off	Current	Non-current	Balance at the end of period
AGUILAR, DENNIS	P -	P45,884	(P19,118)	P -	P26,766	P -	P26,766
ALMEROL, CARLA	44,000	75,193	(87,824)	-	31,369	-	31,369
AVILA, JESSICA	77,030	-	(69,030)	-	8,000	-	8,000
BONTOGON, MARISSA	1,408,719	216,379	(846,713)	-	778,385	-	778,385
CALANOG, DANTE	215,335	124,842	(108,446)	-	231,731	-	231,731
CALUBAYAN, MARIE JOYCE	121,075	336,311	(271,902)	-	185,484	-	185,484
CARAG, ADELINE SUSAN	1,049,988	340	(313,248)	-	737,080	-	737,080
CARTAGENA, AILENE	19,320	38,640	(35,420)	-	22,540	-	22,540
CASTRO, CRISTINE DENISE	141,953	-	(141,953)	-	-	-	-
CATACUTAN, RICHARD	230,171	1,157	(100,293)	-	131,035	-	131,035
CIAR, ERWIN	1,155,161	98,778	(468,520)	-	785,419	-	785,419
CONSTANTINO, VIRGILIO	-	17,811	(12,549)	-	5,262	-	5,262
CRUZ, ROSELLE	234,556	37,942	(191,995)	-	80,503	-	80,503
DAYRIT, AMYLEEN JOY	462,695	41,462	(191,097)	-	313,060	-	313,060
DEL ROSARIO, ALFREDO S	14,488,443	688,498	(1,231,930)	-	13,945,011	-	13,945,011
DELA CRUZ, ANGELICA	65,749	6,386	(37,699)	-	34,436	-	34,436
DEOCAMPO, DEXTER JAN	-	24,811	(20,265)	-	4,546	-	4,546
DEOCERA, NORBERT	142,738	51,179	(175,761)	-	18,156	-	18,156
DUMAYAS, JINECA PRINCESS	-	9,915	(8,417)	-	1,498	-	1,498
DURAN, AILEEN	348,079	1,756,566	(1,346,400)	-	758,245	-	758,245
DURAN, NORMALENE	82,594	360,338	(108,503)	-	334,429	-	334,429
ENRIQUEZ, EDILYNDA	538,721	1,110,478	(1,120,785)	-	528,414	-	528,414



Name of Debtor	Balance at the beginning of the period		Additions	Amounts collected	Amounts written-off	Current	Non-current	Balance at the end of period
		period						
ESGUERRA, CEDRICK	-		28,811	(24,265)	-	4,546	-	4,546
FISCHER, VINCENT	1,383,365		85,526	-	-	1,468,891	-	1,468,891
GARGAR, ERWIN	9,783		-	(9,783)	-	-	-	-
GATCHALIAN, VILLAMOR	-		22,942	(9,559)	-	13,383	-	13,383
GO, RICHARD NICOLAS KO	1,334,645		1,908,262	(2,273,066)	-	969,841	-	969,841
HERNANI, MARIA ELIZABETH	129,827		42,050	(115,991)	-	55,886	-	55,886
ISNIT, JOSEFINA	213,626		670,796	(443,195)	-	441,227	-	441,227
LAMPAS, ROCHELLE JOY	2,500		71,664	(51,318)	-	22,846	-	22,846
LANUZA, CAMILLE	97,495		-	(20,000)	-	77,495	-	77,495
LANUZA, GERARDO								
DOMENICO	2,062,626		5,502,228	(626,496)	-	6,938,358	-	6,938,358
MAGPAYO, GIL	323,068		-	(323,068)	-	-	-	-
MAGPAYO, JERRY	-		26,811	(22,265)	-	4,546	-	4,546
MEDRANO, EDMUNDO	2,071,963		552,284	(1,169,876)	-	1,454,371	-	1,454,371
MIRANDE, MIKE	279,726		61,014	(135,221)	-	205,519	-	205,519
PACA, CARLOS MIGUEL	1,074,105		45,497	(637,868)	-	481,734	-	481,734
PENGSON, BELLE	65,500		42,000	(95,500)	-	12,000	-	12,000
PERILLO, MARIA CHRISTINA	463,233		115,920	(240,162)	-	338,991	-	338,991
PUYAT, TXYLA	555,224		-	(260,378)	-	294,846	-	294,846
RAMOS, MARK ANTHONY	343,094		167,026	(131,705)	-	378,415	-	378,415
REYES, REINHARD	47,251		-	(34,291)	-	12,960	-	12,960
SANTOS, ROZANO	158,457		507,266	(215,233)	-	450,490	-	450,490
SANTOS, LEONARD ROSS	430,682		-	(66,366)	-	364,316	-	364,316
TABAJEN, CHRISTIAN	-		28,811	(24,265)	-	4,546	-	4,546
TABLADA, DEXTER	14,607		-	(14,607)	-	-	-	-
TABORLUPA, MARGIE	328,974		50,584	(160,240)	-	219,318	-	219,318
TAMANG, CHARLIE	52,999		-	(34,107)	-	18,892	-	18,892

Name of Debtor	Balance at the beginning of the period	Additions	Amounts collected	Amounts written-off	Current	Non-current	Balance at the end of period
TUROT, KRISTEL JOY	63,184	-	(31,726)	-	31,458	-	31,458
UMAYAM, RODRIGO	-	27,312	(11,380)	-	15,932	-	15,932
VEDAÑA, FERDERICK	87,133	26,515	(62,944)	-	50,704	-	50,704
VERCELES, REGANDOR	730,309	39,164	(168,447)	-	601,026	-	601,026
VERZOSA, SAMUEL	23,414	46,829	(42,927)	-	27,316	-	27,316
VICTORIA, RODOLFO	41,627	-	(15,783)	-	25,844	-	25,844
VILLAFUERTE, JOHNDELF	380,307	195,902	(279,173)	-	297,036	-	297,036
VINLUAN, FATIMA	-	27,811	(23,299)	-	4,512	-	4,512
Others	-	61,230	(39,330)	-	21,900	-	21,900
	<b>P33,595,051</b>	<b>P15,397,165</b>	<b>(P14,721,702)</b>	<b>P -</b>	<b>P34,270,514</b>	<b>P -</b>	<b>P34,270,514</b>

Note: Receivables from Directors, Officers, Employees, Related Parties and Principal Stockholders are subject to usual terms in the normal course of business.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**Schedule C – Amounts Receivable from Related Parties which are eliminated**  
**during the consolidation of financial statement**  
**December 31, 2020**

<b>Name of Debtor</b>	<b>Balance at the beginning of the period</b>	<b>Additions</b>	<b>Amounts collected (i)</b>	<b>Amounts written-off (ii)</b>	<b>Current</b>	<b>Non-current</b>	<b>Balance at the end of period</b>
Universal Travel Corporation, Subsidiary	P29,873,810	P23,598	P -	P -	P -	P29,897,408	P29,897,408
PRHC Property Managers, Inc., Subsidiary	5,703,113	9,203,640	5,684,450	-	9,222,303	-	9,222,303
Sultan's Power, Inc., Subsidiary	74,600,171	1,809,359	-	-	76,409,530	-	76,409,530
	P110,177,094	P11,036,597	P5,684,450	P -	P85,631,833	P29,897,408	P115,529,241

- i. If collected was other than in cash, explain.
- ii. Give reasons to write-off.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**Schedule D – Long Term Debt**  
**December 31, 2020**

<b>Title of issue and type of obligation (i)</b>	<b>Amount authorized by indenture</b>	<b>Amount shown under caption "Current portion of long-term debt in related Statement of Financial Position " (ii)</b>	<b>Amount shown under caption "Long-term debt in related Statement of Financial Position " (iii)</b>	<b>Interest Rate %</b>	<b>Maturity Date</b>
Car loan	25,574,812	5,313,014	7,258,169	9.59% - 9.11%	November 2021 – September 2024
Car loan	15,789,574	3,402,557	3,924,967	9.46% - 8.72%	February 2023 – November 2025
Car loan	3,744,000	826,824	1,905,570	11.04%	February 2024
Contract to sell financing	200,000,000	30,137,149	154,401,777	6.75%	June 2022
Real estate mortgage	1,100,000,000	200,660,372	525,495,279	6%	March 2021 – June 2025
Real estate mortgage	100,000,000	100,000,000	-	5.25% - 5.00%	March 2021

- i. Include in this column each type of obligation authorized.
- ii. This column is to be totalled to correspond to the related Statements of Financial Position caption.
- iii. Include in this column details as to interest rates, amounts or numbers of periodic instalments, and maturity dates.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**Schedule E – Indebtedness to Related Parties**  
**(Included in the Consolidated Financial Statement of Position)**  
**December 31, 2020**

Name of Related Parties (i)	Balance at the beginning of the period	Balance at the end of the period (ii)
-----------------------------	--	---------------------------------------

None to report.

- i. The related party shall be grouped as in Schedule C. The information called for shall be stated for any persons whose investments shown in separately in such related schedule.
- ii. For each affiliate named in the first column, explain in a note hereto the nature and purpose of any material increase during the period that is in excess of 10% of the related balance at either the beginning or end of the period.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**Schedule F – Guarantees of Securities of Other Issuers**  
**December 31, 2020**

Name of the issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount of guaranteed and outstanding (i)	Amount owned by person of which statement is filed	Nature of Guarantee (ii)
--	---	--	--	--------------------------

None to report.

- i. Indicate in the note any significant changes since the date of the last balance sheet file. If this schedule is filed in support of consolidated financial statements, there shall be set forth guarantees by any person included in the consolidation except such guarantees of securities which are included in the consolidated balance sheet.
- ii. There must be a brief statement of the nature of the guarantee, such as "Guarantee of Principal and Interest", "Guarantee of Interest" or "Guarantee of Dividend". If the guarantee is of interest, dividends, or both, state the annual aggregate amount of interest or dividends so guaranteed.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**Schedule G – Capital Stock**  
**December 31, 2020**

<b>Title of Issue (i)</b>	<b>Number of shares authorized</b>	<b>Number of shares issued and outstanding as shown under the related Statement of Financial Position caption</b>	<b>Number of shares reserved for options, warrants, conversion and other rights</b>	<b>Number of shares held by related parties (ii)</b>	<b>Directors, officers and employees</b>	<b>Others (iii)</b>
Common	8,000,000,000	3,688,869,745	-	-	10,412,758	-

- i. Include in this column each type of issue authorized
- ii. Related parties referred to include persons for which separate financial statements are filed and those included in the consolidated financial statements, other than the issuer of the particular security.
- iii. Indicate in a note any significant changes since the date of the last balance sheet filed.

## **“ANNEX F”**

### **Procedure for Registration, Participation and Voting in the 2021 Annual Stockholders Meeting of PHILIPPINE REALTY AND HOLDINGS CORPORATION**

In view of the Government’s imposition of the General Community Quarantine (“GCQ”) with heighten restriction, and taking into consideration the safety of everyone, Philippine Realty and Holdings Corporation (the “Company”) will be conducting its Annual Stockholder Meeting (“ASM”) scheduled on June 30, 2021, at 3:00 PM, virtually. There will no longer be a physical venue for the ASM.

Only Stockholders of record as of March 31, 2021 are entitled to participate and vote in the 2021 ASM.

#### **I. Registration and Participation/Attendance Procedure:**

1. Stockholders who intend to participate in the virtual ASM may register by sending an email to [asmregistration@philrealty.com.ph](mailto:asmregistration@philrealty.com.ph) of their intention to participate attaching therewith the required document/s below on or before 5:00 PM of June 16, 2021:
  - a. *For individual stockholders:*
    - i. Scanned copy of any valid government-issued ID;
    - ii. Scanned copy of stock certificate in the name of the individual stockholder; and
    - iii. Active contact number, either landline or mobile.
  - b. *For stockholders with joint accounts:*
    - i. Scanned copy of authorization letter signed by other stockholders indicating the person among them authorized to participate and/or vote in the 2021 ASM;
    - ii. Documents required under items 1.a (i) and (iii) for the authorized stockholder;
    - iii. Scanned copy of stock certificate in the name of the joint stockholders.
  - c. *For stockholders under PCD Participant \ Brokers Account or “Scripless Shares”:*
    - i. Coordinate with the broker and request for the full account name and reference number or account number;
    - ii. Documents required under items 1.a (i) and (iii).
  - d. *For corporate stockholders:*
    - i. Secretary’s Certificate attesting to the authority of the representative to participate and / or vote in the 2021 ASM;
    - ii. Documents required under items 1.a (i) and (iii) for the authorized representative;
    - iii. Scanned copy of stock certificate in the name of the corporate stockholder.
2. Upon successful registration and validation of the documents submitted through email above, the stockholder will receive an email confirmation containing the link ([www.philrealtyasm.com](http://www.philrealtyasm.com)) and the access code to log in and view the 2021 ASM.
3. Only those stockholders who have registered following the procedure above, and stockholders who have voted by providing their executed Proxy Form, shall be included for purposes of determining the existence of a quorum.
4. For purposes of voting during the 2021 ASM please see section on Voting Procedure below.



5. For the Question and Answer portion, stockholders may send their questions related to the agenda thru the comment box found below the registration link ([www.philrealtyasm.com](http://www.philrealtyasm.com)). Stockholder must provide complete name, email address and the question prior to clicking "submit" button. Due to limitations on technology and time, not all questions may be responded to during the 2021 ASM but the Company will endeavor to respond to all the questions through email.
6. The proceedings during the 2021 ASM will be recorded as required by the Securities and Exchange Commission.
7. Stockholders intending to register and participate in the 2021 ASM should send their email on or before 5:00 PM of June 16, 2021.

## **II. Voting Procedure:**

Stockholders may vote during the 2021 ASM either (1) by Proxy or (2) by voting *in absentia* through our Online Stockholder Voting System.

1. Voting by Proxy:
  - a. Download and fill up the Proxy Form from [www.philrealty.com.ph/investor-relations/](http://www.philrealty.com.ph/investor-relations/). The Chairman, or in his absence, the Vice-Chairman, is authorized to cast the votes pursuant to the instructions in the Proxy Form.
  - b. Send a scanned copy of the executed proxy Form by email to [asmregistration@philrealty.com.ph](mailto:asmregistration@philrealty.com.ph).
  - c. The scanned copy of the executed Proxy Form should be emailed to above not later than 5:00 PM on or before June 24, 2021.
  - d. The hard copy of the signed Proxy Form should be delivered to: Unit 2001 B, East Wing, Tektite Towers, Ortigas, Pasig City once the GCQ has been lifted. The office will be open to receive forms from Monday to Friday, 10am to 5pm.
2. Voting in absentia through the Online Stockholder Voting System:
  - a. Follow the Registration and Participation/Attendance Procedure set forth above.
  - b. Upon validation, the Company will send an email to the stockholder containing the link for the Online Stockholder Voting System and the instructions for casting votes in the Online Stockholder Voting System. Registered stockholders shall have until 5:00 PM of June 24, 2021 to cast their votes. The Online Stockholder Voting System will be open starting \_\_\_\_\_ and will be closed at 5:00 PM on June 24, 2021.
  - c. All agenda items indicated in the Notice of Meeting will be included in the Online Stockholder Voting System and the registered stockholder may vote as follows:
    - i. For items other than election of the Directors, the stockholder may vote: "For", "Against", or "Abstain". The vote shall be considered as cast for all the stockholder's shares.
    - ii. For the election of Directors, the stockholder may vote for all the nominees, not vote for any of the nominees, or vote for some of the nominees only, in such number of shares as the stockholder may see fit, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of Directors to be elected.
  - d. Once voting is completed in the Online Stockholder Voting System, the stockholder shall proceed to click on the "Submit" button which shall complete the process. Once submitted, the stockholder may no longer change the votes cast. The votes cast *in absentia* will have equal effect as votes cast by proxy.

For any questions or clarification, you may contact us through [asmregistration@philrealty.com.ph](mailto:asmregistration@philrealty.com.ph) or through telephone number 8631-3179, our stock transfer agent, Stock Transfer Service, Inc., through Michael Capoy at [mccapoy@stocktransfer.comp.ph](mailto:mccapoy@stocktransfer.comp.ph) or Reynand Malayao at [rcmalayao@stocktransfer.com.ph](mailto:rcmalayao@stocktransfer.com.ph), or their telephone number 8403-3798.

**ANNEX "G"**

**SAMPLE PROXY**

**P R O X Y**

KNOW ALL MEN BY THESE PRESENTS:

\_\_\_\_\_, a stockholder of **PHILIPPINE REALTY AND HOLDINGS CORPORATION** (the "Corporation") does hereby nominate, constitute and appoint \_\_\_\_\_ or in case of his/her/its non-attendance, the Chairman of the Meeting, as his/her/its continuing proxy, with right of substitution and revocation, to represent and vote all his/her/its shares registered in his/her/its name in the books of the Corporation at any and all regular and special meetings of the stockholders of the Corporation, and all such adjournments and postponements thereof as fully to all intents and purposes as it might or could do if present and acting in person.

In case of non-attendance of the above-named proxy, the undersigned authorizes and empowers the Chairman of the Meeting to exercise fully all rights as his/her/its proxy at such meeting.

This proxy revokes and supersedes any previously executed proxy or proxies and shall continue until such time as the same is revoked or withdrawn by the undersigned through notice in writing delivered to the Corporate Secretary at least **two (2) business days** before any scheduled meeting but shall not apply in instances where I/we personally attend the meeting. This proxy shall be valid for a period of five (5) years from the date of its execution.

**EXECUTED ON** \_\_\_\_\_ at \_\_\_\_\_.

\_\_\_\_\_  
Stockholder

Witness:

\_\_\_\_\_



# Philippine Realty & Holdings Corporation

## ANNEX "H"

### CERTIFICATION

I, **ATTY. REX P. BONIFACIO**, of legal age, Filipino, with office address at E-1503, 15th Floor East tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila, after having been sworn to in accordance with law, does hereby certify that:

I am duly elected and incumbent Corporate Secretary of Philippine Realty and Holdings Corporation (the "**Corporation**"), a corporation organized and existing under the laws of the Philippines, with principal office at, One Balete, 1 Balete Drive corner N. Domingo Street, Barangay Kaunlaran, District 4, Quezon City 1111.

Based on the information provided to the Corporation by the members of its Board of Directors and its principal executive officers, none of said members of the Board of Directors and principal executive officers of the Corporation are presently employed by any office or agency of the Philippine Government.

**IN ATTESTATION OF THE ABOVE**, this Certificate was signed this \_\_\_\_\_ of June 2021 at

\_\_\_\_\_



**ATTY. REX P. BONIFACIO**  
Corporate Secretary

## **ANNEX “I”**

### **CERTIFICATION OF INDEPENDENT DIRECTOR**

## CERTIFICATION OF INDEPENDENT DIRECTORS

I, Alfonso Martin E. Eizmendi, Filipino, of legal age and a resident of 104 Mango Drive Ayala Alabang Village, Alabang Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Philippine Realty & Holdings Corporation and have been its independent director since June 30, 2017.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

<b>Company/Organization</b>	<b>Position/ Relationship</b>	<b>Period of Service</b>
Royal Link Industries Inc.	President / CEO	present
Yields Financial Corporation	President / CEO	2003 - present
Park Cent Towers Realty Corp.	President / CEO	present
WGP Villa6 Realty Corp.	President / CEO	present
Meridian Assurance Corp.	Director	present
Secret 6 Inc.	Director	present
CleanPro	Director	present
The Icon Plaza Condominium Corp	Director	present
Frimar Realty	Director	present
Frimar, USA	Director	present
Vi@je Corp.	Vice Chairman	2000 – 2001
Blue Star Insurance Brokerage	Chairman	1998 – 2001

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Philippine Realty & Holdings Corporation, as provided for in Section 38 of the Securities Regulation Code, its implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (of covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

<b>Name of Director/Officer/Substantial Shareholder</b>	<b>Company</b>	<b>Nature of Relationship</b>
NOT APPLICABLE		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceedings (as the case may be):

<b>Offense Charged/Investigated</b>	<b>Tribunal or Agency Involved</b>	<b>Status</b>
NOT APPLICABLE		

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in \_\_\_\_\_, pursuant to Office of the President Memorandum Circular no. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of Philippine Realty and Holdings Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this 28 MAY 2021 day of \_\_\_\_\_, at QUEZON CITY.

ALFONSO MARTIN E. EIZMENDI  
Affiant

28 MAY 2021  
SUBSCRIBE AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_  
at \_\_\_\_\_, affiant personally appeared before me and exhibited to me his  
\_\_\_\_\_ issued at \_\_\_\_\_ valid until \_\_\_\_\_.

Doc. No. 170 ;  
Page No. 175 ;  
Book No. 400 ;  
Series of 2021

ATTY. RUBEN M. AZAÑES, JR.  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2021  
PTR NO. 0694960, QUEZON CITY  
IBP NO. 132791-Quezon City CHAPTER  
Roll of Attorney's No. 46427  
Admin Matter No. 004  
MCLE-VI-0030360-2-19-2020  
TIN: 140-394-386-000  
UNIT 2 UGF-2 Opulent Bldg., EDSA, Q.C.

## CERTIFICATION OF INDEPENDENT DIRECTORS

I, Jomark Ong Arollado, Filipino, of legal age and a resident of 68 Roosevelt St. North Greenhills, San Juan, NCR, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Philippine Realty & Holdings Corporation and have been its independent director since June 30, 2017.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

<b>Company/Organization</b>	<b>Position/ Relationship</b>	<b>Period of Service</b>
Rapid Forming Corporation	Operations Manager	2013 – present
Silangan Philtrade Corporation	Operations Manager	2011 – 2012
Rapid Forming Corporation	Strategic Business Unit Head	2006 – 2010
SGV & Co.	ISO Document Controller	2004

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Philippine Realty & Holdings Corporation, as provided for in Section 38 of the Securities Regulation Code, its implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (of covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

<b>Name of Director/Officer/Substantial Shareholder</b>	<b>Company</b>	<b>Nature of Relationship</b>
NOT APPLICABLE		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceedings (as the case may be):

<b>Offense Charged/Investigated</b>	<b>Tribunal or Agency Involved</b>	<b>Status</b>
NOT APPLICABLE		




6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in \_\_\_\_\_, pursuant to Office of the President Memorandum Circular no. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of Philippine Realty and Holdings Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this \_\_\_\_\_ day of 28 MAY 2021, at QUEZON CITY

  
**JOMARK ONG AROLLADO**  
Affiant

SUBSCRIBE AND SWORN to before me this 28 MAY 2021  
at QUEZON CITY, affiant personally appeared before me and exhibited to me his  
\_\_\_\_\_ issued at \_\_\_\_\_ valid until \_\_\_\_\_.

Doc. No. 1168;  
Page No. 115;  
Book No. 491;  
Series of 1001

  
**ATTY. RUBEN M. AZAÑES, JR.**  
**NOTARY PUBLIC**  
**UNTIL DECEMBER 31, 2021**  
**PTR NO. 0694960, QUEZON CITY**  
**IBP NO. 132791-Quezon City CHAPTER**  
**Roll of Attorney's No. 46427**  
**Admin Matter No. 004**  
**MCLE-VI-0030360-2-19-2020**  
**TIN: 140-394-386-000**  
**UNIT 2 UGF-2 Opulent Bldg., EDSA, Q.C.**

## CERTIFICATION OF INDEPENDENT DIRECTORS

I, Renato G. Nuñez, Filipino, of legal age and a resident of #1 Queensville Court Whiteplains, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Philippine Realty & Holdings Corporation and have been its independent director since August 18, 2015.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

<b><i>Company/Organization</i></b>	<b><i>Position/ Relationship</i></b>	<b><i>Period of Service</i></b>
All British Cars, Inc.	Director	2017 – Present
Cambie Property, Inc.	Director	2017 – Present
Coventry Motors Corporation	Director	2017 – Present
CATS Motors, Inc.	President	2015 - Present
Techglobal Data Center, Inc.	President	2012 – Present
Total Consolidated Asset Management, Inc.	Director	2010 - Present
Techzone Philippines, Inc.	President	2010 – Present
Lia Philfoods, Inc.	President	2008 – Present
Everland Estate Dev't. Corp.	President	2002 – Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Philippine Realty & Holdings Corporation, as provided for in Section 38 of the Securities Regulation Code, its implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (of covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

<b><i>Name of Director/Officer/Substantial Shareholder</i></b>	<b><i>Company</i></b>	<b><i>Nature of Relationship</i></b>
<b>NOT APPLICABLE</b>		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceedings (as the case may be):

<b><i>Offense Charged/Investigated</i></b>	<b><i>Tribunal or Agency Involved</i></b>	<b><i>Status</i></b>
<b>NOT APPLICABLE</b>		

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in \_\_\_\_\_, pursuant to Office of the President Memorandum Circular no. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of Philippine Realty and Holdings Corporation of any changes in the abovementioned information within five days from its occurrence.

28 MAY 2021

Done, this \_\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_

QUEZON CITY

RENATO G. NUÑEZ  
Affiant

28 MAY 2021

SUBSCRIBE AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_  
at QUEZON CITY affiant personally appeared before me and exhibited to me his  
\_\_\_\_\_ issued at \_\_\_\_\_ valid until \_\_\_\_\_.

Doc. No. 67 :  
Page No. 15 :  
Book No. FLU :  
Series of 2021 :

ATTY. RUBEN M. AZAÑES, JR.  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2021  
PTR NO. 0694960, QUEZON CITY  
IBP NO. 132791-Quezon City CHAPTER  
Roll of Attorney's No. 46427  
Admin Matter No. 004  
MCLE-VI-0030360-2-19-2020  
TIN: 140-394-386-000  
UNIT 2 UGF-2 Opulent Bldg., EDSA, Q.C.

**ANNEX “J”**

**FIRST QUARTER REPORT SEC FORM 17-Q**

## COVER SHEET

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S.E.C. Registration Number

[illegible][illegible]

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[illegible]

(Company's Full Name)

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N		D	O	M	I	N	G	O		S	T		B	R	G	Y		K	A	U	N	L	A	R	A	N			
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(Business Address: No. Street Company / Town / Province)

Mr. Mark Anthony M. Ramos

Contact Person

Number

0	3
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Month

3	1
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Day

	1	7	Q	
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FORM TYPE

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Month

Day

8631-3179

8631-3179

Company Telephone

Annual Meeting

N/A
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N/A

Secondary License Type, If Applicable

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Dept. Requiring this Doc.  
Number/Section

\_\_\_\_\_

## Amended Articles

\_\_\_\_\_

Total No. of Stockholders  
Foreign

Total Amount of Borrowings

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Domestic

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To be accomplished by SEC Personnel concerned

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 March 31, 2021
2. Commission identification number 99905
3. BIR Tax Identification No. 000-188-233
4. Exact name of issuer as specified in its charter  
  
PHILIPPINE REALTY AND HOLDINGS CORPORATION
5. Province, country or other jurisdiction of incorporation or organization PHILIPPINES
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office Postal Code  
  
One Balete, 1 Balete Drive cor. N. Domingo St., Brgy. Kaunlaran, District 4, Quezon City 1111  
Satellite Office: E-2001B East Tower, PSE Center, Exchange Rd., Ortigas Center, Pasig
8. Issuer's telephone number, including area code  
  
(632) 8631-3179
9. The Registrant has not changed its corporate name and fiscal year. Prior to its transfer to the above satellite office address the registrant held its satellite office at E-512/513 East Tower, PSE Center, Exchange Rd., Ortigas Center, Pasig City.
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
Common	4,922,324,907 shares
11. Are any or all of the securities listed on a Stock Exchange?  
  
Yes ☒ No ☐  
  
If yes, state the name of such Stock Exchange and the class/es of securities listed therein:  
Philippine Stock Exchange
12. Indicate by check mark whether the registrant:
  - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)  
Yes ☒ No ☐
  - (b) has been subject to such filing requirements for the past ninety (90) days.  
Yes ☒ No ☐

## **PART I - FINANCIAL INFORMATION**

### **Item 1. Financial Statements.**

A copy of the comparative statements as of and for the quarters ended March 31, 2021 and 2020, is submitted as part of this report. The financial statements were prepared in accordance with accounting standards generally accepted in the Philippines. The accounting policies and methods of computations followed in the interim financial statements are the same compared with the audited financial statements for the period ended December 31, 2020.

Changes affecting balance sheet and income statement items are further disclosed in the Management Discussion and Analysis. There are no material events after the end of the interim period that have not been reflected in the financial statements for the interim period. The company had reclassified accounts such as dividends, capital and foreign exchange gains, interest, and equity earnings to investment income during the period.

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

Refer to the three months ended March 31, 2021 Analysis of Unaudited Consolidated Financial Statements attached as Exhibit I, Comparative Financial Soundness Indicators as Exhibit II, and Business Segments as Exhibit III.

## **SIGNATURES**

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



**ALFREDO S. DEL ROSARIO JR.**  
President and Chief Executive Officer

May 12, 2021



**EDMUNDO C. MEDRANO**  
Executive Vice President and Chief Operating  
Officer and Treasurer

May 12, 2021

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Unaudited March 31	Audited December 31
	2021	2020
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	200,765,647	207,245,299
Financial assets at fair value through profit or loss (FVPL)	6,750,000	6,750,000
Trade and other receivables - current portion	1,013,399,766	1,073,360,534
Real estate inventories	793,557,645	801,055,720
Prepayments and other assets - net	473,473,508	408,738,974
<b>Total Current Assets</b>	<b>2,487,946,566</b>	<b>2,497,150,527</b>
<b>Non-current Assets</b>		
Financial assets at fair value through other comprehensive income (FVOCI)	39,156,053	41,010,520
Trade and other receivables - non current portion	179,880,445	179,618,624
Investments in and advances to associates - net	71,586,003	64,155,487
Investment properties	2,906,802,345	2,912,479,607
Property and equipment - net	79,443,947	81,045,297
Right of Use Asset	95,745,861	98,167,126
Investment in Finance Lease	227,354,892	230,261,995
Other non-current assets	53,386	53,386
<b>Total Non-current Assets</b>	<b>3,600,022,932</b>	<b>3,606,792,042</b>
	<b>6,087,969,498</b>	<b>6,103,942,569</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Trade and other payables - current portion	201,664,856	128,580,812
Unearned income	-	1,361,382
Loans and note payable - current portion	287,417,384	340,339,916
Lease Liability - current	10,815,992	14,459,726
<b>Total Current Liabilities</b>	<b>499,898,232</b>	<b>484,741,836</b>
<b>Non-current Liabilities</b>		
Trade and other payables - net of current portion	157,208,433	148,000,694
Loans and note payable - net of current portion	692,985,762	692,985,762
Retirement benefit obligation	73,454,931	73,420,911
Deferred tax liabilities - net	507,682,654	504,925,466
Lease Liability - net of current portion	187,879,730	187,879,730
Other non-current liabilities	37,870,212	39,467,676
<b>Total Non-current Liabilities</b>	<b>1,657,081,722</b>	<b>1,646,680,239</b>
	<b>2,156,979,954</b>	<b>2,131,422,075</b>
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Capital stock	2,344,226,245	2,344,226,245
Additional paid-in capital	557,014,317	557,014,317
Reserves	42,409,114	44,304,162
Retained earnings	1,115,440,616	1,155,073,841
Treasury stock	(110,049,633)	(110,049,633)
	<b>3,949,040,658</b>	<b>3,990,568,932</b>
Equity Attributable to Non-Controlling Interest	(18,051,114)	(18,048,438)
	<b>3,930,989,544</b>	<b>3,972,520,494</b>
	<b>6,087,969,498</b>	<b>6,103,942,569</b>



**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	For the Three Months Ended March 31	
	2021	2020
<b>INCOME</b>		
Sales of real estate	54,922,711	148,109,112
Rent	16,311,951	30,110,822
Management fees	9,780,990	12,081,284
Interest	422,550	761,847
Commission	1,771,653	1,736,625
Other income	3,287,884	597,091
	<b>86,497,740</b>	<b>193,396,781</b>
<b>COSTS AND EXPENSES</b>		
Cost of real estate sold	35,312,484	89,624,848
Cost of services	15,409,747	12,617,518
General and administrative expenses	66,948,098	66,546,565
Finance cost	6,815,173	7,799,865
Equity in net loss of associate	1,099,506	631,489
	<b>125,585,009</b>	<b>177,220,285</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>(39,087,269)</b>	<b>16,176,496</b>
<b>INCOME TAX EXPENSE</b>	<b>548,645</b>	<b>4,955,459</b>
<b>NET INCOME (LOSS)</b>	<b>(39,635,914)</b>	<b>11,221,037</b>
<b>Attributable To:</b>		
Equity holders of the parent	(39,633,238)	11,225,164
Non-controlling interest	(2,676)	(4,127)
	<b>(39,635,914)</b>	<b>11,221,037</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS):</b>		
Unrealized holding loss on AFS investments	(1,592,647)	(11,147,992)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>(41,228,561)</b>	<b>73,045</b>
<b>Income (Loss) per share</b>		
Basic	(0.008125)	0.002301
Diluted	(0.008125)	0.002301
<b>Number of shares outstanding</b>		
Basic (net of treasury stock 125,644,005)	4,877,907,002	4,877,907,002
Diluted (net of treasury stock 125,644,005)	4,877,907,002	4,877,907,002

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	For the Three Months Ended March 31	
	2021	2020
<b>Capital Stock</b>		
Authorized 8,000,000,000 common shares		
Issued and outstanding 3,688,869,746 shares in 2021;		
3,688,869,746 shares in 2020		
Capital stock	<b>1,844,434,873</b>	1,844,434,873
Subscribed capital stock 1,314,711,262 shares in 2021;		
1,314,711,262 shares in 2020	<b>657,355,631</b>	657,355,631
Less: Subscription receivable	<b>157,564,259</b>	157,564,259
	<b>499,791,372</b>	499,791,372
Additional paid-in capital	<b>557,014,317</b>	557,014,317
Capital stock	<b>2,901,240,562</b>	2,901,240,562
<b>Reserves</b>		
Appropriated retained earnings for		
Treasury stock acquisition	<b>109,712,439</b>	109,712,439
Revaluation on FVOCI		
Balance, beginning	<b>(20,596,912)</b>	(25,988,876)
Unrealized holding loss on financial assets at FVOCI	<b>(1,592,647)</b>	(11,147,992)
Balance, end	<b>(22,189,559)</b>	(37,136,868)
Accumulated Remeasurement Losses	<b>(45,113,753)</b>	(37,749,021)
	<b>42,409,128</b>	34,826,551
<b>Retained earnings</b>		
Balance, beginning	<b>1,155,073,841</b>	1,113,176,533
Net income	<b>(39,635,914)</b>	11,221,037
Balance, end	<b>1,115,437,927</b>	1,124,397,570
	<b>4,059,087,617</b>	4,060,464,683
<b>Treasury Stock</b>	<b>(110,049,633)</b>	(110,049,633)
	<b>3,949,037,984</b>	3,950,415,050
<b>Minority Interest</b>		
Balance, beginning	<b>(18,048,438)</b>	(15,994,472)
Share in net income	-	-
	<b>(18,048,438)</b>	(15,994,472)
	<b>P3,930,989,544</b>	P3,934,420,578

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash flows from Operating Activities</b>		
Net Income (Loss)	(39,633,238)	11,225,164
Adjustments for:		
Financial assets at fair value through other comprehensive income (FVOCI)	(1,517,271)	(11,147,992)
Accumulated remeasurement loss	- 377,764	-
Decrease in minority interest	(2,676)	(4,127)
Depreciation and amortization	2,281,838	3,848,636
Gain (loss) from operations before working capital changes	(39,249,111)	3,921,680
Decrease (Increase) in:		
Real estate inventories	7,498,075	59,635,393
Trade and other receivables - net	59,698,947	(135,753,771)
Prepayments and other current assets	(64,734,534)	13,659,468
Increase (Decrease) in:		
Trade and other payables	82,291,772	22,487,014
Deferred Income	(1,597,464)	(4,848,095)
Deferred Tax Liability	2,757,188	2,084,278
Retirement Benefit Obligation	34,020	(1,465,330)
Unearned Income	(1,361,382)	33,413
Net cash provided (used in) operating activities	45,337,522	(40,245,950)
<b>Cash Flows from Investing Activities</b>		
Decrease (Increase) in:		
Right of Use Asset	2,421,265	-
Investment in Finance Lease	2,907,103	-
Lease Liability	(3,643,734)	-
Investments in and advances to associates - net	(7,430,516)	631,489
Financial assets at fair value through other comprehensive income (FVOCI)	1,854,467	11,485,185
Investment Property	5,677,262	(24,151,000)
Net additions to property and equipment	(680,488)	(856,464)
Net cash provided by (used in) investing activities	1,105,360	(12,890,790)
<b>Cash Flows from Financing Activities</b>		
Availment of loans payable	200,000,000	250,807,156
Payment of Bank Loans	(252,752,746)	(306,995,155)
Payment of notes payable	(169,787)	-
Net cash used in financing activities	(52,922,533)	(56,187,999)
<b>Net decrease in Cash and Cash Equivalents</b>	<b>(6,479,651)</b>	<b>(109,324,738)</b>
<b>Cash and Cash Equivalents, Beginning</b>	<b>207,245,299</b>	<b>218,430,583</b>
<b>Cash and Cash Equivalents, End</b>	<b>200,765,647</b>	<b>109,105,845</b>

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**AGING OF ACCOUNTS RECEIVABLE-TRADE**  
**AS OF MARCH 31, 2021**

PARTICULARS	CURRENT	OVER DUE		TOTAL
		31-60 DAYS	OVER 61 DAYS	
PRHC	9,902,562	18,406,312	670,292,488	698,601,362
PPMI	1,006,518	1,361,392	4,948,023	7,315,933
TIBI	12,291,747			12,291,747
UTC	-	-		-
GRAND TOTAL	23,200,828	19,767,704	675,240,511	718,209,043

Accounts Receivable - Trade	718,209,043
Accounts Receivable - Others	295,190,723
Total	1,013,399,766

## FINANCIAL INFORMATION

### Management's Discussion and Analysis of Financial Condition or Results of Operation

The first quarter 2021 financial performance of Philippine Realty and Holdings Corporation (interchangeably referred to by its PSE trading symbol “**RLT**” or “**Parent Company**” or as the “**RLT Group**” or “**Group**”) continued to maintain a very healthy and conservative liquidity and solvency position despite incurring a consolidated net loss of ₱39.6 Million.

Like most businesses, the RLT Group was negatively impacted by the continuing disruptions to business caused by the COVID-19 pandemic, that also adversely affected the Philippine economy in the first quarter of year 2021.

The slow and uncoordinated implementation by the government of its vaccination program added to the record rise in active COVID cases that choked the ability of the country’s healthcare system to arrest the unprecedented increase in COVID-19 infections.

The Philippines remained in recession in the first quarter of 2021, with its gross domestic product (“**GDP**”) contracting by a weaker-than-expected **4.2%** amid an uncontrolled rise in the number of COVID-19 cases, slow vaccine rollout, record unemployment and rise in headline inflation caused primarily by increasing prices of oil and food products (particularly pork) that kept a tight rein on business sentiment.

And the combination of these factors was crippling to business in general.

The Philippine Statistics Authority (“**PSA**”) reported that the 4.2% GDP decline in the first quarter of 2021 was below the 3.2% market expectation and also much worse than the 0.7% GDP contraction in the same period last year.

This marked the fifth straight quarter of economic decline, extending the recession in the country in desperate need of economic recovery.

The first quarter performance came even before the height of the renewed lockdowns toward the end of March until this month, causing consumer spending, business sentiment and overall economic activities to remain subdued.

Due to the alarming surge in COVID-19 cases in the first quarter of 2021 which was more severe than the first quarter of 2020, coupled with the emergence of four (4) COVID variants in the country, the National Capital Region (“**NCR**”) and four surrounding provinces namely Bulacan, Cavite, Laguna, and Rizal were placed under a more restrictive General Community Quarantine (“**GCQ**”), the NCR Plus Bubble. And on 29 March 2021, the most restrictive form of lockdown, the Enhanced Community Quarantine (“**ECQ**”), was enforced which lasted until 11 April 2021.

Household consumption, which accounts for about 70% of GDP, dipped 4.8% amid low incomes as the unemployment rate remains very high.

Growth in all major sectors also went down, led by industry at 4.7%, services at 4.4%, agriculture at 1.2% largely due to the African swine fever (“**ASF**”) and the spillover effects of last year’s typhoons.

I. **Review of Consolidated Statement of Income for the Period Ending 31 March 2021 vs. 31 March 2020**

1. **Consolidated net income after tax.** The RLT Group posted a net loss after tax of **₱39.6 Million** for the three (3) months ended 31 March 2021 compared to **₱11.2 Million** net income after tax for the same period last year, or decrease in the Company's consolidated net income after tax of **₱50.9 Million** or a 453% decrease.

The decline in the RLT Group's profitability is largely attributable to the decrease in the number of units sold by the Parent Company.

a. **Income**

- 1) **Sales of real estate.** Sales of real estate at **₱55 Million** declined by **₱93 Million** or by 63% for the first three (3) months of 2021 compared to the sales of real estate for the same period last year.

Sales of real estate pertains to units sold by the Parent Company at Skyline and SkyVillas Towers located in Quezon City, and at the Icon Plaza located in Bonifacio Global City ("**BGC**").

- 2) **Rent.** Rental income decreased by **₱13.8 Million** or by 46% due to termination of some lease contracts and because of the effect of new Accounting standard on Leases.
- 3) **Management fees.** Management fees was lower by 19% due to non-renewal of Management contract between PPMI and one of their clients.

b. **Costs and Expenses**

- 1) **Cost of real estate sold.** For the three months ended 31 March 2021 compared to the three months ended 31 March 2020, the Cost of Real estate sold decreased by **₱54.3 Million** or a decline of 60.60%.

The decrease is mainly attributable to the proportionate decrease in the Real Estate Units Sold during the period.

- 2) **General and administrative expenses.** General and administrative expenses have increased slightly by **₱0.4 Million** or by 0.60%.
- 3) **Finance cost.** The reduction in interest expense to **₱6.8 Million** from **₱7.8 Million** last year, or a decrease by 13%, was due to the payments of loans by the Parent Company incurred to finance the acquisition of Investment Properties.

c. **Subsidiaries.**

The contributions of the Company's subsidiaries to revenues and net income are shown below.

- 1) **PRHC Property Managers, Inc. ("PPMI")**. The RLT Group's property management company, PPMI, registered a Net income of ₱0.3 Million for the three months ended 31 March 2021.

It is lower by ₱0.80 Million compared to the Net income that the company registered for the same period last year.

- 2) **Tektite Insurance Brokers, Inc. ("TIBI")**. The RLT Group's insurance brokerage firm posted a net income of ₱0.30 Million for the for three months ended 31 March 2021 which is lower by ₱0.10 Million compared to the ₱0.40 Million net income registered for the same period last year.

## II. Review of Consolidated Statement of Financial Position for the Period Ending 31 March 2021 vs. 31 December 2020

1. **Total assets.** The RLT Group's Total assets stood at ₱6.10 Billion as of 31 March 2021, lower by ₱16 Million compared to the ₱6.10 Billion Total Assets reported by the Group as of 31 December 2020. The RLT Group's Real Estate Assets accounted for 61% of the Total Assets of the Group as of 31 March 2021.

Real Estate Inventories decreased by ₱7.5 Million from 31 December 2020 to 31 March 2021, or by 1%, due to the sales by the Parent Company to sell Skyline and SkyVillas condominium units.

The decrease in Net Trade and Other Receivables by ₱59.7 Million or a 5.44% decline from 31 December 2020 to 31 March 2021 is explained by the collections of installments receivables from the Parent Company's buyers.

Investment Properties decreased by ₱5.7 Million or from ₱2.91 Billion in 2020 to ₱2.90 Billion in 2021 due to the sale of parking slots at The Icon Plaza by the Parent Company.

2. **Total liabilities.** Total liabilities as of 31 March 2021 increased by ₱26 Million compared to 31 December 2020. The increase came from Real estate deposits payable booked by the Parent Company during the first quarter of year 2021 as well as tax and other government remittances payable.

3. **Total Equity.** Total Equity as of 31 March 2021 decreased by ₱42 Million compared to 31 December 2020.

Retained earnings decreased by ₱39.6 Million as a result of the Net Loss contribution by the Parent Company for the period ending 31 March 2021.

## III. Performance Indicators

The table below presents the comparative performance indicators of the RLT Group as of 31 March 2021 compared to 31 December 2020.

Performance Indicators	31 March 2021 Unaudited	31 December 2020 Audited
Current ratio <sup>1</sup>	4.98:1	5.15:1
Debt-to-equity ratio <sup>2</sup>	0.55:1	0.53:1
Asset-to-equity ratio <sup>3</sup>	1.55:1	1.53:1
Book value per share <sup>4</sup>	₱0.84	₱0.85
Earnings per share <sup>5</sup>	(₱0.03)	₱0.01

<sup>1</sup> Current assets / current liabilities

<sup>2</sup> Total debt / consolidated stockholders' equity

<sup>3</sup> Total assets / Total stockholders' equity

<sup>4</sup> Total stockholders' equity plus Subscriptions receivable / No. of shares outstanding

<sup>5</sup> Net income attributable to equity holders of Parent Company / Weighted average no. of common shares issued and outstanding

The table above reflects the conservative stance of Management in terms of the Group's liquidity and solvency positions.



1. **Current ratio.** The Group's Current ratio, although it reflected a decrease by 3% from 31 December 2020 to 31 March 2021 remains healthy at 4.98:1.
2. **Debt-to-equity ratio.** Similarly, the RLT Group's Debt-to-Equity Ratio has remained very conservative for the periods under review as the Group's leverage position almost remained unchanged at 0.53:1 as of 31 December 2020 and 0.55:1 as of 31 March 2021.

As of end-March 2021, the Group reflected lower total Loans Payable compared to end-December 2020 due to continuing loan payments by the Parent Company.

3. **Asset-to-equity ratio.** The Asset-to-equity ratio at 1.53:1 of the Group as of 31 December 2020 was somehow maintained at 1.55:1 as of 31 March 2021.

The steady performance of Debt-to-Equity ratio of the Group for the periods under review clearly demonstrate that the Group's real estate business is currently being financed substantially by funds provided by its shareholders and internally-generated funds and a small amount of debt.

4. **Book value per share.** The performance of the Company's Book Value per share has also been very encouraging. It remains steady at ₱0.85 per share as of December 2020 and at ₱0.84 per share as of 31 March 2021.

There was no issuance, repurchase or payment of equity securities or dividends during the year 2021.

As of this report, there is no other known event that will trigger direct or contingent financial obligation that is material to the Company. Moreover, there is no material off-balance sheet transaction, arrangement, obligation, and other relationship of the Company with unconsolidated entities or other persons created during this period.

#### IV. **Financial Risk Management**

The Company's activities expose it to a variety of financial risks. The Group's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Group. The policies for managing specific risks are summarized below:

1. **Foreign currency risk.** The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise with respect to transactions denominated in US Dollars. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. Significant fluctuation in the exchange rates could significantly affect the Group's financial position.

Foreign exchange risk exposure of the Group is limited to its cash and cash equivalents. Currently, the Group has a policy not to incur liabilities in foreign currency. Construction and supply contracts, which may have import components, are normally denominated in Philippine peso.

2. **Credit risk.** Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group has adopted stringent procedures in evaluating and accepting risk by setting counterparty and transaction limits. In addition, the Group has policies in place to ensure that sales are made to customers with an appropriate and acceptable credit history.

With respect to installments receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Company also undertakes supplemental credit review procedures for certain installment payment structures. The Company's stringent customer requirements and policies in place contribute to lower customer default than its competitors. Customer payments are facilitated through various collection modes including the use of postdated checks. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment have been made and the requirement for remedial procedures is minimal given the profile of buyers.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Company security deposits and advance rentals which help reduce the Company's credit risk exposure in case of defaults by the tenants. For existing tenants, the Company has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Other financial assets are comprised of cash and cash equivalents excluding cash on hand, financial assets at Fair Value through Profit and Loss ("FVPL"), financial assets at Fair Value through Other Comprehensive Income ("FVOCI") and advances to subsidiaries and associates. The Company adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank investment limits are established on the basis of an internal rating system that principally covers the areas

of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Company closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

3. **Interest rate risk.** Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The primary source of the Group's interest rate risk relates to its cash and cash equivalents and loans payable.

Cash and cash equivalents are short-term in nature and with the current interest rate level, any variation in the interest will not have a material impact on the profit or loss of the Group.

Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

4. **Price risk.** Price risk is the risk that the fair value of the financial investments particularly debt and equity instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. The Group's Board of Directors reviews and approves all equity investment decisions.

5. **Liquidity Risk.** The Group maintains adequate highly liquid assets in the form of cash and cash equivalents to assure necessary liquidity. Free cash flows have been restricted primarily for the settlement of the Parent's Company's debt obligations.

The Company manages liquidity risk by maintaining adequate reserves, establishing banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

6. **Risks Related to COVID-19.** Currently, many countries, including the Philippines, are suffering from a surge of the COVID-19 global pandemic. We consider this to be a key risk element as this has adversely affected our Company's business in 2020 with spillover effects to 2021. The RLT Group has keenly monitored the situation as COVID-19 has been identified as a genuine risk and game changer. With the continuing escalation of the COVID-19 pandemic, the RLT Group has activated its business continuity plan ("**BCP**") to mitigate the risk impact to operations and its personnel. The Group subscribes to, adheres to and follows national and local government directives and guidelines as well as the best practices being promoted by the Department of Health ("**DOH**"), the Inter-Agency Task Force for the Management of Emerging Infectious Diseases ("**IATF**"), Department of Trade and Industry ("**DTI**"), Department of Public Works and Highways ("**DPWH**"), Department of Labor and Employment ("**DOLE**"), local government units ("**LGUs**") where the Group operates in, etc.

Experienced gained from this pandemic will be used to improve the Group's handling of similar emergencies moving forward.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION**  
**FINANCIAL SOUNDNESS INDICATORS**  
**March 31 , 2021**

**Exhibit II**

			2021		2020
<b>Net Profit Margin:</b>					
<i>Shows how much profit is made for every peso of revenue</i>	Net Income(Loss)/ Total Revenues	<u>(39,635,914)</u> <b>86,497,740</b>	<b>-45.82%</b>	<u>11,221,037</u> 193,396,781	<b>5.80%</b>
<b>Asset Turnover:</b>					
<i>Shows efficiency of asset used in operations</i>	Total Revenues/ Ave. Total Assets	<u>86,497,740</u> -	<b>#DIV/0!</b>	<u>193,396,781</u> 3,096,436,589	<b>0.06</b>
<b>Interest Rate Coverage Ratio:</b>					
<i>Determine how easily a company can pay interest on outstanding debt</i>	EBITDA/ Interest Expense	<u>(29,990,257.42)</u> <b>6,815,173.44</b>	<b>-4.40</b>	<u>27,824,997</u> 7,799,865.00	<b>3.57</b>

PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES  
BUSINESS SEGMENTS  
AS OF MARCH 31,2021

Exhibit III

	Sale of Real Estate and Leasing	Property Management	Insurance Brokerage	Travel Services	Other Income	Elimination	Consolidated
Revenue	71,175,263	9,818,790	1,771,653	-	3,309,483.88		86,075,190
Segment Result	(35,459,863)	146,718	459,866	(14,489)	3,272,629	-	(31,595,140)
Interest expense/Bank charges	(6,815,173)						(6,815,173)
Interest income	421,152	786	612	-			422,550
Dividend income							-
Gain on sale of PPE							-
Equity in net loss of associate						(1,099,506)	(1,099,506)
Income taxes	(271,851)	(132,170)	(144,623)				(548,645)
Income before minority interest	(42,125,736)	15,333	315,855	(14,489)	3,272,629	(1,099,506)	(39,635,914)
Minority interest							
Net Income	(42,125,736)	15,333	315,855	(14,489)	3,272,629	(1,099,506)	(39,635,914)
Other Information							
Segment assets	5,825,337,350	85,600,139	35,198,978	1,173,454	2,502,842	78,965,099	6,028,777,863
Investment at equity method	114,401,124					(55,209,489)	59,191,635
Unallocated corporate assets	-	5,829,091	-	-	-	-	5,829,091
Consolidated Total Assets	5,939,738,475	91,429,230	35,198,978	1,173,454	2,502,842	23,755,610	6,093,798,589
Segment liabilities	1,494,737,693	33,913,643	22,059,672	29,971,822	78,730,621	(10,116,151)	1,649,297,300
Unallocated corporate liabilities	511,026,408	-	2,485,337	-	-	-	513,511,745
Consolidated Total Liabilities	2,005,764,101	33,913,643	24,545,009	29,971,822	78,730,621	(10,116,151)	2,162,809,045
Capital expenditure	-	-		-			-
Depreciation	1,953,653	219,060	109,126	-			2,281,838
Non-cash expenses other than depreciation							-