

# COVER SHEET

## for

# AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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**COMPANY NAME**

[illegible]**PRINCIPAL OFFICE** ( No. / Street / Barangay / City / Town / Province )[illegible]

Form Type

A	A	C	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A	
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## COMPANY INFORMATION

Company's Email Address

**socinfo@socres.com.ph**

Company's Telephone Number

**(02) 8804-1978**

Mobile Number

**N/A**

No. of Stockholders

358

Annual Meeting (Month / Day)

05/28

Fiscal Year (Month / Day)

12/31

### CONTACT PERSON INFORMATION

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

Name of Contact Person

**Ronna C. De Leon**

Email Address

**info@socres.com.ph**

Telephone Number/s

**(02) 8804-1977**

Mobile Number

**09175364732**

**CONTACT PERSON'S ADDRESS**

**4th Floor Enzo Building, 399 Senator Gil Puyat Avenue, Makati City 1200**

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

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



## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
SOCResources, Inc.  
4th Floor Enzo Building  
399 Senator Gil Puyat Avenue  
Makati City 1200

### Opinion

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

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

### Basis for Opinion

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

### Key Audit Matters

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

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



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

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

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments in relation to the total contract price (or buyer's equity). Collectability is also assessed by considering factors such as past history with buyer, age and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs, after considering the impact of the Corona Virus Disease (COVID 19) pandemic, if it would still support its current threshold of buyer's equity before commencing revenue recognition.

In measuring the progress of its performance obligation over time, the Group uses input method. Under this method, progress is measured based on actual costs incurred on materials, labor, and actual overhead relative to the total estimated development costs of the real estate project. The Group uses the cost accumulated by the accounting department to determine the actual costs incurred. The estimation of the total costs of the real estate project requires technical inputs by project engineers.

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

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

The disclosures related to real estate revenue are included in Notes 2, 3 and 22 to the consolidated financial statements.

### ***Audit Response***

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

For the buyers' equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales cancellations from buyers with accumulated payments above the collection threshold. We also considered the impact of the COVID 19 pandemic to the level of cancellations during the year. We traced the analysis to supporting documents, such as history of payments, contracts to sell of sold units, and schedule of forfeited units.

For the application of the input method in determining real estate revenue and for determining cost of sales, we obtained an understanding of the Group's processes for determining the percentage of completion (POC), including the cost accumulation process, and for determining and updating of total estimated costs, and performed tests of the relevant controls on these processes. We assessed the competence and objectivity of the project engineers by reference to their qualifications, experience and reporting responsibilities. For selected projects, we traced costs accumulated, including those incurred



but not yet billed costs, to the supporting documents such as invoices, accomplishment reports from the contractors and official receipts. We made relevant inquiries, including inquiries on how the COVID 19 pandemic affected the POC during the period, with project engineers. We performed test computation of the percentage of completion calculation of management. For selected projects, we obtained the approved total estimated costs and any revisions thereto and the supporting details such as reports from the contractors. We likewise performed inquiries with the project engineers for the revisions.

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

### **Other Information**

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

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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



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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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



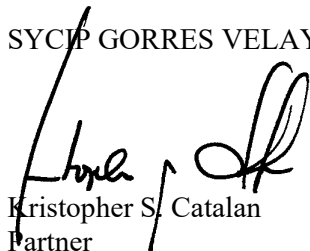
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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  
Kristopher S. Catalan.

SYCIP GORRES VELAYO & CO.



Kristopher S. Catalan  
Partner

CPA Certificate No. 109712

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

October 18, 2018, valid until October 17, 2021

Tax Identification No. 233-299-245

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

November 27, 2020, valid until November 26, 2023

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

May 5, 2021



**SOCRESOURCES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2020	2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	₱599,223,662	₱557,462,198
Receivables (Note 6)	40,551,972	30,972,321
Contract assets (Note 22)	33,652,339	46,931,630
Real estate inventories (Note 7)	1,061,683,139	1,058,274,302
Prepayments and other current assets (Note 8)	58,397,845	60,578,751
<b>Total Current Assets</b>	<b>1,793,508,957</b>	<b>1,754,219,202</b>
<b>Noncurrent Assets</b>		
Equity investments at fair value through other comprehensive income (FVTOCI) (Note 9)	43,874,723	43,208,458
Contract assets - net of current portion (Note 22)	32,362,241	24,121,710
Property and equipment (Note 11)	36,565,773	37,960,890
Deferred income tax assets - net (Note 18)	8,580,915	—
Other noncurrent assets (Note 12)	5,726,644	13,160,171
<b>Total Noncurrent Assets</b>	<b>127,110,296</b>	<b>118,451,229</b>
<b>TOTAL ASSETS</b>	<b>₱1,920,619,253</b>	<b>₱1,872,670,431</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and other liabilities (Note 13)	56,120,295	₱60,181,749
Contract liabilities (Note 22)	130,089,749	129,096,963
<b>Total Current Liabilities</b>	<b>186,210,044</b>	<b>189,278,712</b>
<b>Noncurrent Liabilities</b>		
Retirement benefit obligation (Note 17)	6,618,727	5,782,334
Deferred income tax liabilities - net (Note 18)	—	1,867,067
Contract liabilities - net of current portion (Note 22)	109,564,881	50,384,702
<b>Total Noncurrent Liabilities</b>	<b>116,183,608</b>	<b>58,034,103</b>
<b>Total Liabilities</b>	<b>302,393,652</b>	<b>247,312,815</b>
<b>Equity (Note 20)</b>		
Common stock		
Issued	601,389,569	601,389,569
Subscribed	76,292,500	76,292,500
Additional paid-in capital	72,272,140	72,272,140
Retained earnings:		
Appropriated	745,000,000	745,000,000
Unappropriated	114,390,177	122,327,823
Other comprehensive income (Notes 9 and 17)	13,842,865	13,037,234
Treasury stock	(4,961,650)	(4,961,650)
<b>Equity</b>	<b>1,618,225,601</b>	<b>1,625,357,616</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱1,920,619,253</b>	<b>₱1,872,670,431</b>

See accompanying Notes to Consolidated Financial Statements.



**SOCRESOURCES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2020	2019	2018
<b>REVENUE FROM REAL ESTATE SALES</b>			
(Note 22)	<b>₱51,046,755</b>	₱112,582,130	₱137,575,939
<b>OTHER INCOME (CHARGES) - net</b>			
Interest income (Notes 4, 5 and 6)	<b>12,312,471</b>	23,132,313	17,656,548
Dividend income (Note 9)	<b>124,890</b>	386,287	409,612
Foreign exchange gain (loss) - net	<b>(324,901)</b>	(241,472)	327,811
Realized gain on sale of debt investments at fair value			
through profit or loss (FVTPL) [Note 10]	—	—	91,745
Other income - net (Note 16)	<b>7,793,431</b>	731,251	8,336,581
	<b>19,905,891</b>	24,008,379	26,822,297
<b>COSTS AND EXPENSES</b>			
Cost of real estate sales (Note 7)	<b>(28,236,647)</b>	(67,905,972)	(65,715,940)
General and administrative expenses (Note 14)	<b>(44,306,542)</b>	(58,125,285)	(61,084,028)
Sales and marketing expenses (Note 15)	<b>(6,667,281)</b>	(13,429,475)	(24,511,564)
	<b>(79,210,470)</b>	(139,460,732)	(151,311,532)
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>(8,257,824)</b>	(2,870,223)	13,086,704
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 18)</b>			
Current	<b>9,942,115</b>	8,579,821	243,118
Deferred	<b>(10,262,293)</b>	(9,029,403)	5,007,133
	<b>(320,178)</b>	(449,582)	5,250,251
<b>NET INCOME (LOSS)</b>	<b>(7,937,646)</b>	(2,420,641)	7,836,453
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Unrealized valuation gains (losses) on equity investments at FVTOCI (Note 9)	<b>816,265</b>	(9,081,578)	7,299,437
Actuarial gains (losses) on defined benefit plan net of deferred income tax (Note 17)	<b>(10,634)</b>	(754,123)	881,200
	<b>805,631</b>	(9,835,701)	8,180,637
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>(₱7,132,015)</b>	(₱12,256,342)	₱16,017,090
<b>Basic/Diluted Earnings (Loss) Per Share</b>			
(Note 21)	<b>(₱0.0088)</b>	(₱0.0027)	₱0.0087

See accompanying Notes to Consolidated Financial Statements.





# SOCRESOURCES, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

	Common Stock (Note 20)		Additional	Retained Earnings (Note 20)		Other Comprehensive Income	Treasury Stock	Total
	Issued	Subscribed	Paid-in Capital	Appropriated	Unappropriated	(Notes 9 and 17)	(Note 20)	
<b>BALANCES AT JANUARY 1, 2018</b>	<b>₱600,559,569</b>	<b>₱76,500,000</b>	<b>₱72,272,140</b>	<b>₱745,000,000</b>	<b>₱116,912,011</b>	<b>₱14,692,298</b>	<b>(₱4,961,650)</b>	<b>₱1,620,974,368</b>
Net income	—	—	—	—	7,836,453	—	—	7,836,453
Other comprehensive income	—	—	—	—	—	8,180,637	—	8,180,637
Total comprehensive income	—	—	—	—	7,836,453	8,180,637	—	16,017,090
<b>BALANCES AT DECEMBER 31, 2018</b>	<b>600,559,569</b>	<b>76,500,000</b>	<b>72,272,140</b>	<b>745,000,000</b>	<b>124,748,464</b>	<b>22,872,935</b>	<b>(4,961,650)</b>	<b>1,636,991,458</b>
Net loss	—	—	—	—	(2,420,641)	—	—	(2,420,641)
Other comprehensive loss	—	—	—	—	—	(9,835,701)	—	(9,835,701)
Total comprehensive loss	—	—	—	—	(2,420,641)	(9,835,701)	—	(12,256,342)
Additional issuance	830,000	(207,500)	—	—	—	—	—	622,500
<b>BALANCES AT DECEMBER 31, 2019</b>	<b>601,389,569</b>	<b>76,292,500</b>	<b>72,272,140</b>	<b>745,000,000</b>	<b>122,327,823</b>	<b>13,037,234</b>	<b>(4,961,650)</b>	<b>1,625,357,616</b>
Net income	—	—	—	—	(7,937,646)	—	—	(7,937,646)
Other comprehensive income	—	—	—	—	—	805,631	—	805,631
Total comprehensive income (loss)	—	—	—	—	(7,937,646)	805,631	—	(7,132,015)
<b>BALANCES AT DECEMBER 31, 2020</b>	<b>₱601,389,569</b>	<b>₱76,292,500</b>	<b>₱72,272,140</b>	<b>₱745,000,000</b>	<b>₱114,390,177</b>	<b>₱13,842,865</b>	<b>(₱4,961,650)</b>	<b>₱1,618,225,601</b>

See accompanying Notes to Consolidated Financial Statements.



**SOCRESOURCES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2020	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) before income tax	(₱8,257,824)	(₱2,870,223)	₱13,086,704
Adjustments for:			
Interest income (Notes 4, 5 and 6)	(12,312,471)	(23,132,313)	(17,656,548)
Depreciation and amortization (Notes 11, 14 and 15)	2,545,515	3,939,323	2,872,208
Loss (gain) on repossession (Note 16)	363,970	(464,520)	(1,147,589)
Net changes in retirement benefit obligation (Note 17)	790,070	673,183	657,461
Dividend income (Note 9)	(124,890)	(386,287)	(409,612)
Unrealized foreign exchange loss (gains)	324,901	241,472	(327,811)
Realized gain on debt investments at FVTPL (Note 10)	—	—	(91,745)
Loss on retirement of property and equipment	—	—	42,750
Operating loss before working capital changes	(16,670,729)	(21,999,365)	(2,974,182)
Decrease (increase) in:			
Receivables	(10,094,780)	8,706,605	74,649,707
Contract assets	5,038,760	(11,596,314)	(59,457,026)
Real estate inventories	(3,772,807)	9,098,466	27,108,365
Other current assets	4,190,750	13,763,766	2,397,085
Increase (decrease) in:			
Accounts payable and other liabilities	(4,061,454)	9,601,794	(77,697,827)
Contract liabilities	60,172,965	81,639,196	97,842,469
Cash flows generated from operations	34,802,705	89,214,148	61,868,591
Interest received	12,837,740	23,051,543	16,896,131
Income taxes paid, including creditable withholding taxes	(3,403,170)	(5,211,990)	(885,360)
Net cash flows from operating activities	44,237,275	107,053,701	77,879,362
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of property and equipment (Note 11)	(1,150,398)	(5,920,922)	(4,027,560)
Dividends received	114,750	407,277	399,628
Payment of advances to agricultural projects	(1,115,262)	(91,125)	—
Proceeds from sale of short-term investments (Note 5)	—	—	255,823,471
Redemption of UITF (Notes 9 and 10)	—	—	10,197,117
Net cash flows from (used in) investing activities	(2,150,910)	(5,604,770)	262,392,656
<b>CASH FLOWS FROM A FINANCING ACTIVITY</b>			
Proceeds from additional issuance of stock	—	622,500	—

(Forward)



	Years Ended December 31		
	2020	2019	2018
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(₱324,901)</b>	<b>(₱241,472)</b>	<b>₱327,811</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>41,761,464</b>	<b>101,829,959</b>	<b>340,599,829</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>557,462,198</b>	<b>455,632,239</b>	<b>115,032,410</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)</b>	<b>₱599,223,662</b>	<b>₱557,462,198</b>	<b>₱455,632,239</b>

*See accompanying Notes to Consolidated Financial Statements.*



## **SOCRESOURCES, INC. AND SUBSIDIARY**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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#### **1. Corporate Information, Status of Operations and Approval and Authorization for Issuance of the Consolidated Financial Statements**

##### Corporate Information

SOCResources, Inc., (the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on September 25, 1992, primarily to undertake oil and gas exploration, development and production. The Parent Company's shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

In October 2003, the Philippine SEC approved the amendment of the Parent Company's articles of incorporation, particularly the change in its primary purpose of business. The Parent Company is now registered primarily to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, in particular shares of stocks, voting trust certificates, bonds, debentures, notes, evidences of indebtedness of associations and corporations, domestic or foreign, without being a stockbroker or dealer, and to issue in exchange therefore shares of the capital stock, bonds, notes, or other obligations and/or assets of the Parent Company and while the owner thereof, to exercise all the rights, powers, and privileges of ownership, including the right to vote any shares of stock or voting trust certificates so owned, and to do every act and thing that may generally be performed by entities known as "holding companies". The former primary purpose of oil and gas exploration was reclassified as among the secondary purposes of the Parent Company.

On April 25, 2014, the Board of Directors (BOD) approved the amendment in the articles of incorporation to change the name of the Parent Company from South China Resources, Inc. to SOCResources, Inc. The change was approved by the Philippine SEC on September 4, 2014.

SOC Land Development Corporation (SOC Land or the Subsidiary) was incorporated in the Philippines and registered with the Philippine SEC on November 25, 2010.

The registered office address of the Parent Company is 4th Floor Enzo Building, 399 Senator Gil Puyat Avenue, Makati City 1200.

##### Status of Operations

##### *Real Estate Development*

In 2011, SOC Land undertook its maiden project called "Anuva Residences" in Barangay Buli, Alabang, Muntinlupa City. The project involves the development of a 2.4 hectare parcel of land that will have four tandem buildings and an estimated investment cost of ₱5.0 billion to generate approximately ₱7.0 billion in sales over its production cycle. Initially targeted for completion within five years from launch, the production cycle of the project is extended and re-planned for completion by 2025.

On July 12, 2011, the groundbreaking ceremony for the first tower, Anala was held and the structural works was completed in 2014.

On September 2, 2011, SOC Land's Phase 1 project was duly registered with the Board of Investments (BOI) as a New Developer of Low - Cost Mass Housing on a Non-Pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226). With the registration, SOC Land was entitled to an Income Tax Holiday (ITH) for three years from October 2011 or actual start of commercial operations or selling, whichever is earlier, but in no case earlier than the date of registration. Under the



specific terms and conditions of the registration, the SOC Land shall submit proof of compliance that it has developed socialized housing project and accomplished corporate social responsibility activities that were duly identified by BOI in conjunction with the entitlement of ITH.

On December 14, 2011, the Housing and Land Use Regulatory Board released the SOC Land's License to Sell for the Anala Tower with targeted completion date in 2015.

On August 14, 2013, SOC Land opted to surrender the original copy of the Certificate of Registration no. 2011-193 issued to SOC Land as New Developer of Low-Cost Mass Housing Project cancelled the Company's entitlement to an ITH for three years.

In 2014, SOC Land ventured into horizontal housing development through Althea Residences in Binan, Laguna with an initial offering of 214 commercial and residential lots and house and lot packages and covered by HLURB License To Sell No. 029073 released on September 22, 2014. On the same year, the second tower of Anuva Residences, the Azalea Tower with 618 units of combined studio, 1-bedroom and 2-bedroom units was offered for sale and a License To Sell was issued by HLURB on July 31, 2015.

In 2018, a portion of Althea Residences was reconfigured from 17 commercial lots into 32 townhouse and lots units that offered a better return for SOC Land. Althea was also geared for expansion on the adjoining 2.2 hectare property offering an additional 132 residential lots and house and lot packages with the necessary permits and license expected to be completed by mid-2019.

As of the end of 2020, SOC Land is also studying the feasibility of developing in other areas with potential sites in consideration in Baguio City, Manila City and Quezon City, among other places.

#### Approval and Authorization for Issuance of the Consolidated Financial Statements

The consolidated financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 were approved and authorized for issue by the BOD on May 5, 2021.

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## **2. Summary of Significant Accounting Policies**

### Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis except for equity investments at fair value through other comprehensive income (FVTOCI) that have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company and Subsidiary's functional currency. All values are rounded off to the nearest peso, except when otherwise indicated.

The accompanying consolidated financial statements have been prepared under the going concern assumption. The Group believes that its real estate business would remain relevant despite challenges posed by the Corona Virus Disease (COVID 19) pandemic.



#### Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs), which include the availment of the reliefs granted by the Securities and Exchange Commission (SEC) under Memorandum Circular Nos. 14-2018 and 3-2019, to defer the implementation of the following accounting pronouncements until December 31, 2020. These accounting pronouncements address the issues of PFRS 15, *Revenue from Contracts with Customers* affecting the real estate industry:

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

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

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

The details and the impact of the adoption of the above financial reporting reliefs are discussed in the *Standards Issued but not yet Effective* section below.

#### Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its wholly owned subsidiary, SOC Land. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control and continue to be consolidated until the date when such control ceases. The financial statements of the Subsidiary are prepared for the same reporting year as the Parent Company using consistent accounting policies.

Subsidiaries are entities over which the Parent Company has control or generally has an interest of more than one half of the voting rights of the entities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls another entity. Control is achieved where the Parent Company has all of the following:

- a. power over the investee;
- b. exposure, or rights, to variable returns from its involvement with the investee; and
- c. the ability to use its power over the investee to affect the amount of investor's returns.

All intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions that are recognized are eliminated in full.

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

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new accounting pronouncements starting January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these pronouncements did not have any significant impact on the consolidated financial statements of the Group.



*Effective beginning on or after January 1, 2020*

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

The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Group enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

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

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

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

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

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

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

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

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;



- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

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

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

The adoption has no significant impact to the Group.

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

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

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

#### Standards Issued but not yet Effective

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

#### *Effective beginning on or after January 1, 2021*

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

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

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

The Group shall also disclose information about:

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





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

*Effective beginning on or after January 1, 2022*

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

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

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

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

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

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

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

The amendments are not expected to have a material impact on the Group.

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

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

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



- *Annual Improvements to PFRSs 2018-2020 Cycle*

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

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

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

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

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

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

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

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

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

*Effective beginning on or after January 1, 2023*

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

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

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right



- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

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

- PFRS 17, *Insurance Contracts*

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

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

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

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

#### *Deferred effectivity*

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

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

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

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

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 08, 2019, the Philippine SEC issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain



provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023. A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

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

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

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

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

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

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

The Group availed of the deferral of adoption of the following specific provisions of PIC Q&A. Had these provisions been adopted, the mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell would constitute a significant financing component. Interest income would have been recognized for contract assets and interest expense for contract liabilities using the effective interest rate method and this would have impacted retained earnings as at January 1, 2018 and the revenue from real estate sales in 2020, 2019 and 2018. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.

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



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

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

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

The Group availed of the SEC relief to defer the adoption of this PIC Q&A until December 31, 2020. Currently, the Group records the repossessed inventory at fair value at the time of repossession. The Group is still evaluating the approach to be availed among the existing options.

The Group continues to assess the impact of the above new and amended accounting standards and Interpretations effective subsequent to 2020 on the financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the financial statements when these amendments are adopted. The Group continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to the December 31, 2020 consolidated financial statements. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

#### Summary of Accounting Policies

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

#### Current versus Noncurrent Classification

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

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;



- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and deferred tax liabilities are classified as noncurrent assets and liabilities, respectively.

#### Fair Value Measurement

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

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

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

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

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

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

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

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

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

As of December 31, 2020 and 2019, the Group has no non-financial asset carried at fair value. In addition, the Group has neither assets nor liabilities with recurring and non-recurring fair value measurements.



### Cash and Cash Equivalents

Cash includes cash on hand and in banks.

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

### Financial Instruments

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

#### *a. Financial assets*

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVTPL and FVTOCI.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVTOCI, it needs to give rise to cash flows that are 'solely for payment of principal and interest' SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

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

##### *Subsequent measurement*

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

- Financial assets at amortized cost (debt instruments)
- FVTOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

As at December 31, 2020 and 2019, the Group does not have any financial assets at FVTOCI with recycling of cumulative gains and losses (debt instruments), financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) and financial assets at FVTPL.



*Financial assets at amortized cost (debt instruments)*

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

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

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

The Group's financial assets at amortized cost includes cash and cash equivalents, receivables and refundable deposits presented under Prepayments and other current assets.

*Financial assets designated at FVTOCI (equity instruments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVTOCI 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 in profit and loss 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 FVTOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its listed equity investments and golf club shares under this category.

*Financial assets at FVTPL*

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, 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 accounted for as financial assets at FVTPL unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with net changes in fair value presented as "gain on debt instruments at FVTPL" (positive net changes in fair value) or "loss on debt instruments at FVTPL" (negative net changes in fair value) in profit or loss.

As of December 31, 2020 and 2019, the Group has no financial assets at FVTPL.





### *Derecognition*

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

- the rights to receive cash flows from the asset have expired; or,
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group 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 of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognized an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

### *Modification of financial assets*

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

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

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

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

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



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

#### *Impairment of financial assets*

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. 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 EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

The ECL allowance is based on the credit losses expected to arise over the life of the asset, unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' ECL. Both life time ECL and 12 months' ECL are calculated on either an individual basis or a collective basis, depending on the nature of the financial instruments.

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 risks investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the external credit rating agencies to determine whether the debt instruments has significantly increased in credit risk and estimate ECLs.

For receivables and contract assets, an impairment analysis is performed at each reporting date using vintage analysis to measure ECLs. The Group used the vintage analysis accounts for expected credit losses by calculating the cumulative loss rates of a given installment contract receivable (ICR)/contract asset pool. The calculation reflects the probability-weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

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



For its refundable deposits, the Group applies the general approach in calculating ECLs. The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. The Group determines probability of default and loss-given default based on available data, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### *b. Financial liabilities*

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, liabilities at amortized cost, 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 liabilities at amortized cost, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable and other current liabilities (excluding government payables).

##### *Subsequent measurement*

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

##### *Liabilities at amortized cost*

This is the category most relevant to the Group. After initial recognition, interest-bearing liabilities at amortized cost 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 profit or loss in the consolidated statement of comprehensive income.

##### *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 profit or loss in the consolidated statement comprehensive income.

#### *c. Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.



### Real Estate Inventories

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV).

Cost includes:

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

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

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

### Reposessed Inventories

Reposessed inventories represent the acquisition costs of properties sold but subsequently reacquired by the Group due to buyer's default on payment of monthly amortization. These are measured at fair value at the time of repossession. Any resulting gain or loss arising from the difference between the fair value at the time of repossession and the remaining receivable due from the buyers is credited or charged to "Other income" in the profit or loss.

### Prepayments

Prepayments are carried at cost and are amortized on a straight-line basis over the period of expected usage, which is equal to or less than 12 months.

### Advances to Suppliers and Contractors

Advances to suppliers and contractors represent advance payments on services to be incurred in connection with the Group's operations. Advances to suppliers and contractors are recognized under "Prepayments and other current assets" account in the consolidated statement of financial position. These are charged to expense in profit or loss, or capitalized to real estate inventories in the consolidated statement of financial position, as appropriate, when the services are rendered, which is normally within 12 months.

### Creditable Withholding Taxes (CWT)

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

### Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable. When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial



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

Any excess which will be claimed as tax credits or recoverable from the taxation authority within twelve (12) months or within the normal operating cycle is presented as part of "Prepayments and other current assets" in the statement of financial position. Otherwise, these are classified as other noncurrent assets. Input VAT is stated at its estimated net realizable value. Output VAT payable to the taxation authority is included as part of "Accounts payable and other liabilities" account in the consolidated statement of financial position.

#### Property and Equipment

Property and equipment, except for land, are stated at cost less accumulated depreciation and amortization and any impairment losses. Land is stated at cost less any accumulated impairment losses.

The initial cost of property and equipment comprises its purchase price including, import duties, nonrefundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such equipment when the recognition criteria are met. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation commences when an asset is in the location and condition capable of being operated in the manner intended by management. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets, except for leasehold improvements which are amortized on a straight-line basis over the term of the lease or the estimated lives of the improvements, whichever is shorter, as follows:

Asset Type	Number of years
Building	20
Office furniture and equipment	2-5
Transportation equipment	5
Leasehold improvements	2 or lease term, whichever is shorter

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

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized. Fully depreciated items are retained as property and equipment until these are no longer in use.



#### Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses from continuing operations are recognized in profit or loss.

For nonfinancial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

#### Retirement Benefits Cost

The Group has an unfunded, non-contributory, defined benefit retirement obligation.

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

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

Retirement benefits cost comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Re-measurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

Net interest on the net defined benefit liability or asset is recognized as an expense or income in profit or loss.



Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to the consolidated statement in comprehensive loss in subsequent periods.

#### Common Stock and Additional Paid-in Capital

The Group has issued common stocks that are classified as equity. Common stock is measured at par value for all shares issued.

When the shares are sold at premium, the excess of the proceeds over the par value is credited to “Additional paid-in capital” account. Direct costs incurred related to equity issuance are chargeable to “Additional paid-in capital” account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings.

Subscription receivable pertains to the uncollected portion of the subscribed shares. Subscription receivable is presented as deduction from equity if the subscription receivable is not expected to be collected within 12 months after reporting period. Otherwise, the subscription receivable is presented as current asset.

#### Retained Earnings

The amount included in retained earnings includes profit (loss) attributable to the Group’s stockholders and reduced by dividends. Dividends are recognized as a liability and deducted from equity when they are approved by the Group’s stockholders. Interim dividends are deducted from equity when they are paid. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard’s transitional provisions.

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

#### Other Comprehensive Income (OCI)

OCI comprises items of income and expenses, including reclassification adjustments, which are not recognized in profit or loss as required or permitted by other standards.

#### Treasury Stock

Own equity instruments which are reacquired (treasury stock) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group’s own equity instruments. Any difference in the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury stock are nullified for the Group and no dividends are allocated to them respectively. When the stocks are retired, the common 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.

#### Revenue Recognition

##### *Revenue from Contract with Customers*

The Group primarily derives its real estate revenue from the sale of horizontal real estate projects. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to



be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

#### *Real estate sales*

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

In measuring the progress of its performance obligation over time, the Group uses input method. Input methods recognize revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation. Progress is measured based on actual resources consumed such as materials, labor hours expended and actual overhead incurred relative to the total expected inputs to the satisfaction of that performance obligation, or the total estimated development costs of the real estate project. The Group uses the cost accumulated by the accounting department to determine the actual resources used. Input method exclude the effects of any inputs that do not depict the entity's performance in transferring control of goods or services to the customer.

Estimated development costs of the real estate project include costs of land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis and is allocated between costs of sales and real estate inventories.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contract receivables under trade receivables, is included in the asset section of the consolidated statement of financial position.

Any excess of collections over the total of recognized installment contract receivables is included in the "contract liabilities" account in the liabilities section of the consolidated statement of financial position.

In certain customer contracts, the Group receives advance payments from customers for the sale of real estate units with completion of the real estate project happening after more than one year after signing the contract and receipt of payment. There is a significant financing component for these contracts considering the length of time between the customers' payment and the satisfaction of performance obligation, as well as the prevailing interest rate in the market. As such, the transaction price for these contracts is discounted, using the interest rate implicit in the contract (i.e., the interest rate that discounts the cash selling price of the real estate unit to the amount paid in advance). This rate is commensurate with the rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

#### *Contract Balances*

##### *Receivables*

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).





*Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

*Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

*Costs to obtain contract*

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

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

*Contract fulfillment assets*

Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group firstly considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.

If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

The Group's contract fulfillment assets pertain to connection fees and land acquisition costs.

*Amortization, derecognition and impairment of contract fulfillment assets and capitalized costs to obtain a contract*

The Group amortizes contract fulfillment assets and capitalized costs to obtain a contract over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within cost of sales.

A contract fulfillment asset or capitalized costs to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.



At each reporting date, the Group determines whether there is an indication that contract fulfillment asset or cost to obtain a contract may be impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

#### Interest Income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income is recorded using the EIR. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

#### Other Income

Other income includes gain arising from forfeiture or cancellation of prior years' real estate sales.

#### Cost and Expense Recognition

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

#### *Cost of Real Estate Sales*

The Group recognizes costs relating to satisfied performance obligations as these are incurred. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

In addition, the Group recognizes as an asset only costs that give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

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

The cost of real estate sales recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the POC used for revenue recognition purposes.



Any changes in estimated development costs used in the determination of the amount of revenue and cost are recognized in the profit or loss in the period in which the change is made.

*General and Administrative Expenses*

Expenses incurred in the general administration of day-to-day operation of the Group are generally recognized when the service is used or the expense arises.

*Sales and Marketing Expenses*

Expenses incurred in the direct selling and marketing activities are generally recognized when the service is incurred or the expense arises.

*Research and Development Costs*

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Parent Company can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- its intention to complete and its ability to use or sell the asset
- how the asset will generate future economic benefits
- the availability of resources to complete the asset
- the ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use.

*Income Taxes*

*Current Income Tax*

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

Current income tax for current and prior periods shall, to the extent unpaid, be recognized as a liability and is presented as "Income tax payable" account in the consolidated statement of financial position. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset and is presented as part of "Prepayments and other current assets" account in the consolidated statement of financial position.

*Deferred Income Tax*

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

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



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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

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

#### Basic/Diluted Earnings (Loss) Per Share

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

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

#### Foreign Currency-denominated Transactions

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the rate of exchange at the reporting date. Foreign currency gains or losses are recognized in profit or loss.

#### Leases (Effective starting January 1, 2019)

##### *The Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group's lease contracts qualify as a short-term leases.

##### *Short-term leases and Low-value assets*

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

#### Leases (Effective prior to January 1, 2019)

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.



A reassessment is made after inception of the lease only if one of the following applies:

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

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

#### *Operating leases*

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in the Group's profit or loss on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized.

#### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

#### Contingencies

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

#### Segment Reporting

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.

#### Events After the Reporting Date

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



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### 3. Significant Accounting Judgments, Estimates and Assumptions

The consolidated financial statements prepared in accordance with PFRS requires management to make judgments, estimates and assumptions that affect amounts reported in the consolidated financial statements and related notes. The judgments, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Management has considered the potential impact of COVID-19 pandemic on the Group's significant accounting judgments and estimates and there are no changes to the significant judgements and estimates in the consolidated financial statements as at and for the year ended December 31, 2020 from those applied in previous financial years, other than for those disclosed under this section.

#### Judgments

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

#### *Determination of Existence of an Enforceable Contract*

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

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

#### *Determination of the Revenue Recognition Method and Measure of Progress*

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

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



#### *Identifying Performance Obligation*

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

#### *Assessment of Impairment of Nonfinancial Assets*

The Group assesses impairment on other current assets and property and equipment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount. The estimated recoverable amount is computed using the asset's fair value less costs to sell or value-in-use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value-in-use is the present value of estimated future net cash inflows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

As of December 31, 2020 and 2019, there were no impairment indicators that would lead to impairment analysis.

#### *Operating Leases - The Group as Lessee - effective prior to January 1, 2019*

The Group has entered into a lease for its administrative office location. The Group has determined that all the significant risks and benefits of ownership of these properties remain with the lessors. Accordingly, these leases are accounted for as operating leases.

#### Estimates and Assumptions

The key estimates concerning the future and other key sources of estimation uncertainty at 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*

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue and cost from real estate sales recognized based on the percentage of completion is determined based on actual costs incurred to date over the estimated total costs to complete the project reconciled with the



engineer's judgment and estimates on the physical portion of contract work done if the development is beyond the preliminary stage.

The Group estimates the POC of ongoing projects using input method for purposes of accounting for the estimated costs of development as well as revenue to be recognized. Actual costs of development could differ from these estimates. Such estimates will be adjusted accordingly when the effects become reasonably determinable. The POC is based on the technical evaluation of the Group's project engineer as well as management's monitoring of the costs, progress and improvements of the projects.

Real estate sales and cost of real estate sales amounted to ₱51.05 million and ₱28.24 million in 2020, ₱112.58 million and ₱67.91 million in 2019 and ₱137.58 million and ₱65.72 million in 2018, respectively (see Notes 7 and 22).

#### *Estimation of the Provision for ECL*

The Group uses a vintage analysis to calculate ECLs for trade receivables and contract assets. The Group used the vintage analysis accounts for expected credit losses by calculating the cumulative loss rates of a given receivable/contract asset pool.

The vintage analysis is initially based on the Group's historical observed default rates. The Group calibrates the vintage to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product, bank lending rate) are expected to deteriorate over the next year which can lead to an increased number of defaults in the real estate sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions 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 and contract assets is disclosed in Note 6.

No allowance for ECL was recognized in 2020 and 2019. The carrying values of receivables as of December 31, 2020 and 2019 amounted to ₱40.55 million and ₱30.97 million, respectively (see Note 6). The carrying values of contract assets is ₱66.01 million and ₱71.05 million as of December 31, 2020 and 2019, respectively (see Note 22).

#### *Measurement of Net Realizable Value of Real Estate Inventories*

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

Real estate inventories at cost amounted to ₱1,061.68 million and ₱1,058.27 million as of December 31, 2020 and 2019, respectively. In 2020 and 2019, the Group assessed that the NRV of real estate inventories is higher than cost, hence the Group did not recognize any losses on write down of real estate inventories (see Note 7).





*Estimation of Useful Lives of Property and Equipment, excluding Land*

The Group estimates the useful lives of the significant parts of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the Group's estimation of the useful lives is based on 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.

There were no changes in the estimated useful life of property and equipment in 2020 and 2019. The carrying values of depreciable property and equipment amounted ₱20.23 million and ₱21.62 million as at December 31, 2020 and 2019, respectively (see Note 11).

*Estimation of Retirement Benefits Liability and Expense*

The determination of the obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions include among others, discount rate and salary increase rate. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and liability in such future period. While the Group believes that the assumptions are reasonable and appropriate, significant differences between actual experience and assumptions may materially affect retirement benefits expense and liability. Retirement benefits costs charged to operations for the years ended December 31, 2020, 2019 and 2018 amounted to ₱0.79 million, ₱0.67 million, and ₱0.66 million, respectively. Retirement benefits liability amounted to ₱6.62 million and ₱5.78 million as of December 31, 2020 and 2019, respectively (see Note 17).

*Recognition of Deferred Income Tax Assets*

The Group reviews the carrying amounts of deferred income tax assets at each financial reporting date and reduces the amounts to the extent that they are no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of its deferred income tax assets to be utilized.

The Group recognized deferred income tax assets amounting to ₱18.36 million and ₱8.21 million as of December 31, 2020 and 2019, respectively (see Note 18).

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**4. Cash and Cash Equivalents**

	2020	2019
Cash on hand and in banks	<b>₱52,543,679</b>	₱51,341,003
Cash equivalents	<b>546,679,983</b>	506,121,195
	<b>₱599,223,662</b>	₱557,462,198

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates. Interest income earned amounted to ₱9.39 million, ₱18.85 million and ₱8.35 million in 2020, 2019 and 2018, respectively.



## 5. Short-Term Investments

In 2018, the Parent Company sold its short-term investments in government securities bearing interest ranging from 2.85% to 3.00% upon maturity, with proceeds equivalent to its carrying value amounting to ₱255.82 million. Interest earned from these securities amounted to ₱2.80 million in 2018 (nil in 2020 and 2019).

## 6. Receivables

	2020	2019
Installment contract receivables (Note 22)	<b>₱12,775,747</b>	₱3,615,169
Advances to:		
Officers and employees	<b>19,080,905</b>	19,241,592
Agents	<b>1,473,731</b>	1,562,928
Accrued interest	<b>333,324</b>	858,593
Due from a related party (Note 19)	<b>256,445</b>	243,387
Other receivables	<b>6,631,820</b>	5,450,652
	<b>₱40,551,972</b>	₱30,972,321

- a. Instalment contract receivables arises from sale of real estate and is collectible in monthly instalments over a period ranging from one to 10 years which bears monthly interest rates of 14.0% to 16.0% in 2020 and 2019 computed on the diminishing balance.

Interest income earned amounted to ₱2.92 million, ₱4.28 million and ₱6.51 million in 2020, 2019 and 2018, respectively.

- b. Advances to officers and employees are noninterest-bearing and will generally be settled through liquidation and salary deduction, respectively. These receivables will be settled within the next financial year.
- c. Other receivables consist mostly of receivables from unit owners for electricity and other utilities.

## 7. Real Estate Inventories

	2020	2019
Condominium and residential units	<b>₱559,091,328</b>	₱567,505,399
Subdivision projects for development	<b>362,152,410</b>	359,423,245
Lot inventory	<b>140,439,401</b>	131,345,658
	<b>₱1,061,683,139</b>	₱1,058,274,302

A summary of the movement in real estate inventories is set out below:

	2020	2019
Balances at beginning of year	<b>₱1,058,274,302</b>	₱1,066,908,248
Development costs incurred	<b>27,535,884</b>	41,822,538
Disposals recognized as cost of real estate sales	<b>(28,236,647)</b>	(67,905,972)
Reposessed inventories	<b>4,109,600</b>	17,449,488
	<b>₱1,061,683,139</b>	₱1,058,274,302



## 8. Prepayments and Other Current Assets

	2020	2019
Input VAT - net of noncurrent portion	<b>₱37,493,355</b>	₱32,872,114
Prepaid taxes	<b>17,452,394</b>	24,038,480
Refundable deposits (Note 27)	<b>3,273,166</b>	3,237,784
Advances to suppliers and contractors	<b>46,180</b>	339,795
Others	<b>132,750</b>	90,578
	<b>₱58,397,845</b>	₱60,578,751

Refundable deposits are composed of security deposits related to the Group's lease agreement and utility deposits to Manila Electric Corporation.

Advances to suppliers and contractors are payments made to suppliers as contracts with them generally require advance payment. The amount will be applied as part of the full payment of the contracted price.

## 9. Equity Investments at FVTOCI

	2020	2019
Golf club shares	<b>₱34,250,000</b>	₱35,250,000
Listed equity investments	<b>9,624,723</b>	7,958,458
	<b>₱43,874,723</b>	₱43,208,458

As of December 31, 2020 and 2019, the Group's equity investments at FVTOCI pertain to investments in golf club shares and shares of stock of various publicly-listed companies.

The fair values of the shares of stock are based on the quoted market price that is readily and regularly available in the Philippine Stock Exchange.

The fair value of quoted club share is determined by reference to published price quotation.

Dividend income earned from equity investments amounted to ₱0.12 million, ₱0.39 million and ₱0.41 million in 2020, 2019 and 2018, respectively.

The rollforward of net changes in fair value of equity investments at FVTOCI are as follows:

	2020	2019
Balance at beginning of year	<b>₱12,561,536</b>	₱21,643,114
Fair value adjustments	<b>816,265</b>	(9,081,578)
Balances at end of year	<b>₱13,377,801</b>	₱12,561,536



## 10. Debt Investments at FVTPL

This account pertains to investment in UITF from China Banking Corporation (CBC), classified and measured as debt instruments classified at FVTPL. The reconciliation of the carrying amounts of debt investments at FVTPL as of December 31, 2018 follows:

Balance at beginning of year, as adjusted	₱10,105,372
Fair value adjustments	91,745
Disposal during the year	(10,197,117)
<b>Balances at end of year</b>	<b>₱—</b>

The fair value adjustments were recognized in the consolidated statement of comprehensive income in 2018.

## 11. Property and Equipment

### December 31, 2020

	Land	Building	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
<b>Cost</b>						
Balances at beginning of year	₱16,336,217	₱20,377,418	₱17,323,674	₱16,251,840	₱5,718,202	₱76,007,351
Additions	—	—	1,150,398	—	—	1,150,398
<b>Balances at end of year</b>	<b>16,336,217</b>	<b>20,377,418</b>	<b>18,474,072</b>	<b>16,251,840</b>	<b>5,718,202</b>	<b>77,157,749</b>
<b>Accumulated depreciation and amortization</b>						
Balances at beginning of year	—	7,281,253	10,564,273	14,673,471	5,527,464	38,046,461
Depreciation and amortization (Notes 14 and 15)	—	1,063,115	784,610	507,052	190,738	2,545,515
<b>Balances at end of year</b>	<b>—</b>	<b>8,344,368</b>	<b>11,348,883</b>	<b>15,180,523</b>	<b>5,718,202</b>	<b>40,591,976</b>
<b>Net book values</b>	<b>₱16,336,217</b>	<b>₱12,033,050</b>	<b>₱7,125,189</b>	<b>₱1,071,317</b>	<b>₱—</b>	<b>₱36,565,773</b>

### December 31, 2019

	Land	Building	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
<b>Cost</b>						
Balances at beginning of year	₱16,336,217	₱20,053,280	₱12,040,825	₱16,211,126	₱5,499,981	₱70,141,429
Additions	—	324,138	5,337,849	40,714	218,221	5,920,922
Retirements	—	—	(55,000)	—	—	(55,000)
<b>Balances at end of year</b>	<b>16,336,217</b>	<b>20,377,418</b>	<b>17,323,674</b>	<b>16,251,840</b>	<b>5,718,202</b>	<b>76,007,351</b>
<b>Accumulated depreciation and amortization</b>						
Balances at beginning of year	—	6,344,434	9,831,428	14,168,792	3,817,484	34,162,138
Depreciation and amortization (Notes 14 and 15)	—	936,819	787,845	504,679	1,709,980	3,939,323
Retirements	—	—	(55,000)	—	—	(55,000)
<b>Balances at end of year</b>	<b>—</b>	<b>7,281,253</b>	<b>10,564,273</b>	<b>14,673,471</b>	<b>5,527,464</b>	<b>38,046,461</b>
<b>Net book values</b>	<b>₱16,336,217</b>	<b>₱13,096,165</b>	<b>₱6,759,401</b>	<b>₱1,578,369</b>	<b>₱190,738</b>	<b>₱37,960,890</b>

As of December 31, 2020 and 2019, the cost of fully depreciated property and equipment amounted to ₱23.40 million and ₱22.90 million, respectively. These are retained in the records and still used by the Group until these are disposed or the Group vacates the leased premises.



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## 12. Other Noncurrent Assets

Other noncurrent assets consist of input VAT that is expected to be offset against output VAT in more than one year and advances to agricultural projects.

As of December 31, 2020, and 2019, deferred input VAT amounted to ₱4.51 million and ₱13.06 million, respectively.

Advances to agricultural projects amounted to ₱1.22 million and ₱0.10 million as of December 31, 2020 and 2019, respectively.

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## 13. Accounts Payable and Other Liabilities

	2020	2019
Accrued contractors' payables	<b>₱36,442,493</b>	₱37,009,336
Accounts payable - trade	<b>14,005,616</b>	18,615,203
Accrued expenses	<b>3,764,864</b>	1,944,141
Retention payables (Note 26)	<b>1,262,334</b>	1,261,078
Government payables	<b>644,988</b>	1,351,991
	<b>₱56,120,295</b>	₱60,181,749

- a. Accrued contractors' payables represent accruals for billings of various contractors in relation to the Anuva and Althea Project. These accruals are reclassified to accounts payable once billings are actually received.
- b. Accounts payable includes billings of various suppliers and contractors for liabilities incurred in relation to the project and office administrative functions. Accounts payable are noninterest-bearing with payment terms which are dependent on the suppliers' or contractors' credit terms, which is generally 30 to 60 days.
- c. Retention payables represent the amount retained by the Group as security for any defects and damages on the construction of Anala arising from or due to faulty workmanship and/or defective contractor-supplied materials before the final acceptance of the Anala and the payment of the last billing. Retention payable is expected to be settled within the next financial year.
- d. Government payables consist of mandatory contributions and payments to the Social Security System, Philippine Health Insurance Corporation, and the Home Development Mutual Fund, withholding tax payables and are remitted the month following the month of withholding.



#### 14. General and Administrative Expenses

	2020	2019	2018
Personnel costs	<b>₱18,127,970</b>	₱21,285,540	₱17,155,866
Travel and transportation	<b>5,324,807</b>	6,932,529	4,108,080
Professional fees	<b>3,584,315</b>	3,457,550	4,841,573
Short-term lease (Note 26)	<b>2,573,767</b>	2,343,169	—
Taxes and licenses	<b>2,465,172</b>	3,436,845	2,377,972
Depreciation and amortization (Note 11)	<b>2,374,098</b>	3,767,906	2,815,068
Outside services	<b>2,208,215</b>	2,129,431	1,558,801
Property management expense	<b>1,169,199</b>	3,468,033	15,056,283
Telecommunications and postage	<b>1,012,940</b>	1,125,538	1,328,307
Dues and subscription	<b>962,758</b>	938,764	788,870
Repairs and maintenance	<b>914,218</b>	933,091	635,758
Research and development expenses	<b>686,178</b>	3,435,115	4,472,601
Supplies	<b>584,501</b>	699,083	618,274
Utilities	<b>519,718</b>	530,623	570,381
Insurance	<b>105,124</b>	56,061	60,437
Exploration cost	<b>79,680</b>	1,127,290	356,745
Entertainment and representation	<b>51,793</b>	195,002	221,139
Trainings and seminars	<b>27,087</b>	188,343	206,350
Rent (Note 26)	—	—	2,274,246
Others	<b>1,535,002</b>	2,075,372	1,637,277
	<b>₱44,306,542</b>	₱58,125,285	₱61,084,028

Others include bank charges and other miscellaneous costs.

Personnel costs consist of:

	2020	2019	2018
Salaries and wages	<b>₱15,019,496</b>	₱18,541,831	₱14,683,750
Short term employee benefits	<b>2,318,404</b>	2,070,526	1,814,655
Retirement benefits cost (Note 17)	<b>790,070</b>	673,183	657,461
	<b>₱18,127,970</b>	₱21,285,540	₱17,155,866

#### 15. Sales and Marketing Expenses

	2020	2019	2018
Commissions and incentives	<b>₱3,691,984</b>	₱6,158,776	₱10,927,096
Consultancy fees	<b>1,489,286</b>	2,475,152	8,141,387
Advertising	<b>703,360</b>	978,721	1,868,652
Utilities	<b>261,262</b>	579,224	656,716
Product presentation	<b>238,213</b>	2,802,579	2,347,192
Depreciation and amortization (Note 11)	<b>171,417</b>	171,417	57,140
Travel and transportation	<b>91,434</b>	148,598	218,322
Telecommunications and postage	—	7,674	67,206
Rent (Note 26)	—	—	49,424
Others	<b>20,325</b>	107,334	178,429
	<b>₱6,667,281</b>	₱13,429,475	₱24,511,564



Others include expenses from meetings, janitorial fees and other expenses directly attributable to sales and marketing.

#### 16. Other Income - net

	2020	2019	2018
Forfeited buyer deposits	<b>₱10,894,562</b>	₱7,811,274	₱3,708,245
Penalty income and late payment charges	<b>1,249,078</b>	613,748	1,028,533
Gain (loss) on repossession	<b>(363,970)</b>	464,520	1,147,589
Write-off of other assets	—	—	(3,150,911)
Others - net	<b>(3,986,239)</b>	(8,158,291)	5,603,125
	<b>₱7,793,431</b>	₱731,251	₱8,336,581

- Forfeited buyer deposits are recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale. These pertain to deposits that did not reach the collection threshold.
- Penalties are additional fees imposed on customers due to their failure to make payments on time.
- Gain (loss) on repossession represents the difference between the fair value of the repossessed inventories and the carrying value of the ICR/contract asset and any amount refundable to the buyer at the date of repossession.
- Other income included within “Others - net” include reversal of long outstanding payables in 2019 and 2018 as the Group assessed that these will no longer be collected by the suppliers and settlement of prior year.

Other charges included within “Others - net” mainly pertain to input VAT charged to expense pertaining to purchases related to VAT-exempt sales, among others. The 2019 amount also includes VAT assessment paid in 2019, among others.

#### 17. Retirement Benefit Obligation

The Group has an unfunded, noncontributory defined benefit retirement plan which covers all of its regular employees. RA No. 7641 (“Retirement Pay Law”), an act amending article 287 of Presidential Decree No. 442 (“Labor Code of the Philippines”), requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee’s retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The latest actuarial valuation report is as at December 31, 2020.

Retirement benefits cost recognized in the consolidated statements of comprehensive income are as follows:

	2020	2019	2018
Current service cost	<b>₱527,133</b>	₱344,914	₱435,961
Interest cost	<b>262,937</b>	328,269	221,500
	<b>₱790,070</b>	₱673,183	₱657,461



Amounts recognized in other comprehensive income pertaining to remeasurement gains (losses) amounted to (P46,323), (P827,679) and P1,171,399 in 2020, 2019 and 2018, respectively.

Movement in the actuarial gains on defined benefit plan is as follows (net of deferred income tax where recognized):

	2020	2019	2018
Balances at beginning of year	<b>P475,698</b>	P1,229,821	P348,621
Actuarial gains (losses) during the year	<b>(10,634)</b>	(754,123)	881,200
Balances at end of year	<b>P465,064</b>	P475,698	P1,229,821

Changes in the present value of the retirement benefit obligation are as follows:

	2020	2019
Beginning	<b>P5,782,334</b>	P4,281,472
Current service cost	<b>527,133</b>	344,914
Interest cost	<b>262,937</b>	328,269
Actuarial loss (gain) due to:		
Experience adjustments	<b>(280,527)</b>	316,173
Change in assumptions	<b>326,850</b>	511,506
Ending	<b>P6,618,727</b>	P5,782,334

The principal assumptions as of used to determine retirement benefit obligations for the plan as at January 1 are shown below:

	2020	2019
Discount rate	<b>4.50%-4.84%</b>	7.31%-7.70%
Future salary increase	<b>3.00%-5.00%</b>	3.00%-5.00%

The discount rate and projected salary increase rate as of December 31, 2020 ranged between 3.30%-3.68% and 3.00%-5.00%, respectively.

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

December 31, 2020:

	Increase (decrease) in basis points (bps)	Effect on retirement benefit obligation
Discount rate	<b>100 bps</b>	<b>(P285,851)</b>
	<b>(100 bps)</b>	<b>335,976</b>
Future salary increase rate	<b>100 bps</b>	<b>336,999</b>
	<b>(100 bps)</b>	<b>(291,862)</b>





December 31, 2019:

	Increase (decrease) in basis points (bps)	Effect on retirement benefit obligation
Discount rate	100 bps	(₱801,789)
	(100 bps)	1,043,532
Future salary increase rate	100 bps	1,046,826
	(100 bps)	(800,242)

The estimated weighted average duration of benefit payment is 16 years and 17 years as of December 31, 2020 and 2019, respectively.

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

	2020	2019
Less than one year	<b>₱5,275,792</b>	₱5,095,201
More than one year to 10 years	<b>1,656,989</b>	802,576
More than 10 years to 30 years	<b>10,727,346</b>	11,044,292

## 18. Income Taxes

- The Parent Company has no provision for current income tax in 2020, 2019 and 2018. The Subsidiary's current provision for income tax represents RCIT in 2020, 2019 and 2018.
- Major components of income tax expense for the respective years are:

	2020	2019	2018
For the current financial year:			
Current income tax	<b>₱9,942,115</b>	₱8,351,465	₱243,118
Deferred income tax	<b>(10,262,293)</b>	(9,029,403)	5,007,133
	<b>(320,178)</b>	(677,938)	5,250,251
Under provision in prior years			
Current income tax	—	228,356	—
Provision for income tax	<b>(₱320,178)</b>	<b>(₱449,582)</b>	<b>₱5,250,251</b>

The reconciliation of provision for (benefit from) income tax computed at the statutory income tax rate to provision for (benefit from) income tax shown in the consolidated statements of comprehensive income follows:

	2020	2019	2018
Provision for (benefit from) income tax computed at statutory tax rate	<b>(₱2,477,347)</b>	(₱861,066)	₱3,926,011
Additions to (reductions in) income tax resulting from:			
Movements in deductible temporary differences, NOLCO and excess MCIT over RCIT for which no deferred income tax assets were recognized	<b>2,984,453</b>	4,118,162	3,854,257

(Forward)



	2020	2019	2018
Interest income subjected to final tax	(P2,818,002)	(P5,655,910)	(P3,357,676)
Nondeductible expenses	2,028,185	1,836,762	978,066
Nontaxable dividend income	(37,467)	(115,886)	(150,407)
Current tax of prior periods	—	228,356	—
Provision for (benefit from) income tax	(P320,178)	(P449,582)	P5,250,251

The components of the Group net deferred income tax assets (liabilities) are as follows:

	2020	2019
Deferred income taxes recognized in profit or loss		
Deferred income tax assets:		
Difference between tax and book basis of accounting for real estate transactions	P17,791,634	P7,744,910
Retirement benefit obligation	569,891	463,513
	18,361,525	8,208,423
Deferred income tax liabilities:		
Gain on repossession	(6,245,123)	(6,354,314)
	12,116,402	1,854,109
Deferred income tax liabilities recognized in other comprehensive income:		
Fair value changes of equity investments at FVTOCI	(3,348,750)	(3,498,750)
Actuarial gains on defined benefit plan	(186,737)	(222,426)
	(3,535,487)	(3,721,176)
	P8,580,915	(P1,867,067)

- c. The Group's deductible temporary differences, carryforward benefits of NOLCO for which no deferred income tax assets were recognized consists of the following:

	2020		2019	
	Gross Amount	Tax Effect	Gross Amount	Tax Effect
NOLCO	P35,037,605	P10,511,282	P36,838,931	P11,051,679
Pension liability	5,341,547	1,602,464	4,978,711	1,493,613
Unrealized foreign exchange loss	566,373	169,912	241,472	72,442
	P40,945,525	P12,283,658	P42,059,114	P12,617,734

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

As of December 31, 2020, the Group has incurred NOLCO before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Year Incurred	Balance as of December 31, 2019	Addition	Expiration	Utilization	Balance as of December 31, 2020	Tax effect	Available Until
2017	P10,989,125	P—	P10,989,125	P—	P—	P—	2020
2018	12,839,075	—	—	—	12,839,075	3,851,723	2021
2019	13,010,731	—	—	—	13,010,731	3,903,219	2022
	P36,838,931	P—	P10,989,125	P—	P25,849,806	P7,754,942	



As of December 31, 2020, the Group has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover as One Act, as follows:

Year Incurred	Balance as of December 31, 2019	Addition	Expiration	Utilization	Balance as of December 31, 2020	Tax effect	Available Until
2020	P-	P9,187,799	P-	P-	P9,187,799	P2,756,340	2025

- e. President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2011 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Group would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020.

- Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Group for CY2020 is 27.5%. This will result in lower provision for current income tax for the year ended December 31, 2020 and higher prepaid taxes (including creditable withholding taxes) as of December 31, 2020, amounting to P9.11 million and P18.28 million, respectively, or a reduction of P0.83 million and increase of P0.83 million, respectively. The reduced amounts will be reflected in the Group's 2020 annual income tax return. However, for financial reporting purposes, the changes will only be recognized in the 2021 financial statements.
- This will result in lower deferred tax assets - net as of December 31, 2020 and provision for deferred tax for the year then ended by P1.99 million and P1.71 million, respectively. These reductions will be recognized in the 2021 consolidated financial statements.



## 19. Related Party Disclosures

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

In the normal course of business, the Group has significant related party transactions as follows:

	Amount/volume		Outstanding balance		Terms	Conditions
	2020	2019	2020	2019		
<i>Entity under common control</i>						
South China Petroleum International (SCPI)						
Due from a related party	<b>¥13,058</b>	¥12,684	<b>¥256,445</b>	¥243,387	Due and demandable	Unsecured; No impairment
Due from officers and directors (included as part of "Advances to officers and employees" under Receivables)	-	-	<b>15,000,000</b>	15,000,000	Due and demandable	Unsecured; No impairment

SCPI is a corporation established to prospect for, explore, extract, dig and drill for, exploit, produce, purchase, or otherwise obtain from the earth, any and all kinds of petroleum and petroleum products, rocks or carbon oils, natural gas and other volatile materials, chemical substance and salts, precious and base metals, diatomaceous earth as well as other minerals of whatever nature whether similar or dissimilar to those listed herein, and to manufacture, refine, prepare for market, buy, sell, import, export and transport and otherwise deal in petroleum and other minerals of whatever nature, whether similar or dissimilar thereto, their products, compounds and derivatives and other mineral and chemical substances in crude or refined condition, and to generally engage, as may be permitted by law, in the business of, and/or investing in mining, manufacturing, contracting and servicing, in addition to oil exploration. Receivable from SCPI pertains to the amount paid for SCPI's business permit and registration.

Compensation of key management personnel is as follows:

	2020	2019	2018
Salaries and short-term benefits	<b>¥7,707,207</b>	¥10,413,222	¥8,211,912
Retirement benefits	<b>185,379</b>	155,212	264,544
	<b>¥7,892,586</b>	¥10,568,434	¥8,476,456

No other employee benefits were incurred for key management personnel.



## 20. Equity

### a. Common Stock

The Parent Company's authorized, issued and outstanding common shares as of December 31, 2020 and 2019 are as follows:

	2020		2019	
	No. of Shares	Amount	No. of Shares	Amount
<i>Authorized - ₱1 par value</i>	<b>1,000,000,000</b>	<b>₱1,000,000,000</b>	1,000,000,000	₱1,000,000,000
<i>Issued</i>				
Beginning of year	<b>601,389,569</b>	<b>₱601,389,569</b>	600,559,569	₱600,559,569
Issuance	—	—	830,000	830,000
End of year	<b>601,389,569</b>	<b>₱601,389,569</b>	601,389,569	₱601,389,569
<i>Subscribed</i>				
Beginning of year	<b>305,170,000</b>	<b>₱305,170,000</b>	306,000,000	₱306,000,000
Issuance	—	—	(830,000)	(830,000)
Subscription receivable	<b>(228,877,500)</b>	<b>(228,877,500)</b>	(228,877,500)	(228,877,500)
End of year	<b>76,292,500</b>	<b>₱76,292,500</b>	76,292,500	₱76,292,500
Treasury - at cost	<b>(4,639,000)</b>	<b>(₱4,961,650)</b>	(4,639,000)	(₱4,961,650)

The Parent Company was registered on September 25, 1992 with authorized capital stock amounting to ₱1.0 billion composed of one billion shares with par value ₱1.0 per share.

The Parent company has 358 and 359 shareholders as at December 31, 2020 and 2019, respectively.

### b. Retained Earnings

On December 8, 2016, the BOD approved a resolution earmarking ₱600.0 million and ₱145.0 million of the Parent Company's retained earnings for purposes of funding its investments related to SOC Land's Althea and Azalea projects with a target completion in 2021 and the Parent Company's agricultural projects from 2020 to 2025, respectively.

Unappropriated retained earnings that are not available for dividend declaration are as follows:

	2020	2019	2018
Restricted for treasury shares	<b>₱4,961,650</b>	₱4,961,650	₱4,961,650
Recognized deferred income tax assets	<b>12,116,402</b>	1,854,109	289,775
	<b>₱17,078,052</b>	₱6,815,759	₱5,251,425

## 21. Basic/Diluted Earnings (Loss) Per Share

	2020	2019	2018
Net income (loss)	<b>(₱7,937,646)</b>	(₱2,420,641)	₱7,836,453
Weighted average number of shares	<b>901,920,569</b>	901,920,569	901,920,569
Basic/Diluted Earnings (Loss) per Share	<b>(₱0.0088)</b>	(₱0.0027)	₱0.0087

There are no dilutive potential common shares outstanding as of December 31, 2020, 2019 and 2018.



## 22. Revenue from Contracts with Customers

### a. Disaggregated Revenue Information

The Group derives its real estate revenue from sale of lots, house and lot, condominiums and parking space.

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

Segments	For the year ended December 31, 2020				
	Lot/ House and Lot	Condominium	Parking Lot	Townhouse	Total
<b>Type of goods</b>					
Sale of lot and house and lot	₱25,046,083	₱—	₱—	₱—	₱25,046,083
Sale of condominium unit	—	15,147,486	—	—	15,147,486
Sale of parking lot	—	—	3,100,000	—	3,100,000
Sale of townhouse	—	—	—	7,753,186	7,753,186
<b>Total</b>	<b>₱25,046,083</b>	<b>₱15,147,486</b>	<b>₱3,100,000</b>	<b>₱7,753,186</b>	<b>₱51,046,755</b>

#### Timing of revenue recognition

Goods transferred over time	₱25,046,083	₱15,147,486	₱3,100,000	₱7,753,186	₱51,046,755
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Segments	For the year ended December 31, 2019			
	Lot/House and Lot	Condominium	Parking Lot	Total
<b>Type of goods</b>				
Sale of lot and house and lot	₱73,665,505	₱—	₱—	₱73,665,505
Sale of condominium unit	—	33,341,625	—	33,341,625
Sale of parking lot	—	—	5,575,000	5,575,000
<b>Total</b>	<b>₱73,665,505</b>	<b>₱33,341,625</b>	<b>₱5,575,000</b>	<b>₱112,582,130</b>
<b>Timing of revenue recognition</b>				
Goods transferred over time	₱73,665,505	₱33,341,625	₱5,575,000	₱112,582,130

Segments	For the year ended December 31, 2018			
	Lot/House and Lot	Condominium	Parking Lot	Total
<b>Type of goods</b>				
Sale of lot and house and lot	₱111,859,740	₱—	₱—	₱111,859,740
Sale of condominium unit	—	23,909,029	—	23,909,029
Sale of parking lot	—	—	1,807,170	1,807,170
<b>Total</b>	<b>₱111,859,740</b>	<b>₱23,909,029</b>	<b>₱1,807,170</b>	<b>₱137,575,939</b>
<b>Timing of revenue recognition</b>				
Goods transferred over time	₱111,859,740	₱23,909,029	₱1,807,170	₱137,575,939



b. Contract balances

The Group's contract balances as at December 31, 2020 and 2019 are as follows:

	2020	2019
Receivables (Note 6)	<b>₱12,775,747</b>	₱3,615,169
Contract assets	<b>66,014,580</b>	71,053,340
Contract liabilities	<b>239,654,630</b>	179,481,665

*Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Breakdown as to current and noncurrent portion of the amount recorded under "Contract assets" account as of December 31, 2020 and 2019 are as follows:

	2020	2019
Contract assets - current	<b>₱33,652,339</b>	₱46,931,630
Contract assets - noncurrent	<b>32,362,241</b>	24,121,710
	<b>₱66,014,580</b>	₱71,053,340

*Contract liabilities*

	2020	2019
Contract liabilities - current	<b>₱130,089,749</b>	₱129,096,963
Contract liabilities - noncurrent	<b>109,564,881</b>	50,384,702
	<b>₱239,654,630</b>	₱179,481,665

The Group recognized additional ₱189.27 million worth of contract liabilities in 2020. As at December 31, 2020, contract liabilities amounting to ₱130.09 million are expected to be recognized as revenue in the following year. Contract liabilities as of December 31, 2019 amounting to ₱129.10 million were recognized as revenue in 2020.

c. Performance obligations (PO)

The following are the PO of the Group:

(a) *House and lot*

For sale of house and lot, house and lot are separately identifiable promises but are expected to be combined as one performance obligation since these are not distinct within the context of the contract. The obligation to deliver the house duly constructed in a specific lot is fully integrated in the lot in accordance with the approved plan. If sale occurs upon completion, the Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the house and lot. If sale occurs prior to completion, the Group expects the revenue recognition to occur over time when satisfying the criterion of which the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.



(b) *Lot*

The developer performs significant activities of land development in accordance with the approved subdivision plan. This includes, but is not limited to, provision of drainage, sewerage, water and electricity system which integrates the common areas and saleable lots. These development activities, however, are not distinct promises but rather necessary and required inputs relative to the developer's promise to deliver the residential lot.

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## 23. Financial Instruments

### Financial Risk Management Objectives and Policies

The Group has various financial assets and liabilities such as cash and cash equivalents, receivables, refundable deposits, equity investments at FVTOCI and accounts payable and other liabilities (excluding statutory liabilities). The main purpose of the Group's financial instruments is to finance its operations. The Group has other financial instruments such as accounts payable and other liabilities which arise directly from its operations.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and manage the Group's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group has exposure to credit risk, liquidity risk, equity price risk and foreign exchange risk from the use of its financial instruments. The BOD reviews and approves the policies for managing each of these risks and they are summarized below.

#### *Credit Risk*

Credit risk arises when a customer or counterparty fails to discharge an obligation and cause the Group to incur a financial loss.

The Group trades only with recognized, creditworthy third parties. Customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. In the real estate industry, title to the property is transferred only upon full payment of the purchase price. There is also a provision in the sales contract which allows forfeiture of installments/deposits made by the customer in favor of the Group. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments.

The maximum exposure to credit risk for financial assets, which is composed of cash and cash equivalents, receivables (reduced by the expected fair value of the repossessed collaterals), and refundable deposits, is equivalent to the carrying amount of these financial assets in the consolidated statement of financial position. Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.





With respect to credit risk arising from financial assets, the Group's exposure to credit risk arises from default of the counterparties, with a maximum exposure as of December 31, 2020 and 2019 equal to the carrying value of the instruments reduced by the expected fair value of the repossessed collaterals upon default. Receivables from sale of real estate have minimal credit risk and are effectively collateralized by the respective units sold since the title to the real estate properties are not transferred to the buyers until full payment is made. Consequently, an impairment analysis is performed at each reporting date using a vintage analysis to measure ECL. The mechanics of the ECL calculations and the key elements are, as follows:

- a. *Probability of default (PD)* is an estimate of the likelihood of default over a given time horizon.
- b. *Exposure at default (EAD)* is an estimate of the exposure at a future default date taking into account expected changes in the exposure after the reporting date.
- c. *Loss given default (LGD)* is an estimate of the loss arising in the case where a default occurs at a given time.

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 risks investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the external credit rating agencies to determine whether the debt instruments has significantly increased in credit risk and estimate ECLs.

For receivables and contract assets, an impairment analysis is performed at each reporting date using vintage analysis to measure ECLs. The Group used the vintage analysis accounts for expected credit losses by calculating the cumulative loss rates of a given ICR/contract asset pool. The calculation reflects the probability-weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

In its ECL models, the Group relies on a broad range of forward-looking information as economic inputs, such as:

- Gross domestic income
- Bank lending rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Based on the Group's credit risk experience, expected credit loss rate increases as the age of the receivables increase.

The Group evaluated the credit quality of the ICR/contract assets pool through a ratio of default occurrences of each month for the past 5 years to the number of receivable issuances during each year.



The following tables below summarize the credit quality of the Group's financial assets (gross of allowance for impairment losses) as at December 31:

	2020						Total
	Current			Past Due			
	Minimal Risk	Average Risk	High Risk	1-90 Days	More than 90 days	Credit Impaired	
Cash and cash equivalents*	₱599,193,662	₱—	₱—	₱—	₱—	₱—	₱599,193,662
Trade and other receivables							
Installment contract receivables	—	—	—	3,443,785	9,331,962	—	12,775,747
Advances to officers and employees	4,080,905	15,000,000	—	—	—	—	19,080,905
Advances to agents	1,473,731	—	—	—	—	—	1,473,731
Accrued interest	333,324	—	—	—	—	—	333,324
Due from a related party	256,445	—	—	—	—	—	256,445
Other receivables	6,631,820	—	—	—	—	—	6,631,820
Contract assets	66,014,580	—	—	—	—	—	66,014,580
Refundable deposits	3,273,166	—	—	—	—	—	3,273,166
	₱681,257,633	₱15,000,000	₱—	₱3,443,785	₱9,331,962	₱—	₱709,033,380

	2019						
	Current			Past Due			Total
	Minimal Risk	Average Risk	High Risk	1-90 Days	More than 90 days	Credit Impaired	
Cash and cash equivalents*	₱557,414,295	₱—	₱—	₱—	₱—	₱—	₱557,414,295
Trade and other receivables							
Installment contract receivables	—	—	—	—	3,615,169	—	3,615,169
Advances to officers and employees	4,241,592	15,000,000	—	—	—	—	19,241,592
Advances to agents	1,562,928	—	—	—	—	—	1,562,928
Accrued interest	858,593	—	—	—	—	—	858,593
Due from a related party	243,387	—	—	—	—	—	243,387
Other receivables	5,450,652	—	—	—	—	—	5,450,652
Contract assets	71,053,340	—	—	—	—	—	71,053,340
Refundable deposits	3,237,784	—	—	—	—	—	3,237,784
	₱644,062,571	₱15,000,000	₱—	₱—	₱3,615,169	₱—	₱662,677,740

The Group classifies credit quality risk as follows:

Minimal risk - accounts with a high degree of certainty in collection, where counterparties have consistently displayed prompt settlement practices, and have little to no instance of defaults or discrepancies in payment.

Average risk - active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues, but where the likelihood of collection is still moderate to high as the counterparties are generally responsive to credit actions initiated by the Group.

High risk - accounts with low probability of collection and can be considered impaired based on historical experience, where counterparties exhibit a recurring tendency to default despite constant reminder and communication, or even extended payment terms.

The analysis resulted to low PD rates as the Group experienced minimal default occurrences in the past. In addition, the Group expects to recover the defaulted accounts through subsequent disposal of repossessed inventories at an amount higher than the contractual cash flows due and defaulted.

No provision for credit losses in 2020 and 2019 using the ECL model has been recorded.



The aging per class of financial assets and contract assets and the expected credit loss are as follows:

December 31, 2020

	Financial Assets				Total
	12-Month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Vintage Analysis	
<b>Amortized Cost</b>					
Cash in banks and cash equivalents*	₱599,193,662	₱—	₱—	₱—	₱599,193,662
Installment contract receivables	—	—	—	12,775,747	12,775,747
Advances to officers and employees	19,080,905	—	—	—	19,080,905
Advances to agents	1,473,731	—	—	—	1,473,731
Accrued interest	333,324	—	—	—	333,324
Due from a related party	256,445	—	—	—	256,445
Other receivables	6,631,820	—	—	—	6,631,820
Refundable deposits	3,273,166	—	—	—	3,273,166
<b>Contract assets</b>	—	—	—	66,014,580	66,014,580
	<b>₱630,243,053</b>	<b>₱—</b>	<b>₱—</b>	<b>₱78,790,327</b>	<b>₱709,033,380</b>

\*Excludes cash on hand.

December 31, 2019

	Financial Assets				Total
	12-Month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Vintage Analysis	
<b>Amortized Cost</b>					
Cash in banks and cash equivalents*	₱557,414,295	₱—	₱—	₱—	₱557,414,295
Installment contract receivables	—	—	—	3,615,169	3,615,169
Advances to officers and employees	19,241,592	—	—	—	19,241,592
Accrued interest	858,593	—	—	—	858,593
Advances to agents	1,562,928	—	—	—	1,562,928
Due from a related party	243,387	—	—	—	243,387
Other receivables	5,450,652	—	—	—	5,450,652
Refundable deposits	3,237,784	—	—	—	3,237,784
<b>Contract assets</b>	—	—	—	71,053,340	71,053,340
	<b>₱588,009,231</b>	<b>₱—</b>	<b>₱—</b>	<b>₱74,668,509</b>	<b>₱662,677,740</b>

\*Excludes cash on hand.

Set out below is the information about credit risk exposure on the Group's financial assets using a vintage analysis:

December 31, 2020

	Days Past Due					Total Receivables And Contract Assets and ECL
	Current	0-30 Days	31-60 Days	61-90 Days	Over 90 Days	
Estimated total gross carrying amount at default	₱66,014,580	₱440,093	₱831,678	₱2,172,014	₱9,331,962	₱78,790,327
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expected credit loss	₱—	₱—	₱—	₱—	₱—	₱—



December 31, 2019

	Days Past Due					Total Receivables and Contract Assets and ECL
	Current	0-30 Days	31-60 Days	61-90 Days	Over 90 Days	
Estimated total gross carrying amount at default	₱71,053,340	₱—	₱—	₱—	₱3,615,169	₱74,668,509
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expected credit loss	₱—	₱—	₱—	₱—	₱—	₱—

*Liquidity Risk*

Liquidity risk is the risk that the Group will not be able to settle or meet its obligations on time or at a reasonable price. Management is responsible for liquidity, funding as well as settlement management. In addition, liquidity and funding risks, related processes and policies are overseen by management. The Group manages its liquidity risk based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

The following tables summarize the maturity profile of the Group's financial assets and contract assets used for liquidity purposes based on contractual undiscounted cash flows, and the Group's financial liabilities based on contractual undiscounted payments.

December 31, 2020

	On Demand	Less than 3 Months	3 to 12 Months	More than 1 year	Total
<b>Financial Assets</b>					
Financial assets at amortized cost:					
Cash and cash equivalents	₱52,543,679	₱546,679,983	₱—	₱—	₱599,223,662
Receivables	36,426,822	37,424	—	4,087,726	40,551,972
Refundable deposits	3,273,166	—	—	—	3,273,166
Equity instruments at FVTOCI:					
Golf club shares	—	—	—	34,250,000	34,250,000
Shares of stock	—	—	—	9,624,723	9,624,723
<b>Contract assets</b>	—	—	33,652,339	32,362,241	66,014,580
	92,243,667	546,717,407	33,652,339	80,324,690	752,938,103
<b>Financial Liabilities</b>					
Liabilities at amortized cost:					
Accounts payable and other liabilities*	17,072,319	37,140,654	1,262,334	—	55,475,307
<b>Liquidity position (gap)</b>	<b>₱75,171,348</b>	<b>₱509,576,753</b>	<b>₱32,390,005</b>	<b>₱80,324,690</b>	<b>₱697,462,796</b>

December 31, 2019

	On Demand	Less than 3 Months	3 to 12 Months	More than 1 year	Total
<b>Financial Assets</b>					
Financial assets at amortized cost:					
Cash and cash equivalents	₱51,341,003	₱506,121,195	₱—	₱—	₱557,462,198
Receivables	22,936,142	3,958,593	4,077,586	—	30,972,321
Refundable deposits	3,237,784	—	—	—	3,237,784
Equity instruments at FVTOCI:					
Golf club shares	—	—	—	35,250,000	35,250,000
Shares of stock	—	—	—	7,958,458	7,958,458
<b>Contract assets</b>	22,319,162	6,153,117	18,459,351	24,121,710	71,053,340
	99,834,091	516,232,905	22,536,937	67,330,168	705,934,101
<b>Financial Liabilities</b>					
Liabilities at amortized cost:					
Accounts payable and other liabilities*	19,663,371	37,905,309	1,261,078	—	58,829,758
<b>Liquidity position (gap)</b>	<b>₱80,170,720</b>	<b>₱478,327,596</b>	<b>₱21,275,859</b>	<b>₱67,330,168</b>	<b>₱647,104,343</b>

\*Excluding government payables and customers' deposits and unearned income



### *Equity Price Risk*

Equity price risk is the likelihood that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The equity price risk exposure arises from the Group's equity investments at FVTOCI. The Group measures the sensitivity of its domestic equity investments at FVTOCI by using stock market index fluctuations and its effect to respective share prices.

In 2020 and 2019, changes in fair value of equity instruments held as equity investments at FVTOCI due to a reasonably possible change in equity interest, with all other variables held constant, will increase other comprehensive income by ₱4.40 million and ₱4.30 million, respectively, if equity prices will increase by 10%. An equal change in the opposite direction would have decreased equity by the same amount.

### *Foreign Currency Risk*

Foreign currency risk is the risk where the value of the Group's financial instrument diminishes due to changes in foreign exchange rates. The Group's foreign currency risk relates to its US\$-denominated cash. The Group seeks to mitigate the effect of its currency exposure by matching the level of return on investment with the magnitude of foreign exchange fluctuation. Management closely monitors the fluctuations in exchange rates so as to anticipate the impact of foreign currency risks associated with the financial instruments. The Group currently does not enter into derivative transactions to hedge its currency exposure.

The Group recognized foreign exchange loss of ₱0.32 million and ₱0.24 million in 2020 and 2019, respectively, and foreign exchange gain of ₱0.33 million in 2018. The exchange rate of Peso to US\$ as of December 31, 2020, 2019 and 2018 used in translating the US\$-denominated financial instruments is ₱48.02, ₱50.64 and ₱52.58, respectively.

The following table demonstrates the impact on the Group's net loss before income tax of reasonably possible changes in the US\$ (all other variables held constant). There is no other impact on the Group's equity other than those already affecting profit or loss as follows:

2020		2019	
Movement in US\$ rates	Effect on net loss	Movement in US\$ rates	Effect on net
+5%	(₱308,879)	+4%	(₱232,788)
-5%	308,879	-4%	232,788

### Fair Values of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value.

#### *Cash and Cash Equivalents, Refundable Deposits and Accounts Payable and Other Liabilities*

The carrying amounts of cash and cash equivalents, refundable deposits and accounts payable and other liabilities approximate their fair values due to the short-term maturities of these financial instruments.

#### *Receivables*

Fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar instruments.

#### *Equity Instruments at FVTOCI*

Fair value of equity instruments at FVTOCI are based on closing prices, published price and net asset value per unit as of the reporting date.



### Fair Value Hierarchy

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; or
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table presents the fair value of the Group's financial instruments:

	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>				
Equity investments at FVTOCI				
Golf club shares	<b>₱34,250,000</b>	<b>₱34,250,000</b>	₱35,250,000	₱35,250,000
Shares of stock	<b>9,624,723</b>	<b>9,624,723</b>	7,958,458	7,958,458
Installment contract receivables	<b>9,331,962</b>	<b>9,331,962</b>	3,615,169	4,419,977
<b>Total</b>	<b>₱53,206,685</b>	<b>₱53,206,685</b>	<b>₱46,823,627</b>	<b>₱47,628,435</b>

The Group's financial instrument carried at fair value consists of equity shares which has been determined by reference to the price of the most recent transaction at the end of reporting period (Level 1) and golf club shares which has been determined by reference to published price quotation, (Level 2).

As of December 31, 20120 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and there were no transfers into and out of Level 3 fair value measurements.

## **24. Capital Management**

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2020 and 2019.

The following table pertains to the account balances which the Group considers as its core economic capital:

	2020	2019
Common stock	<b>₱601,389,569</b>	₱601,389,569
Subscribed common stock - net	<b>76,292,500</b>	76,292,500
Additional paid-in capital	<b>72,272,140</b>	72,272,140
Retained earnings	<b>859,390,177</b>	867,327,823
Treasury stock	<b>(4,961,650)</b>	(4,961,650)
	<b>₱1,604,382,736</b>	<b>₱1,612,320,382</b>



## 25. Segment Information

For management purposes, the Group is organized into business units based on its products and services and has two reportable segments, as follows:

- The real estate development segment, which is engaged in the real estate business.
- Investment pertain to the activities of the Parent Company as a holding entity.

No operating segments have been aggregated to form the above reportable operating segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating income or loss in the consolidated financial statements. The Group's identified operating segments, which are consistent with the segments reported to the BOD, which is the Group's Chief Operating Decision Maker.

The following tables regarding business segments present assets and liabilities, revenue and profit information for each of the three years in the period ended December 31, 2020.

### December 31, 2020

	Real Estate Development	Investments	Total	Eliminations	Consolidated
Segment results					
Revenue from real estate sales	₱51,046,755	₱–	₱–	₱–	₱51,046,755
Loss before income tax	(4,690,378)	(3,567,446)	(8,257,824)	–	(8,257,824)
Benefit from income tax	(320,178)	–	(320,178)	–	(320,178)
Net loss	(₱4,370,200)	(₱3,567,446)	(₱7,937,646)	₱–	(₱7,937,646)
Assets					
Segment assets (excluding investment in subsidiary)	₱1,352,890,260	₱1,472,929,234	₱2,825,819,494	(₱905,200,241)	₱1,920,619,253
Investment in a subsidiary	–	322,298,000	322,298,000	(322,298,000)	–
	₱1,352,890,260	₱1,795,227,234	₱3,148,117,494	(₱1,227,498,241)	₱1,920,619,253
Other segment information					
Segment liabilities	₱1,201,531,577	₱6,062,316	₱1,207,593,893	(₱905,200,241)	₱302,393,652
Depreciation and amortization	1,677,736	867,779	2,545,515	–	2,545,515
Interest income	3,296,840	9,015,631	12,312,471	–	12,312,471

### December 31, 2019

	Real Estate Development	Investments	Total	Eliminations	Consolidated
Segment results					
Revenue from real estate sales	₱112,582,130	₱–	₱–	₱–	₱112,582,130
Income (loss) before income tax	(4,828,018)	1,957,795	(2,870,223)	–	(2,870,223)
Benefit from income tax	(449,582)	–	(449,582)	–	(449,582)
Net loss	(₱4,378,436)	₱1,957,795	(₱2,420,641)	₱–	(₱2,420,641)
Assets					
Segment assets (excluding investment in a subsidiary)	₱1,298,921,552	₱1,478,949,120	₱2,777,870,672	(₱905,200,241)	₱1,872,670,431
Investment in a subsidiary	–	322,298,000	322,298,000	(322,298,000)	–
	₱1,298,921,552	₱1,801,247,120	₱3,100,168,672	(₱1,227,498,241)	₱1,872,670,431
Other segment information					
Segment liabilities	₱1,143,109,395	₱9,403,661	₱1,152,513,056	(₱905,200,241)	₱247,312,815
Depreciation and amortization	3,236,852	702,471	3,939,323	–	3,939,323
Interest income	4,853,320	18,278,993	23,132,313	–	23,132,313



December 31, 2018

	Real Estate Development	Investments	Total	Eliminations	Consolidated
Segment results					
Revenue from real estate sales	₱137,575,939	₱–	₱–	₱–	₱137,575,939
Income (loss) before income tax	18,767,443	(5,680,739)	13,086,704	–	13,086,704
Provision for income tax	5,250,251	–	5,250,251	–	5,250,251
Net income (loss)	₱13,517,192	(₱5,680,739)	₱7,836,453	₱–	₱7,836,453
Assets					
Segment assets (excluding investment in a subsidiary)	₱1,316,917,478	₱1,484,948,143	₱2,801,865,621	(₱1,001,200,241)	₱1,800,665,380
Investment in a subsidiary	–	322,298,000	322,298,000	(322,298,000)	–
	₱1,316,917,478	₱1,807,246,143	₱3,124,163,621	(₱1,323,498,241)	₱1,800,665,380
Other segment information					
Segment liabilities	₱1,156,555,253	₱8,318,910	₱1,164,874,163	(₱1,001,200,241)	₱163,673,922
Depreciation and amortization	2,284,640	587,568	2,872,208	–	2,872,208
Interest income	7,731,902	9,924,646	17,656,548	–	17,656,548

## 26. Registration with the BOI

As disclosed in Note 1, SOC Land's current project is the Anuva Residences. The Project has been divided into two development phases with Phase 1 comprising of Tandem Buildings 1 and 2 and Phase 2 comprising of the other two buildings.

On September 2, 2011, Phase 1 project was duly registered with the BOI as a New Developer of Low-Cost Mass Housing on a Non-pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226). With the registration, SOC Land is entitled to an ITH for three years from October 2011 or actual start of commercial operations or selling, whichever is earlier, but in no case earlier than the date of registration. Under the specific terms and conditions of the registration, SOC Land shall submit proof of compliance that it has developed socialized housing project and accomplished corporate social responsibility activities that were duly identified by BOI in conjunction with the entitlement of ITH. The compliance with the socialized housing requirement shall be completed within the ITH entitlement period of SOC Land.

On August 14, 2014, the Subsidiary has opted to surrender the original copy of the Certificate of Registration no. 2011-193 issued to the Subsidiary as New Developer of Low-Cost Mass Housing Project which cancelled the Subsidiary's entitlement to an ITH for three years.

## 27. Contracts and Commitments

The Group has the following significant commitments and agreements:

### Construction Agreements and Purchase Commitments

The Group entered into various construction-related contracts for the Anala and Althea Project. These contracts pertain to construction management, general construction works, exterior wall construction works, land development works, mechanical works and electrical and auxiliary works. The contracts for the Anala Project commenced on various dates in 2011 and 2012, with terms ranging from 3 weeks to 2 years. These contracts expired on various dates in 2012 until May 2015, the anticipated turnover date of Anala. The contracts relating to the Althea Project ranges from 120 to 180 days.





These agreements require down payment of 15% to 20% of the contract price while the balance will be settled through progress billings. The agreements also include a provision whereby the Group shall deduct 10% retention from every progress payment until full completion of the project work. Retention payable related to these contracts amounted to ₱1.26 million as of December 31, 2020 and 2019, respectively (see Note 13). These are expected to be settled in 2021.

#### Lease Agreements

- a. In 2012, the Parent Company entered into a renewable lease contract with Haldane Investment NV, duly represented by E. Zobel, Inc. for the lease of the 4/F Unit of Enzo Building, located at No. 399 Gil J. Puyat Avenue, Makati City. The contract is for a term of eight months commencing on May 1, 2012 and expiring December 31, 2012. The lease is renewable every year for a period of 12 months, which is still effective in 2020. In line with the contract, the Parent Company paid a refundable deposit, which is classified under “Prepayments and other current assets” (see Note 8). Minimum lease payments within a year under this contract is ₱0.2 million.
- b. On June 16, 2015, the Subsidiary entered into a new lease contract with E. Zobel, Inc. for the transfer of office space from 4th Floor to 2nd Floor of Enzo Building, located at No. 399 Senator Gil Puyat Avenue, Makati City for a period of six months. The lease agreement is renewable on a yearly basis subject to the mutual agreement of the parties. In January 2020, the Subsidiary renewed the lease for another year. The Subsidiary paid security deposit amounting to ₱0.3 million to answer for any and all damages to the leased premises and as security for the return of the leased premises in proper condition. Minimum lease payments within one year amounted to ₱1.7 million.

The Group recognized short-term lease amounted to ₱2.57 million and ₱2.34 million in 2020 and 2019, respectively, and related rent expense amounted to ₱2.32 in 2018 (see Notes 14 and 15).

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## **28. Continuing COVID-19 Pandemic**

On March 11, 2020, the World Health Organization has declared the novel coronavirus (COVID-19) outbreak a global pandemic. In the Philippines, in a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months. Various stages of quarantine were imposed since then, which restricted various economic activities. As of May 5, 2021, the country is under the modified enhanced community quarantine (MECQ), which allows certain offices or industries to operate at full or partial capacity. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

These measures have caused disruptions to businesses, global supply chain, and economic activities, and its impact continues to evolve.

The scale and duration of these developments remain uncertain as at the report date. It is not possible to estimate the overall impact of the outbreak's near-term and longer effects, however, the Group has already incurred and will continue to incur costs as the Group continues to mitigate the adverse impact of the outbreak on its operations. The outbreak could have a material impact on the consolidated financial results for the rest of 2021 and even periods thereafter. Considering the evolving nature of the pandemic, the Group will continue to monitor the situation.

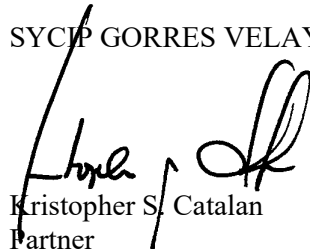


## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
SOCResources, Inc.  
4th Floor Enzo Building  
399 Senator Gil Puyat Avenue  
Makati City 1200

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of SOCResources, Inc. and Subsidiary as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, included in this Form 17-A, and have issued our report thereon dated May 5, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of Company's management. The schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Kristopher S. Catalan  
Partner

CPA Certificate No. 109712  
SEC Accreditation No. 1509-AR-1 (Group A),  
October 18, 2018, valid until October 17, 2021  
Tax Identification No. 233-299-245  
BIR Accreditation No. 08-001998-109-2020,  
November 27, 2020, valid until November 26, 2023  
PTR No. 8534231, January 4, 2021, Makati City

May 5, 2021

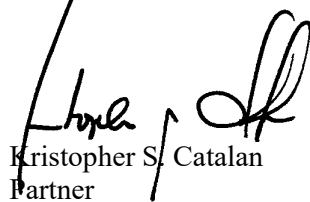


## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors  
SOCResources, Inc.  
4th Floor Enzo Building  
399 Senator Gil Puyat Avenue  
Makati City 1200

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SOCResources, Inc. and its subsidiary (the Group) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated May 5, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Kristopher S. Catalan  
Partner

CPA Certificate No. 109712  
SEC Accreditation No. 1509-AR-1 (Group A),  
October 18, 2018, valid until October 17, 2021  
Tax Identification No. 233-299-245  
BIR Accreditation No. 08-001998-109-2020,  
November 27, 2020, valid until November 26, 2023  
PTR No. 8534231, January 4, 2021, Makati City

May 5, 2021



## **SOCRESOURCES, INC. AND SUBSIDIARY**

### **INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES DECEMBER 31, 2020**

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Supplementary schedules required by the Revised Securities Regulation Code (SRC) Rule 68:

- Reconciliation of retained earnings available for dividend declaration
- Map of the conglomerate or group of companies within which the reporting entity belongs
- Supplementary Schedules included in Form 17-A as required by the Revised SRC Rule 68, Annex 68-J:
  - Schedule A - Financial assets - (Cash equivalents, Short-term cash investments, and Equity investments designated at FVOCI)
  - Schedule B - Amounts receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders
  - Schedule C - Amounts receivable from related parties which are eliminated during the consolidation of financial statements
  - Schedule D - Long-term debt
  - Schedule E - Indebtedness to related parties
  - Schedule F - Guarantees of securities of other issuers
  - Schedule G - Capital stock



**SOCRESOURCES, INC. AND SUBSIDIARY****SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION  
FOR THE YEAR ENDED DECEMBER 31, 2020**

Unappropriated retained earnings, beginning	₱289,332,659
Less: Treasury shares	(4,961,650)
Unappropriated retained earnings, as adjusted to available for dividend declaration, beginning	284,371,009
Net loss during the period closed to retained earnings	(3,567,446)
<b>TOTAL RETAINED EARNINGS, AS ADJUSTED TO AVAILABLE FOR DIVIDEND DECLARATION, END</b>	<b>₱280,803,563</b>



**SOCRESOURCES, INC. AND SUBSIDIARY**
**SUPPLEMENTAL SCHEDULES OF FINANCIAL SOUNDNESS INDICATORS  
AS OF DECEMBER 31, 2020**

Ratio	Formula	December 31	
		2020	2019
Current	$\frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$	<b>9.63</b>	9.27
Asset-to-equity	$\frac{\text{Total Assets}}{\text{Total equity (net of net changes in fair value of financial assets at fair value through other comprehensive income and accumulated re-measurement on defined benefit plan)}}$	<b>1.20</b>	1.16
Debt-to-equity	$\frac{\text{Accounts payable and other liabilities} + \text{Contract liabilities}}{\text{Total equity (net of net changes in fair value of financial assets at fair value through other comprehensive income and accumulated re-measurement on defined benefit plan)}}$	<b>0.18</b>	0.15
Asset-to-liability	$\frac{\text{Total Assets}}{\text{Total Liabilities}}$	<b>6.35</b>	7.57
Solvency	$\frac{\text{Net Income after Tax} + \text{Depreciation Expense}}{\text{Total Liabilities}}$	<b>(0.02)</b>	0.01
Interest rate coverage	$\frac{\text{Net Income Before Tax} + \text{Depreciation Expense} + \text{Interest Expense}}{\text{Interest Expense}}$	—	—
Acid-test ratio	$\frac{\text{Cash and Cash Equivalents} + \text{Short-term Investments} + \text{Installment Contracts Receivable, current} + \text{Contract Assets, current} + \text{Other Receivables, current}}{\text{Total Current Liabilities}}$	<b>3.50</b>	3.25
Return on equity (%)	$\frac{\text{Net Income after Tax}}{\text{Stockholder's Equity}}$	<b>(0.49%)</b>	(0.15%)

