

3 1 1 6 8

SEC Registration Number

A B R O W N C O M P A N Y , I N C .

(Company's Full Name)

X A V I E R E S T A T E S U P T O W N
A I R P O R T R O A D B A L U L A N G

C A G A Y A N D E O R O C I T Y

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

Allan Ace R. Magdaluyo

Contact Person

02-8631 8890

Company Telephone Number

1 2 3 1

Month Day
Fiscal Year

2 0 - I S

FORM TYPE

0 6

Month Day
Annual Meeting

Definitive Information Statement

Secondary License Type, if applicable

M S R D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

2,089 (April 30, 2021)

Total No. of Stockholders

₱1,235,033,968 (December 31, 2020)

Domestic

- 0 -

Foreign

To be accomplished by SEC Personnel concerned

File number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes



NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO: ALL STOCKHOLDERS

NOTICE is hereby given that there will be an annual meeting of the stockholders of **A BROWN COMPANY, INC.** on June 24, 2021 (Thursday), at 1:00 p.m. The meeting will be conducted virtually via remote communication and can be accessed at the link provided in the Company's website at <https://www.abrown.ph/asmvirtual2021/>.

Items in the agenda of the meeting are as follows:

AGENDA

1. Call to Order
2. Proof of Notice of Meeting
3. Certification of Quorum
4. Approval of the Minutes of the Previous Annual Stockholders' Meeting
5. Approval of 2020 Operations and Results
6. Ratification of All Acts of the Board of Directors and Officers
7. Amendment to Articles of Incorporation (AOI) –
Reclassification of Part of Unissued Common Shares to Preferred Shares
8. Issuance and Public Offering of Preferred Shares
9. Retention of Independent Directors
10. Election of Directors
11. Appointment of External Auditors
12. Other Matters
13. Adjournment

The close of business on **April 30, 2021** has been fixed as the record date for the determination of the stockholders entitled to notice of and vote at said meeting and any adjournment thereof.

Due to the COVID-19 Pandemic resulting in the imposition by the government of regulations limiting mobility and mass gatherings, the Company will not be conducting a physical annual stockholders' meeting. In lieu thereof, the annual stockholders' meeting will be held virtually through an online webinar platform for stockholders to attend by remote communication. They can join by registering online at <https://www.abrown.ph/asmregister2021/> on or before 5:00 p.m. on June 14, 2021. The identities of those registering to participate online will be going through a process of verification, after which an email from the Company will be sent to them giving instructions as to how they will be able to watch the livestream of the annual stockholders' meeting. Please see attached *Guidelines for Participating by Remote Communication and Voting in Absentia*.

The stockholders are likewise encouraged to participate in the meeting by either of the following:

- (i) by submitting duly accomplished proxies to the Office of the Corporate Secretary at 2704 East Tower, Philippine Stock Exchange Centre, Ortigas Center, Pasig City or via electronic copy by emailing corporatesecretary@abrown.ph on or before 5:00 p.m. on June 14, 2021.

For corporate stockholders, the proxies should be accompanied by a Secretary's Certification on the appointment of the corporation's authorized signatory.

- (ii) by registering your votes on the matters to be taken up during the meeting through the e-voting platform set up for the purpose which can be accessed at <https://www.abrown.ph/asmevoting2021/>. The e-voting portal will be open until 12:00 noon of June 24, 2021.

Validation of proxies is set on June 15, 2021 at 2:00 p.m. The votes already cast using the e-voting platform by that time will also be verified on said date.

For details and rationale of each agenda item, and the draft resolutions, if applicable, please refer to the attached sheet.

City of Pasig, Metro Manila, May 28, 2021.

JASON C. NALUPTA
Corporate Secretary

DETAILS AND RATIONALE OF THE AGENDA

1.) Agenda Item No. 4 - Approval of the Minutes of the Previous Meeting of Stockholders

Copies of the minutes of the stockholders meeting held on September 3, 2020 will be distributed to the stockholders upon their registration for this meeting. The minutes are also available at the Company website, https://www.abrown.ph/wp-content/uploads/2020/11/ABCJ_ASM-2020-.pdf.

The stockholders will be requested to approve the draft minutes of previous stockholders' meeting and to acknowledge the completeness and accuracy thereof.

2.) Agenda Item No. 5 - President's Report and Presentation of Audited Financial Statements

A report on the highlights of the financial performance of the Corporation for the year ended December 31, 2020 will be presented to the Stockholders. A summary of the Corporation's performance for the year is also provided in the "Management Discussion and Analysis of Operating Performance and Financial Condition" section on page 31 hereof.

The Corporation's Audited Financial Statements, for which the external auditors have issued an unqualified opinion, have likewise been reviewed by the Audit Committee and the Board of Directors. A summary of the 2019 AFS shall also be presented to the Stockholders.

3.) Agenda Item No. 6 - Ratification of all Acts of the Board of Directors and Officers

The Chairman will request the stockholders to ratify all acts and resolutions adopted during the preceding year by the Board of Directors, the Board Committees, Management Committee and the officers of the Company.

The acts and resolutions of the Board and its Committees are reflected in the minutes of meetings and they include approval of contracts and agreements, projects and investments, treasury matters and acts and resolutions covered by disclosures to the SEC and PSE. The acts of the Management and officers were those taken to implement the resolutions of the Board or its Committees or taken in the general conduct of business.

4.) Agenda Item No. 7 - Reclassification of Part of Unissued Common Shares to Preferred Shares

On April 12, 2021, the Corporation's Board of Directors approved the recommendation of Management to reclassify 50,000,000 of the current authorized but unissued Common Shares of the Corporation into Preferred Shares. Accordingly, the amendment of the Seventh Article of the Corporation's Articles of Incorporation to create Preferred Shares by reclassifying its authorized capital stock from the current Three Billion Three Hundred Million Pesos (P3,300,000,000.00) divided into Three Billion Three Hundred Million (3,300,000,000) Common Shares to Three Billion Three Hundred Million Pesos (P3,300,000,000.00) divided into Three Billion Two Hundred Fifty Million Pesos (P3,250,000,000) divided into Three Billion Two Hundred Fifty Million (3,250,000,000) Common Shares and Fifty Million Pesos (P50,000,000) divided into Fifty Million (50,000,000) Preferred Shares, was approved..

The features of the Preferred Shares to be issued will be determined by the Board of Directors every time it authorizes the issuance thereof.

The shareholders will be requested to likewise approved the creation of Preferred Shares and the corresponding Amendment of Article Seventh of the Articles of Incorporation.

5.) Agenda Item No. 8 – Issuance and Public Offering of Preferred Shares

On May 25, 2021, the Corporation's Board of Directors authorized the issuance and public offering of up to 50,000,000 Preferred Shares out of the Preferred Shares to be created with the foregoing amendment of the Corporation's Articles of Incorporation.

The preliminary/indicative terms of the proposed public offering of the Preferred Shares are discussed on page 23-24 (***Authorization and Issuance of Shares Other Than for Exchange***) of this Information Statement.

The shareholders will be requested to approve the conduct of the public offering of the Preferred Shares as well as the registration thereof with the Securities and Exchange Commission and listing with the Philippine Stock Exchange

6.) Agenda Item No. 9 – Retention of Independent Directors

The Code of Corporate Governance for Listed Companies requires that independent directors should serve for a maximum cumulative term of nine (9) years, after which, the independent director will be perpetually barred from reelection as such in the same company. However, a company may seek the approval of the shareholders should it wish to retain an independent director to serve beyond 9 years, provided, that meritorious justification(s) is/are given therefor.

By the end of their current terms, Engr. Elpidio M. Paras and Mr. Thomas G. Aquino would have served the Company as Independent Directors for 9 years. However, for the justifications provided in page 17 of this Information Statement, the Board of Directors has agreed to seek the approval of the shareholders that Engr. Paras and Mr. Aquino be allowed to continue serving as Independent Directors beyond the maximum period allowed.

7.) Agenda Item No. 10 - Election of Directors

The current members of the Board of Directors, as reviewed, qualified and recommended by the Corporate Governance Committee, have been nominated for re-election.

The proven expertise and qualifications of the candidates, based on current regulatory standards and the Corporation's own criteria, will help sustain the Company's solid performance that will result to its stockholders' benefit. The profiles of the candidates for election as directors are available in the Company website, as well as in this Information Statement. If elected, they shall serve as Directors for a period of one (1) year from June 24, 2021 or until their successors shall have been duly elected and qualified.

8.) Agenda Item No. 11 - Appointment of External Auditor

The stockholders' approval for the re-appointment of Sycip Gorres & Velayo (SGV & Co.), the Company's external auditor, will be sought at the meeting.

The Audit Committee has recommended to the Board, and the Board is endorsing to the stockholders, the re-appointment of SGV & Co. as external auditor for the ensuing year. The profile of the external auditor is provided in the Information Statement.

Stockholders are given the opportunity to raise questions regarding the operations and report of the Corporation as well as other concerns, by emailing corporatesecretary@abrown.ph (Subject: Questions for ASM 2021) on or before 12:00 noon on June 24, 2021. Questions will be responded to during the question and answer portion of the annual stockholders' meeting before the end of the proceedings. Due to the limited time, however, not all questions may be responded to during the livestream of the annual stockholders' meeting. Questions not addressed at the meeting proper, including those that may be received after the livestream, will be responded to via email by the corporate officers concerned.

PROXY FORM

The undersigned stockholder of A Brown Company, Inc. (the "Company") hereby appoints the Chairman of the meeting, as attorney and proxy, with power of substitution, to represent and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on June 24, 2021 and at any of the adjournments thereof for the purpose of acting on the following matters:

- 1. Approval of minutes of previous Annual Stockholders' Meeting.
 Yes No Abstain
- 2. Approval of 2020 Operations and Results
 Yes No Abstain
- 3. Ratification of all acts and resolutions of the Board of Directors and Management from date of last Stockholders' Meeting to June 24, 2021.
 Yes No Abstain
- 4. Amendment to Articles of Incorporation (AOI) –
Reclassification of Part of Unissued Common Shares to Preferred Shares
 Yes No Abstain
- 5. Issuance and Public Offering of Preferred Shares
 Yes No Abstain
- 6. Retention of Independent Directors Beyond the Nine (9) Years Maximum Term Allowed by Code of Corporate Governance
 Yes No Abstain
- 7. Election of Directors.
 1.1. Vote for all nominees listed below:
 - 1.1.1. Walter W. Brown
 - 1.1.2. Annabelle P. Brown
 - 1.1.3. Robertino E. Pizarro
 - 1.1.4. Antonio S. Soriano
 - 1.1.5. Joselito H. Sibayan
 - 1.1.6. Renato N. Migrino
 - 1.1.7. Jun Hou
 - 1.1.8. Thomas G. Aquino (Independent Director)
 - 1.1.9. Elpidio M. Paras (Independent Director) 1.2. Withhold authority for all nominees listed above
 1.3. Withhold authority to vote for the nominees listed below:
 _____ _____
 _____ _____
- 8. Appointment of SyCip Gorres Velayo & Co. as external auditor.
 Yes No Abstain
- 9. At their discretion, the proxy named above are authorized to vote upon such other matters as may be properly come before the meeting.
 Yes No Abstain

Printed Name of Stockholder

Signature of Stockholder /
Authorized Signatory

Date

THIS PROXY FORM SHOULD BE RECEIVED BY THE CORPORATE SECRETARY (IN HARDCOPY TO THE OFFICE OF THE CORPORATE SECRETARY AT 2704 EAST TOWER, PHILIPPINE STOCK EXCHANGE CENTRE, ORTIGAS CENTER PASIG CITY OR EMAILED TO CORPORATESECRETARY@ABROWN.PH ON OR BEFORE JUNE 14, 2021.

WE ARE NOT SOLICITING PROXIES.

SECRETARY'S CERTIFICATE

I, _____, Filipino, of legal age and with office address at _____, do hereby certify that:

1. I am the duly elected and qualified Corporate Secretary of _____ (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at _____;

2. Based on the records, during the lawfully convened meeting of the Board of Directors of the Corporation held on _____, the following resolution was passed and approved:

"RESOLVED, that _____ be authorized and appointed, as he is hereby authorized and appointed, as the Corporation's Proxy (the "Proxy") to attend all meetings of the stockholders of A BROWN COMPANY, INC. (A Brown), whether the meeting is regular or special, or at any meeting postponed or adjourned therefrom, with full authority to vote the shares of stock of the Corporation held in A Brown and to act upon all matters and resolution that may come before or presented during meetings, or any adjournments thereof, in the name, place and stead of the Corporation.

"RESOLVED, FINALLY, That A Brown be furnished with a certified copy of this resolution and A Brown may rely on the continuing validity of this resolution until receipt of written notice of its revocation."

3. The foregoing resolution has not been modified, amended or revoked in accordance with the records of the Corporation presently in my custody.

IN WITNESS WHEREOF, I have signed this instrument in on _____.

Printed Name and Signature of the
Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME on _____ in _____.
Affiant exhibited to me his Competent Evidence of Identity by way of _____ issued on _____ at _____.

Doc. No. _____;
Page No. _____;
Book No. _____;
Series of 2021.



**A BROWN COMPANY, INC.
2021 ANNUAL STOCKHOLDERS' MEETING**

Guidelines for Participating via Remote Communication and Voting *in Absentia*

The 2021 Annual Stockholders' Meeting (**ASM**) of A Brown Company, Inc. (the "**Company**") will be held on June 24, 2021 at 1:00 P.M. and the Board of Directors of the Corporation has fixed the end of trading hours of the Philippine Stock Exchange, Inc. on **April 30, 2021** ("**Record Date**") as the record date for the determination of stockholders entitled to notice of, to attend, and to vote at such meeting and any adjournment thereof.

In view of the continuing mobility restrictions and prohibition on mass gatherings due to the public health emergency, the Board of Directors of the Company has approved and authorized stockholders to participate in the ASM via remote communication and to exercise their right to vote *in absentia* or by proxy.

REGISTRATION

The conduct of the meeting will be streamed live, and stockholders may attend the meeting by registering until June 14, 2021, 5:00 p.m. via abrown.ph/asmregister2021 and by submitting the following requirements and documents, subject to verification and validation:

1. Individual Stockholders
 - 1.1. Clear digital copy of the front and back portion of a valid government-issued identification card/s (ID/s), which include the passport, driver's license, SSS ID, senior citizen ID, among others in order to validate the registration of the shareholder (up to 2MB)
 - 1.2. Stock certificate number
 - 1.3. Active e-mail address/es
 - 1.4. Active contact number/s, with area and country codes
2. Multiple Stockholders or with joint accounts
 - 2.1. Clear digital copy of the front and back portion of a valid government-issued identification card/s (ID/s), which include the passport, driver's license, SSS ID, senior citizen ID, among others in order to validate the registration of the shareholders (up to 2MB)
 - 2.2. Stock certificate number/s
 - 2.3. Active e-mail addresses of the stockholders
 - 2.4. Active contact numbers, with area and country codes
 - 2.5. Digital copy of an authorization letter executed by all named holders, authorizing a holder to vote for and on behalf of the account
3. Corporate Stockholders
 - 3.1. Digital copy of the Secretary's Certificate (or equivalent for non-resident) attesting to the authority of the representative to vote for and on behalf of the corporation
 - 3.2. Clear digital copy of the front and back portion of a valid government-issued identification card/s (ID/s), which include the passport, driver's license, SSS ID, senior citizen ID, among others to validate the registration of the authorized representative (no more than 2MB)
 - 3.3. Active e-mail address/es of the authorized representative
 - 3.4. Active contact number of an authorized representative, with area and country codes
4. PCD Participants/Brokers
 - 4.1. Digital copy of the Secretary's Certificate (or equivalent for non-resident) attesting to the authority of the representative to vote for and on behalf of the PCD participant/broker

- 4.2. Digital copy of the certificate of shareholdings issued by the PCD/broker
- 4.3. Clear digital copy of the front and back portion of a valid government-issued identification card/s (ID/s), which include the passport, driver's license, SSS ID, senior citizen ID, among others to validate the registration of the authorized representative (no more than 2MB)
- 4.4. Active e-mail address/es of the authorized representative
- 4.5. Active contact number of the authorized representative, with area and country codes

Important Reminders:

- **Please refrain from sending duplicate and inconsistent information/documents as these can result in failed registration. All documents/information shall be subject to verification and validation by the Company.**
- **Please be informed that by providing us with the above documents, you consent to the Company's processing of your personal data in accordance with the Data Privacy Act for the purpose of validating your credentials and registration to participate and vote at the Company's annual stockholders' meeting.**

ONLINE VOTING

1. Log-in to the voting portal by clicking the link, and using the log-in credentials, sent to the email address of the shareholder to the Company.
2. Upon accessing the portal, the stockholder can vote on each agenda item. A brief description of each item for stockholders' approval are appended to the Notice of Meeting.

2.1 A stockholder has the option to vote "Yes", "No", or "Abstain" on each agenda item for approval.

2.2 For the election of directors, the stockholder has the option to vote for all nominees, withhold vote for any of the nominees, or vote for certain nominees only.

Note: A stockholder may vote such number of his/her shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected (9 directors) multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast shall not exceed the number of shares owned by the stockholder.

3. Once the stockholder has finalized his vote, he can proceed to submit his vote by clicking the "Submit" button.
4. The stockholder can still change and re-submit votes, provided, such new votes are submitted within the Voting Period using the same log-in credentials. Previous votes will be automatically overridden and replaced by the system with the new votes cast.

ASM LIVESTREAM

The ASM will be broadcasted live and stockholders who have successfully registered will be provided access to participate via remote communication. Instructions on how to access the livestream will be sent to their emails upon registration.

OPEN FORUM

During the virtual meeting, after all items in the agenda have been discussed, the Company will have the Question and Answer Portion, during which, the meeting's moderator will read and where representatives of the Company shall answer questions and comments received from stockholders, as time will allow.

Stockholders may send their questions in advance by sending an email bearing the subject "Questions for ASM 2021" to corporatesecretary@abrown.ph on or before 12:00 noon on June 24, 2021. A section for stockholder comments/questions or a "chatbox" shall also be provided in the livestreaming platform.

Questions/comments received but not entertained during the Open Forum due to time constraints will be addressed separately by the Company via email.

For any concerns, please email us at corporatesecretary@abrown.ph.

For complete information on the annual meeting, please visit <https://www.abrown.ph/asmvirtual2021/>.

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
of the Securities Regulation Code**

1. Check the appropriate box:
() Preliminary Information Statement
(✓) Definitive Information Statement
2. Name of the Registrant as specified in its charter:
A BROWN COMPANY, INC. (ABCI)
3. Province, country or other jurisdiction of incorporation or organization:
Metro Manila, Philippines
4. SEC Identification Number: **31168**
5. BIR Tax Identification Code: **002-724-446-000**
6. Address of Principal Office : **Xavier Estates Uptown
Airport Road, Balulang, Cagayan de Oro City**
Postal Code : **9000**
7. Registrant's telephone number, including area code:
(63)(02) 8631-8890 or (63)(02) 8633-3135 (Liaison Office)
8. Date, time and place of the meeting of security holders:
Date : 24 June 2021
Time : 1 o'clock p.m.
Place : Videoconferencing via [Zoom Webinar]

The Corporation's President will be presiding over the shareholders' meeting by remote communication from the Corporation's principal office in Cagayan de Oro City.
9. Approximate date on which the Information Statement is first to be sent or given to security holders:
03 June 2021
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA

| <i>Titles of each Class</i> | <i>Number of Shares of Stock Outstanding</i> |
|---|---|
| Common Shares as of April 30, 2021 | 2,429,767,911 |
| Amount of Debt Outstanding as of December 31, 2020 | ₱2,248,019,948* <i>*total liabilities</i> |
11. Are any or all of the registrant's securities listed on the Philippine Stock Exchange?
(✓) Yes () No

**WE ARE NOT ASKING YOU FOR A PROXY
AND YOU ARE REQUESTED NOT TO SEND US A PROXY**

**INFORMATION REQUIRED IN INFORMATION STATEMENT
GENERAL INFORMATION**

Date, Time and Place Meeting of security holders.

Date : **June 24, 2021**
Time : **1 o'clock p.m.**
Place : **Videoconferencing via Zoom Webinar**

The Corporation's President will be presiding over the shareholders' meeting by remote communication from the Corporation's principal office in Cagayan de Oro City.

Registrant's mailing address : **194 Tomas Morato Avenue
Sacred Heart, Quezon City
(Liaison Office)**

Approximate date on which the Information Statement is first sent or given to security holders:
03 June 2021

Dissenter's Right of Appraisal

Agenda Item No. 7 - Reclassification of Part of Unissued Common Shares to Preferred Shares and its subsequent public offering and issuance per Agenda Item No. 8 which are to be submitted to a vote or acted upon in the annual stockholders' meeting of ABCI falls under the instances provided by law when dissenting stockholders can exercise their appraisal right. Generally, the stockholders of ABCI have the right of appraisal in the following instances: (i) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares or authorizing preferences over the outstanding shares or of extending or shortening the term of corporate existence; (ii) in case any sale, lease, mortgage, pledge or other disposition of all or substantially all of the corporate property or assets as provided in the Revised Corporation Code; and (iii) in case of merger or consolidation.

The appraisal right may be exercised by any shareholder who shall have voted against the proposed corporate action by making a written demand on ABCI within thirty (30) days after the date on which the vote was taken for payment of the fair market value of his share: *Provided*, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, ABCI shall pay to such stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

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

Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No current director or officer of ABCI, or nominee for election as director of ABCI or any associate thereof, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than election to office.

No director has informed ABCI in writing that he intends to oppose any action to be taken by the registrant at the meeting.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

(a) Class of Voting Securities Common shares

Number of Shares Outstanding as of 30 April 2021 2,429,767,911

Common shares are the only equity securities registered and issued by the Company. As of April 30, 2021, 20,610,334 shares or 0.85% of the total outstanding shares are owned by Non-Filipinos.

(b) Record Date: All stockholders of record as of 30 April 2021 are entitled to notice and to vote at the Annual Stockholders' Meeting.

At present, ABCI's Articles of Incorporation (AOI) provide that the Board of Directors shall have nine (9) members.

(c) Manner of Voting: In the forthcoming annual stockholders' meeting, stockholders shall be entitled to elect nine (9) members to the Board of Directors. Each stockholder may vote such number of shares for as many as nine (9) persons he may choose to be elected from the list of nominees, or he may cumulate said shares and give one candidate as many votes as the number of his shares multiplied by nine (9) shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by nine (9).

(d) Security ownership of Certain Record and Beneficial Owners

1. Owners of more than 5% of any class of registrant's voting securities as of April 30, 2021.

| Title of Class | Name and Address of Record / Beneficial Owner | Relationship with Issuer | Name of Beneficial Ownership & Relationship with Record Owner | Citizenship | No. of Shares Owned | Percent of Class |
|---|---|--------------------------|---|----------------|----------------------|------------------|
| Common | PCD Nominee Corporation** (adjusted) 37/F Enterprise Bldg., Makati City | PCD Nominee | various shareholders | Filipino/Alien | 737,675,432 | 30.36% |
| Common | Walter W. Brown No. 10 Giraffe St., Greenmeadows s Q. C. | Chairman | direct & indirect | Filipino | 697,243,335 | 28.70% |
| Common | Annabelle P. Brown No. 10 Giraffe St., Greenmeadows s Q. C. | Director | direct & indirect | Filipino | 205,444,488 | 8.46% |
| Common | Brownfield Holdings Inc. 3301-C PSE Teklite West Tower, Exchange Road, Ortigas Center, Pasig City | Stockholder | direct | Domestic Corp. | 647,238,938 | 26.64% |
| Total | | | | | 2,287,602,193 | 94.15% |
| <p>** PCD Nominee Corporation has a total shares of 2,034,860,376 or 83.7471% of the outstanding capital stock (OCS) including clients - beneficial owners owning 5% or more as enumerated below:</p> <p>** The following are the PCD participants with shareholdings of 5% or more of the OCS:</p> | | | | | | |
| COL Financial Group, Inc. 2401-B East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City | | | | | 896,949,200 | 36.92% |
| Campos, Lanuza & Company, Inc. Unit 2003B East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City | | | | | 371,252,369 | 15.28% |
| F. Yap Securities, Inc. 17F, Lepanto Building, 8747 Paseo de Roxas, Makati City | | | | | 177,833,161 | 7.18% |
| Maybank ATR-Kim Eng Securities, Inc. 17F, Tower One & Exchange Plaza, Makati City | | | | | 146,119,107 | 6.01% |
| <p>** The following are the clients - beneficial owners of the PCD participants owning 5% or more of the OCS:</p> | | | | | | |
| Walter W. Brown (direct and indirect) No. 10 Giraffe St., Greenmeadows Q. C. | | | | | 518,810,132 | 21.35% |
| Annabelle P. Brown (direct and indirect) No. 10 Giraffe St., Greenmeadows Q. C. | | | | | 131,135,874 | 5.40% |
| Brownfield Holdings Inc. 3301-C PSE Teklite West Tower, Exchange Road, Ortigas Center, Pasig City | | | | | 647,238,938 | 26.64% |

- PCD Nominee Corporation, a wholly-owned subsidiary of Philippine Central Depository, Inc. ("PCD"), is the registered owner of the shares in the books of the Company's transfer agent in the Philippines. The beneficial owners of such shares are PCD's participants who hold shares on their behalf or in behalf of their clients. PCD is a private company organized by major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transaction in the Phil.

- Brownfield Holdings Incorporated is represented by its authorized officer as approved by its Board of Directors to vote or direct the voting or disposition of its shares

2. Security Ownership of Management

Shares held by Directors and Executive Officers as of 30 April 2021.

| Title of Class | Name of Beneficial Owner | Citizenship | No. of Shares Owned | Nature of Ownership (r/b) | % of Class |
|----------------|---------------------------|-------------|---------------------|---------------------------|------------|
| Common | Walter W. Brown | Filipino | 697,243,335 | direct & indirect | 28.6959% |
| Common | Annabelle P. Brown | Filipino | 205,444,488 | direct & indirect | 8.4553% |
| Common | Robertino E. Pizarro | Filipino | 3,105,143 | direct & indirect | 0.1278% |
| Common | Antonio S. Soriano | Filipino | 911,581 | r/b | 0.0375% |
| Common | Elpidio M. Paras | Filipino | 1,581 | r/b | 0.0001% |
| Common | Thomas G. Aquino | Filipino | 3,500 | r/b | 0.0001% |
| Common | Joselito H. Sibayan | Filipino | 146,400 | r/b | 0.0060% |
| Common | Renato N. Migriño | Filipino | 120 | r/b | 0.0000% |
| Common | Jun Hou | Chinese | 100 | r/b | 0.0000% |
| Common | Marie Antonette U. Qunito | Filipino | 120 | r/b | 0.0000% |
| Common | John L. Batac | Filipino | - | | 0.0000% |
| Common | Paul Francis B. Juat | Filipino | 5,703,410 | r/b | 0.2347% |
| Common | Jason C. Nalupta | Filipino | - | | 0.0000% |
| Common | Daniel Winston C. Tan-Chi | Filipino | 6,547,600 | r/b | 0.2695% |
| Common | Allan Ace R. Magdaluyo | Filipino | - | | 0.0000% |
| | Total | | 919,107,378 | | |

(e) **Changes in Control.** There had been no change of control in the company that had occurred since the beginning of the last fiscal year. Furthermore, management is not aware of any arrangement which may result in a change in control of the company.

(f) **Voting Trust Holder.** No person holds 5% or more of the common stock of the company under a voting trust or similar agreement.

Directors and Executive Officers

Incumbent Directors and Executive Officers

The Company's Board of Directors is responsible for the overall management of the business and properties of the Company. The Board of Directors is composed of nine (9) members, each of whom serves for a term of one year until his/her successor is duly elected and qualified. None of the board members and officers is employed with the government as certified by the corporate secretary. Please see Annex C.

The following are the current members of the Board of Directors who have likewise been nominated for re-election to the Board for the ensuing year. The information on the business affiliations and experiences of the above-named directors, officers and new nominee/s, as shown below, are current and/or within the past five years:

WALTER W. BROWN, Director and Chairman

Walter W. Brown, Filipino, 81, is Director and Chairman of A Brown Company, Inc. Prior to his re-election in December 2018 as Chairman of the Company, he was conferred as Chairman Emeritus in September 2016. He is also the Chairman of A Brown Energy & Resources Development Inc., Palm Thermal Consolidated Holdings Corporation, PeakPower Energy Inc. and Monte Oro Resources and Energy, Inc. He is the Chairman Emeritus of Apex Mining Co., Inc., a company listed in the Philippine Stock Exchange.

He received two undergraduate degrees: B.S. Physical Science (1959) and B.S. Geology (1960), both from the University of the Philippines, and postgraduate degrees from Stanford University: M.S. Economic Geology (1963), and Ph.D. in Geology, Major in Geochemistry (1965). He was also a candidate in Master of Business Economics (1980) from the University of Asia & Pacific (formerly Center for Research & Communications).

He was formerly associated with the following companies as Chairman or as President or Director: Atok Big Wedge Co, Inc., Philex Mining Corporation, National Grid Corporation of the Philippines, Atlas Consolidated Mining Co., Philodrill Corporation, Petroenergy, Philippine Realty & Holdings Corporation, Dominion Asia Equities, Inc. (Belle Corp.), Palawan Oil & Gas Exploration (Vantage Equities), 7 Seas Oil Company, Inc. (Abacus), Universal Petroleum (Universal Rightfield), Sinophil Corporation, Asian Petroleum Corporation, Acoje Mining Corporation, Semirara Coal Corporation, Surigao Consolidated Mining Inc. (Suricon), Vulcan Industrial and Mining Corporation, San Jose Oil, Seafont Petroleum, and Basic Petroleum. He was also Technical Director of Dragon Oil, a company listed on the London Stock Exchange.

He is currently Chairman and Director of Family Farm School (PPAI), Chairman and President of Studium Theologiae Foundation, and President of Philippine Mine Safety & Environment Association (PMSEA), and lifetime member of the Geological Society of the Philippines. He was a member of the Board of Trustees of Xavier University from 2003 to 2014, concurrently serving as Vice Chairman from 2006 to 2014.

ANNABELLE P. BROWN, Director

Ms. Annabelle P. Brown, Filipino, 78. Director of A Brown Company, Inc. from 1992 to present. She holds the position of: Treasurer since 1993 to July 2011, and Member of the Executive Committee and Corporate Governance Committee.

She is President and Director of PBJ Corporation; Chairman of the Board of Petwindra Media Inc.; Treasurer of Brown Resources Corporation; Treasurer/ Director of Bendana-Brown Holdings Corporation, Pine Mountain Properties Corporation. She is also a Director of the following corporations: North Kitanglad Agricultural Corp., Cogon Corporation, Shellac Petrol Corp and Palm Concepcion Power Corporation. She has no directorship in other listed companies.

Her civic involvement includes: Founding Chairperson of Alalay sa Pamilya at Bayan (APB) Foundation, Inc. (2009 to present), Development Advocacy for Women Volunteerism (DAWV) Foundation, Inc. (1988 to present), Professional and Cultural Development for Women (PCDW) Foundation, Inc. (1979 to present); Consultant/Moderator of EDUCHILD Foundation, Inc. (1985 to present) and Chair of the Rosevale School, CDO (2011 to present).

Mrs. Brown holds a Bachelor of Science in Business Administration degree from the University of the Philippines, Diliman, Quezon City and is a candidate for a degree in Masters in Business Economics at the University of Asia and Pacific (formerly CRC).

For her outstanding contribution to the academe, business and socio-community development, Mrs. Brown is a recipient of several awards and citation, latest are the 2010 Soroptimists Award and 2010 UPCBA Distinguished Alumna Award.

ROBERTINO E. PIZARRO, Director and President and Chief Executive Officer

Mr. Robertino E. Pizarro, Filipino, 66, was elected as President and Chief Executive Officer on December 7, 2018. Prior to his current position, he was an Executive Chairman beginning September 2016 until March 2017 when it was changed to Chairman. He was the President of the company from August 2003 to Sept. 2016. He finished the course on Strategic Business Economic Program at University of Asia and the Pacific (Aug 2002–Aug 2003). He was the former (2017 to 2018) and is the present President and Member of the Board of Directors of Cagayan de Oro Chamber of Commerce and Industry. He is also the President of ABERDI, Brown Resources Corporation, NAKEEN Corporation (February 26, 1997 to present), Xavier Sports and Country Club (1999 to present), Simple Homes Development, Inc., Bonsai Agricultural Corporation and Minpalm Agricultural Co., Inc. (2004 to present). He was the former President and now Director of Philippine Palmoil Development Council, Inc. (PPDCI).

As three-time elected President of Cagayan de Oro Chamber of Commerce and Industry Foundation (2017, 2018 and 2020), Mr. Pizarro presides the 422-member chamber. He will espouse increased and satisfied membership; and calls for its members to take advantage of the Duterte administration's thrust to develop the countryside and to ramp up economic activities in the rural areas. These economic benefits mean development of the city and its neighboring areas, bringing in tourists, increasing the number of business meetings and

conventions, and promoting a conducive business atmosphere. He is also an advocate of the Metro Cagayan de Oro.

Mr. Pizarro is in the forefront of introducing new concepts for urban planning, infrastructure and land management focusing on real estate development in Mindanao. Under his leadership, ABCI introduced Cagayan de Oro's first mixed-use, nature-themed, well-planned integrated residential subdivision, the Xavier Estates. ABCI also developed Northern Mindanao's first agri-residential subdivision in Bukidnon; first residential resort in Misamis Oriental; and the first residential estates in Caraga Region located beside a driving range and a golf course. The demand for ABCI real estate properties continue to be strong due to its idyllic views, high elevation and flood-free locations, well-developed infrastructure with wide main roads, centralized water system and tree-lined streets and landscaped roadways.

As Director and former President of the Philippine Palm Oil Development Council, Inc. (PPDCI), he espoused agriculture development and job creation in the countryside. New interests and investments in the oil palm industry were created during his term. During the 8th National Palm Oil Congress, which he chaired, the utilization of unproductive lands and promotion of economic stability through investments in the palm oil industry was highlighted.

He has no directorship in other publicly-listed companies.

ELPIDIO M. PARAS, Independent Director

Engr. Elpidio M. Paras, Filipino, 68, Independent Director, June 28, 2002 to present. He obtained his Bachelor of Science major in Mechanical Engineering from the De La Salle University (1974). He is the President and CEO of Parasat Cable TV, Inc. (1991 to present), UC-1 Corporation (2002 to present), President - Promote Northern Mindanao Foundation, Inc. (2019 to present), President – Cagayan de Oro Chamber (2007), Chairman of the Board of Trustees – Xavier University (2007 to 2016) and independent director of Southbank. He is a founding member of the Philippine Society for Orphan Disorders (PSOD). He was also a Board member of the Cagayan de Oro International Trade and Convention Center Foundation, Inc. (2005). He is also a member of PhilAAPA (Philippine Association of Amusement Parks & Attractions). He was also three-time Pres. and Chairman of the Philippine Cable TV Association and currently he is a Vice President for the Mindanao area. He is a member in the Tourism Congress of the Philippines.

He has no directorship in other publicly-listed companies.

THOMAS G. AQUINO, Independent Director

Dr. Thomas G. Aquino, Filipino, 72, Independent Director since March 12, 2012 to present. He has professional expertise in several fields namely business strategy, trade, investments and technology promotions, industrial policy and international trade negotiations.

He is Senior Fellow at the Center for Research and Communication of the University of Asia and the Pacific (UA&P). He specializes in economic policy related to reinvigorating manufacturing for regional and global competition. He is Chairman of NOW Corporation, and an Independent Director of ACR Corporation and Holcim Philippines Inc., publicly listed firms with new technology undertakings in each of their businesses. He is Chairman of REID Foundation, a provider of economic solutions experts to partners on reform packages to facilitate inclusive economic growth and development.

Dr. Aquino was formerly Senior Undersecretary of the Philippine Department of Trade and Industry. He managed international trade promotions by assisting exporters to the country's trade partners and led the country's trade policy negotiations in the World Trade Organization and ASEAN Economic Community and representation in Asia Pacific Economic Cooperation. He was the lead negotiator for the Japan-Philippines Economic Partnership Agreement, the first modern bilateral free trade agreement for the Philippines. He was conferred the Presidential Service Award (or Lingkod Bayan) for extraordinary contribution of national impact on public interest, security, and patrimony and was a recipient of the Gawad Mabini Award with the rank of Grand Cross (or Dakilang Kamanong) for distinguished service to the country at home and abroad by the President of the Republic of the Philippines. He is a member of the Philippines APEC Vision Group 2020.

He obtained a Doctorate in Management from IESE Business School, University of Navarre (Spain) in 1980, an MS in Industrial Economics from the CRC Graduate School (now UA&P) in 1972 and an AB in Economics from the School of Economics, University of the Philippines in 1970.

ANTONIO S. SORIANO, Director

Atty. Antonio S. Soriano, Filipino, 72, Director from Aug 2007 to present and Corporate Secretary (June 2002 to Nov. 2008). He obtained his Bachelor of Laws Degree from the University of the East in 1974 and was admitted to the Bar in 1975. He is the Senior Managing Partner of Soriano, Saarenas & Llido Law Office. He acts as the Corporate Secretary of the following: RISE Foundation, Inc. (1994 to present), ICS Development Corporation (1980 to present), PACEMAN General Services (1993 to present), Kagayhaan-Davao Resources Management Corporation (1994 to present), Kagayhaan - Cagayan de Oro City Resources Management Corporation (1993 to present), Chairman of Xavier Sports and Country Club (2000 to present), and Roadside Shops, Inc. (2000 to present). He is the Chairman of Cagayan de Oro Medical Centre, Philippine National Red Cross and First Industrial Plastic Ventures, Inc. (present). He is also active in civic and professional organizations like Integrated Bar of the Phils. – Misamis Oriental Chapter (Vice-President 1984-1986), Rotary Club of Cagayan de Oro City (IPP & SAG), Philippine Association of Voluntary Arbitrators (member - 1994) and Court of Appeals Mediation-Mindanao Station (member - 2007). He was also elected as Vice Mayor of Cagayan de Oro City from 1992-1995 and member of the City Council of the same city from 1988-1992. During his tenure he was able to pass several ordinances and resolutions that contributed to the development of the City. He has no directorship in other publicly-listed companies.

JOSELITO H. SIBAYAN, Director

Joselito H. Sibayan, Filipino, 62, was appointed as Director and Treasurer of A Brown Company, Inc. on March 28, 2017. His designation as Treasurer has ceased with the appointment of Mr. Joel A. Bañares on May 04, 2017. Currently, he is an Independent Director of Apex Mining Co. Inc. and SM Prime Holdings, Inc., publicly-listed companies. He is also President and CEO of Mabuhay Capital.

Prior to forming Mabuhay Capital, he was the Vice-Chairman of Investment Banking-Philippines and Philippine Country Manager for Credit Suisse First Boston (1998-2005). He held various positions from Senior Vice-President, Head of International Fixed Income Sales to Executive Director and Chief Representative at Natwest Markets (1993-1998). He was also the Head of International Fixed Income Sales at Deutsche Bank in New York (1988-1993). He spent 32 years in investment banking with experience spanning securities sales and trading, capital-raising, and mergers & acquisitions advisory.

Mr. Sibayan obtained his MBA from the University of California in Los Angeles and his B.S. Chemical Engineering from De La Salle University – Manila.

RENATO N. MIGRIÑO, Director and Treasurer

Mr. Renato N. Migriño, Filipino, 71, is currently also an Independent Director of Mabuhay Vinyl Corporation, a listed company. He was formerly Treasurer of Apex Mining Co., Inc., and a Director and Treasurer of Monte Oro Resources & Energy, Inc. Prior to his joining Apex Mining Co., Inc., Mr. Migriño was Treasurer, Chief Financial Officer, Senior Vice President for Finance, and Compliance Officer of Philex Mining Corporation, Director and Chief Financial Officer of Philex Gold Inc., and Director of FEC Resources Inc., Silangan Mindanao Mining Co., Inc., Brixton Energy & Mining Corporation and Lascogon Mining Corporation. He was also formerly Senior Vice President & Controller of Benguet Corporation.

He was formerly the Treasurer (from September 1, 2015 to March 28, 2017) and a Director (from September 28, 2016 to March 28, 2017) of A Brown Company, Inc.

JUN HOU, Director

Mr. Jun Hou, Chinese, 50, holds the position of Executive Chairman of Huli Fund Philippines, a firm that specializes in buyout investments especially in real estate, energy, minerals, and health industries. He is the President of Yi Ding Tai International Corporation from 2012 to present, a company which conducts its operations in the Philippines and based in the People's Republic of China.

Mr. Hou has been with Bank of America Merrill Lynch in both the United States and Hong Kong branches. He has extensive experience in international investment banking.

Mr. Hou obtained his Bachelor of Science degree from Northeastern Financial University and attended SBEP at the University of Asia & the Pacific.

Nomination of Independent Directors and Procedure for Nomination

Messrs. Elpidio Paras and Thomas Aquino, qualify as independent directors of the Company pursuant to Rule 38 of the Implementing Rules of the Securities Regulation Code and the Corporation's Manual on Corporate Governance.

In compliance with the requirements of the Securities and Exchange Commission's Guidelines on the Nomination and Election of Independent Directors which have been adopted and made part of the Corporation's By-Laws, the Corporate Governance Committee, in a meeting held on 12 April 2021, considered the nominations given in favor of Messrs. Paras (by Mr. Dante M. Agustin) and Aquino (by Mr. Paul Francis B. Juat). The Corporate Governance Committee has determined that these nominees for independent directors possess all the qualifications and have none of the disqualifications for independent directors as set forth in Rule 38 of the Implementing Rules of the Securities Regulation Code. The nominated independent directors are in no way related to the stockholders who nominated them.

Approval of the extension of Mr. Elpidio M. Paras' term as independent director of the Board for up to an additional three (3) terms for the following reasons: (a) his knowledge of the Mindanao overall business environment where most the Company's developments and investments are located b) his expertise and guidance on projects which are ongoing implementation for process improvement such as in digitalization and IT.

Approval of the extension of Mr. Thomas G. Aquino term as independent director of the Board for up to an additional three (3) terms for the following reasons: (a) his valuable inputs on the Company's expansion projects under development especially projects in new industries (b) his guidance on the Company's policies in Corporate Governance and ensuring it is in compliance with both local and global best practices in Governance.

The Members of the Corporate Governance Committee are as follows:

Chairman: Engr. Elpidio M. Paras, Independent Director
Members: Dr. Thomas G. Aquino, Independent Director
Annabelle P. Brown, Director
Robertino E. Pizarro, Director and President & Chief Executive Officer

Please see pages 27 to 29 for the Certification of Qualification of Independent Directors

Company Officers of ABCI

WALTER W. BROWN, Chairman (refer above for his profile)

ROBERTINO E. PIZARRO, President & Chief Executive Officer
(refer above for his profile)

RENATO N. MIGRIÑO, Director and Treasurer (refer above for his profile)

MARIE ANTONETTE U. QUINITO, Chief Finance Officer

Atty. Marie Antonette U. Quinito, Filipino, 44, joined the A Brown Group of Companies in November 2013 as Comptroller. She was appointed as Chief Finance Officer effective September 1, 2015 until December 31, 2017. Thereafter, she was appointed as Vice President-Comptroller effective January 1, 2018. She assumed the Chief Finance Officer effective March 1, 2019 upon the resignation of Ignacio A. Manipula. She was formerly a Director of the company.

She finished her Bachelor of Science in Accountancy at the University of San Carlos Cum Laude in 1997. She became a Certified Public Accountant in December the same year. She finished her Master's in Business Administration at Southwestern University last May 2003. She finished her Bachelor in Laws at Xavier University Ateneo de Cagayan last May 2009 and passed the bar examination given last November 2011. She is a candidate for Doctor in Education Planning and Supervision. She has also taken courses with institutions such as the Asian Institute of Management and American Management Association.

She started as a Staff Auditor of Sycip, Gorres Velayo and Company, CPAs in November 1997. She joined the Multi Stores Corporation, Operator of SM Department Store Cebu in July 1998. After almost five years she was promoted to Finance and Admin Manager and was transferred to Shopping Center Management Corporation-Cagayan de Oro, the operator of SM Mall Cagayan de Oro. She spent fifteen (15) years of her life with the SM Group of Companies.

JOHN L. BATAAC, Vice-President – Construction and Development & Chief Operating Officer

Engr. John L. Bataac, Filipino, 52, AVP from Aug 2008 until he was appointed as VP effective June 2014. He was elected concurrently as Chief Operating Officer starting January 1, 2019. He is a Civil, Sanitary and Geodetic Engineer. He graduated from the University of the East in 1991 for his Civil Engineering course, at National University in 1994 for Sanitary Engineering and at The University of Northern Eastern Philippines in 1998 for Geodetic Engineering. He used to be an Instructor at International Training Center for Surveyors (Sept 1991 to April 1995), a Manager for Project Development of A Brown Company, Inc. (May 1995 to July 2000) and a Technical Consultant of Green Square Properties Corp. (2000 to 2008). He is also a member of the following organizations: Philippine Institute of Civil Engineers (PICE), Philippine Society of Sanitary Engineers (PSSE) and Geodetic Engineers of the Philippines (GEP).

PAUL FRANCIS B. JUAT, Vice President

Mr. Paul Francis B. Juat, Filipino, 28, was appointed as Vice President of A Brown Company Inc. effective January 1, 2019. He is also the President of Irradiation Solutions Inc. He is a director of Atok-Big Wedge Co., a publicly listed company. He is also a director of Brownfield Holdings Corporation, North Kitanglad Agricultural Company, Inc., PBJ Corporation, and Pacific Bougainville Holdings Corporation.

He started his career as Business Development Analyst under the Wind Business Unit of Energy Development Corporation. He also served as Assistant to President & CEO of Apex Mining Co., Inc.

He obtained his Bachelor's degree in Industrial Engineering from the University of the Philippines Diliman in 2015.

JASON C. NALUPTA, Corporate Secretary

Jason C. Nalupta, Filipino, 49, is the Corporate Secretary of the Corporation. He is also currently the Corporate Secretary or Assistant Corporate Secretary of listed firms Asia United Bank, Crown Asia Chemicals Corporation, and Pacific Online Systems Corporation. He is also a Director and/or Corporate Secretary or Assistant Corporate Secretary of private companies Sino Cargoworks Agencies, Inc., Falcon Resources, Inc., Mercury Ventures, Inc., Total Gaming Technologies, Inc., Parallax Resources, Inc., SLW Development Corporation, Metropolitan Leisure & Tourism Corporation, Sagesoft Solutions, Inc., Radenta Technologies, Inc., Xirrus, Inc., Glyphstudios, Inc., Loto Pacific Leisure Corporation, and Sta. Clara International Corporation. He is a Partner at Tan Venturanza Valdez Law Offices specializing on corporate, securities, and business laws. Mr. Nalupta earned his Juris Doctor degree, as well as his Bachelor of Science degree in Management (major in Legal Management), from the Ateneo de Manila University in 1996 and 1992, respectively. Mr. Nalupta was admitted to the Philippine Bar in 1997.

DANIEL WINSTON C. TAN-CHI, Assistant Corporate Secretary

Daniel Winston C. Tan-chi, Filipino, 42, is appointed Assistant Corporate Secretary of A Brown Company Inc. effective October 25, 2017.

Currently, he is the Corporate Secretary of Palm Thermal Consolidated Holdings, Hydro Link Projects Corp., Masinloc Consolidated Power, Inc., AB Bulk Water Company, Inc. and another 33 non-listed companies. He has 16 years of experience in the legal services industry with a solid background in the areas of Project and Debt Financing, Mergers & Acquisitions, Joint Ventures, Labor Disputes and Real Estate.

Mr. Tan-chi is a Partner in the law firm of Picazo Buyco Tan Fider & Santos where he started his career in 2005. He graduated from the Ateneo de Manila University with a degree in Bachelor of Science in Legal Management in 2000. He also received his Juris Doctor from the Ateneo de Manila Law School in 2004.

ALLAN ACE MAGDALUYO, Compliance Officer

Allan Ace Magdaluyo, Filipino, 41, is appointed Compliance Officer of A Brown Company Inc. effective October 25, 2017. He started his career in A Brown Company, Inc. as Investor Relations Officer in June 2010 and promoted as Finance Manager and Senior Finance Manager in 2012. He graduated his BS Accountancy degree at Mindanao State University – Marawi as Magna Cum Laude and College Leadership Awardee in 2000. He took and passed the May 2001 CPA Board Examination. After obtaining his CPA license, he worked as an Accountant II in the Department of Education – Division of Agusan del Sur before he embarked on his graduate studies. He graduated his Master of Science in Finance degree at University of the Philippines – Diliman in 2008 and had completed his academic units for a Master in Public Administration at Bukidnon State University – San Francisco External Studies in 2004. He obtained his license as a Real Estate Broker in 2011 and Real Estate Appraiser in 2013.

Previously, he worked as internal auditor for an IT software firm in Makati and had also a short stint as a college instructor when he was still working in his province.

Significant Employees

The Company values its human resources. It expects every employee to perform the function assigned to him and to contribute in achieving the Company's goals. While each employee's role is important, there is no employee, other than the executive officers, who is expected by the Company to make a significant contribution to the business.

Family Relationships

Walter W. Brown, the Chairman of the Company, is married to Annabelle Pizarro Brown. Robertino E. Pizarro, the President and Chief Executive of the Corporation, is the brother of Annabelle Pizarro Brown. Paul Francis B. Juat is the grandson of Walter W. Brown and Annabelle P. Brown.

Involvement in Certain Legal Proceedings

The Company has no knowledge of any involvement by the members of the Board of Directors or Executive Officers in any legal proceeding affecting or involving themselves or their properties, or of said persons being subject to any order, judgment or decree before any court of law or administrative body in the Philippines. Neither have said persons filed any petition for suspension of payments or bankruptcy/ insolvency nor have been convicted by final judgment of any violation of a securities or commodities law or any offense punishable by laws of the Republic of the Philippines or any other country during the past five (5) years up to the latest date.

Certain Relationships and Related Transactions

The company, being a parent company, in its regular course of trade or business, enters into transactions with its subsidiaries consisting of reimbursement of expenses, purchase of other assets, construction and development contracts, management, marketing and service agreements. Sales and purchases of goods and services to and from related parties are made at arms-length transaction.

No other transaction was undertaken by the Company in which any Director or Executive Officers was involved or had a direct or indirect material interest except on the receipt of non-interest-bearing loans from the family of Dr. Walter W. Brown which was converted to equity. On 12 October 2017, the Board approved the conversion of the Company's debt amounting to ₱250,000,000 to equity at Php 1.13/share based on the 15-day volume weighted average price for the period ending on October 11, 2017.

Company requires directors to disclose immediately their interests in transactions or any other conflict of interests and do not participate in the decision-making process.

No material related party transaction was made in 2020 that breached the material threshold. However, related party transactions below the threshold applies the same principle of abstentions if the directors are involved in the transaction.

Other than what has been stated in this Definitive Information Statement and the Company's Annual Financial Statements, there are no other related party transactions entered into by the Company with related parties, including transactions with directors or self-dealings by the Company's directors.

Related Party Transactions are also discussed in Note 15 of the Audited Consolidated Financial Statements.

For the past five years, the Company did not enter into any contract with promoters.

Disagreement with Director

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

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Summary Compensation

| Name | Position | As of December 31, 2020 | | | 2021 (Estimates) | | |
|---|---|-------------------------|-----------|--------------|------------------|-----------|--------------|
| | | Salary | Per Diem* | Others/Bonus | Salary | Per Diem* | Others/Bonus |
| Walter W. Brown | Chairman | | | | | | |
| Robertino E. Pizarro | President & CEO | | | | | | |
| Paul Francis B. Juat | Vice President | | | | | | |
| John L. Batac | VP - Construction and Development/ Chief Operating Officer | | | | | | |
| Marie Antonette Quinito | Chief Finance Officer | | | | | | |
| all above-named Directors & Officers as a group | | 27,221,162 | 120,000 | 4,592,378 | 27,222,000 | 120,000 | 4,593,000 |
| all other officers including managers and directors as a group unnamed | | 19,281,270 | 600,000 | 3,203,991 | 19,282,000 | 600,000 | 3,204,000 |
| <i>* includes travel allowance</i> | | | | | | | |

| Name | Position | 2019 | | |
|---|---|------------|-----------|---------------|
| | | Salary | Per Diem* | Others/ Bonus |
| Walter W. Brown | Chairman | | | |
| Robertino E. Pizarro | President & CEO | | | |
| Paul Francis B. Juat** | Vice President | | | |
| John L. Batac | VP - Construction and Development/ Chief Operating Officer | | | |
| Marie Antonette Quinito | Chief Finance Officer | | | |
| all above-named Directors & Officers as a group | | 22,771,508 | 215,000 | 3,210,024 |
| all other officers and directors as a group unnamed | | 21,588,948 | 608,000 | 2,970,191 |
| <i>* includes travel allowance</i> | | | | |
| <i>** effective January 1, 2019</i> | | | | |

Directors

The regular directors receive P10,000 while the Chairman of the Board and Independent Directors receive P15,000 as per diem for every board and committee meeting. As provided in the By-Laws Article V, Section 1 (as amended and adopted by the BOD on March 12, 2012 and approved by SEC on June 13, 2012), a bonus may be distributed to the members of the Board of Directors, officers and employees "upon the recommendation of the Compensation and Remuneration Committee and shall not exceed ten (10) per centum of the net income of the corporation (excluding the unrealized equity in the net earnings of affiliated and subsidiary corporations) before this bonus and taxes of the preceding year or preceding years if in a cumulative basis..." The said bonus is to be pro-rated with respect to Director's attendance and for those who have served for less than one year.

The total compensation received by each director for 2020:

| Directors | Compensation | Per Diem | Total |
|----------------------|---------------------|-----------------|--------------|
| Walter W. Brown | 2,971,250.00 | 60,000.00 | 3,031,250.00 |
| Annabelle P. Brown | | 60,000.00 | 60,000.00 |
| Robertino E. Pizarro | 9,765,191.45 | 60,000.00 | 9,825,191.45 |
| Elpidio M. Paras | | 165,000.00 | 165,000.00 |
| Thomas G. Aquino | | 165,000.00 | 165,000.00 |
| Antonio S. Soriano | | 80,000.00 | 80,000.00 |
| Joselito H. Sibayan | | 50,000.00 | 50,000.00 |
| Renato N. Migriño | | 40,000.00 | 40,000.00 |
| Jun Hou | | 40,000.00 | 40,000.00 |

Officers

The Company adopts a performance-based compensation scheme as incentive. Payments to all senior personnel from Manager and up were all paid in cash. The total annual compensation includes the basic salary and other variable pay (performance bonus and other taxable income). Each executive officer executed an employment contract with the Company for an indefinite period (the terms and conditions of which are in accordance with existing laws) and is entitled to receive retirement benefits in accordance with the terms and conditions of the Company's BIR-registered Employees' Retirement Fund.

Other than the previously exercised stock option plan, there are no stock, non-cash compensation, warrants or options granted to the officers and directors. There are no other material term or other arrangement, other than the above to which any Director / officer named above was compensated.

INDEPENDENT PUBLIC ACCOUNTANTS

The Company's Board of Directors reviews and approves the engagement of services of the Company external auditors, including but not limited to the appointment, compensation, retention, rotation and oversight of the independent auditors, who are appointed upon the recommendation of the Audit Committee, and which appointment shall be ratified by the stockholders during the annual stockholders' meeting. Representatives of the external auditors shall be present during annual meetings and will be given the opportunity to make a statement if they desire to do so. They are also expected to respond to appropriate questions if needed.

Per SEC Memo Circular 19 of 2005 – Amendments to SRC Rules 68 and 68.1, "... the external auditors shall be rotated every after five (5) years of engagement. In case of a firm, the signing partner shall be rotated every after said period. The reckoning date for such rotation shall commence in year 2002..."

External Auditor Prior to 2018

The accounting firm Constantino Guadalquiver and Co. ("CG & Co"), a member practice of Baker Tilly International with address at Citibank Office 22nd Floor, Citibank Tower, 8741 Paseo De Roxas, Salcedo Village, Makati City. CG & Co. was the Corporation's external auditor since 28 August 2009. For five consecutive years, from 2009 to 2013, Rogelio M. Guadalquiver had been the Partner-In-Charge of the independent examination. For the Audit Year 2014 and 2015, Annalyn B. Artuz was the Partner-In-Charge. After the two (2) years cooling off period, Rogelio M. Guadalquiver was again the Partner-In-Charge. There was no instance that CG & Co and the Company had any disagreement with regard to any matter relating to accounting principles or practices, disclosure of financial statements or auditing scope or procedure.

External Auditor Beginning 2018

In 2018, the principal independent accountant and external auditor of the Company was the accounting firm of Sycip Gorres Velayo & Co. ("SGV & Co."), a member practice of Ernst & Young International with address at SGV Building, 6760 Ayala Avenue, 1226 Makati City. SGV & Co. has been retained as the Corporation's external auditor since 28 June 2018 during the Company's Annual Stockholders' Meeting after the approval of the Board of Directors on 02 May 2018. There was no instance that SGV & Co. and the Company had any disagreement with regard to any matter relating to accounting principles or practices, disclosure of financial statements or auditing scope or procedure. For the Audit Year 2018, John T. Villa was the Partner-In-Charge while for the Audit Year 2020 and 2019, Alvin M. Pinpin is the Partner-In-Charge.

The company is compliant with SRC Rule 68, paragraph 3(b) on the five (5) year rotation requirement for external auditors.

In the interest of greater transparency and in accordance with good corporate governance practices mandated by SRC Rule 68(3)(b), as amended, the Board of Directors upon the recommendation of the Audit Committee has decided to re-appoint **Sycip Gorres Velayo & Co.** (SGV & Co.) as the external auditor for 2021 for approval of the stockholders of ABCI at the forthcoming Annual Stockholders' Meeting on June 24, 2021.

Members of the Audit Committee are as follows:

Chairman: Engr. Elpidio M. Paras, Independent Director
Members: Dr. Thomas G. Aquino, Independent Director
Atty. Antonio S. Soriano, Director

ISSUANCE AND EXCHANGE OF SECURITIES

Financial and Other Information

Please see Management Report and Annexes:

Annex A – Management's Discussion and Analysis

Annex B – Audited Consolidated Financial Statements for 2020

Annex C – Certification that none of the board members and officers is employed with the Government

Annex D – SEC 17-Q for the 1st Quarter of 2021

AUTHORIZATION OR ISSUANCE OF SECURITIES OTHER THAN FOR EXCHANGE

On May 25, 2021, the Corporation's Board of Directors authorized the issuance and public offering of up to 50,000,000 Preferred Shares out of the Preferred Shares to be created with the foregoing amendment of the Corporation's Articles of Incorporation.

The preliminary/indicative terms of the proposed public offering of the Preferred Shares, which may change depending on the changes in the market conditions as the Corporation goes through the regulatory approval process for the offering, are as follows:

Instrument: *Cumulative, non-voting, non-participating, non-convertible peso-denominated perpetual preferred shares ("Preferred Shares")*

Shelf Registration: *BRN may offer from time to time, within a period of three (3) years, up to 50,000,000 [Classification of the Preferred Shares] Preferred Shares in one (1) or more tranches in such amounts/issue price and under such terms and conditions as may be determined by BRN in light of prevailing market and other conditions at the time of sale.*

For each tranche of the Offer, the Company shall distribute an Offer Supplement which shall be disclosed to the public through the filing with the SEC and the PSE and made available for download from the website of BRN specifically, in <https://www.abrown.ph/>.

The Offer Supplement will contain the following information:

- a. timetable, offer size of the specific offering, the applicable dividend rate and the mode of settlement of the Offer;*
- b. capital structure of the Company after the Offer;*
- c. any changes to the risk factors and tax consequences of the offering;*
- d. description of the specific distribution and underwriting arrangements; and*
- e. amount and use of proceeds.*

Offer: Preferred Shares at the issue value of ₱100.00 per share, subject to the registration requirements of the Securities and Exchange Commission (“SEC”).

Offer Size: First Tranche of Up to: [One Billion Pesos (₱1,000,000,000.00)] in aggregate issue value, consisting of ten million [10,000,000] preferred shares (the “Offer Shares”) with an Oversubscription Option.

Oversubscription Option: In the event of oversubscription, the Sole Issue Manager, in consultation with the Issuer, reserves the right, but does not have the obligation, to increase the Offer Size by up to: [Five Hundred Million Pesos (₱500,000,000.00)] in aggregate issue value, consisting of five million [5,000,000] preferred shares (the “Oversubscription Shares”).

In case the Oversubscription Option is either not fully exercised or not exercised at all during the Offer, then any unissued Preferred Shares shall remain shelf registered and available for issuance in the future by the Company under the requirements of the SEC.

Use of Proceeds: The net proceeds of the Offer shall be used primarily to support the Issuer’s expansion activities, refinance existing debt obligations and fund general corporate requirements.

The offering and issuance of Non-voting Preferred Shares will come from the preferred shares to be created with an application for an amendment of the Corporation’s Articles of Incorporation to be filed with the SEC, will be for an aggregate issue amount of up to One Billion Five Hundred Million Philippine Pesos (₱1,500,000,000.00) (the “Preferred Shares”) to be registered with the Securities and Exchange Commission (“SEC”) and listed on the Philippine Stock Exchange, Inc. (“PSE”), and to designate and appoint PNB Capital and Investment Corporation as the sole issue manager.

The Preferred Shares offering and issuance is subject to the SEC’s approval on the Company’s amendment to the Articles of Incorporation approved by the Board on April 12, 2021 to create Preferred Shares by reclassifying its Authorized Capital Stock.

A preference share is said to be cumulative when the arrears of dividend are cumulative and such arrears are paid before paying any dividend to equity shareholders.

The shareholders will be requested to approve the conduct of the public offering of the Preferred Shares as well as the registration thereof with the Securities and Exchange Commission and listing with the Philippine Stock Exchange.

Dissenting stockholders on this agenda can exercise its appraisal right.

AMENDMENTS OF CHARTER, BY-LAWS & OTHER DOCUMENTS

During the June 24, 2021 Annual Stockholders’ Meeting, the approval on the proposal to amend Article VII of the Company’s Articles of Incorporation will be sought to create Preferred Shares by reclassifying its authorized capital stock from the current Three Billion Three Hundred Million Pesos (P3,300,000,000.00) divided into Three Billion Three Hundred Million (3,300,000,000) Common Shares to Three Billion Three Hundred Million Pesos (P3,300,000,000.00) divided into Three Billion Two Hundred Fifty Million Pesos (P3,250,000,000) divided into Three Billion Two Hundred Fifty Million (3,250,000,000) Common Shares and Fifty Million Pesos (P50,000,000) divided into Fifty Million (50,000,000) Preferred Shares.

The features of the Preferred Shares to be issued will be determined by the Board of Directors every time it authorizes the issuance thereof.

The reclassification of unissued shares to create preferred shares would give preference to preferred shareholders over common shareholders in the distribution of assets of the Corporation in case of liquidation and in the distribution of dividends.

Stockholders who will be voting against the reclassification of the part of the unissued common shares to preferred shares which will result in the creation of some preferences over the existing holders of common shares can exercise their Appraisal Right under Title X of the Revised Corporation Code.

OTHER MATTERS

Action with Respect to Reports

The Company will seek the approval by the stockholders of the Minutes of the Annual Stockholders' Meeting held on September 3, 2020 during which the following were taken up: (1) Call to Order, (2) Proof of Notice of Meeting, (3) Certification of Quorum, (4) Approval of the Minutes of the previous Special Stockholders' Meeting, (5) Approval of 2019 Operations and Results, (6) Ratification of All Acts of the Board of Directors and Officers, (7) Election of Directors, (8) Appointment of External Auditors, (9) Other Matters, and (10) Adjournment.

The Company will seek the approval by the stockholders of the 2020 Operations and Results, contained and discussed in the annual report attached and made part of this Information Statement. Approval of the reports will constitute approval and ratification of the acts of Management and of the Board of Directors for the past year.

The minutes of the 2020 Annual Stockholders Meeting had been uploaded to the Company's website within five (5) days from the date of the meeting and may be viewed through the following link:
https://www.abrown.ph/wp-content/uploads/2020/11/ABCI_ASM-2020-.pdf

In compliance of Section 49 of the Revised Corporation Code (RCC), the minutes contain the following information:

1. A description of the voting and vote tabulation procedures used in the previous meeting;
2. A description of the opportunity given to stockholders or members to ask questions and a record of the questions asked and answers given;
3. The matters discussed and resolutions reached;
4. A record of the voting results for each agenda item; and
5. A list of the directors, officers and the percentage of outstanding and voting shares of stockholders who attended and participated in the meeting

Other Proposed Actions

The following are to be proposed for approval during the stockholders' meeting:

1. Minutes of the Previous Meeting of Stockholders
2. 2020 Operations and Results
3. Ratification of all Acts of the Board of Directors and Officers
4. Retention of Independent Directors
5. Election of Directors for 2021-2022
6. Appointment of External Auditor
7. Other Matters

2020 Operations and Results. Management reports which summarize the acts of management for the year 2020 are included in the company's Annual Report to be sent to the stockholders together with this Information Statement and shall be submitted for approval by the stockholders at the meeting. Accordingly, approval of the Annual Report will constitute approval and ratification of the acts of Management stated in the Management Report during the period covered thereby.

Ratification of Acts of Directors and Officers. The items covered with respect to the ratification of the acts of the Board of Directors and officers for the past year up to the date of the meeting are those items entered into in the ordinary course of business, with those of significance having been covered by appropriate disclosures such as:

- a.) Membership in the relevant committees such as the Executive, Audit, Risk, Related Party Transaction and Corporate Governance including its subsumed Committees on Nomination, Compensation, and Corporate Culture and Values Formation Committees and;
- b.) Designation of authorized signatories;
- c.) Financing activities;
- d.) Opening of accounts;
- e.) Appointments in compliance with corporate governance policies; and
- f.) Funding support for projects

Retention of Independent Directors. The Code of Corporate Governance for Listed Companies requires that independent directors should serve for a maximum cumulative term of nine (9) years, after which, the independent director will be perpetually barred from reelection as such in the same company. However, a company may seek the approval of the shareholders should it wish to retain an independent director to serve beyond 9 years, provided, that meritorious justification(s) is/are given therefor.

By the end of their current terms, Engr. Elpidio M. Paras and Mr. Thomas G. Aquino would have served the Company as Independent Directors for 9 years. However, for the justifications provided in page 17 of this Information Statement, the Board of Directors has agreed to seek the approval of the shareholders for Engr. Paras and Mr. Aquino be allowed to continue serving as Independent Directors beyond the maximum period allowed.

Voting Procedure

- (a) Actions to be taken at the Annual Stockholders' Meeting shall require the vote of the stockholders representing at least a majority of the Company's outstanding capital stock.
- (b) Two inspectors shall be appointed by the Board of Directors before or at each meeting of the stockholders, at which an election of directors shall take place. If no such appointment shall have been made or if the inspectors appointed by the Board of Directors refused to act or fail to attend, then the appointment shall be made by the presiding officer of the meeting. For purposes of the Annual Stockholders' Meeting on June 24, 2021 the Corporate Secretary and/or his representative, together with the Audit Partner of the External Auditor and/or his representative, have been designated as inspectors who have been tasked to oversee the counting of votes.
- (c) Stockholders may vote at all meetings either in person or by proxy duly given in writing in favor of any person of their confidence and each stockholder shall be entitled to one vote for each share of stock standing in his name in the books of the corporation; provided, however, that in the election of directors, each stockholder shall be entitled to cumulate his votes in the manner provided for by law. For the purpose of this year's annual stockholders' meeting, which will be held only in a virtual format, the stockholders may only vote through proxies or by remote communication (*in absentia*). The stockholders are encouraged to participate in the meeting by either of the following:
 - i. by submitting duly accomplished proxies to the Office of the Corporate Secretary at 2704 East Tower, Philippine Stock Exchange Centre, Ortigas Center, Pasig City or via electronic copy by emailing corporatesecretary@abrown.ph on or before 5:00 p.m. on June 14, 2021.

For corporate stockholders, the proxies should be accompanied by a Secretary's Certification on the appointment of the corporation's authorized signatory.
 - ii. by registering your votes on the matters to be taken up during the meeting through the e-voting platform set up for the purpose which can be accessed at abrown.ph/asmregister2021. The e-voting portal will be open until 12:00 noon of 24 June, 2021.
- (d) The method of counting votes shall be in accordance with the general provisions of the Revised Corporation Code. The counting shall be done by the inspectors abovementioned, witnessed and the results verified by a duly appointed validator.

OMITTED ITEMS

Items 10 to 14 and Item 16 are not responded to herein the Corporation not intending to take any action with regard to the same during the stockholders' meeting.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ELPIDIO M. PARAS**, Filipino, of legal age with address at 12 Gemini St., Villa Ernesto, Gusa, Cagayan de Oro City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee as Independent Director of **A BROWN COMPANY, INC.** and I have holding said position since June 2002.
2. I am affiliated with the following companies or organizations:

| Company/Organization | Position/Relationship | Period of Service |
|---|-----------------------------------|-------------------|
| Parasat Cable TV, Inc. | President & CEO | 1991 - present |
| Arriba Telecontact, Inc. | President & CEO | 2005 - present |
| Phil. Cable TV Association | Chairman of the Board | 2000 - 2008 |
| Phil. Cable TV Association | President | 2010 - 2012 |
| Phil. Cable TV Association | Vice President for Mindanao Area | 2015 - 2017 |
| Phil. Cable TV Association | Director | 2017 - present |
| Promote Northern Mindanao Foundation, Inc. | Trustee | 2005 - present |
| Cagayan de Oro Chamber | President | 2007 - 2008 |
| Xavier University | Chairman of the Board of Trustees | 2007 - 2016 |
| CDO ICT Committee | Member | 2005 - present |
| Cagayan de Oro International Trade and Convention Center Foundation, Inc. | Director | 2005 - 2010 |
| UC-1 Corporation | President & CEO | 2002 - present |
| Philippine Association of Amusement Park & Attractions | Member | 2012 - present |
| Jade Cable TV Systems, Inc. | President & CEO | 1991 - present |
| Accolade Resources, Inc. | Director | 2012 - present |
| Maria Reyna - Xavier University Hospital, Inc. | Member of the Board of Trustees | 2012 - present |
| Southbank | Independent Director | 2014 - present |
| Tourism Congress of the Philippines | Trustee | 2017 - present |

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **A Brown Company, Inc.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any of the other director/officer/substantial shareholder of **A BROWN COMPANY INC. and its subsidiaries and affiliates** other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I am not affiliated with any agency or instrumentality of the Philippine Government, including any of the government-owned and controlled corporations.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC Issuances.
8. I shall inform the Corporate Secretary of **A BROWN COMPANY, INC.** of any changes in the abovementioned information within five days from its occurrence.

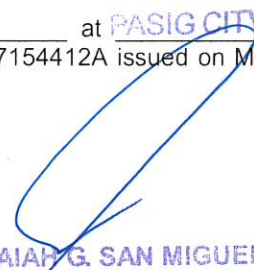
Done, this 12 MAY 2021 day of _____, at PASIG CITY.


ELPIDIO M. PARAS
Affiant

12 MAY 2021

SUBSCRIBED AND SWORN to before me this _____ day of _____ at PASIG CITY, affiant personally appeared before me and exhibited to me his Passport No. P7154412A issued on May 12, 2018 as his competent evidence of identity.

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Page No. 9 ;
Book No. IX ;
Series of 2021


ISAIAM G. SAN MIGUEL
Notary Public for Cities of
Pasig, San Juan, Taguig & Pateros
Appointment No. 235 (2019-2020)
(Commission Extended until 30 June 2021
per Supreme Court Resolution dated 01 December 2020)
2704 East Tower, PSE Centre, Exchange Road
Ortigas Center, 1605 Pasig City
PTR No. 6515071 / 01.20.21 / Pasig
IBP No. LRN-013775 / 04.22.15 / PPLM
Roll of Attorneys No. 64234
MCLEC No. VI-0025655 / 04.15.19

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **THOMAS G. AQUINO**, Filipino, of legal age with address at 24 Barcelona St., Merville Park, Paranaque City 1709, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee as Independent Director of **A BROWN COMPANY, INC.** and I have holding said position since March 2012.
2. I am affiliated with the following companies or organizations:

| Company/Organization | Position/Relationship | Period of Service |
|-------------------------------------|-----------------------|-------------------|
| NOW Corporation | Chairman | 2011 - present |
| Alsons Consolidated Resources, Inc. | Independent Director | 2011 - present |
| Holcim Philippines, Inc. | Independent Director | 2019 - present |
| Pryce Corporation | Independent Director | 2021 - present |

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **A Brown Company, Inc.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any of the other director/officer/substantial shareholder of **A BROWN COMPANY INC. and its subsidiaries and affiliates** other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I am not affiliated with any agency or instrumentality of the Philippine Government, including any of the government-owned and controlled corporations.
7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC Issuances.
8. I shall inform the Corporate Secretary of **A BROWN COMPANY, INC.** of any changes in the abovementioned information within five days from its occurrence.

Done, this 12 MAY 2021 day of _____, at PASIG CITY.

Thomas G. Aquino
THOMAS G. AQUINO
 Affiant

12 MAY 2021

SUBSCRIBED AND SWORN to before me this ____ day of _____ at PASIG CITY, affiant personally appeared before me and exhibited to me his Passport No. P3599859A issued on July 6, 2017 as his competent evidence of identity.

Doc. No. 38 ;
 Page No. 9 ;
 Book No. IX ;
 Series of 2021

ISAIAH EVAN INSUEL
 Notary Public for Cities of
 Pasig, Alabang, Taguig, & Paternos
 Appointed by (D.O. No. 120-0000)
 (Commission Expires on or after 30 June 2021
 per Supreme Court En Banc Resolution dated 11 December 2020)
 2704 East Tower, 7500 Glorietta, Exchange Road
 Ortigas Center, 1605 Pasig City
 PTR No. 6513071 / 21.20.21 / Pasig
 IBP No. LRN-013775 / 04.22.15 / PPLM
 Roll of Attorneys No. 64234
 MCLEC No. VI-0025355 / 04.15.19

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY WILL PROVIDE WITHOUT CHARGE A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A. THE STOCKHOLDER MAY BE CHARGED A REASONABLE COST FOR PHOTOCOPYING THE EXHIBITS.

ALL REQUESTS MAY BE SENT TO THE FOLLOWING ADDRESS:

Office of the Corporate Secretary
A BROWN COMPANY, INC.
194 Tomas Morato Avenue
Sacred Heart, Quezon City
(Liaison Office)

Attention: **Atty. Jason C. Nalupta**
Corporate Secretary

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Quezon City on May 28, 2021.

A BROWN COMPANY, INC.
Issuer

By:


ROBERTINO E. PIZARRO
President & Chief Executive Officer

MANAGEMENT REPORT 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Current Period (2020 & 2019) Operational and Financial Information

Financial Condition

| In Thousand Pesos | | | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|------------------------------|------------------|--------------|--|-----|-------------------|--------------|
| | Audited 2020 | Audited 2019 | Amount | % | Audited 2020 | Audited 2019 |
| Current Assets | 3,666,756 | 3,213,597 | 453,159 | 14% | 56% | 53% |
| Noncurrent Assets | 2,835,696 | 2,881,868 | (46,172) | -2% | 44% | 47% |
| Total Assets | 6,502,452 | 6,095,465 | 406,987 | 7% | 100% | 100% |
| Current Liabilities | 1,465,955 | 1,312,702 | 153,253 | 12% | 23% | 22% |
| Noncurrent Liabilities | 782,065 | 806,277 | (24,213) | -3% | 12% | 13% |
| Equity | 4,254,433 | 3,976,486 | 277,947 | 7% | 65% | 65% |
| Total Liabilities and Equity | 6,502,452 | 6,095,465 | 406,987 | 7% | 100% | 100% |

A Brown Company - CONSOLIDATED**Statement of Financial Position items – December 2020 vs. December 2019**

The Group's total assets increased by 7% or **₱407.0 million**, from a balance of **₱6.1 billion** as of end of the year 2019 to **₱6.5 billion** as of December 31, 2020.

Current Assets increased by 14% or ₱453.2 million as a result of the net effect of the following:

208% or ₱156.3M increase in Cash – due to the net effect of the net cash provided by operating and investing activities and net cash used by financing activities.

35% or ₱262.7M increase in Current Portion of Receivables – net due to the net effect of:

- 24% or ₱44.2M decrease in dividend receivable** - due to collection of previously declared dividend net of the recently declared dividend
- 71% or ₱319.9M increase in installment contract receivables on sale of real estate** - due to reclassification of contract assets and noncurrent ICRs to current ICRs in 2020
- 45% or ₱6.1M increase in Trade Receivable** – directly related from the receivable from water service and sale of crude palm oil (CPO), palm olein, palm stearin and other palm products
- 126% or ₱1.7M increase in advances to officers and employees** – due to the increase in the advances of employees for liquidation
- 17% or ₱17.0M decrease in other receivables** - due to the collection of receivable from sale of equity instrument
- 798% or ₱3.8M increase in allowance for impairment losses** - pertain to increase in the allowance for impairment losses

41% or ₱52.6M decrease in Current portion of Contract Assets – pertains to the reclassification of contract assets to ICRs since these are already due for collection

1% or ₱7.9M decrease in Real estate inventories – due to the net effect of the development of new projects as against units sold in all projects

4% or ₱6.5M decrease in Inventories – due to higher inventory turn-over of crude palm oil

3% or ₱3.3M increase in Advances to a related party – this pertains to additional advances to a related party made during the year

100% or ₱63.5M decrease in Equity Instruments at Fair Value through Profit and Loss (EIFVPL) – the reduction is due to the sale of equity instruments at FVPL

46% or ₱161.4M increase in Other current assets – due to the net effect of:

- a) 98% or ₱158.3M increase in deposit for land acquisition – as a result of installment payments to the sellers of land where sales contracts have yet to be executed
- b) 27% or ₱26.4M decrease in creditable withholding taxes – as a result of lower creditable withholding taxes on sale of real estate versus utilization of creditable withholding taxes.
- c) 41% or ₱27.7M increase in prepaid expenses – directly related to increase in prepaid expenses made by the group during the year
- d) 2% or ₱350k decrease in prepaid commission – directly related to decrease pre-payments of commission to brokers and marketing agents
- e) 2% or ₱166k increase in other refundable deposits
- f) 741% ₱2.5M increase in other current assets – miscellaneous – increase in advances to suppliers and contractors.

Non-Current Assets decreased by 2% or ₱46.2 million as a result of the net effect of the following:

82% or ₱119.9M decrease in Non-current portion of Receivables-net – due to reclassification to current ICR since these are already due for collection

227% or ₱14.3M increase in Non-current portion of Contract Assets – due to increase in sales to which revenue is already recognized to the extent of POC prior to billing.

5% or ₱8.0M increase in Equity Instruments at Fair Value through Other Comprehensive Income (EIFVOCI) – due to the increase in share price of equity instruments at FVOCI

₱157k increase in Investment in Associates – due to the Group's share/equity in the net profit of associates which is higher as compared to dividend received and/or receivable during the year

4% or ₱32.2M increase in Property, Plant and Equipment - net due to the net effect in:

- a) 8% or ₱6.5M decrease in Leasehold improvements – net due to depreciation
- b) 5% or ₱14.5M decrease in Bearer Plants – net due to depreciation and impairment of bearer plants-trees
- c) 4% or ₱10.5M decrease in RBD and Fractionation Machineries - net due to depreciation
- d) 1% or ₱124k decrease in Building and Improvements - net due to depreciation and reclassifications
- e) 2% or ₱2.9M decrease in Machinery and Equipment- net due to higher depreciation as compared to new additions and disposal
- f) 148% or ₱63.8M increase in Construction in Progress - net due to additions of assets acquired from Vires Energy Corporation (VEC)
- g) 4% or ₱1.1M decrease in Right-of-Use Assets – net due to amortization
- h) 16% or ₱4M increase in Other equipment – net due to new purchases which is higher than the depreciation and disposal

27% or ₱3.5M increase in Deferred Tax Assets – directly related to the increase in the tax effect of the allowance for impairment loss on PPE and increase in tax effect of retirement liability of the group during the year.

11% or ₱15.7M increase in Other Non-current assets – due to the increase in refundable deposits - net of current portion by 9% or ₱3.3M and increase advances to third party by 12% or ₱12.6M.

Total liabilities increased by 6% or ₱129.0 million as a result of the net effect on current and no-current liabilities:

Current liabilities increased by 12% of ₱153.3 million as a result of the net effect of the following:

8% or ₱45.9M increase in Accounts payable and accrued expenses – primarily due to the net effect of the following:

- a) 3% or ₱13.9M decrease in trade accounts payable – due to decrease trade payables
- b) 37% or ₱40.3M increase in accrued expenses – due to accrual of contractual services, professional fees, rentals and other recurring expenses
- c) 64k increase in retention payable- due to increase in the amount withheld by the Group on contractor's billings
- d) 281% or ₱22.4M increase in statutory payables – due to increase in dues for remittance to SSS, PHIC, HDMF and withholding taxes
- e) 58% or ₱3.0M decrease in accrued interest payable – due to decrease in accrued interest

21% or ₱29.5M increase in Contract liabilities – due to the net effect of the new sales reservations of new projects and increase in book sales settled through end buyer's financing.

10% or ₱36.1M increase in Short term Debt – due to the net effect additional loan availed and payments made by the group during the year and is also due to reclassification of short-term debt to long-term loans

20% or ₱41.8M increase in Current portion of long-term debt – effect on the current year due against paid in 2020

Non-Current liabilities decreased by 3% or ₱24.2 million as a result of the net effect of the following:

7% or ₱42.62M decrease in Non-current portion of long-term debt – due to the net effect of the repayments, increase in long term loans availed and reclassification of the principal amount that will be due within one year.

32% or ₱14.8M increase in Retirement liability – as a result of the actuarial valuation of the retirement benefit obligation of the existing employees

2% or ₱3.6M increase in Deferred tax liabilities - due to the increase in the tax effect of sales on deferred payment scheme

Equity increased by 7% or ₱277.9 million as a result of the net effect of the following:

26% or ₱294.1M increase in the Retained Earnings – the increase pertains to the net income of the group

2,094221% or ₱22.2M increase in the Treasury Shares – the increase pertains to the shares buy-back program of the Company which started on August 17, 2020.

3% or ₱8.0M increase in Fair Value Reserve of EIFVOCI – due to the increase in market value of available for sale investments

731k increase in Remeasurement loss on defined benefit plan of an associate, net of tax - pertains to the actuarial loss incurred by an associate's retirement plan

26% or ₱5.2M decrease in Cumulative re-measurement loss on retirement benefits, net of tax – related to the actuarial valuation of retirement benefits obligation

297% or ₱3.0M increase in Cumulative translation adjustment – related to the exchange differences in foreign currency translation

Results of Operation

| In Thousand Pesos | Horizontal Analysis Increase (Decrease) | | | | | | Vertical Analysis | | | |
|---|--|--------------|--------------|------------------------|-------|------------------------|-------------------|-----------------|-----------------|-----------------|
| | Audited 2020 | Audited 2019 | Audited 2018 | Amount 2020 vs 2019 | % | Amount 2019 vs 2018 | % | Audited 2020 | Audited 2019 | Audited 2018 |
| Real estate sales | 761,538 | 942,736 | 705,186 | (181,197) | -19% | 237,550 | 34% | 88% | 92% | 85% |
| Sale of agricultural goods | 79,089 | 63,725 | 100,440 | 15,364 | 24% | (36,716) | -37% | 9% | 6% | 12% |
| Water service income | 23,417 | 21,350 | 20,442 | 2,068 | 10% | 908 | 4% | 3% | 2% | 2% |
| REVENUES | 864,044 | 1,027,810 | 826,068 | (163,766) | -16% | 201,742 | 24% | 100% | 100% | 100% |
| Cost of real estate sales | 353,432 | 355,232 | 293,666 | (1,800) | -1% | 61,566 | 21% | 41% | 35% | 36% |
| Cost of agricultural goods sold | 60,136 | 49,685 | 82,826 | 10,451 | 21% | (33,141) | -40% | 7% | 5% | 10% |
| Cost of water service income | 5,733 | 11,990 | 9,625 | (6,256) | -52% | 2,364 | 25% | 1% | 1% | 1% |
| COST OF SALES AND SERVICES | 419,300 | 416,906 | 386,117 | 2,394 | 1% | 30,789 | 8% | 49% | 41% | 47% |
| GROSS PROFIT | 444,744 | 610,904 | 439,951 | (166,160) | -27% | 606,110 | -365% | 51% | 59% | 53% |
| General, Administrative and Selling Expenses | 273,386 | 287,159 | 335,961 | (13,774) | -5% | (48,801) | -15% | 32% | 28% | 41% |
| Equity in net earnings of associates | 175,889 | 380,304 | 252,093 | (204,415) | -54% | 128,211 | 51% | 20% | 37% | 31% |
| Interest expense | (25,246) | (23,059) | (84,031) | (2,187) | 9% | 60,972 | -73% | -3% | -2% | -10% |
| Realized gain (loss) on sale of EIFVPL | 12,478 | (32,095) | 10,099 | 44,573 | -139% | (42,194) | | 1% | -3% | 1% |
| Gain on bargain purchase | 2,659 | - | - | 2,659 | | - | #DIV/0! | 0% | 0% | 0% |
| Unrealized foreign exchange gain (loss) | 1 | 11 | 14,705 | (10) | -89% | (14,694) | -100% | 0% | 0% | 2% |
| Unrealized gain (loss) on EIFVPL | - | (43,514) | 16,673 | | | | | | | |
| Other income (expense) - net | 8,784 | 20,993 | 35,301 | (12,209) | -58% | (14,307) | -41% | 1% | 2% | 4% |
| Other Income (Expenses) | 174,566 | 302,640 | 244,839 | (128,074) | -42% | 57,801 | 24% | 20% | 34% | 28% |
| Income (Loss) Before Income Tax | 345,924 | 626,385 | 348,830 | (280,460) | -45% | 277,555 | 80% | 40% | 61% | 42% |
| Provision for (Benefit from) Income Tax | 51,820 | 131,592 | 60,074 | (79,771) | -61% | 71,518 | 119% | 6% | 13% | 7% |
| NET INCOME (LOSS) | 294,104 | 494,793 | 288,756 | (200,689) | -41% | 206,037 | 71% | 34% | 48% | 35% |
| Cumulative translation adjustment | 2,994 | 4,111 | (6,585) | (1,117) | -27% | 10,696 | -162% | | | |
| Net change in fair value of EIFVOCI | 8,026 | (1,086) | 28,900 | 9,112 | -839% | (29,986) | -104% | | | |
| Remeasurement gain (loss) on defined benefit plan-net of tax | (5,210) | (10,048) | 4,806 | 4,839 | -48% | (14,855) | -309% | | | |
| Equity in other comprehensive loss of associate | (732) | - | - | (732) | | - | | | | |
| OTHER COMPREHENSIVE INCOME (LOSS) | 5,078 | (7,023) | 27,122 | 12,102 | -172% | (34,145) | -126% | | | |
| TOTAL COMPREHENSIVE INCOME (LOSS) | 299,182 | 487,770 | 315,878 | (188,587) | -39% | 171,892 | 54% | | | |

**A Brown Company - CONSOLIDATED
Results of Operations
For the Year Ended December 31, 2020**

The consolidated financial statements for the year ending December 31, 2020 resulted to an after-tax net income of **₱294.1 million** compared to a **₱494.8 million** net income of last year due to the net effect of the following:

16% or ₱163.8M increase in Revenues due to:

- a) **Decrease in Real estate Sales by 19% or ₱181.2M** - Sales in 2019 were mostly high end and economic units compared to the sales this year
- b) **Increase in Sales of crude palm oil by 24% or ₱11.2M** – this is due to the increase in quantity sold by 33% or 534 metric tons, from a volume of 1,606 metric tons in 2019 to 2,140 metric tons in 2020; the average selling price increased by **₱1,887** per metric ton from **₱28,608** per metric ton last year to **₱26,721** per metric ton in 2020.
- c) **Increase in Palm Fatty Acid Distillate Sales by 828% or ₱4.8M** – this is due to the increase in quantity sold by 459% or 248 metric tons, from a volume of 54 metric tons in 2019 to 302 metric tons in 2020; the average selling price increased by **₱7,083** per metric ton from **₱10,714** per metric ton last year to **₱17,797** per metric ton in 2020.
- d) **Decrease in Palm Olein Sales by 2% or ₱0.2M** – this is due to the decrease in quantity sold by 23% or 61,597 metric tons, from a volume of 268,057 metric tons in 2019 to 206,460 metric tons in 2020; the average selling price decreased by **₱9.7** per metric ton from **₱35.6** per metric ton in 2019 to **₱45.4** per metric ton in 2020.
- e) **Increase in Palm Stearin Sales by 284% or ₱2.5M** - this is due to the increase in quantity sold by 218% or 132 metric tons, from a volume of 61 metric tons in 2019 to 193 metric tons in 2020; the average selling price increased by **₱2,980** per metric ton from **₱14,286** per metric ton in 2019 to **₱17,266** per metric ton in 2020
- f) **Decrease in Kernel Nuts by 100% or ₱1.3M** - the decrease is due to no sale of kernel nuts for this year
- g) **Decrease in Palm Kernel Cake by 91% or ₱3.3M**– this is due to the decrease in quantity sold by 71% or 321 metric tons, from a volume of 453 metric tons in 2019 to 132 metric tons in 2020; the average selling price decreased by **₱5,409** in 2020.
- h) **Increase in sale of Palm acid oil by 91% or ₱1.7M** - this is due to the increase in quantity sold by 25% or 57 metric tons, from a volume of 224 metric tons in 2019 to 281 metric tons in 2020; the average selling price increased by **₱4,273** per metric ton from **₱8,197** per metric ton in 2019 to **₱12,469** per metric ton in 2020
- i) **Increase in Sales from water services by 10% or ₱2.1M** due to the increase in the turn-over of units and consumption of water by residents

1% or ₱2.4M increase in Cost of Sales and Services due to:

- a.) **1% or ₱1.8M decrease in cost of real estate** – the decrease is relatively due to lower sales of high end and economic units during year as compared in 2019
- b.) **21% or ₱7.5M increase in cost of production of Crude palm oil** – the increase is relatively due to the proportionate increase in sales of crude palm oil
- c.) **680% or ₱5.5M increase in cost of Palm Fatty Acid Distillate** - the increase is relatively to the proportionate to the increase in sales of palm fatty acid distillate
- d.) **Decrease in cost of Kernel Nuts by 100% or ₱661k** - the decrease is due to no sale of kernel nuts for this year
- e.) **Decrease in cost of Palm Acid Oil by 8% or ₱160k** – the decrease is related to lower cost of production as compared last year
- f.) **Increase in cost of Palm Olein by 26% or ₱1.1M** - the increase is due to the increase in the cost of producing palm olein
- g.) **Increase in cost of Palm Stearin by 39% or ₱705k**- the increase is directly related to the increase sale of palm stearin
- h.) **Decrease in cost of water services by 52% or ₱6.3M** – due to the reduced costs related to rendering water services

5% or P13.8M decrease in General, Administrative and Selling Expenses - due to the following net effect of:

- a) **10% or P8.4M decrease in Personnel expenses** - due to the lower compensation and other benefits for those who filled-up vacancies in manpower in 2020
- b) **22% or P11.3M decrease in Marketing expenses** – due to the decrease in various sponsorships of events for ads and promotions and various training activities of accredited real estate brokers and agents of the parent company
- c) **43% or P9.4M increase in Impairment Loss** – this pertains to the impairment of bearer plants-trees
- d) **3% or P764k increase in Taxes and Licenses** – pertains to the increase in documentary stamp taxes on loans in 2020 and application of tax credit with LGU
- e) **36% or P4M increase in Outside Services** - due to the increase in requirement on additional project
- f) **33% or P3.3M decrease in Professional Fees** – directly related to the decrease in consultancy services incurred by the group
- g) **11% or P2.8M increase in Depreciation** – due to increase wear and tear and usage of PPEs
- h) **36% or P4.8M decrease in Rental expense** – due to prepaid land rights reclassification to ROU asset in 2019; hence, a decrease in rent expense (from prepaid land rights)
- i) **4% or P323k decrease in Utilities and supplies** – due to the decrease in usage of utilities and supplies during the year.
- j) **75% or P4.9M increase in Transportation and Travel**– directly related to the various site visitations for real estate projects, plantation operations and power group operations.
- k) **44% or P2.2M increase in Retirement Benefits expense**
- l) **22% or P992k decrease in Repairs and Maintenance** – due to the decrease in cost of repairs and maintenance during the year.
- m) **41% or P221k decrease in Insurance** – due to reduction of properties and units insured
- n) **61% or P578k increase in Director Fees** – directly related to the per diem paid to directors on various directors' meetings conducted during the year.
- o) **16% or P3.1M decrease in Others** – pertain to expenses arising from business and research development and software maintenance

54% or P204.4M decrease in Share in net income (loss) of associates – this pertains to the group's 20% share on the net income of associates, e.g. PCPC and Peakpower Energy, Inc. totaling to **P176M versus P 380.4M**, dividends of **P175M versus P182.2M** and 33.33% share in the net loss of EWRTC

100% or P43.5M decrease in Unrealized gain (loss) on sale of equity instruments at fair value through profit and loss (EIFVPL) – this pertains to the decrease in unrealized gain (loss) on sale of equity instruments with none for 2020 as compared to 2019. As of end of 2020, EIFVPL is zero.

139% or P44.6M increase in Realized Gain on sale of equity instruments at fair value through profit and loss (EIFVPL) – this pertains to the sale of equity instruments in 2020 that were classified as EIFVPL in 2018 upon adoption of PFRS 9

89% or P9.5k decrease in Unrealized foreign exchange gain (loss) – this pertains to the related to the lower foreign exchange gain translation

9% or P2.2M increase in Interest Expense – directly related to the group's various loan availment

58% or P12.2M decrease in Other Income - net – due to the net effect of the following:

- a.) **Increase in Income from forfeited deposits by 86% or P1.1M** – foreclosed accounts in 2019 is lower compared to that of this year.
- b.) **Increase in Dividend Income by 201k** – this pertains dividend income received from EIFVOCI
- c.) **Decrease in Gain on sale of Investment Property by 100% or P5.1M** – this pertains to sale of investment property in 2019
- d.) **Decrease in Gain on disposal of PPE by 105% or P3.7M** – this pertains to the sale of machinery and other equipment which is higher in 2019 as compared in 2020
- e.) **Decrease in Interest income by 25% or P696k** – due to the decrease in the in-house financing of real estate sales this year as compared last year.

f.) **Decrease in Other income by 48% or P4M** – income from tapping fees due to decrease turn-over of units; transfer fees and other water charges

Key Performance Indicator

| Financial Ratios Consolidated Figures | Audited 12/31/2020 | Audited 12/31/2019 |
|--|-------------------------------|-------------------------------|
| Current ratio ¹ | 2.50:1 | 2.45:1 |
| Current Debt to Equity Ratio ² | 0.34:1 | 0.33:1 |
| Total Debt to Equity ratio ³ | 0.53:1 | 0.53:1 |
| Return on Assets ⁴ | 4.67% | 8.56% |
| Return on Equity ⁵ | 7.15% | 13.26% |

¹Current assets/Current liabilities

²Current liabilities/Stockholders' equity

³Total liabilities/Stockholders' equity

⁴Net income/Average Total assets

⁵Net income/ Average Stockholders' equity

Financial soundness indicators are also shown on Exhibit I, page 87.

Prior Period (2019 & 2018) Operational and Financial Information

Financial Condition

| In Thousand Pesos | | | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|------------------------------|------------------|--------------|--|------|-------------------|--------------|
| | Audited 2019 | Audited 2018 | Amount | % | Audited 2019 | Audited 2018 |
| Current Assets | 3,213,597 | 2,799,762 | 413,835 | 15% | 53% | 51% |
| Noncurrent Assets | 2,881,868 | 2,666,464 | 215,404 | 8% | 47% | 49% |
| Total Assets | 6,095,465 | 5,466,226 | 629,239 | 12% | 100% | 100% |
| Current Liabilities | 1,312,702 | 1,618,936 | (306,233) | -19% | 22% | 30% |
| Noncurrent Liabilities | 806,277 | 358,575 | 447,703 | 125% | 13% | 7% |
| Equity | 3,976,486 | 3,488,716 | 487,770 | 14% | 65% | 64% |
| Total Liabilities and Equity | 6,095,465 | 5,466,226 | 629,239 | 12% | 100% | 100% |

A Brown Company - CONSOLIDATED

Balance Sheet items – December 2019 vs. December 2018

The Group's total assets increased by 12% or **₱629.2 million**, from a balance of **₱5.5 billion** as of end of the year 2018 to **₱6.1 billion** as of December 31, 2019.

Current Assets increased by 15% or ₱414 million as a result of the net effect of the following:

1% or ₱730k decrease in Cash – due to the net effect of the net cash provided by operating and investing activities and net cash used by financing activities.

389% or ₱593.7M increase in Current Portion of Receivables due to the net effect of:

- 128% or ₱102.2M increase in dividend receivable** – due to the declaration of dividends by an associate
- 624% or ₱516M increase in installment contract receivables on sale of real estate** – due to classification of land portion of sold inventories per PIC Q & A No. 2018-12 and PIC Q & A No. 2018-14
- 173% or ₱8.6M increase in Trade Receivable** – directly related from the receivable from water service and sale of crude palm oil (CPO), palm olein, palm stearin and other palm products
- 15% or ₱12.3M increase in other receivables** - pertain to increase in receivables for the sale of equity

45% or ₱104.2M decrease in Current portion of Contract Assets – due to classification of land portion of sold inventories

1% or ₱15.8M decrease in Real estate inventories – due to the net effect of the development of new projects as against units sold in all projects

3% or ₱4.4M increase in Inventories – due to lower inventory turn-over of crude palm oil

32% or ₱27.5M increase in Advances to a related party – this pertains to additional advances to a related party made during the year

73% or ₱169.7M decrease in Equity Instruments at Fair Value through Profit and Loss (EIFVPL) – the reduction is due to the decrease in share price of and sale of equity instruments at FVPL

29% or ₱78.7M increase in Other current assets – due to the net effect of:

- a) 23% or ₱29.8M increase in deposit for land acquisition – as a result of installment payments to the sellers of land where sales contracts have yet to be executed
- b) 54% or ₱34.4M increase in creditable withholding taxes – as a result of higher creditable withholding taxes on sale of real estate versus utilization of creditable withholding taxes.
- c) 11% or ₱6.9M increase in prepaid expenses – directly related to increase in prepaid expenses made by the group during the year
- d) 35% or ₱4.2M increase in prepaid commission – directly related to increase pre-payments of commission to brokers and marketing agents
- e) 88% or ₱3.4M increase in other refundable deposits

Non-Current Assets increased by 8% or ₱215.4 million as a result of the net effect of the following:

43% or ₱43.8M increase in Non-current portion of Receivables-net – due to the lower collectible of long-term receivables

92% or ₱71.4M decrease in Non-current portion of Contract Assets – due to classification of land portion of sold inventories

1% or ₱1.1M decrease in Equity Instruments at Fair Value through Other Comprehensive Income (EIFVOCI) – due to the decrease in share price of equity instruments at FVOCI

16% or ₱198.1M increase in Investment in Associates – due to the Group's share/equity in the net profit of associates which is higher as compared to dividend received and/or receivable during the year

16% or ₱18.1M decrease in Investment Properties – due to the effect of the transfer of land held for capitalization to real estate held for sale

1% or ₱11.8M decrease in Property, Plant and Equipment - net due to the net effect in:

- a) 8% or ₱6.5M decrease in Leasehold improvements – net due to depreciation
- b) 5% or ₱16.6M decrease in Bearer Plants – net due to depreciation and impairment of bearer plants-trees
- c) 4% or ₱10.1M decrease in RBD and Fractionation Machinerics - net due to depreciation
- d) 9% or ₱0.8M decrease in Building and Improvements - net due to depreciation
- e) 4% or ₱4.4M decrease in Machinery and Equipment- net due to higher depreciation as compared to new additions and disposal
- f) 48% or ₱26.6M increase in Other equipment – net due to new purchases is higher than the depreciation and disposal and due to recognition of ROU asset in effect of PFRS 16 adoption

4% or ₱481k increase in Deferred Tax Assets – directly related to the increase in the tax effect of the allowance for impairment loss on PPE and increase in tax effect of retirement liability of the group during the year.

115% or ₱75.4M increase in Other Non-current assets – due to the increase in refundable deposits - net of current portion and advances to third party.

Total liabilities increased by 7% or ₱141.5 million as a result of the net effect on current and non-current liabilities:

Current liabilities decreased by 19% of ₱306.2 million as a result of the net effect of the following:

8% or 44 million increase in Accounts payable and accrued expenses – primarily due to the net effect of the following:

- a) 6% or ₱22.5M increase in trade accounts payable
- b) 32% or ₱26.3M increase in accrued expenses
- c) 37% or ₱8.9M increase in retention payable
- d) 32% or ₱3.8M decrease in statutory payables
- e) 48% or ₱4.8M decrease in accrued interest payable
- f) 71% or ₱4.2M decrease in other payables

104% or ₱71.1M increase in Contract liabilities and Deposit from Customers – due to the net effect of the new sales reservations of new projects and increase in book sales settled through end buyer's financing.

45% or €308.9M decrease in Short term Debt – due to the net effect additional loan availed and payments made by the group during the year and is also due to reclassification of short-term debt to long-term loans

35% or €113.3M decrease in Current portion of long-term debt – effect on the current year due against paid in 2019

Non-Current liabilities increased by 125% or €447.7 million as a result of the net effect of the following:

124% or €337.2M increase in Non-current portion of long-term debt – due to the net effect of the repayments, increase in long term loans availed and reclassification of the principal amount that will be due within one year.

62% or €17.8M increase in Retirement liability – as a result of the actuarial valuation of the retirement benefit obligation of the existing employees

160% or €92.8M increase in Deferred tax liabilities - due to the increase in the tax effect of sales on deferred payment scheme and the adoption of PFRS 15.

Equity increased by 14% or €487.8 million as a result of the net effect of the following:

€1.1M decrease in Fair Value Reserve of EIFVOCI – due to the decrease in market value of available for sale investments

76% or €494.9M increase in the Retained Earnings – the increase pertains to the net income of the group

68% or €8.9M decrease in the Other Components of Equity – due to the net effect of the following:

- **100% or €10.0M increase in Cumulative re-measurement loss on retirement benefits**, net of tax – related to the actuarial valuation of retirement benefits obligation
- **132% or €4.1M increase in Cumulative translation adjustment** – related to the exchange differences in foreign currency translation

Results of Operation

| In Thousand Pesos | | | | Horizontal Analysis Increase (Decrease) | | | | Vertical Analysis | | |
|---|------------------|----------------|------------------|--|--------------|------------------------|---------------|-------------------|-----------------|-----------------|
| | Audited 2019 | Audited 2018 | Audited 2017 | Amount 2019 vs 2018 | % | Amount 2018 vs 2017 | % | Audited 2019 | Audited 2018 | Audited 2017 |
| Real estate sales | 942,736 | 705,186 | 470,335 | 237,550 | 34% | 234,850 | 50% | 92% | 85% | 85% |
| Sale of agricultural goods | 63,725 | 100,440 | 62,845 | (36,716) | -37% | 37,596 | 60% | 6% | 12% | 11% |
| Water service income | 21,350 | 20,442 | 18,245 | 908 | 4% | 2,197 | 12% | 2% | 2% | 3% |
| REVENUES | 1,027,810 | 826,068 | 551,425 | 201,742 | 24% | 274,643 | 50% | 100% | 100% | 100% |
| Cost of real estate sales | 355,232 | 293,666 | 235,024 | 61,566 | 21% | 58,642 | 25% | 35% | 36% | 43% |
| Cost of agricultural goods sold | 49,685 | 82,826 | 50,887 | (33,141) | -40% | 31,939 | 63% | 5% | 10% | 9% |
| Cost of water service income | 11,990 | 9,625 | 7,643 | 2,364 | 25% | 1,983 | 26% | 1% | 1% | 1% |
| COST OF SALES AND SERVICES | 416,906 | 386,117 | 293,553 | 30,789 | 8% | 92,564 | 32% | 41% | 47% | 53% |
| GROSS PROFIT | 610,904 | 439,951 | 257,872 | 170,953 | 39% | 86,919 | 51% | 59% | 53% | 47% |
| General, Administrative and Selling Expenses | 265,202 | 318,401 | 253,654 | (53,199) | -17% | 64,748 | 26% | 26% | 39% | 46% |
| Share in net income (loss) of associates | 380,304 | 252,093 | 92,018 | 128,211 | 51% | 160,075 | 174% | 37% | 31% | 17% |
| Gain on sale of AFS investments | - | - | 265,838 | - | | (265,838) | -100% | 0% | 0% | 48% |
| Unrealized gain (loss) on EIFVPL | (43,514) | 10,099 | - | (82,134) | -164% | 50,039 | | -3% | 6% | 0% |
| Gain on sale of EIFVPL | (32,095) | 50,039 | - | (82,134) | -164% | 50,039 | | -3% | 6% | 0% |
| Unrealized foreign exchange gain (loss) | 11 | 14,705 | 347 | (14,694) | -100% | 14,358 | 4133% | 0% | 2% | 0% |
| Impairment loss | (21,957) | (17,560) | - | (4,397) | 25% | (17,560) | | -2% | -2% | 0% |
| Interest expense | (23,059) | (84,031) | (85,542) | 60,972 | -73% | 1,511 | -2% | -2% | -10% | -16% |
| Other income (expense) -net | 20,993 | 12,033 | 18,906 | 8,960 | 74% | (6,873) | -36% | 2% | 1% | 3% |
| Other Income (Expenses) | 280,683 | 237,379 | 291,567 | 43,304 | 18% | (54,188) | -19% | 32% | 28% | 53% |
| Income (Loss) Before Income Tax | 626,385 | 358,929 | 295,786 | 267,456 | 75% | 63,143 | 21% | 61% | 43% | 54% |
| Provision for (Benefit from) Income Tax | 131,592 | 60,074 | (3,796) | 71,518 | 119% | 63,870 | -1682% | 13% | 7% | -1% |
| NET INCOME (LOSS) | 494,793 | 298,855 | 299,582 | 195,938 | 66% | (727) | 0% | 48% | 36% | 54% |
| Remeasurement gain (loss) on defined benefit plan-net of tax | (10,048) | 4,806 | (1,212) | (14,855) | -309% | 6,019 | -496% | | | |
| Exchange difference in foreign currency translation | 4,111 | (6,585) | 3,480 | 10,696 | -162% | (10,065) | -289% | | | |
| Net change in fair value of EIFVOCI and AFS investments | (1,086) | 28,900 | (613,818) | (29,986) | -104% | 642,718 | -105% | | | |
| OTHER COMPREHENSIVE INCOME (LOSS) | (7,023) | 27,122 | (611,550) | (34,145) | -126% | 638,672 | -104% | | | |
| TOTAL COMPREHENSIVE INCOME (LOSS) | 487,770 | 325,977 | (311,968) | 161,793 | 50% | 637,945 | -204% | | | |

**A Brown Company - CONSOLIDATED
Results of Operations
For the Year Ended December 31, 2019**

The consolidated financial statements for the year ending December 31, 2019 resulted to an after-tax net income of **₱494.8 million** compared to a **₱288.8 million** net income of last year due to the net effect of the following:

24% or ₱201.7M increase in Revenues due to:

- a) **Increase in Real estate Sales by 34% or ₱237.6M** - Sales in 2019 were mostly high end and economic units compared to last year which were mostly economic and socialized housing units
- b) **Decrease in Sales of crude palm oil by 39% or ₱29.3M** – this is due to the decrease in quantity sold by 34% or 840 metric tons, from a volume of 2,446 metric tons in 2018 to 1,606 metric tons in 2019; the average selling price decreased by **₱1,010** per metric ton from **₱29,628** per metric ton last year to **₱28,618** per metric ton in 2019.
- c) **Increase in Palm Fatty Acid Distillate Sales by 49% or ₱192k** – this is due to the increase in quantity sold by 199% or 36 metric tons, from a volume of 18 metric tons in 2018 to 54 metric tons in 2019; the average selling price decreased by **₱10,709** per metric ton from **₱21,423** per metric ton last year to **₱10,714** per metric ton in 2019.
- d) **Decrease in RBDO Sales by 100% or ₱6.5M**– this is due to the decrease in quantity sold by 100% or 165 metric tons, from a volume of 165 metric tons in 2018 to none metric tons in 2019; the average selling price was **₱39,394** in 2018
- e) **Increase in Palm Olein Sales- net by 14% or ₱1.2M** – this is due to the decrease in quantity sold by 131572% or 267,854 metric tons, from a volume of 204 metric tons in 2018 to 268,057 metric tons in 2019; the average selling price decreased by **₱4,075** per metric ton from **₱41,111** per metric ton in 2018 to **₱35.54** per metric ton in 2019.
- f) **Decrease in Palm Stearin Sales by 82% or ₱3.9M** - this is due to the decrease in quantity sold by 62% or 101 metric tons, from a volume of 161 metric tons in 2018 to 61 metric tons in 2019; the average selling price decreased by **₱15,175** per metric ton from **₱29,461** per metric ton in 2018 to **₱14,286** per metric ton in 2019
- g) **Decrease in Kernel Nuts by 57% or ₱1.8M** - this is due to the decrease in quantity sold by 54% or 122 metric tons, from a volume of 225 metric tons in 2018 to 102 metric tons in 2019; the average selling price decreased by **₱467** per metric ton from **₱13,945** per metric ton in 2018 to **₱13,478** per metric ton in 2019
- h) **Increase in Palm Kernel Cake by 100% or ₱3.6M**– this is due to the increase in quantity sold by 100% or 453 metric tons, from a volume of zero metric tons in 2018 to 453 metric tons in 2019; the average selling price was **₱7,958** in 2019.
- i) **Decrease in sale of Palm acid oil by 12% or ₱245k** - this is due to the decrease in quantity sold by 11% or 22 metric tons, from a volume of 202 metric tons in 2018 to 224 metric tons in 2019; the average selling price decreased by **₱2,120** per metric ton from **₱10,317** per metric ton in 2018 to **₱8,197** per metric ton in 2019
- j) **Increase in Sales from water services by 4% or ₱0.9M** due to the increase in the turn-over of units and consumption of water by residents

8% or ₱30.8M increase in Cost of Sales and Services due to:

- a) **21% or ₱61.6M increase in cost of real estate** – the increase is relatively due to sales of high end and economic units during the year as compared to economic and socialized units in 2017 with relatively lower costs
- b) **40% or ₱24.4M decrease in cost of production of Crude palm oil** – the decrease is relatively due to the proportionate decrease in sales of crude palm oil
- c) **227% or ₱562k decrease in cost of Palm Fatty Acid Distillate** - the decrease is relatively to the proportionate to the decrease in sales of palm fatty acid distillate
- d) **Decrease in cost of Kernel Nuts by 74% or ₱1.9M** - the decrease is relatively due to proportionate decrease in sales of kernel nuts
- e) **Decrease in cost of RBDO by 100% or ₱5.5M**-- the decrease is relatively due to proportionate decrease in sales in RBDO

- f) **Decrease in cost of Palm Acid Oil by 13% or ₱0.3M** – the decrease is directly related to the proportionate decrease sale of palm acid oil
- g) **Decrease in cost of Palm Olein by 45% or ₱3.4M** - the decrease is directly related to the decrease sale of palm olein
- h) **Decrease in cost of Palm Stearin by 56% or ₱2.3M**- the decrease is directly related to the decrease sale of palm stearin
- i) **Increase in cost of water services by 25% or ₱2.4M** – due to the additional costs related to the proportionate to the increase in sales

17% or ₱53.2M decrease in General, Administrative and Selling Expenses - due to the following net effect of:

- a) **12% or ₱10.8M decrease in Personnel expenses** - due to the decrease in manpower and other benefits in 2019
- b) **8% or ₱4.7M decrease in Marketing expenses** – due to the decrease in various sponsorships of events for ads and promotions and various training activities of accredited real estate brokers and agents of the parent company
- c) **24% or ₱8.1M decrease in Taxes and Licenses** – pertains to the decrease in documentary stamp taxes on loans in 2019 and application of tax credit with LGU
- d) **58% or ₱15.2M decrease in Outside Services** - due to the decrease in requirement on additional project
- e) **49% or ₱9.7M decrease in Professional Fees** – directly related to the decrease in consultancy services incurred by the group
- f) **52% or ₱8.6M increase in Depreciation** – due to increase wear and tear and usage of PPEs
- g) **10% or ₱1.5M decrease in Rental expense** – due to prepaid land rights reclassification to ROU asset in 2019; hence, a decrease in rent expense (from prepaid land rights)
- h) **22% or ₱2.4M decrease in Utilities and supplies** – due to the decrease in usage of utilities and supplies during the year.
- i) **33% or ₱3.2M decrease in Transportation and Travel**– directly related to the various site visitations for real estate projects, plantation operations and power group operations.
- j) **41% or ₱3.6M decrease in Retirement Benefits expense**
- k) **8% or ₱0.4M decrease in Repairs and Maintenance** – due to the decrease in cost of repairs and maintenance during the year.
- l) **74% or ₱1.6M decrease in Insurance** – due to reduction of properties and units insured
- m) **37% or ₱0.5M decrease in Board Meeting expenses** – due to the decrease in the number of meetings conducted by the Board of Directors and Board Committees including various materials and other expenses incurred related to board meetings and annual reports in 2019.
- n) **30% or ₱0.4M decrease in Director Fees** – directly related to the per diem paid to directors on various directors' meetings conducted during the year.
- o) **2% or ₱0.4M increase in Others** – pertain to expenses arising from business and research development and software maintenance

51% or ₱128.2M increase in Share in net income (loss) of associates – this pertains to the group's 20% share on the net income of associates, e.g. PCPC and Peakpower Energy, Inc. totaling to P380.4M, dividends of 182.2M and 33.33% share in the net loss of EWRTC

293% or ₱48.8M increase in Gain on sale of equity instruments at fair value through profit and loss (EIFVPL) – this pertains to the sale of equity instruments that are classified as EIFVPL in 2018 upon adoption of PFRS 9

100% or ₱14.7M decrease in Unrealized foreign exchange gain (loss) – this pertains to the related to the foreign exchange gain translation

25% or ₱4.4M increase in Impairment Loss – this pertains to the impairment of bearer plants-trees

73% or ₱61M decrease in Interest Expense – directly related to the group's various loan availment

41% or ₱14.3M decrease in Other Income - net – due to the net effect of the following:

- a) **Decrease in Management fees income by 100% or ₱16.0M** – due to the fee received to manage the business operations and administer the associate's affairs received in 2018
- b) **Decrease in Income from forfeited deposits by 78% or ₱4.6M** – foreclosed accounts in 2019 is lower compared to that of last year.
- c) **Increase in Gain (loss) on sale of Investment Property by ₱5.1M** – this pertains to sale of investment property in 2019
- d) **Increase in Gain (loss) on disposal of PPE by 190% or ₱509k** – this pertains to scrap sales
- e) **Increase in Interest income by 20% or ₱460k** – due to the increase in the in-house financing of real estate sales this year as compared last year.
- f) **Decrease in Rental income by 100% or ₱905k** – due to the sale of an Investment Property for lease in 2017 and no rental income in 2019.
- g) **Increase in Other income by 15% or ₱1.1M** – income from tapping fees due to increase turn-over of units; transfer fees and other water charges

Key Performance Indicator

| Financial Ratios Consolidated Figures | Audited 12/31/2019 | Audited 12/31/2018 |
|---|-----------------------|-----------------------|
| Current ratio ¹ | 2.45:1 | 1.73:1 |
| Current Debt to Equity Ratio ² | 0.33:1 | 0.46:1 |
| Total Debt to Equity ratio ³ | 0.53:1 | 0.57:1 |
| Return on Assets ⁴ | 8.56% | 5.42% |
| Return on Equity ⁵ | 13.26% | 8.66% |

¹Current assets/Current liabilities

²Current liabilities/Stockholders' equity

³Total liabilities/Stockholders' equity

⁴Net income/Average Total assets

⁵Net income/ Average Stockholders' equity

Prior Period (2018 & 2017) Operational and Financial Information

Financial Condition

| In Thousand Pesos | | | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|-------------------------------|------------------|-------------------------------|--|------|-------------------|-------------------------------|
| | Audited 2018 | Audited 2017 (as restated) | Amount | % | Audited 2018 | Audited 2017 (as restated) |
| Current Assets | 2,751,435 | 2,319,539 | 431,896 | 19% | 50% | 45% |
| Noncurrent Assets | 2,714,791 | 2,871,460 | (156,669) | -5% | 50% | 55% |
| Total Assets | 5,466,226 | 5,190,999 | 275,227 | 5% | 100% | 100% |
| Current Liabilities | 1,613,834 | 1,414,899 | 198,935 | 14% | 30% | 27% |
| Noncurrent Liabilities | 363,676 | 598,077 | (234,400) | -39% | 7% | 12% |
| Capital | 3,488,716 | 3,178,023 | 310,693 | 10% | 64% | 61% |
| Total Liabilities and Capital | 5,466,226 | 5,190,999 | 275,227 | 5% | 100% | 100% |

A Brown Company - CONSOLIDATED

Balance Sheet items – December 2018 vs. December 2017

The Group's total assets increased by 5% or **₱275.2 million**, from a balance of **₱5.2 billion** as of end of the year 2017 to **₱5.5 billion** as of December 31, 2018.

Current Assets increased by 19% or P431.9 million as a result of the net effect of the following:

19% or P18.1M decrease in Cash – due to the net effect of the net cash provided by operating and investing activities and net cash used by financing activities.

37% or P103.2M increase in Current Portion of Receivables and Contract Assets due to the net effect of:

- a.) **P310.8M increase in contract assets** – due to classification of land portion of sold inventories
- b.) **P80.0M increase in dividend receivable** – due to the declaration of dividends by an associate
- c.) **87% or P290.3M decrease in installment contract receivables on sale of real estate** – due to classification of land portion of sold inventories per PIC Q & A No. 2018-12 and PIC Q & A No. 2018-14
- d.) **302% or P33.8M increase in Trade Receivable** – directly related from the receivable from water service and sale of crude palm oil (CPO), palm olein, palm stearin and other palm products
- e.) **13% or P10.0M increase in other receivables** - various advances to suppliers and contractors

18% or P248.7M increase in Real estate held for sale – due to the net effect of the development of four (4) new projects as against units sold in all projects

6% or P5.4M decrease in Inventories – due to higher inventory turn-over of crude palm oil

19% or P53.5M decrease in Prepayments and other current assets – due to the net effect of:

- a.) 8% or P8.5M increase in deposit for land acquisition – as a result of installment payments to the sellers of land where sales contracts have yet to be executed
- b.) 23% or P19.3M decrease in creditable withholding taxes – as a result of utilization of creditable withholding taxes.
- c.) 56% or P28.8M decrease in input VAT - due to utilization of input VAT against output VAT
- d.) 3% or P0.8M increase in prepaid expenses – directly related to increase in prepaid expenses made by the group during the year
- e.) 30% or P2.8M increase in prepaid commission – directly related to increase pre-payments of commission to brokers and marketing agents
- f.) 7% or P0.3M decrease in other refundable deposits

47% or P76.3M decrease in Advances to a related party – this pertains to the settlement of related party transactions made during the year

P233.2M increase in Equity Instruments at Fair Value through Profit and Loss (EIFVPL) – this pertains to the new classification of equity financial instruments upon adoption of PFRS 9

Non-Current Assets decreased by 5% or P156.7 million as a result of the net effect of the following:

29% or P41.0M increase in Non-current portion of receivables-net – due to the sale of four (4) new projects

100% or P457.0M decrease in Available-for-sale investments – this pertains to the new classification of equity financial instruments upon adoption of PFRS 9

P168.6M increase in Equity Instruments at Fair Value through Other Comprehensive Income (EIFVOCI) – this pertains to the new classification of equity financial instruments upon adoption of PFRS 9

15% or P159.1M increase in Investment in Associates – due to the Group's share/equity in the net profit of associates which is higher as compared to dividend received and/or receivable during the year

36% or P66.2M decrease in Investment Properties – due to the effect of the transfer of land held for capitalization to real estate held for sale

2% or P21.8M decrease in Property, Plant and Equipment - net due to the net effect in:

- a.) 5% or P4M decrease in Leasehold improvements – net due to depreciation
- b.) 5% or P18M decrease in Bearer Plants – net due to depreciation and impairment of bearer plants-trees
- c.) P4k decrease in RBD and Fractionation Machineries - net due to depreciation
- d.) 15% or P1.7M decrease in Building and Improvements - net due to depreciation

- e.) 5% or ₱6.4M decrease in Machinery and Equipment- net due to higher depreciation as compared to new additions and disposal
- f.) 3.5% or ₱1.5M increase in Construction in progress – due to additions to the cost of construction
- g.) 37% or ₱7.8M increase in Other equipment – net due to new purchases is higher than the depreciation and disposal

67% or ₱25.9M decrease in Deferred Tax Assets – directly related to the decrease in the net operating loss carry over (NOLCO) and decrease in tax effect of retirement liability of the group during the year.

67% or ₱45.5M increase in Other Non-current assets – due to the increase in refundable deposits

Current liabilities increased by 14% of ₱199.0 million as a result of the net effect of the following:

28% or ₱115.0M increase in Accounts payable and accrued expenses – primarily due to the net effect of the following:

- a.) 17% or ₱60.1M increase in trade accounts payable
- b.) 117% or ₱23.6M increase in accrued expenses
- c.) 247% or ₱23.0M increase in output VAT
- d.) 13% or ₱2.9M increase in retention payable
- e.) 46% or ₱3.7M increase in statutory payables
- f.) 41% or ₱2.9M increase in accrued interest payable
- g.) 16% or ₱1.1M decrease in other payables

20% or ₱11.2M increase in Contract liabilities and Deposit from Customers – due to the net effect of the new sales reservations of four (4) new projects and increase in book sales settled through end buyer's financing.

26% or ₱142.5M increase in Short term Debt – due to the net effect additional loan availed and payments made by the group during the year

18% or ₱69.9M decrease in Current portion of long-term debt – effect on the current year due against paid in 2018

Non-Current liabilities decreased by 39% or ₱234.4 million as a result of the net effect of the following:

45% or ₱225.0M decrease in Non-current portion of long-term debt – due to the net effect of the repayments, decrease in long term loans availed and reclassification of the principal amount that will be due within one year.

26% or ₱6.9M increase in Retirement liability – as a result of the actuarial valuation of the retirement benefit obligation of the existing employees

22% or ₱16.3M decrease in Deferred tax liabilities - due to the decrease in the tax effect of sales on deferred payment scheme and the adoption of PFRS 15.

Equity increased by 10% or ₱310.7 million as a result of the net effect of the following:

40% or ₱76.1M increase in Cumulative unrealized loss of AFS investments and EIFVOCI – due to the decrease in market value of available for sale investments

150% or ₱388.6M increase in the Retained Earnings – the increase pertains to the net income of the group (₱288.8M)

16% or ₱1.8M decrease in the Other Components of Equity – due to the net effect of the following:

- **32% or ₱4.8M decrease in Cumulative re-measurement loss on retirement benefits** – related to the actuarial valuation of retirement benefits obligation
- **189% or ₱6.6M decrease in Cumulative translation adjustment** – related to the exchange differences in foreign currency translation

Results of Operation

| In Thousand Pesos | | | | Horizontal Analysis Increase (Decrease) | | | | Vertical Analysis | | |
|---|-----------------|-----------------|-----------------|--|--------|------------------------|-------|-------------------|-----------------|-----------------|
| | Audited 2018 | Audited 2017 | Audited 2016 | Amount 2018 vs 2017 | % | Amount 2017 vs 2016 | % | Audited 2018 | Audited 2017 | Audited 2016 |
| Real estate sales | 705,186 | 470,335 | 352,538 | 234,850 | 50% | 117,797 | 33% | 85% | 85% | 73% |
| Sale of agricultural goods | 100,440 | 62,845 | 113,740 | 37,596 | 60% | (50,895) | -45% | 12% | 11% | 23% |
| Water service income | 20,442 | 18,245 | 17,791 | 2,197 | 12% | 453 | 3% | 2% | 3% | 4% |
| REVENUES | 826,068 | 551,425 | 484,069 | 274,643 | 50% | 67,355 | 14% | 100% | 100% | 100% |
| Cost of real estate sales | 293,666 | 235,024 | 168,539 | 58,642 | 25% | 66,484 | 39% | 36% | 43% | 35% |
| Cost of agricultural goods sold | 82,826 | 50,887 | 90,551 | 31,939 | 63% | (39,664) | -44% | 10% | 9% | 19% |
| Cost of water service income | 9,625 | 7,643 | 5,431 | 1,983 | 26% | 2,212 | 41% | 1% | 1% | 1% |
| COST OF SALES AND SERVICES | 386,117 | 293,553 | 264,520 | 92,564 | 32% | 29,032 | 11% | 47% | 53% | 55% |
| GROSS PROFIT | 439,951 | 257,872 | 219,549 | 182,079 | 71% | 37,470 | 21% | 53% | 47% | 45% |
| General, Administrative and Selling Expenses | 318,401 | 253,654 | 178,596 | 64,748 | 26% | 75,057 | 42% | 39% | 46% | 37% |
| Share in net income (loss) of associates | 252,093 | 92,018 | (85,627) | 160,075 | 174% | 177,645 | -207% | 31% | 17% | -18% |
| Gain on sale of AFS investments | - | 265,838 | - | (265,838) | -100% | 265,838 | | 0% | 48% | 0% |
| Gain on sale of EIFVPL | 50,039 | - | - | 50,039 | | - | | 6% | 0% | 0% |
| Unrealized foreign exchange gain (loss) | 14,705 | 347 | (71) | 14,358 | 4133% | 418 | -589% | 2% | 0% | 0% |
| Impairment loss | (17,560) | - | - | (17,560) | | - | | -2% | 0% | 0% |
| Interest expense | (84,031) | (85,542) | (102,197) | 1,511 | -2% | 16,655 | -16% | -10% | -16% | -21% |
| Other income-net | 12,033 | 18,906 | 104,847 | (6,873) | -36% | (85,941) | -82% | 1% | 3% | 22% |
| Other Income (Expenses) | 227,280 | 291,567 | (83,048) | (64,287) | -22% | 374,615 | -451% | 28% | 53% | -17% |
| Income (Loss) Before Income Tax | 348,830 | 295,786 | (42,095) | 53,044 | 18% | 337,881 | -803% | 42% | 54% | -9% |
| Provision for (Benefit from) Income Tax | 60,074 | (3,796) | 34,712 | 63,870 | -1682% | (38,508) | -111% | 7% | -1% | 7% |
| NET INCOME (LOSS) | 288,756 | 299,582 | (76,807) | (10,826) | -4% | 376,389 | -490% | 35% | 54% | -16% |
| Remeasurement gain (loss) on defined benefit plan-net of tax | 4,806 | (1,212) | 9,669 | 6,019 | -496% | (10,882) | -113% | | | |
| Exchange difference in foreign currency translation | (6,585) | 3,480 | - | (10,065) | -289% | 3,480 | | | | |
| Net change in fair value of EIFVOCI and AFS investments | 28,900 | (613,818) | 273,458 | 642,718 | -105% | (887,276) | -324% | | | |
| OTHER COMPREHENSIVE INCOME (LOSS) | 27,122 | (611,550) | 283,127 | 638,672 | -104% | (894,677) | -316% | | | |
| TOTAL COMPREHENSIVE INCOME (LOSS) | 315,878 | (311,968) | 206,320 | 627,846 | -201% | (518,288) | -251% | | | |

**A Brown Company - CONSOLIDATED
Results of Operations
For the Year Ended December 31, 2018**

The consolidated financial statements for the year ending December 31, 2018 resulted to an after tax net income of **₱288.9 million** compared to a **₱299.6 million** net income of last year due to the net effect of the following:

50% or ₱274.6M increase in Revenues due to:

- a.) Increase in Real estate Sales by 50% or ₱234.9M** - Sales in 2018 were mostly high end and economic units compared to last year which were mostly economic and socialized housing units
- b.) Increase in Sales of crude palm oil by 158% or ₱46.1M** – this is due to the increase in quantity sold by 149% or 1,464 metric tons, from a volume of 983 metric tons in 2017 to 2,446 metric tons in 2018; the average selling price increased by **₱1,113** per metric ton from **₱29,628** per metric ton last year to **₱30,740** per metric ton in 2018.
- c.) Decrease in Palm Fatty Acid Distillate Sales by 85% or ₱2.1M-** – this is due to the decrease in quantity sold by 19% or 122 metric tons, from a volume of 140 metric tons in 2017 to 18 metric tons in 2018; the average selling price increased by **₱3,487** per metric ton from **₱17,936** per metric ton last year to **₱21,423** per metric ton in 2018.
- d.) Increase in RBDO Sales by 55% or ₱2.3M-** this is due to the increase in quantity sold by 58% or 60 metric tons, from a volume of 105 metric tons in 2017 to 165 metric tons in 2018; the average selling price decreased by **₱606** per metric ton from **₱40,000** in 2017 to **₱39,394** per metric ton in 2018
- e.) Decrease in Palm Olein Sales- net by 52% or ₱9.2M** – this is due to the decrease in quantity sold by 23% or 62 metric tons, from a volume of 266 metric tons in 2017 to 204 metric tons in 2018; the average selling price decreased by **₱24,915** per metric ton from **₱66,026** per metric ton in 2017 to **₱41,111** per metric ton in 2018. CPO and RBDO were sold in its stead rather than further process to palm olein and palm sterin.
- f.) Increase in Palm Stearin Sales by 4% or ₱0.2k** - this is due to the decrease in quantity sold by 11% or 20 metric tons, from a volume of 181 metric tons in 2017 to 161 metric tons in 2018; the average selling price increased by **₱4,296** per metric ton from **₱25,164** per metric ton in 2017 to **₱29,461** per metric ton in 2018
- g.) Increase in Kernel Nuts by 51% or ₱1.1M** - this is due to the increase in quantity sold by 55% or 80 metric tons, from a volume of 145 metric tons in 2017 to 225 metric tons in 2018; the average selling price decreased by **₱341** per metric ton from **₱14,205** per metric ton in 2017 to **₱13,945** per metric ton in 2018
- h.) Decrease in sale of Palm acid oil by 25% or ₱0.7k** - this is due to the decrease in quantity sold by 29% or 81 metric tons, from a volume of 283 metric tons in 2017 to 202 metric tons in 2018; the average selling price increased by **₱508** per metric ton from **₱9,810** per metric ton in 2017 to **₱10,317** per metric ton in 2018
- i.) Increase in Sales from water services by 12% or ₱2.2M** due to the increase in the turn-over of units

32% or ₱92.6M increase in Cost of Sales and Services due to:

- a.) 25% or ₱58.6M increase in cost of real estate** – the increase is relatively due to sales of high end and economic units during the year as compared to economic and socialized units in 2017 with relatively lower costs
- b.) 128% or ₱34.6M increase in cost of production of Crude palm oil** – the increase is relatively due to the proportionate increase in sales of crude palm oil
- c.) Decrease in cost of Palm Fatty Acid Distillate by 83% or ₱1.2M** - the decrease is relatively to the proportionate to the decrease in sales of palm fatty acid distillate
- d.) Increase in cost of Kernel Nuts by 105% or ₱1.4M** - the increase is relatively due to proportionate increase in sales of kernel nuts
- e.) Increase in cost of RBDO by 51% or ₱1.8M--** the increase is relatively due to proportionate increase in sales in RBDO
- f.) Decrease in cost of Palm Acid Oil by 22% or ₱0.5M** – the decrease is directly related to the proportionate decrease sale of palm acid oil
- g.) Decrease in cost of Palm Olein by 23% or ₱1.2M** - the decrease is directly related to the decrease sale of palm olein

- h.) Decrease in cost of Palm Stearin by 12% or ₱0.5M-** the decrease is directly related to the decrease sale of palm stearin
- i.) Increase in cost of water services by 26% or ₱2.0M** – due to the additional costs related to the proportionate to the increase in sales

26% or ₱64.7M increase in General, Administrative and Selling Expenses - due to the following net effect of:

- a.) 38% or ₱25.7M increase in Personnel expenses** - due to the increase in manpower and other benefits in 2018
- b.) 30% or ₱12.8M increase in Marketing expenses** – due to the increase in various sponsorships of events for ads and promotions and various training activities of accredited real estate brokers and agents of the parent company
- c.) 2% or ₱0.7M decrease in Taxes and Licenses** – pertains to the decrease in documentary stamp taxes on loans in 2018 and application of tax credit with LGU and there was issuance of stock dividends in 2017
- d.) 47% or ₱8.3M increase in Outside Services** - due to the increase in requirement due to additional project
- e.) 16% or ₱3.8M decrease in Professional Fees** – directly related to the various consultancy services incurred by the group
- f.) 40% or ₱4.7M increase in Depreciation**
- g.) 94% or ₱7.2M increase in Rental expense** – pertains to the escalation of rates related to the office spaces occupied by the parent company
- h.) 30% or ₱2.6M increase in Utilities and supplies** – due to the increase in usage of utilities and supplies during the year.
- i.) 3% or ₱0.3M increase in Transportation and Travel**– directly related to the various site visitations for real estate projects, plantation operations and power group operations.
- j.) 65% or ₱3.4M increase in Retirement Benefits expense**
- k.) 7% or ₱0.3M increase in Repairs and Maintenance** – due to the increase in cost of repairs and maintenance during the year.
- l.) 23% or ₱0.4M increase in Insurance** – due to additional properties and units insured
- m.) 66% or ₱0.5M increase in Board Meeting expenses** – due to the increase in the number of meetings conducted by the Board of Directors and Board Committees including various materials and other expenses incurred related to board meetings and annual reports in 2018.
- n.) 41% or ₱0.9M decrease in Director Fees** – directly related to the per diem paid to directors on various directors' meetings conducted during the year.
- o.) 29% or ₱0.2M increase in Subscription and Dues**
- p.) 36% or ₱0.2M increase in Entertainment, Amusement and Recreation** – this refers to the cost of providing comfort/convenience (e.g. meals) to the prospective clients.
- q.) 42% or ₱0.3M increase in Training and Seminars** – due to the more training and seminars conducted and attended during the year.
- r.) 29% or ₱17k increase in Bank Charges** – this pertains to the charges related to borrowings.
- s.) 100% or ₱21K increase in Bad Debts** – this is related to bad debts recorded in 2017
- t.) 26% or ₱3.1M increase in Others** – pertain to expenses arising from business and research development and software maintenance

174% or ₱160.1M increase in Share in net income (loss) of associates – this pertains to the group's 20% share on the net income of associates, e.g. PCPC and Peakpower Energy, Inc. totaling to ₱252.1M, dividends of 93M and 33.33% share in the net loss of EWRTC

100% or ₱265.8M decrease in Gain on sale of available-for-sale investments – this pertains to the sale of investment in stocks in 2017

₱50.0M increase in Gain on sale of equity instruments at fair value through profit and loss (EIFVPL) – this pertains to the sale of equity instruments that are classified as EIFVPL in 2018 upon adoption of PFRS 9

4133% or ₱14.4M increase in Unrealized foreign exchange gain (loss) – this pertains to the related to the foreign exchange translation

₱17.6M increase in Impairment Loss – this pertains to the impairment of bearer plants-trees

2% or ₱1.5M decrease in Interest Expense – directly related to the group’s various loan availment

36% or ₱6.9M decrease in Other Income - net – due to the net effect of the following:

- a.) **Increase in Management fees income by ₱16.0M** – due to the fee received to manage the business operations and administer the associate’s affairs
- b.) **Increase in Income from forfeited deposits by 24% or ₱1.1M** – foreclosed accounts in 2018 is higher compared to that of last year’s.
- c.) **Increase in Gain (loss) on disposal of PPE by 10,098% or ₱3.0M** – this pertains to scrap sales
- d.) **Decrease in Interest income by 64% or ₱4.1M** – due to the increase in end buyer’s financing by the bank leading to decrease in the in-house financing of real estate sales.
- e.) **Decrease in Rental income by 58% or ₱1.2M** – due to the sale of an Investment Property for lease in 2017.
- f.) **Increase in Unrealized loss on EIFVPL by ₱23.3M** – this pertains to the loss in market value of equity instruments that are classified as EIFVPL in 2018 upon adoption of PFRS 9
- g.) **Increase in Other income by 29% or ₱1.6M** – income from tapping fees due to increase turn-over of units; transfer fees and other water charges

Key Performance Indicator

| Financial Ratios Consolidated Figures | Audited 12/31/2018 | Audited 12/31/2017 |
|---|-----------------------|-----------------------|
| Current ratio ¹ | 1.70:1 | 1.64:1 |
| Current Debt to Equity ratio ² | 0.46:1 | 0.45:1 |
| Total Debt to Equity ratio ³ | 0.57:1 | 0.63:1 |
| Return on Assets ⁴ | 5.42% | 5.56% |
| Return on Equity ⁵ | 8.66% | 9.67% |

The December 31, 2017 figures are based on the restated amount in the 2018 Audited Consolidated FS.

¹Current assets/Current liabilities

²Current liabilities/Stockholders’ equity

³Total liabilities/Stockholders’ equity

⁴Net income/Average Total assets

⁵Net income/ Average Stockholders’ equity

Material Event/s and Uncertainties

The Company has no other events to report on the following:

- a) Any known trends, demands, commitments, events or uncertainties that will have a material impact on its liquidity.
- b) Any material commitments for capital expenditures.
- c) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
- d) Any significant elements of income or loss that did not arise from the issuer’s continuing operations.
- e) Any seasonal aspects that had a material effect on the financial condition or results of operations.
- f) Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation
- g) All material off-balance sheet transactions, arrangement, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

Prospects of Real Property Development:

Real estate is and will still continue to be a good investment at all economic levels of society (Villegas, 2020). As shelter is one of the three basic necessities of human beings including food and clothing.

There is still a demand for low-cost and economic housing. Households of low-middle income and middle-middle income are the potential buyers. Many of these households are dependent on the foreign exchange remittances from relatives working overseas. Despite the displaced OFWs who have returned to the country due to the pandemic, there still continues to be close to 10 million abroad who are expected to send remittances in 2020.

OFW remittances are expected to bounce back after the pandemic is put under worldwide control. And Philippines population with a 1.6% growth shall be factors to increase housing demand.

For the upper middle-income households, they are markets for lots only. They also buy house and lots units to either acquire their own homes or invest for these units to be rented out. They are the market to be watched out for in 2020 and 2021 because a great deal of them had businesses who suffered from the pandemic.

The real estate sector is still a major contributor to employment and income growth as it continues to be an attractive choice of investment for both domestic and foreign investors. Looking at the young and growing population, the transition of the country from a low-middle income economy to a high-middle income one, and, the expansion of economic activities to the provinces are some of the reasons for this bullish outlook on the real estate sector.

There is a huge unmet demand for housing thus the local real estate market is seen to be resilient. In a downturn, real estate market will naturally correct itself and will be picking up again. The demand for more than 6 million housing units is very clear (Soriano, 2020).

Real-estate investment trusts or REITs, helping to democratize the Philippine property market by allowing smaller investors to participate in high-value real-estate assets, shall pick up (Santos Knight Frank, 2020).

And more developers will be environmentally conscious which are basic attractions for people who prefer the low-density areas coupled with green, open spaces.

High demand and low interest rates will benefit the residential market greatly once things go relatively back to normal (Colliers International Philippines, 2020).

Sources:

The Resilience of the Real Estate Industry In The Face of the Pandemic, editorial Business Mirror, April 2020
Prospects for the Real Estate Sector, Business Inquirer, September 2020

However, despite the annual increase in real estate developments, the Philippine housing backlog is still high. Industry players foresee that this may even increase in the next years through 2030 if the demand for socialized houses or mass houses in particular is not addressed. Sixty-seven percent (67%) of the housing needs in the country are economic and socialized houses. Demand for low cost and socialized housing is actually increasing faster than what the developers can deliver.

New Housing Need, 2012-2030

| Market Segment | Price Range | Units Needed | % of TOTAL Need |
|-----------------------------------|--------------------|---------------------|------------------------|
| Can't Afford/Needs Subsidy | 400K & below | 1,449,854 | 23% |
| Socialized Housing | 400K & below | 1,582,497 | 25% |
| Economic Housing | 400K – 1.25M | 2,588,897 | 42% |
| Low Cost Housing | 1.25M – 3M | 605,692 | 10% |
| Mid Cost Housing | 3M – 6M | No need | |
| High End Housing | > 6M | No need | |
| TOTAL Need | | 6,226,940 | |

Total New Need Average: **345,941** housing units per year

Estimated Backlog by 2030*

| | |
|---|-----------|
| Those who can't afford | 832,046 |
| Backlog, as of 2011 | 3,087,520 |
| Total Housing Backlog, as of 2011 | 3,919,566 |
| New Housing Need, 2012-2030 (345,941 units/yr X 18 yrs.) | 6,226,540 |
| Housing Production Capacity (200,000 units/yr X 18 yrs.) | 3,600,000 |
| Backlog by 2030 | 6,546,106 |

**If no special housing program is created.*

Source: <http://industry.gov.ph/industry/housing/>

Plan of Action

Short Term Prospects

Real Property Development:

Being at the forefront in real estate development in Mindanao, the management and the Board of ABCI will continue to pursue its real estate projects in key cities in the Land of Promise. Overtime, ABCI was able to build a reputation and credibility to deliver first class development. It has created a niche in Mindanao and has carved a name to beckon with when it comes to property development. It shall take advantage of the continuous demand in Xavier Estates lots since it is still the preferred place due to its aura. Xavier Estates Phase V-A Ventura Residences offered Ventura Lane and Clusters B&C for the lot-only market. The strongest factor especially among the OFWs and foreigners married to a Filipino are its tree-lined streets now fully-grown, its in-house water system, strict security system, the largest clubhouse in Mindanao as well as having a luxurious view of nature on top of a plateau. Teakwood sales are beginning to pick-up and are also the preferred place compared to its competitors due to its magnificent location which is overlooking the Macajalar Bay. Coral Resort Estates is gaining popularity among local residents due to the tranquility the water front offers. Adelaida Park Residences is ABCI's response to the growing demand for economic house and lot packages. The project gained edge because of its ridgeview linear park and single houses sufficiently spaced from each other. Mountain View Homes Phase 2 attracted teachers, government employees and managers. ABCI will continue to focus on increasing revenue generation and profit through innovation by introducing new products and services that would meet customer expectations and satisfaction, reduction of costs and expenses, and increasing efficiency in its operations to continuously provide the growth of shareholder value. Through its subsidiaries' diversified ventures, it will keep on pursuing businesses which will eventually replace the adhesive and chemical business ABCI was known for.

Cagayan de Oro City projects:

Teakwood Hills: Horizontal development has three (3) phases. Phase 1 & 2 are expected to produce a total of 543 saleable lots after an alteration has been made for the development area of 40 and 5.2 hectares, respectively. Phase 1 is 81% complete while Phase 2 is 100% complete.

On the other hand, **Xavierville Homes** is already 100% complete as to horizontal works. There were 131 saleable lots that were subdivided from the 4.8 hectares of development.

Xavier Estates Phase 5A – Ventura Residences is 100% complete. Cluster A is subdivided to produce 130 saleable house and lot packages which were already completed. Cluster B and C also provided 139 saleable lots. **Ventura Lane** on the other hand is already 100% developed, it offers 30 lots with cuts starting at 250sq.m. Clusters B & C have lot cuts at 110 sq.m.

Xavier Estates Phase 5B – Ventura Residences II also features house and lot units and prime lots. Located at the back of Ventura Residences I, this second phase have the identical house colors of orange and cream as the first phase. House and Lot units are single detached with a lot area of 110 to 170 sq.m. and floor area of 80

sq.m.. Prime lots with lot cuts of 110 to 500 sq.m. are located by the ridge. Its horizontal development is 100% complete while its vertical construction is at 93% complete. The project has 74 units with 33 already complete and 17 are in progress.

ABCI launched **Adelaida Park Residences**, located in Upper Balulang, Cagayan de Oro. Economic house and lot units are sold in 90sq.m. lot area with floor area of 60 sq.m. and single detached houses in 115-161 sq.m. of 65.5 sq.m. Total development area is 4.4 hectares with a total of 215 saleable units. Its horizontal development is 100% complete while its vertical construction is at 90% complete.

Xavier Estates Phase 6 – Ignatius Enclave features house and lot units and prime lots. House and Lot units are single detached with lot area of 110 to 120 sq.m. and floor area of 60 sq.m. Prime lots have lot cuts of 250 to 400 sq.m. Its horizontal development is 100% complete while its vertical construction is at 74% complete.

The Terraces in Xavier Estates highlights prime cascading ridge lots of 180 to 400 sq.m. in size. Located in the terraces-like land configuration, this area commands a 180-view of the city of Cagayan de Oro and the mountains of Bukidnon and is low dense with less than 46 lots for sale. Its horizontal development is 52% complete.

Socialized Housing project:

St. Therese Subdivision located in mid- Balulang, Cagayan de Oro is a 1.67-hectare socialized housing that will provide 155 lots of which 91 lots have row houses with lot area of 50 sq.m. while 38 units are duplexes and 26 are single-attached with lot area of either 68 sq.m. or 75 sq.m.

Mountain View Homes Phase 1 is located in mid-Balulang, Cagayan de Oro City. This has a development area of 2.3 hectares with 216 saleable house and lots. Project development is 100% accomplished with amenities.

Mountain View Homes Phase 2 with 1.3 hectares development area, it offers 83 saleable houses and lot units. The row houses have lot area of 50 sq.m. and floor area of 26sq.m. while single detached units for economic housing have a lot area of 75-143 sq.m. and floor area of 36-38 sq.m.

Mangoville. The “Sosyal Socialized Housing” project of A Brown Company located in Barangay Agusan, Cagayan de Oro features duplex house designs and with own parking space; with 10-meter wide main roads and 8-meter wide inner roads; with guardhouse and perimeter fence; and with an elevation of 169 meters above sea level overlooking Macajalar Bay. Mangoville is built on a 3.5 hectares area with a total of 235 housing units. Each unit of the duplex house has a lot area of 67.5 sq. m. and a floor area of 22 sq.m. Its horizontal development is 95% complete while its vertical construction is at 81% complete.

Misamis Oriental project:

Another residential development is located in Initao, Misamis Oriental with a total land area of 10 hectares. This development, **Coral Resort Estates** is currently working on its Phase 1 with two clusters. Cluster A has 40 saleable lots and 2 house and lot units with a development area of 2.5 hectares. Cluster B has developmental area of 2.9 hectares with 40 saleable lots. As of the end of the year, 100% has already been accomplished for Cluster A and Cluster B is already 100% done.

Butuan project:

West Highlands Phase 1 is a residential estate located in Brgy. Bonbon, Butuan City with a total development area of 25.9 hectares. Phase 1 of the project is expected to generate 322 saleable lots. The project development is 100% accomplished with spillway, concrete barrier, riprap and spine road.

In October 2017, **West Highlands Phase 2** was launched. West Highlands Phase 2 is a community located beside holes Number 5, 6, 7, 8 of the West Highlands Golf Club. Lot cuts range from 350 sq.m. to 717 sq.m. for Fairway Lots; while Inner Fairway Lots range from 219 sq.m. to 344 sq.m. The project development is 96% done.

Medium to Long-Term Prospects.

Real Property Development:

There is a rise in the demand of housing requirements for middle income, starter families and single market. To address these markets, ABCI intends to develop socialized and economic housing in Cagayan de Oro City.

The Uptown Metropolis located in the east side of Xavier Estates shall soon rise. It shall have a space for a commercial mall, shoppe houses, town houses, condominium and a central business district. This plan shall soon put the uptown area of Cagayan de Oro City in the new places to be.

PROSPECTS OF PALM OIL:

The palm oil industry is a promising enterprise as the palm oil continuously being considered as the most important tropical vegetable oil in the global oils and fats industry, in terms of production and trade.

Citing a study published by the University of Asia and the Pacific, Mindanao Economic Development Council (Medco) said palm oil's domestic demand will continue to increase 5 percent a year in the next 10 years to 2020. (<http://ppdci.org/?p=20>)

According to industry estimates, the current local demand for palm oil is at 1,100,000 metric tons (MT). However, the country produces only an average of 300,000 MT a year. This means the Philippines imports as much as 800,000 MT of palm oil from Indonesia and Malaysia just to meet local demand.

Data from the PPDCI showed that the country's crude palm-oil production in 2014 increased by 10.67 percent to 135,000 MT, from 122,000 MT in 2013. Production in 2015 & 2016 grew by 137,000 MT and 155,000 MT respectively, as the low price of oil palm slightly discouraged farmers from planting the crop.

For 2017, the price of oil palm (fresh fruit bunch) reached P3,900 per MT, lower than the "comfortable" price of P5,000 per MT. The inventory was high, but the demand for palm oil declined last year, causing prices to fall (<http://www.businessmirror.com.ph/2016/06/07/pinol-eyes-palm-oil-regulatory-body/>).

Key industry players are positive about the bright prospects of increasing palm oil production in the world market not to mention the great demand from the domestic market and the prospect of eventually exporting palm oil globally. This growing demand presents an opportunity for ABERDI to expand its current crude oil capacity of 10 tons per hour to 30 tons per hour. This expansion requires an additional 2,800 hectares of oil palm plantation representing 50% of the additional requirement of 5,500 hectares. Suitable lands for expansion are available in Misamis Oriental and Bukidnon Provinces due to its strategic proximity to the mill. More importantly, these areas have adequate and ideal available land; in good climatic conditions; and has a vast potential area for oil palm plantation.

There are now seven (7) out of nine (9) milling plants in the country which are located in Mindanao. On top of this, two (2) additional milling plants are in the pipeline. Out of the nine (9) plants, two (2) have upgraded into refinery plants. ABERDI is the second next to Caraga Oil Refinery Inc. (CORI).

Plan of Action

To respond to the lack of adequate local production, the management has targeted to develop 2,000 hectares of oil palm plantation in Province of Bukidnon and Misamis Oriental areas through growership program. As of the end of 2020, about 3,699.085 (gross area) hectares were already acquired for development, of which almost 1,547.96 hectares were planted while about 1,697.53 hectares total area potential for planting. The company is anticipating the signing of agreements with local communities in Misamis Oriental and Bukidnon interested for its expansion program aggregating to 2,000 hectares. Due to the synergy and tax efficiency, ABERDI and Nakeen Corp. have applied for an Amended Articles and Plan of Merger as approved by its Board of Directors and shareholders.

ABERDI's refinery with fractionation machine is now operational in full capacity of 50 MT/day. Likewise, the company is producing Palm Olein, Palm Stearin and Palm Fatty Acid Distillate in bulk sales. In 2016, it has

already engaged in branding and packaging of premium cooking oil labelled as “Golden Belle”. Its products are now FDA and HALAL-certified.

The company’s strategic Route to Market design is divided into two (2) service packages. First service package is direct serve outlets which will cover industrial or food processing companies, supermarkets, hyper-marts, wholesalers, groceries, catering services, hotels and restaurants around Mindanao region. Second service package will be indirect serve outlets like sari-sari stores, traditional food outlets, mini marts, direct household consumptions or specials events markets will serve by our potential Trade Execution Partners (TRP). This Dealership System has good functional discounts plus variable incentive scheme. This will provide customers and consumers excellent service and good margin to the best quality products.

PROSPECTS OF POWER GENERATION:

Vision

The “Build, Build, Build” program of the Duterte administration serves as a guide of the Department of Energy (DOE) in its programs for 2020. This program emphasizes the crucial role of energy, particularly building sufficient capacity, as the key to sustaining the country’s economic growth.

At present, the country is still on its quest to obtain energy security and equity, considering the affordability and access of electric supply. However, the Philippine Power System remained generally stable and that the DOE will ensure the sustainable implementation of the rules and laws for the security of our energy supply through competition, access to bilateral markets, anti-monopoly measures, least-cost power, and the protection of the environment.

Demand and Forecast

Increase in energy demand are expected from the distinct growth in the industrial, commercial, and domestic sectors of the country. In addition, electrification continues—households in areas such as parts of Mindanao and Mindoro, which are not fully grid-connected, are likely to gain better access to electricity supply in the coming years with the target to reach 100% electrification across the Philippines by 2022.

By 2040, the country’s electricity demand is projected to grow by about 5% annually. And to meet this demand including reserve requirements, a total of 43,765 MW additional capacities must come online.

Peak electricity demand is predicted at 12,285 megawatts (MW) for Luzon; 2,519 MW for Visayas and 2,278 MW for Mindanao, for 2020, according to DOE.

With the additional 237MW on 2017—comprising of 63% coal, 33% solar, and 4% oil-based sources, the energy department is expecting that enough power reserves will meet the demand. In addition, 19,934 MW of capacity is still under development with committed and “indicative” projects until 2025.

Adequate power supply across all three grids—Luzon, Visayas, Mindanao, is forecasted assuming that nothing deviates from the projections based on planned outages, the maintenance program, and the historical peaks and these projected rise in demand by DOE.

Solutions

To solve the country’s energy security woes, DOE initiated the issuance of policies for resiliency, conducted of performance assessment and technical audit for all energy facilities, and reactivated the Inter-Agency Task Force on Securing Energy Facilities, among others.

DOE also called for the full cooperation of all industry stakeholders in monitoring and responding to the power demand-supply situations, they also encourage consumers to practice energy efficiency and conservation measures.

Coal Power Generation

Coal consumption in the Philippines is relatively high as the energy sector is highly reliant on coal-fired power plants. Coal power plants generated 46.8 million MWh in 2017, making up half of the country’s power generation mix.

According to forecasts, the share of coal power plants will increase from about 30% in 2010 to around 50% in 2030. This share will further increase to 65% by 2050 since the existing natural gas plants are retired in the future. Over 25% of 2050 capacity will be diesel. It is also assumed that all of electricity demand will be supplied through electricity grids in which plants are dispatched to minimize variable costs.

In conclusion, energy remains a crucial element in economic growth and development of any country. According to the National Economic and Development Authority (NEDA), the potential of the Philippines of reaching high-income status by 2040 provided the economy grows consistently by 7.0 percent annually.

Meanwhile, the Philippines scored 4.2 out of 7 in terms of sufficiency and reliability of power supply, as showed in a World Economic Forum report, and still showing great probability of improvement in the energy industry. Strong coordination among energy stakeholders, coupled with the additional power generation capacities, are paving way in responding to the challenges of the industry.

Sources: DOE, NGCP, ADB, NEDA, Philippine Star

Plan of Action

Coal-Fired Power Project:

As economic activities continue to expand in the Visayas, specifically in Panay, a need for a more stable and sufficient power supply situation is a must. The 2 x 135 MW coal-fired power plant project in Concepcion, Iloilo was developed due to the foreseen power capacity requirements in the Visayas region. The first unit of this new base load plant was designed to address the power supply requirements of the Visayas grid and provide a steady flow of power when it goes on line. Palm Concepcion Power Corporation (PCPC), the project proponent, constructed the power plant in 2013. The power plant is equipped with a steam turbine generator manufactured by Alstom of Europe.

PCPC started commercial operations of the first unit of the 135 MW Circulating Fluidized Bed Combustion (CFBC) power plant on August 16, 2016. It was inaugurated by the Philippine President Rodrigo R. Duterte in Malacañang on November 28, 2016. It is now delivering power supply to Panay, Negros, and the rest of Visayas.

Ten (10) distribution utilities and electric cooperatives have signed up with PCPC for their base load power capacity requirements in order to deliver reliable and stable power generation supply to industrial, commercial, and residential consumers.

For the second unit, requirements for the Environment Compliance Certificate (ECC) have been completed and were already submitted to the Department of Environment and Natural Resources (DENR).

The power plant takes pride with the capability of its CFBC Technology and the sound environmental measures being practiced in the power plant as it maintained its excellent emission performance vis-a-vis the DENR standards.

At present, PCPC is fulfilling its purpose by serving the needs of its customers, helping ensure that homes and businesses have dependable and uninterrupted power supply, which they can afford, as it continues to uphold its commitment to the environment and host communities.

Bunker-Fired Power Project:

Peakpower Energy, Inc. (PEI) was set up in 2013 to implement projects designed to generate peaking energy across various A+/Green rated electric cooperatives in Mindanao. These are Build-Operate-Transfer agreements for brand new bunker-fired engines, which will last for 15 years.

After signing a Power Purchase and Transfer Agreements for 20-megawatt of peaking power supply with South Cotabato II Electric Cooperative (SOCOTECO II) and 5-megawatt supply with Agusan del Sur Electric Cooperative (ASELCO) in 2013, the respective plants Peakpower Soccsargen, Inc. (PSI) and Peakpower San Francisco, Inc. (PSFI) are commercially operational, supplying the very much needed power capacities in their franchise areas.

Expansion of these two plants are also completed and has already declared their commercial operations last September 2017 and January 2018, respectively. A third plant, Peakpower Bukidnon, Inc. (PBI) which is a 2 x 5.2MW peaking plant and embedded to Bukidnon Second Electric Cooperative (BUSECO) declared commercial operations on March 2018, and was inaugurated a year after.

Recently, PEI officially appointed Wartsila Philippines Inc., a leading supplier of power solutions in the country, to operate the mobilization and maintain the facilities of PEI's three diesel power plants in Mindanao. On October 11, 2019, PEI and Wartsila Philippines Inc. signed an operations and maintenance contract agreement for all its three power plants.

Hydro Power Project:

Hydro Link Projects Corporation (HLPC) is ABCI's corporate vehicle in the development of hydroelectric power across the Philippines pursuant of ABCI's Vision of energizing the country through the development of hydropower resources. HLPC is currently pursuing the Carac-an Hydroelectric Project (CHP) in Cantilan, Surigao del Sur. It is a run-of-river type of hydroelectric development along the Carac-an River, the largest river stream around the Carac-an watershed area. This 16.3MW hydroelectric plant is HLPC's first foray in the renewable energy market under the auspices of ABCI.

Mindanao is rich in natural resources and has a huge potential for renewable energy, especially hydropower. The Carac-an Hydropower Project is in line with the objective of the government to accelerate the development of renewable energy resources and to achieve energy self-reliance to reduce the country's dependence on imported fuel.

The DOE has granted HLPC the Hydropower Service Contract for the exclusive right to explore, develop and utilize the hydropower potential of the Caracan River located in Barangay Lobo and Cabangahan, Municipality of Cantilan, Surigao del Sur. It is likewise the source of Cantilan National Irrigation System, however, the water for the irrigation system will not be affected by this project.

The project covers a drainage area of about 161 sq. km. measured at the proposed dam site. The result of the feasibility study shows that it would necessitate to build a diversion dam with a height of about 42 meters to attain the projected capacity and energy. The water will be diverted to a powerhouse located about four (4) kms downstream via a 4.4-km length of associated headrace and 140-m penstock. The powerhouse will be equipped with two (2) units of 8.15MW (2 x 8.15MW) of Francis Turbine for a total of installed capacity of 16.3MW with an estimated annual energy generation of about 78.9 GWh.

The output of the power station is proposed to be connected to the nearest sub-station of the Surigao del Sur Electric Cooperative II (SURSECO II), located in Madrid Sub-station. Currently SURSECO II has a peak demand of about 13MW. The excess power can be sold to other customer around the Mindanao Grid.

The proposed Project, being an indigenous source, can offer a very competitive energy price and is projected to help the stability of power in the area. In the economic terms, the Project can help in the environmental preservation and protection by displacing part of the energy generated by fossil-fired power plants.

The Project is also seen as an integral part of the economic development in the area and will further boost the economic and living condition of the constituents.

Along with the Hydropower Service Contract (HSC), the project has been granted its corresponding Certificate of Registration. After the Feasibility Study was completed, the project has been presented to the DOE as part of the process in its evaluation on the granting of the Certificate of Commerciality (COC).

The application for Water Permit has also been filed. In the application for water permit, NWRB requires the submission of "River System Ecological Study and Sustainability Plan." This additional requirement of NWRB will be included during the conduct of the environmental study.

Likewise, procurement for other permitting and approvals shall follow which include: Environmental Study, NCIP Clearance, Endorsement and Resolution of Support from LGUs, and Public Consultation. The acquisition of the above approvals is the requirement of DOE in order for the Project to advance to the next phase of project implementation which is the development/commercial stage.

Significant Change in the number of employees

The Brown Group of Companies foresees to maintain the number of employees. Hiring of employees will continue in the regular course of the business as the need arises.

External Audit Fees and Services

A) Aggregate fees billed for the calendar years 2020 and 2019 for the audit of financial statements:

| | <u>2020</u> | <u>2019</u> |
|--|-------------|-------------|
| 1) Regular Annual Audit of Financial Statements (inclusive of VAT) | P 1,360,800 | P 1,248,800 |
| 2) The nature of services comprising the fees includes the following: | | |
| a) Audit in accordance with generally accepted auditing standards. | | |
| b) Examination of the company's internal control structure for the purpose of establishing a basis for determining the nature, timing and extent of auditing procedures necessary for expressing an opinion. | | |
| c) Procedures designed to provide reasonable assurance of detecting errors and irregularities that are material to the financial statements. | | |
| d) Audit and Business Advisory | | |

The audit fee of the parent's ten (10) subsidiaries in 2020 and nine (9) subsidiaries in 2019 were P920,640 and P892,640, respectively.

B) Aggregate fees billed for the calendar years 2020 and 2019 for Tax Compliance Audit are as follows:

| | <u>2020</u> | <u>2019</u> |
|--|-------------|-------------|
| 1) Tax Compliance Audit (Inclusive of VAT) | P - | P - |
| 2) The nature of services comprising the fees includes the following: | | |
| a) In-depth review of company's records to ascertain compliance with the rules and regulations of the Bureau of Internal Revenue and the local government; | | |
| b) Review completeness of documents for BIR and local government purposes; | | |
| c) Evaluation of income and business tax positions based on past and current operations to determine tax savings and/or exposures; | | |
| d) Recommend corrective measures to ensure compliance with tax laws; and | | |
| e) Recommend measures for tax- savings purposes. | | |

C) There are no services other than the services reported under items (a) and (b).

The ABCI Audit Committee recommends to the Board and stockholders the appointment of the external auditor and the fixing of audit fees. The Board and stockholders approve the Audit Committee's recommendation.

During end-of-audit, an initial conference by the external auditors with the management's authorized representatives discuss the initial findings. After the clarification conference, the external auditors together with the partner in-charge will discuss before the rest of the Audit Committee. If there are any revisions, another round of discussion will be set before the audited reports are finalized, accepted and approved.

CHANGES IN AND DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

In the best interest of the Corporation, as well as the shareholders, higher standards of governance have been followed including the change of external auditor as mandated by SRC Rule 68(3)(b), as amended. Accordingly,

the Board of Directors on 02 May 2018, upon the recommendation of the Audit Committee, with the approval of the stockholders of A Brown Company, Inc. on 28 June 2018, has appointed SGV & Co. as the new external auditor for the year ended December 31, 2018. The recommendation has not been prompted by any disagreement that has arisen between the Corporation and the previous external auditor.

For the year 2018, the Partner-In-Charge of the independent examination is John T. Villa. For the audit year 2020 and 2019, Alvin M. Pinpin is the Partner-In-Charge.

Representatives of the external auditor shall be present during annual meetings and will be given the opportunity to make a statement if they desire to do so. They are also expected to respond to appropriate questions if needed.

External Auditor Prior to 2018

The accounting firm of Constantino Guadalquiver & Co., (CG & Co.) was duly appointed as the Independent Public Accountants on 28 August 2009.

There was no instance that CG & Co. had any disagreement relating to accounting principles or practices, financial statement disclosures or auditing scope or procedure. Per SEC Memo Circular of 2005 – Amendments to SRC Rules 68 and 68.1, "... the external auditors shall be rotated every after five (5) years of engagement. In case of a firm, the signing partner shall be rotated every after said period. The reckoning date for such rotation shall commence in year 2002 ...". For five consecutive years (2009 to 2013), Rogelio M. Guadalquiver is the Partner-In-Charge of the independent examination who was replaced by Annalyn B. Artuz for audit year 2014 to 2016. For the audit year 2017, Rogelio M. Guadalquiver is the Partner-In-Charge.

Discussion of Compliance with leading practices on Corporate Governance:

- a. The Company’s Board of Directors approved on May 31, 2017 the Revised Manual on Corporate Governance pursuant to SEC Memorandum Circular No. 19, Series of 2016.
- b. The Company has participated in the Corporate Governance Survey per SEC Memorandum Circular No. 8, series of 2008 and used the CG Scorecard as its performance evaluation checklist for year 2009 to 2012. With the issuance of SEC Memorandum Circular No. 5 Series of 2013, as amended, the Company submitted its Annual Corporate Governance Report (SEC Form ACGR) for 2012 on July 1, 2013. Thereafter, the company submitted the ACGR on the following dates:

| Report | Date Submitted |
|---|-------------------|
| Consolidated Changes in the Annual Corporate Governance Report for 2013 (with updates as of May 9, 2014) | May 13, 2014 |
| Consolidated Changes in the Annual Corporate Governance Report for 2014 | January 09, 2015 |
| Consolidated Changes in the Annual Corporate Governance Report for 2014 (with updates as of June 19, 2015) | June 24, 2015 |
| Consolidated Changes in the Annual Corporate Governance Report for 2015 | January 08, 2016 |
| Consolidated Changes in the Annual Corporate Governance Report for 2015 (with updates as of September 28, 2016) | October 03, 2016 |
| Consolidated Changes in the Annual Corporate Governance Report for 2016 | May 30, 2017 |
| Changes in the Annual Corporate Governance Report as of October 25, 2017 | November 02, 2017 |

- c. The Company’s Corporate Governance Compliance Officer submitted the Certification on Compliance with its Revised Manual on Corporate Governance for Year 2012 to the SEC on January 29, 2013 and to the PSE on February 04, 2013 confirming that ABCI has conformed to and complied with the provisions and leading practices and principles on good corporate governance as set forth in the Manual and SEC Code of Corporate Governance, as amended. The Company likewise submitted its 2015 PSE Corporate Governance Guidelines Disclosure Template to the exchange and duly posted on the PSE website on March 29, 2016 reflecting the company’s level of adoption of the PSE recommended corporate governance guidelines as embodied under PSE Memorandum No. 2010-0574 dated November 26, 2010. The 2016 PSE Corporate Guidelines Disclosure Template was submitted to the exchange on March 30, 2017.

The Securities and Exchange Commission (SEC) and the Philippine Stock Exchange, Inc. (PSE) have completed the harmonization of the SEC Annual Corporate Governance Report (ACGR) and PSE Corporate Governance Guidelines Disclosure Survey (CGR-1) into one report dubbed as the “Integrated Annual Corporate Governance Report” (I-ACGR). For the year 2017, listed companies are no longer required to submit the ACGR and CGR-1. SEC mandated all publicly-listed companies to submit an Integrated Annual Corporate Governance Report (“I-ACGR”) on May 30 of the following year per Memorandum Circular No. 15, Series of 2017. The Company submitted its I-ACGR on May 31, 2019 and May 30, 2018 covering the year 2018 and 2017, respectively. The I-ACGR for 2019 was filed on August 28, 2020 through PSE Edge and email to SEC CGFD and posted on PSE Website and acknowledged through email by SEC on September 1, 2020.

- d. The Company’s Corporate Secretary submitted to the SEC on January 6, 2017 the Certification on attendance of members of Board of Directors for the year 2016. For the year 2017, pursuant to the provision of Memorandum Circular No. 15, Series of 2017, the companies are no longer be required to file updates and changes on the I-ACGR within five (5) days from the occurrence of the reportable changes. The directors’ attendance to the eight (8) Board meetings held for the year is as follows:

| | Date of Meeting - 2020 | | | | | | | |
|----------------------|------------------------|------------|------------|--------------|-----------|------------|-----------|-----------|
| | May 21 | June 11 | June 18 | August 17 | Sept 3 | Sept 3* | Nov 23 | Dec 11 |
| Walter W. Brown | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Annabelle P. Brown | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Robertino E. Pizarro | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Elpidio M. Paras | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Thomas G. Aquino | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Antonio S. Soriano | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Joselito H. Sibayan | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Renato N. Migrifio | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Jun Hou | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

Note: * Organizational Meeting

- e. Part of the measures being adopted by ABCI in order to comply with the leading practices is the participation and attendance by members of the Board and top level management in corporate governance initiated by accredited institutions. For 2020 and 2019, sixteen (16) directors and officers attended a seminar on Corporate Governance in compliance with SEC Memorandum Circular No. 20 Series of 2013.
- f. Annual self-assessment of the Board of Directors to determine compliance not only with its Manual of Corporate Governance but also all other regulations and rules prescribing good corporate governance is regularly being done.

The assessment criteria or metrics include board structure and qualification, board duties and responsibilities, duties and responsibilities as an individual director, and board committee functions and over-all performance vis-à-vis the respective charters.

Based on the results of the performance assessment, the Board and Board Committee shall formulate and implement plans to improve its performance. These may include the identification of relevant training needs intended to keep the members up to date with corporate governance best practices, accounting and auditing standards, as well as specific areas of concern.

- g. Adoption of best practices and creation of different committees such as Audit, Nomination, Compensation and Governance. The Board of Directors organized the committee - Committee on Corporate Culture and Values Formation to promote, foster, and institutionalize the corporate vision, mission, core values, good corporate governance and ethical conduct among the members of the Board, officers and employees of the company. The formation of the Risk Committee to effectively manage financial and business risks in accordance with company’s risk profile and risk culture will strengthen the company’s position in terms of mitigated exposures. The different board and management committees also perform oversight functions over compliance with the Manual and other corporate policies of ABCI. On December 20, 2018, the Board of Directors re-organized its Board Committees, with the Compensation Committee and Corporate Culture and Values Formation

Committee being subsumed under the Corporate Governance Committee. The existing Board Committees are as follows: Executive Committee, Audit Committee, Risk Committee, Corporate Governance Committee and Related Party Transaction Committee.

- h. The Board of Directors through the recommendation of the Governance Committee has approved in December 2014 the Company's whistle blowing policy which provided the guidelines on handling employee disclosure or complaints of violation of the corporate governance rules which protects whistleblower from retaliation and ensures confidentiality and fairness in the handling of a disclosure or complaint. Likewise, the Insider Trading Policy has been approved to apprise and ensure compliance by all members of the Board of Directors, officers and employees of their obligations under the applicable securities laws to refrain from trading (buying and selling) the Issuer's securities based on inside information and tipping or passing information to someone who may use such information to trade Issuer's securities during prescribed blackout periods. The policy also includes the requirement to report their direct and indirect beneficial ownership of the Issuer's shares as well as any changes in such beneficial ownership within the prescribed period. The policy was adopted in keeping with the trend on sound corporate governance practices that support the integrity of capital market based on the principle of "equal opportunity based on equal access of information".
- i. The Company acknowledges the importance of the role of stakeholders in corporate governance which includes customers' welfare, supplier/contractor selection practices, environmentally friendly value-chain, community interaction, anti-corruption programs and procedures and creditors' rights.

The company is dedicated to satisfying its customers, listening to their requests and understanding their expectations. It likewise strives to meet their expectations in affordability, quality and on-time delivery. The suppliers deserve fair and equitable treatment, clear agreements and honest feedback on performance and delivery. While cultivating professional relationships with the suppliers, the company shall maintain an honest, objective and efficient procurement process which is in accordance with Company's procurement policies and procedures. The Company's officers and employees may not solicit or accept gifts, payment or gratuities from our suppliers. (Promotional items of nominal value may be accepted.) Any financial interests in a company's supplier or someone seeking to become a supplier must be reported to the company. The company's policies in this area go beyond the law of prohibiting kickbacks. It must avoid even the appearance of improper conduct in all our business dealings. The company has been long committed to minimizing our environmental impact by complying with all the laws and regulations relating to environmental protection in the communities we operate: developing land into residential communities, from planting to milling of the agricultural produce and building essential energy infrastructure. In the communities where we operate, the company works to make a positive and lasting difference in people's lives. The Company does so by building homes for happier families, by producing basic products sustainably for the world, by energizing the country's development and by providing financial support on improving its road networks, rehabilitation of its utility systems, promoting and preserving the cultural beliefs, customs and education of indigenous people and by protecting the environment. The Company's Employee Code of Conduct seeks a behavior that manifests Love for Truth. This includes the practice of such virtues as honesty, concern and loyalty towards our company which should go beyond self-interest. This hopes to instill a true spirit of service with a high sense of responsibility. Employees are re-oriented of Company's procedures and policies and it sponsors retreat and recollection for renewal including attendance to seminar and workshops for improvement of skills and competence as part of Company's employee's health, safety and welfare. The company acknowledges the creditors' rights to transparency or full disclosure of financial and key performance information, compliance to the loan covenants and their rights of possession of the collateral and reorganization and liquidation rights. Their rights shall be protected and shall hold appropriate means of redress for infringement of right. The corporation shall notify beforehand the creditors concerned for matters that may bring changes in the creditors' priority or may have material influence on the possibility of collecting credit.

- j. The Compliance Officer of ABCI coordinates with the Board and management committees in monitoring compliance with the Manual, determine the violations, if any, and recommend penalties for such violations. He/She also helps identify, monitor and control compliance risks.

There are no known material deviations from the Revised Manual on Corporate Governance by ABCI.

2020 Corporate Social Responsibility

| CSR Initiative | Beneficiaries |
|---|--|
| 1.) ABCI Scholarship Program (on going since 2011) | Out of the three (3) remaining scholars in 2019, one (1) graduated in 2020 with Bachelor's Degree in Business Administration. The other 2 scholars are currently enrolled in 1st and 2nd year college in Opol Community College. |
| 2.) Blood-Letting Activity | In partnership with Philippine Red Cross, Human Resource and Development Department of the Company organized and/or facilitated bloodletting activity Dugong ABrown Year 11 in Cagayan de Oro City on February 13, 2020, with a total of 67 bags of blood or 30,150 cc of blood were donated. A total of 89,100 cc or almost 598 bags of blood were donated already by ABCI employees in the last eleven (11) years. This blood-letting activity is an annual humanitarian activity of A Brown Group of Companies participated by employees of the company. |
| 3.) Relief Goods for Agency Workers | As part of Company's assistance to the agency workers during the quarantine due to the pandemic, the Company distributed on May 19, 2020 relief goods containing food and Vitamin C for 534 Agency Workers. |
| 4.) Relief Goods for the Communities the Company is Serving – | On March 2020, the Compliance Department also initiated the distribution of 20 sacks of rice to Brgy. Balulang for its constituents. Relief Goods (Alcohol & Face mask) were also given to Brgy Bonbon and Brgy Kinamlutan, Butuan for its residents. |

BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

On 01 October 1992, the Securities and Exchange Commission (SEC) approved the amended Articles of the Incorporation and By-laws of Bendana, Brown, Pizarro & Associates, Inc. (incorporated on December 21, 1966) which changed the parent Company's name to Epic Holdings Corporation and effected a 5:1 stock split by reducing the par value of shares from ₱5 to ₱1 while increasing the total number of authorized shares from 20,000,000 to 100,000,000.

On 25 June 1993, the SEC approved the plan of merger of Brown Chemical Corporation and Brown Chemical Sales Corporation (absorbed corporations) into Epic Holdings Corporation as the surviving corporation. Subsequently, Epic Holdings Corp. changed its name to A Brown Company, Inc. (its current name) as approved by SEC on 01 July 1993. ABCI was thereafter listed with the Philippine Stock Exchange on February 8, 1994 and became the holding company of the Brown Group of Companies.

On 24 December 1999, the SEC approved the plan of merger of A Brown Company, Inc. ("ABCI") (surviving company) and five of its wholly-owned subsidiaries, namely: A Brown Chemical Corporation, Georex Farms,

Inc., East Pacific Investors Corporation, Terra Asia Pacific Development Manager, Inc and Victorsons Trans Cargo System, Inc. (absorbed corporations).

On 27 June 2002, the Securities and Exchange Commission approved the plan of merger of A Brown Company, Inc. (surviving corporation) and five (5) of its wholly owned subsidiaries (absorbed corporations) namely: Another Brown Co., Inc. (formerly W. Brown Co., Inc.), Georex Drilling Corp., Northmin Mining and Development Corp., Manresa Golf and Country Club and Norphil Properties, Inc.

Investment in Power Companies

Mid 2006 marked the entry of ABCI in the energy business through its investment in Monte Oro Resources and Energy, Inc. (MORE). ABCI's 11.70% equity interest in MORE was reduced to 7.59% after the non-subscription to the increase in authorized capital stock (ACS).

In October 2014, the Parent Company sold all its 388,694,698 shares in MORE to Apex Mining Company, Inc. (APEX).

In 2010, the Parent Company subscribed 2,850,000 shares and 3,000,000 shares of Palm Thermal Consolidated Holdings Corp. (PTCHC) and Panay Consolidated Land Holdings Corp. (PCLHC) representing 95% and 100% shareholdings, respectively, at par value. On December 8, 2010, Palm Thermal Consolidated Holdings Corp. (PTCHC) acquired 100% of the outstanding capital stock of DMCI Concepcion Power Corporation, the former corporate name of Palm Concepcion Power Corporation (PCPC). PCLHC acquired thirty (30) hectares of land from DMCI Power Corporation ("DPC") with the intention of using it as the site for a coal-fired power plant project. PTCHC is the corporate entity that initiated the ABCI's entry in the power generation business. PCPC is the corporate vehicle that constructed and operated a 1x135MW coal-fired power plant project in Concepcion, Iloilo.

In 2012, Palm Thermal entered into various agreements and deeds which decreased its shareholdings in Palm Concepcion Power Corporation (PCPC) from 100% to 30% and acquired 30% equity stake in Panay Consolidated Land Holdings Corporation (PCLHC) from the previous shares of the Parent Company as of December 31, 2012.

With the divestment of AC Energy Holdings, Inc. (ACEHI) in May 2013, PTCHC acquired ACEHI's 40% interest in PCPC and PCLHC, increasing PTCHC interest in the coal-fired project to 70%. With the entry of new investor, Oriental Knight Limited (OKL) in PCPC and new subscription of the PTCHC and Jin Navitas Resources, Inc. (JNRI) in December 2013, the equity interest resulted to the following: PTCHC (39.54%); JNRI (30%) and OKL (30.46%). PTCHC's interest in PCLHC remained at 70% as of December 31, 2013.

During the third quarter of 2014, the SEC approved the Plan of Merger of PCPC and PCLHC with PCPC as the surviving entity as well as the increase in authorized capital stock (ACS) of PCPC. The merger and the increase in ACS resulted to the 30% equity interest of the Company in PCPC.

On December 2014, PCPC applied for an increase in its authorized capital stock which was approved by SEC on January 6, 2015. Palm Thermal's shareholdings have been reduced from 30% to 20% due to non-subscription on the increase of PCPC's authorized capital stock.

On January 12, 2011, ABCI and Hydro Link Projects Corp. (HLPC) entered into a deed of subscription with an aggregate share of 37,500 common shares which will be taken from the 150,000 increase of the authorized capital stock which represents 93.75% of the outstanding capital. HLPC amended its articles of incorporation to effect the deed of subscription and subsequently approved by the SEC on July 21, 2011. On December 2011, a deed of assignment was entered into by ABCI and HLPC's stockholder, assigning the remaining 6.25% of HLPC shares to ABCI bringing the total subscription to 40,000 shares. On October 2012, ABCI subscribed to the remaining 120,000 unsubscribed share capital of HLPC.

In February 2013, the company caused the incorporation of Peakpower Energy, Inc. (PEI), the holding company that ventured on projects designed to generate peaking energy in Mindanao using brand new bunker-fired engines. The company is working to develop, construct, and operate diesel power plants in Mindanao through PEI's subsidiaries: Peakpower SOCCSARGEN, Inc. (PSI) and Peakpower San Francisco, Inc. (PSFI).

On July 24, 2014, a new subsidiary, Peakpower Bukidnon Inc. (PBI), was incorporated for a 15-year Build-Operate-Maintain and Transfer agreement with the Bukidnon II Electric Cooperative Inc. (Buseco). PBI and Buseco signed a Power Purchase and Transfer Agreement for 10.4MW Diesel/Bunker-fired power plant to be constructed in Manolo Fortich, Bukidnon. On October 16, 2016, the company sold all its 100% interest in PBI to Peakpower Energy Inc. (PEI) to consolidate its investment in peaking project under one holding company.

| Equity Pick-up | 2020 | | | Total |
|--|----------------|----------------|--------------|----------------|
| | PCPC | PEI | EWRTC | |
| Net income (loss) | 309,056,994.00 | 570,792,505.00 | (242,902.74) | 879,606,596.26 |
| % of ownership | 20% | 20% | 33.33% | |
| Share in net income (loss) | 61,811,398.80 | 114,158,501.00 | (80,959.48) | 175,888,940.32 |
| Other comprehensive income (loss) | 3,657,620 | - | - | 3,657,620 |
| Share in other comprehensive income (loss) | 731,524 | - | - | 731,524 |

Investment in Mining Company

In November 2011, ABCI acquired the 22.87% outstanding equity of PhiGold Limited. It is a holding company incorporated in the Cayman Islands on October 20, 2010 with its principal activity of investing in gold mining assets. It has invested 40% in the total voting rights in PhiGold Metallic Ore Inc. (PMOI), a gold mining company incorporated in the Philippines last January 7, 2008. PMOI is the contractor of its acquired mining property covered by Mineral Production Sharing Agreement 190-2009-XIII (MPSA 190) granted by the Philippine Government. As of December 31, 2014, the company's equity interest was reduced to 18.7% with the entry of new investors.

Last October 2014, the Parent company sold all its 388,694,698 shares in Monte Oro Resources and Energy Inc. (MORE) to Apex Mining Co., Inc. (Apex) and subsequently subscribed the same number of shares of Apex. The Parent Company has 8.89% shareholdings in Apex after the SEC approved the increase in its authorized capital stock on January 12, 2015. After the next round subscription, the company's interest was reduced to 6.24%. At the end of 2020, the Parent Company sold all its remaining 1.03% equity interest from last year.

Apex Mining Co., Inc. is principally engaged in the business of mining and production of gold, silver, copper, lead and other precious metals. Apex acquisition of MORE gives it access to another mineral processing plant, as well as expansion opportunities in Jose Panganiban in Camarines Norte since Monte Oro fully owns Paracale Gold Ltd. that runs a mineral processing plant in Jose Panganiban, Camarines Norte, and 40 percent of Bunawan Mineral Resources Corporation which has two mining lease contracts covering 652.2891 hectares and pending applications for production sharing agreement and exploration permits. Moreover, Monte Oro has 30 percent participating interest in Service Contract no. 72 for natural gas in the Sampaguita gas field offshore northwest of Palawan in the West Philippine Sea, as well as a 52 percent stake in International Cleanenvironment Systems Inc. that has a solid waste management contract with the Philippine government for Metro Manila. Monte Oro's other assets include holdings in foreign firms engaged in mining and exploration work in Mongolia, Uganda and Sierra Leone in Africa and also in Myanmar. Apex Mining also has an expansion program that sought a production hike of 1,500 tons of ore per day in its Maco mine in Campostela Valley from 850 tons per day. The Maco mine produces bullions containing gold and silver which are smelted in a Metalor refinery in Switzerland. Apex also acquired Itogon-Suyoc Resources, Inc. which has mining claims and owns the mill and production facilities in Sangilo, Itogon, Benguet and Suyoc mine in Mankayan, Benguet.

Amendment to Articles of Incorporation and By-Laws

The Board of Directors during their meeting held on November 28, 2011 and by the stockholders of the Parent Company holding at least two-thirds (2/3) of the outstanding capital stock, through written assent on December 27, 2011, amended the Articles of Incorporation, changing the principal office to Xavier Estates Uptown, Airport Road, Balulang, Cagayan de Oro City. The amendment was approved by SEC on December 28, 2011.

On June 13, 2012, the SEC approved the amendment of the Company's By-Laws to amend and define the functions of its Executive Chairman and President, remove the requirement that the Company's vice presidents must be a member of the Board and to impose certain requirements on granting of bonuses to its BOD, officers and employees.

In a Board of Directors meeting held on May 2, 2012 and the annual stockholders meeting on June 1, 2012, the Board of Directors and the shareholders representing 2/3 of the outstanding capital stock approved the following amendments in the Articles of Incorporation:

a. Amendment to paragraph 4: "That the term for which the Corporation is to exist is extended for another fifty (50) years from and after the date of the expiration of the original corporate term on 20 December 2016".

b. Amendment to paragraph 6: "That the number of directors of this Corporation shall be Nine (9)....."

c. Amendment to paragraph 7: "That the amount of the capital stock of this Corporation is One Billion Six Hundred Twenty Million Pesos (₱ 1,620,000,000.00), Philippine Currency, and the said capital stock is divided into One Billion Six Hundred Twenty Million (1,620,000,000) shares with a par value of One Peso (₱ 1.00) each, provided that, stockholders shall have no pre-emptive right to subscribe to unissued shares unless otherwise approved by the Board of Directors".

The SEC approved the said amendments on December 28, 2012.

Pursuant to Section 11 (Corporate Term) of the Revised Corporation Code of the Philippines with effectivity date on February 23, 2019, the law provides in part:

"Corporations with certificates of incorporation issued prior to the effectivity of this Code, and which continue to exist, shall have perpetual existence, unless the corporation, upon a vote of its stockholders representing a majority of its outstanding capital stock, notifies the Commission that it elects to retain its specific corporate term pursuant to its articles of incorporation: Provided, That any change in the corporate term under this section is without prejudice to the appraisal right of dissenting stockholders in accordance with the provisions of this Code."

SEC Memorandum Circular No. 22 Series of 2020 dated August 18, 2020 provides the guidelines on corporate term.

The Company has not notified the Commission that it elects to retain its specific corporate term pursuant to its articles of incorporation and thus considered to have perpetual existence.

During the annual stockholders' meeting on June 7, 2013, the shareholders approved the amendment of the Corporation's Articles of Incorporation to increase the authorized capital stock from One Billion Six Hundred Twenty Million Pesos (₱ 1,620,000,000.00) and the declaration of 25% stock dividend, equivalent to 346,573,307 common shares which will be issued out of the increase in the Corporation's authorized capital stock. The SEC approved the amendment on August 16, 2013.

In the Board of Directors meeting held on April 4, 2014 and the annual stockholders meeting on May 9, 2014, the Board of Directors and shareholders representing 2/3 of the outstanding capital stock approved the increase in authorized capital stock to Three Billion (₱ 3,000,000,000 This proposal to increase ACS to 3 Billion was superseded with the approval of the increase in ACS as approved by the Board on May 19, 2016 and August 8, 2016.

On May 19, 2016, the Board of Directors initially approved the amendment of the Corporation's Articles of Incorporation to increase its authorized capital stock (ACS) from the current Two Billion Pesos (P2,000,000,000.00) divided into Two Billion (2,000,000,000) Common Shares to up to Four Billion Pesos (P4,000,000,000.00) divided into Five Billion (4,000,000,000) Common Shares. On August 8, 2016, the BOD's earlier approved amendment was further amended to increase It was later on amended on August 8, 2016 to increase its authorized capital stock (ACS) from the current Two Billion Pesos (P2,000,000,000.00) divided into Two Billion (2,000,000,000) Common Shares to up to Five Billion Pesos (P5,000,000,000.00) divided into Five Billion (5,000,000,000) Common Shares.

The increase in the Corporation's authorized capital stock, however, will be implemented in two tranches, as follows:

a.) First, an increase by One Billion Three Hundred Million Pesos (P1,300,000,000.00), divided into One Billion Three Hundred Million (1,300,000,000) Common Shares will be immediately implemented, and out of said increase, the Twenty Percent (20%) stock dividend declared on May 19, 2016 will be issued. This was approved by the Securities and Exchange Commission (SEC) on January 11, 2017.

b.) Second, an increase of up to One Billion Seven Hundred Million Pesos (P1,700,000,000.00), divided into One Billion Seven Hundred Million (1,700,000,000) Common Shares, to be issued, together with the remaining authorized but unissued capital stock of the Corporation in a capital raising exercise that may be undertaken by the Corporation subsequent to the issuance and listing of the 20% stock dividend declaration.

The August 8, 2016 BOD's proposed amendments in the Articles of Incorporation were approved by stockholders representing at least 2/3 of the outstanding capital stock during the Annual Stockholders' Meeting on September 28, 2016.

The application on the first tranche of the increase in authorized capital stock was submitted to the Securities and Exchange Commission on December 29, 2016 and subsequently approved the amendment on January 11, 2017, to wit:

"Amendment to paragraph 7: "That the amount of capital stock of this Corporation is Three Billion Three Hundred Million Pesos (P 3,300,000,000.00), Philippine Currency and the said capital stock is divided into Three Billion Three Hundred Million (3,300,000,000) shares with a par value of One Peso (P1.00) each, provided that, stockholders shall have no preemptive right to subscribe to unissued shares unless otherwise approved by the Board of Directors."

The documents required on the application to the increase in authorized capital stock for the second tranche were not yet submitted to the SEC as of April 23, 2021.

On March 8, 2017 the Parent Company distributed 20% stock dividend totalling to 346,572,301 shares, net of fractional shares, of the Parent Company's outstanding shares to the stockholders of record as at February 10, 2017.

On November 28, 2018, the Corporation's Board of Directors approved to amend the Corporation's By-Laws to enshrine the positions of Chairman of the Board of Directors and the Chief Executive Officer shall be held by different persons. Accordingly, Section 3, Article III of the Corporation's By-Laws shall be amended to delete "shall be the chief executive officer" as part of the functions of the Chairman; while the succeeding Section 4 shall likewise be amended to indicate that the President shall be the Chief Executive Officer.

| Article and Section Numbers | From | To |
|-----------------------------|--|--|
| Article III, Section 3 | <i>"The Chairman of the Board shall be the chief executive officer of the Corporation and shall have a general control and management of the business affairs of the Corporation. He shall preside xxxx"</i> | <i>"The Chairman of the Board of Directors shall preside xxxx"</i> |
| Article III, Section 4 | <i>"The President, subject to the control of the Board, shall have general supervision of the business affairs of the Corporation."</i> | <i>"The President, subject to the control of the Board, shall be the chief executive officer and shall have general control of the business and affairs of the Corporation."</i> |

The amendment of the Corporation's By-Laws shall no longer require approval by the shareholders since the power to do so was previously delegated to the Board of Directors by the Corporation's shareholders.

The documents required on the application to the amendment of By-Laws were not yet submitted to the SEC as of April 23, 2021.

The Company is not under bankruptcy, receivership or similar proceedings. There is no material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business during the past three years.

As a holding company, the following are the other businesses and investments (refer also to Note 2 – Summary of Significant Accounting Policies - Basis of Preparation and Basis of Consolidation of the attached Notes to Consolidated Financial Statement):

A BROWN ENERGY AND RESOURCES DEVELOPMENT, INC. is 100% owned

ABERDI (formerly A Brown Energy, Inc. amended on August 27, 2002) was registered with the Securities and Exchange Commission on 21 February 2001 under SEC Registration No. A200102288 and started commercial operations in April 2002. The main purpose is to engage in the business of manufacturing and trading goods such as crude oil and petroleum products on wholesale/retail basis. Its principal place of business is at Malubog, Impasug-ong, Bukidnon. It has 41 employees as of December 31, 2020.

Likewise, on August 2006, ABERDI entered into a Development Contract (DC) with Kapunungan Sa Mga Mag-Uuma sa Kaanibungan (KASAMAKA) now Kaanibungan Farmers Association (KAFA) at the Barangay Kalabugao, Municipality of Impasugong, Bukidnon concerning the development of Oil Palm Commercial Plantation.

The Peoples Organization (PO) has been granted Community Based Forest Management Agreement (CBFMA) No. 55093, by the Department of Environment and Natural Resources (DENR) on December 22, 2000, covering an area of 2,510.80 hectares of forest lands located at Sitio Kaanibungan, Barangay Kalabugao, Impasugong, Bukidnon. Under the said CBFMA No. 55093, the PO is mandated to develop, manage, and protect the allocated Community Forest Project Area. Article II, Sec. 2 (vii) of DENR Administrative Order (DAO) No. 96-29 dated October 10, 1966, otherwise known as the CBFM Implementing Rules and Regulations, the PO is allowed to "enter into agreements or contracts with private or government entities for the development of the whole or portion of the CBFM area; provided that the development is consistent with the approved Community Resource Management Framework (CRMF) Plan of the CBFM area. The PO is desirous in engaging the participation of ABERDI Inc. for the development of the said area into an Oil Palm commercial plantation.

The project's objective is to establish approximately 894 hectares into a commercial palm plantation. ABERDI (the Developer) may intercrop suitable agricultural crops in the plantation and raise livestock, the harvest and produce of which shall belong to the Developer. The responsibilities of KASAMAKA now KAFA in regard to the project are: 1) to provide the land area of 894 hectares within the CBFMA area 2) to provide manpower needs of the Developer in all developmental activities such as land preparation, planting, weeding, fertilization, harvesting, maintenance and others 3) To secure all the required documents pertinent to this agreement from concerned agencies. On the other hand, ABERDI will provide the technical and financial resources to develop the 894 hectares into Palm Oil Plantation. The rights and responsibilities of the Development Contract were transferred to Nakeen Corporation starting year 2006.

The status of the other development contracts between ABERDI and other Peoples' Organization are as follows:

- Kalabugao Ulayanon Farmer's Association (KUFA) Kalabugao, Impasugong, Bukidnon –DENR survey of plantation perimeter map done. The issue on the Free Prior Informed Consent (FPIC)-Certification Precondition (CP) with the National Commission on Indigenous Peoples (NCIP) is yet to be resolved. The Environmental Compliance Certificate (ECC) has been issued by DENR-Environment Management Bureau in 2007.
- Kapunungan sa mga Mag-uuma sa Barangay Tingalan (KMBT) in Tingalan, Opol, Bukidnon – The CP-FPIC has been approved and issued by the NCIP in 2013 that covers two other big tribal groups – the Dulanga Unified Tribal Council and the Unified Higaonon Tribal Council of Bagocboc. However, the issuance of the ECC was still pending in the EMB- DENR.
- Kapunungan sa mga Mag-uuma sa Barangay Tignapoloan (KMBT) – CBFM application submitted to DENR. Tribal resolution supporting CBFM application is done. CP-FPIC application on process with NCIP as well as the ECC.

The Company has paid advance rental of ₱ 6 million for 20 years up to 2026. On 26 March 2007, the Board of Directors passed and approved the transfer of its oil palm nursery and plantation operations to its subsidiary Nakeen Corporation (NC) effective 1 March 2007 to facilitate efficiency and profitability. Likewise, ABERDI is into palm oil milling operations. Its mini mill constructed in 2006 is located in Impasug-ong, Bukidnon. The refinery with fractionation machine is operational in full capacity of 50 MT/day.

Fresh Fruit Bunches (FFB) processed for year 2020 was 10,925 MT as compared to 8,262.89 MT in 2019. A total of 2,103 MT of Crude Palm Oil (CPO) was recovered at an oil extraction rate (OER) of 19.25% in 2020 as compared with the extraction rate of 18.55% in 2019 with 1,533.05 MT of Crude Palm Oil (CPO) recovered. The

Refined Bleached Deodorized Oil (RBDO) produced this year were processed further into Palm Olein. There were no palm kernel sales in 2020 and RBDO sales in 2020 and 2019.

Sales were as follows:

| Product | 2020 Sales (MT) | 2019 Sales (MT) |
|----------------------------|-----------------|-----------------|
| Crude Palm Oil | 2,139.80 | 1,606.02 |
| Palm Kernel | - | 102.47 |
| Palm Kernel Cake | 132.15 | 452.67 |
| Palm Acid Oil | 280.82 | 224.04 |
| Palm Fatty Acid Distillate | 302.42 | 54.12 |
| Palm Olein | 206,460.00 | 268,057.47 |
| Palm Stearin | 192.70 | 60.61 |

On March 6, 2012, the BOD of ABERDI and NC approved and authorized the application of merger of the two subsidiaries. Before the SEC approved the Articles and Plan of Merger, the BOD and the stockholders of both companies approved and ratified the subscription of ABERDI to the 750,000 unsubscribed shares of Nakeen Corp. at P1.00 per share with 50M as additional paid-in capital. The BOD and shareholders of the company also approved the filing with Securities and Exchange Commission (SEC) the amended Articles and Plan of Merger reflecting the new capital structure of the Nakeen Corp. and specifying the effectivity date of the revised merger to be the first day of the subsequent month following the SEC approval.

On February 19, 2013, the BOD of Nakeen approved the filing of the amended Articles and Plan of Merger using the 2012 audited Financial Statements. The amended articles and plan was filed with the SEC on July 24, 2013 to amend certain provision on the articles and plan of merger as follows:

1. Issuance of the Company's shares to Nakeen's shareholders in exchange of the net assets of the latter as result of the merger.
2. Specify the effectivity date of the merger which will be the first day of the month succeeding the month of approval of the merger by the SEC.

On February 11, 2015, SEC denied the petition to amend plan of merger. The Company and Nakeen's management filed a request for reconsideration to approve the petition. As of April 23, 2021, the request for reconsideration is still pending before the SEC.

The Company entered into a lease agreement with Nakeen Corporation for the plantation area inclusive of the standing crops, properties and equipment effective January 1, 2013 which expired on December 31, 2013 with an option to pre-terminate the lease agreement as agreed by both parties. Also provided in the lease agreement, from October 1, 2012 up to December 31, 2012, the Company shall be given access to enter Nakeen's premises for the set-up, construction and preparation for its intended use of the plantation area. The lease was extended up to April 1, 2020. The lease contract with NAKEEN was renewed and will expire on April 1, 2022.

The operating performance of the company for year 2020 posted a lower net loss from previous year's net loss of P60.6 million to P51.8 million. The gross profit increased from P14.0 million to P19.0 million while the general and administrative expenses slightly decreased from P64.5 million to P60.1 million, with loss before income tax of P54.9 million after deducting other charges – net amounting to P13.7 million for 2020. The sales of crude palm oil increased by 24% from P45.9 million in 2019 to P57.2 million this year. The quantity sold increased by 33% from a volume 1,606.02 MT in 2019 to 2,139.80 MT in 2020 with the average selling price per MT slightly increased by 4% from P28,608.12 per MT last year to P26,720.73 per MT this year. There were no sales from palm kernel this year. There were no RBDO Sales in 2020 and 2019 because Refined Bleached Deodorized Oil (RBDO) being produced were processed further into Palm Olein. Sales of palm fatty acid distillate (PFAD) increased by P4.8 million from last year's P580k. Sales from palm acid oil is 280.82 MT compared from last year of 224.02 MT. Sales Volume variance is P465 thousand or 25% favorable. The price this year is 52% higher than that of last year. Sales of Palm Olein in 2020 was 2% or P182k less than that in 2019. Sale of Palm

Stearin increased by 284% from that of 2019. Cost of sales increased by 21% from last year's ₱49.7 million to ₱60 million this year. General and administrative expenses decreased by ₱4.4 million or 7% due to decrease in professional fees; taxes and licenses; depreciation expense and outside services. The net loss before income tax amounted to ₱62.7 million in 2019 as compared to the net loss of ₱54.9 million this year due to higher sales and lower operating expenses.

Total assets decreased by 2% or ₱22.1 million from ₱1.046 billion in 2019 to ₱1.024 billion in 2020. Current receivables were recorded at ₱9.7 million in 2019 and increased by ₱2.3 million in 2020. Inventories decreased by 12% or ₱11.4 million this year. Deposit for stock subscription - Liability increased by 8% or ₱55.1 million. Total liabilities grew from ₱831.5 million in 2019 to ₱861.4 million in 2020, a 4% increase.

SIMPLE HOMES DEVELOPMENT INC. (formerly Andesite Corp.) is 100% owned by ABCI

Andesite Corporation was originally registered as Andesite Holdings Corporation, it was incorporated in 1997 under SEC registration no. A199703502. Its registered office address is at Cagayan de Oro City. Its primary purpose prior to the new amendment application is to engage in the business of agriculture.

ABCI bought Andesite Corporation from A Brown Energy Resources and Development Inc. (ABERDI) to undertake its socialized housing projects in December 2014.

On March 13, 2015, an application to amend its Articles of incorporation was filed to the Securities and Exchange Commission (SEC) to amend its corporate name to **Simple Homes Development, Inc.** and its primary purpose to invest in, purchase or otherwise acquire and own, hold sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any other corporation or association, domestic or foreign, for whatever legal purpose or purposes the same may have been organized without being a stock broker or dealer, and to pay therefore in money or by exchanging therefore stocks, bonds, or other evidences of indebtedness or securities of this or any other corporation and while the owner or holder of any such real or personal property, stocks, bonds, debentures, contracts or obligations, to receive, collect and dispose of the interest, dividends, and income arising from such property and to possess and exercise in respect thereof all the rights, powers, and privileges of ownership, provided the corporation shall not exercise the functions of a trust corporation. This was approved by SEC on April 10, 2015.

PHIVIDEC Industrial Authority (PIA) has awarded to the Corporation's subsidiary, Simple Homes Development, Inc. (SHDI), a twenty-five (25)-year land lease, renewable for another 25 years, and with option to purchase, over a 400-hectare land in Misamis Oriental subject to conditions to be approved by both parties. SHDI plans to partner with Huili Investment Fund Philippines to develop the property leased from PIA into a steel mill complex.

As of April 23, 2021, the Company has not yet started its commercial operations and has no employee as of December 31, 2020.

The Company incurred net loss amounting to ₱239,869 and ₱730,123 in 2020 and 2019, respectively. The reduction in net loss was due to the 81% decline in travel and transportation. Total Assets amounted to ₱100 thousand at year end as compared from last year's ₱50 thousand. Total current liability increased by ₱290 thousand this year as against last year with capital deficiency of ₱1.4 million as of December 31, 2020.

NAKEEN CORPORATION is 100% owned by ABERDI

Nakeen Corporation (the "Company") was incorporated on February 26, 1997 under SEC registration no. A199703509. Its primary purpose, as amended, is to engage in the business of agriculture in all aspects, including but not limited to, the operation of fishponds and fish pens, the raising of cattle, both large and small, the raising of hogs and chicken and any and all other activities related to or incidental to the foregoing markets. The Company is also engaged in selling palm seedlings and bunch.

The Company's registered office address and principal place of business is Lonucan, Manolo Fortich, Bukidnon. Its commercial operations started on March 1, 2007 in line with the approval of the Board of Directors of ABERDI (parent company) to transfer the oil palm nursery and plantation operations.

On August 30, 2012, the Philippine Securities and Exchange Commission (SEC) approved the Company and ABERDI's Articles and Plan of Merger which was approved by their Board of Directors (BOD), in their meeting on March 6, 2012.

However, on July 31, 2012, before the SEC approved the Company's Articles and Plan of Merger which was filed on July 12, 2012, the BOD and the Stockholders of the Company approved and ratified the subscription by ABERDI to the 750,000 unsubscribed shares of the Company at ₱1 per share with ₱50 million as Additional paid-in capital. The BOD and the Stockholders of the Company also approved the filing with SEC of the amended Articles and Plan of Merger reflecting the new capital structure of the Company and specifying the effectivity date of the revised merger to be the first day of the subsequent month following the SEC approval.

On February 19, 2013, the BOD of Nakeen approved the filing of the amended Articles and Plan of Merger using the 2012 audited financial statements. The amended articles and plan was filed to the SEC on July 24, 2013 to amend certain provision on the Articles and Plan of Merger. On February 11, 2015, SEC denied the petition to amend the plan of merger. The Company filed for a request for reconsideration to approve the petition. As of April 23, 2021, the motion for reconsideration is still pending before the SEC.

As of December 31, 2020, it has no employee since all its existing personnel were transferred to ABERDI in anticipation of the merger.

ABERDI entered into a lease agreement with the Company for the plantation area inclusive of the standing crops, properties and equipment effective January 1, 2013 with the option to pre-terminate the lease agreement as agreed by both parties. Also, as provided in the lease agreement, that from October 1, 2012 up to December 31, 2012, ABERDI shall be given access to enter the Company's premises for the set-up, construction and preparation for its intended use of the plantation area. The lease was extended up to April 1, 2020. The lease contract with ABERDI was renewed and will expire on April 1, 2022.

Currently, the following are the status of the four plantation areas:

As of December 31, 2020

| Location | Gross Area | Area That Can Be | Area Planted | Number | Flowering | Vegetative |
|-------------|------------|------------------|--------------|----------|---------------|------------|
| | | | | Of Trees | | |
| Kalabugao | 1,276.53 | 1,087.75 | 920.55* | | | |
| Phase I | | | | 29,439 | 100% | 0% |
| Phase II | | | | 28,964 | 100% | 0% |
| Phase III | | | | 15,899 | 100%;70%;100% | 0%;30%;0% |
| Phase IV | | | | 22,318 | 20%;0% | 80%;100% |
| Phase V | | | | 10,652 | 20% | 80% |
| Impasug-ong | 4.14 | 4.14 | 4.14 | 563 | 100% | - |
| Opol | 1,089.85 | 630.77** | 623.27 | 85,392 | | |
| Phase I a | | | | | 100% | 0% |
| Phase I b | | | | | 100% | 0% |
| Phase I c | | | | | 100% | 0% |
| Phase II a | | | | | 100% | 0% |
| Phase II b | | | | | 100% | 0% |
| Phase III a | | | | | 100% | 0% |
| Phase III b | | | | | 80% | 20% |
| Phase IV a | | | | | 50% | 50% |
| Phase V a | | | | | 0% | 100% |
| Tignapoloan | 1,328.56 | 929.96 | - | | | |

*Total area planted in Kalabugao is net of 55 has. of trees that were uprooted due to severe diseases.

**Total area that can be planted in Opol is net of 60.03 has. which was discovered not suitable for planting due to soil

As of December 31, 2019

| Location | Gross Area | Area That Can Be Planted | Area Planted | Number | Flowering | Vegetative |
|-------------|------------|--------------------------|--------------|----------|---------------|------------|
| | | | | Of Trees | | |
| Kalabugao | 1,276.53 | 1,087.75 | 920.55* | | | |
| Phase I | | | | 29,439 | 100% | 0% |
| Phase II | | | | 28,964 | 100% | 0% |
| Phase III | | | | 15,899 | 100%;70%;100% | 0%;30%;0% |
| Phase IV | | | | 22,318 | 20%;0% | 80%;100% |
| Phase V | | | | 10,652 | 20% | 80% |
| Impasug-ong | 4.14 | 4.14 | 4.14 | 563 | 100% | - |
| Opol | 1,089.85 | 630.77** | 623.27 | 85,392 | | |
| Phase I a | | | | | 100% | 0% |
| Phase I b | | | | | 100% | 0% |
| Phase I c | | | | | 100% | 0% |
| Phase II a | | | | | 100% | 0% |
| Phase II b | | | | | 100% | 0% |
| Phase III a | | | | | 100% | 0% |
| Phase III b | | | | | 80% | 20% |
| Phase IV a | | | | | 50% | 50% |
| Phase V a | | | | | 0% | 100% |
| Tignapoloan | 1,328.56 | 929.96 | - | | | |

*Total area planted in Kalabugao is net of 55 has. of trees that were uprooted due to severe diseases.

**Total area that can be planted in Opol is net of 60.03 has. which was discovered not suitable for planting due to soil

Kalabugao and Impasug-ong plantation and/or nursery are all located in Bukidnon, while Opol and Tignapoloan are located in Misamis Oriental. A total of 193,227 trees (net of mortality) were planted as of December 31, 2020

Total Assets decreased by 4% from ₱232M to ₱ 223M. Leasehold rights decreased by 5% being at ₱21.7M in 2019 and at ₱20.6M in 2020. Rental income amounted to ₱3.0M in 2020 as compared to ₱3.57M in 2019. Direct plantation costs amounted to ₱465 thousand for both 2020 and 2019. Operating expenses increased by 91% in 2020 which amounted to ₱1.8 million as compared to previous year's ₱962 thousand. The company recognized impairment losses amounting to ₱9.1 million and ₱8.8 million in 2020 and 2019, respectively, which resulted to net losses amounting to ₱8.4 million and ₱6.3 million.

BONSAI AGRI CORPORATION is 100% owned by ABERDI

The Company is wholly owned subsidiary of ABERDI. It was incorporated on February 26, 1997 under SEC Registration No. A199703510. The primary purpose of the Company as amended, is to engage in the business of agriculture in all aspect, including but not limited to, the operation of fishponds and fish pens, the raising of cattle, both large and small, the raising of hogs and chicken and any and all other activities related to or incidental to the foregoing, and to market, sell, or otherwise dispose of any and all produce and products in both local and foreign markets. The Company has not started its commercial operations as of April 23, 2021. Its principal place of business is in Manolo Fortich, Bukidnon and has no employee as of December 31, 2020.

The Company's pre-operating loss decreased to ₱117,963 from previous year's ₱163,586 due to lower professional fees and miscellaneous expenses. Its total assets remained at ₱2.2M from last year.

MASINLOC CONSOLIDATED POWER, INC. (MCPI) 49% owned

MCPI was registered with the Securities and Exchange Commission on 4 July 2007 with SEC Registration No. CS200710562. Its primary purpose is to engage in, conduct and carry on the business of construction, planning, purchasing, management and operation of power plants and the purchase, generation, production, supply and sale of electricity, to enter into all kinds of contracts for the accomplishment of the aforementioned purpose. Its current address is at Unit 103-B Cedar Mansion 1 Saint Jose Maria Escriva Drive, Ortigas Center, Brgy San Antonio, Pasig City. The Company has not started its commercial operations as of April 23, 2021 and has no employee as of December 31, 2020.

The Company incurred higher net loss amounting to ₱100,617 compared to last year's net loss of ₱75,481. Professional fees which amounted to ₱25,000 decreased as compared to last year's ₱52,500. The significant increase in total pre-operating loss before income tax this year is due to the provision of impairment losses of ₱52,898. The total assets of the Company remained at ₱6.8 million.

PALM THERMAL CONSOLIDATED HOLDINGS CORP. (PTCHC) is 100% owned

Palm Thermal Consolidated Holdings Corp. (PTCHC) was registered with the Securities and Exchange Commission on 22 November 2010 with SEC Registration No. CS201018744. Its current address is at Unit 103-B Cedar Mansion 1 Saint Jose Maria Escriva Drive, Ortigas Center, Brgy San Antonio, Pasig City. Its primary purpose is to purchase, acquire, own, hold, lease, sell and convey properties of every kind and description, including lands, buildings, factories and warehouses and machinery, equipment, the goodwill, shares of stock, equity, rights, and property of any person, firm, association, or corporation and other personal properties as may be necessary or incidental to the conduct of the corporate business, and to pay in cash, shares of its capital stock, debentures and other evidences of indebtedness, or other securities, as may be deemed expedient, for any business or property acquired by the corporation.

Palm Thermal is the corporate vehicle for ABCI's entry in the power generation business. After the acquisition of PCPC by PTCHC, it entered into various agreements with other investors. PCPC and PCLHC had merged with PCPC as the surviving entity. As of December 31, 2020, the company has no employees.

On January 6, 2015, the SEC approved PCPC's application of the increase in authorized capital stock to 6,000,000,000 shares divided into 1,500,000,000 common shares and 4,500,000,000 redeemable preferred shares both with a par value of P1.00 per share which reduced PTCHC equity interest in PCPC to 20%.

PTCHC posted net income amounting to ₱78.6 million in 2020 which is lower than the net income of ₱104.7 million in 2019. The 25% decrease in net income was primarily due to the dividend income from its investee company amounting to ₱110 million last year and only ₱80 million this year. The operating expenses also increased from ₱275 thousand in 2019 to ₱1.2 million in 2020. As of the end of the year, the total assets of PTCHC decreased by 3% from previous year's ₱ 1.031 billion to ₱ 1.001 billion inclusive of the ₱920.7 million investment in associate. The deposits for future subscription amounted to ₱ 747.9 million as of end of this year.

PALM CONCEPCION POWER CORPORATION (PCPC) is 20% owned by PTCHC

Palm Concepcion Power Corporation (formerly DMCI Concepcion Power Corporation) (PCPC) was registered with the Securities and Exchange Commission on 08 November 2007 with SEC Registration No. CS200718932. Its primary purpose is to acquire, design, construct, invest in, and operate power generating plants in the Municipality of Concepcion, Province of Iloilo and engage in the business of a Generation Company in accordance with Republic Act No. 9136 otherwise known as the Electric Power Industry Reform Act of 2001 (the "EPIRA"); and its implementing rules and regulations; and to design, develop assemble and operate other power related facilities, appliances and devices. Its principal place of business is at Sitio Puntales, Brgy. Nipa, Concepcion, Iloilo, Philippines (as amended on 07 January 2011 by the Board of Directors and approved by the SEC on 09 March 2011).

PCPC is the project company for the 2 x 135-megawatt coal-fired power plant in Concepcion, Iloilo. The power plant project is a base load plant that uses Circulating Fluidized Bed Combustion (CFBC) technology that is highly efficient and low-pollution. The first 135MW unit was designed to address the power supply requirements of the Visayas grid and provide a steady flow of power to the growing businesses and economic development in the islands of Panay, Negros, Cebu and even Leyte.

In July 2013, the lending banks signed the term loan financing totaling to Php 10B to partially finance the Engineering, Procurement and Construction (EPC) and finance costs of the project. These were China Banking Corporation (Php 3.5B); Asian United Bank (Php 2.5B) and BDO Unibank, Inc. (Php 4B). BDO Capital & Investment Corporation acted as the Lead Arranger and Sole Bookrunner for the term loan facilities.

PCPC started construction of the first 135MW in 2013 and was able to complete the project after 37 months and 22 days. Its commercial operations commenced on August 16, 2016. Ten (10) electric cooperatives have signed up offtake agreements with PCPC's first 135MW unit for their base load power capacity requirements. The project site is designed to operate and support two units of 135MW.

The new Environmental Compliance Certificate (ECC-OC-1911-0033) was released by the Environmental Management Bureau of DENR last October 8, 2020 which now covers both Units 1 and 2 of the 2 x 135-MW CFBC Coal-Fired Power Plant Project of PCPC.

At present, PCPC still takes pride in its environmental performance in which its emission levels are way below the standards set by DENR. On the average, as per 2020 YTD, Sulphur Oxides (SO_x) is at 383.16mg/Nm³ compared to the standard value of 700mg/Nm³; nitrogen oxides (NO_x) is at 191.60mg/Nm³ versus the limit of 1000mg/Nm³; carbon oxide (CO) is 11.39mg/Nm³ versus the DENR set value at 150mg/Nm³; while the particulate matter is at 0.77mg/Nm³ compared to the 150mg/Nm³ standards.

PCPC Power Plant's Gross Generation for the period December 2019-October2020 is at 626,019.91MWh.

HYDRO LINK PROJECTS CORP. (HLPC) is 100% owned

Hydro Link Projects Corp. (HLPC) was registered with the Securities and Exchange Commission on 06 May 2010 with SEC Registration No. CS201006733. Its primary purpose is to engage in, conduct, and carry on the business of developing, constructing, operating, and maintaining hydro-electrical plants and system and other power generating or converting stations, manufacture, operation, and repair of related mechanical and electric equipment.

HLPC is a registered renewable energy developer with the Department of Energy. It is currently pursuing the 16.3 MW Carac-an Hydroelectric Power Project under Hydropower Service Contract (HSC) No. 2013-04-244 from the Department of Energy (DOE) for the development of the Carac-an river in Cantilan, Surigao del Sur. HLPC is ABCI's first foray in the renewable energy field and forms part of ABCI's plans to develop much-needed additional power capacities using renewable energy sources.

As of December 31, 2020, the company has no employee and not started commercial operations. Its current address is at Unit 103-B Cedar Mansion 1 Saint Jose Maria Escriva Drive, Ortigas Center, Brgy San Antonio, Pasig City.

Hydro Link's pre-operating expenses was increased by 13,920% from ₱101 thousand in 2019 to ₱14.2 million in 2020 primarily due to impairment loss. The property and equipment – net decreased by 76% from ₱18.6 million in 2019 to ₱4.6 million in 2020. The deposit for future stock subscription is still at ₱26 million. Total Assets decreased by 68% or ₱14.1 million from ₱20.8 million in 2019 to ₱6.7 million in 2020.

PEAKPOWER ENERGY, INC. (PEI) is 20% owned

Peakpower Energy, Inc. (PEI) was registered with the Securities and Exchange Commission on 19 February 2013 with SEC Registration No. CS201303004. Its primary purpose is to purchase, acquire, own and hold, shares of stock, equity, rights and property of energy companies and to others and to provide management services and/or shared services to its subsidiaries and affiliates or to third parties engaged in the energy business. Its principal place of business is at 3/F Joy-Nostalg Center, # 17 ADB Ave., Ortigas Center, Pasig City.

Peakpower Energy, Inc. was formed in 2013 to construct diesel/bunker-fired power plant projects designed to generate peaking energy in various A+/Green-rated electric cooperatives in Mindanao. These projects are Build-Operate-Maintain and Transfer (BOMT) agreements for brand new engines, which will last for 15 years through its subsidiaries as operating units: Peakpower Soccsargen, Inc., Peakpower San Francisco, Inc. and Peakpower Bukidnon, Inc.

PEAKPOWER SOCCSARGEN, INC. (PSI) is 100% owned by PEI

Peakpower SOCCSARGEN Inc. (PSI) was registered with the Securities and Exchange Commission on 18 February 2013 with SEC Registration No. CS201302468. Its primary purpose is to acquire, design, develop, invest in, and operate power generating plants in the General Santos City and engage in the business of a generation company in accordance with Republic Act No. 9136 otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA) and its implementing rules and regulations, develop and operate conventional and renewable energy resources, sell electricity and carbon credits, act as a wholesale and retail electricity supplier and aggregator and maintain power plants, among others.

Peakpower Soccsargen Inc. (PSI) is a 34.8MW diesel/bunker-fired power plant located in General Santos City. It has a 15-year BOMT agreement with the South Cotabato II Electric Cooperative Inc. (SOCOTECO 2).

The Energy Regulatory Commission (ERC) issued the Certificate of Compliance (COC) for PSI's first 20.9MW (3 units of 6.97MW) capacity last December 1, 2014. Commercial operations started on January 27, 2015.

The 13.9MW (2 units of 6.97MW) Power Plant expansion declared commercial operations last September 12, 2017. ERC granted the COC of the expansion on February 20, 2018.

SOCOTECO 2 is the largest distribution utility in Mindanao and its franchise area includes General Santos City, the municipalities of Glan, Malapatan, Alabel, Malungon, Kiamba, Maasim and Maitum in Saranggani and the municipalities of Polomolok and Tupi in South Cotabato.

PEAKPOWER SAN FRANCISCO, INC. (PSFI) is 100% owned by PEI

Peakpower San Francisco, Inc. (PSFI) was registered with the Securities and Exchange Commission on 22 May 2013 with SEC Registration No. CS201309160. Its primary purpose is to acquire, design, develop, invest in, and operate power generating plants in the Agusan del Sur and engage in the business of a generation company in accordance with Republic Act No. 9136 otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA) and its implementing rules and regulations, develop and operate conventional and renewable energy resources, sell electricity and carbon credits, act as a wholesale and retail electricity supplier and aggregator and maintain power plants, among others.

Peakpower San Francisco Inc. (PSFI) is a 10.4MW diesel/bunker-fired power plant with business address located in San Francisco, Agusan del Sur. It has a 15-year BOMT agreement with the Agusan del Sur Electric Cooperative Inc. (ASELCO).

ERC issued the Certificate of Compliance (COC) for the first 5.2MW capacity on March 23, 2015. Commercial operations started on January 26, 2018.

The 5.2MW power plant expansion was granted its Provisional Certificate of Compliance on September 27, 2017, which was extended on February 20, 2018. The expansion plant started commercial operations on January 26, 2018.

ASELCO's franchise area includes the municipalities of San Francisco, Prosperidad, Rosario, Trento, Bunawan, Veruela, Sta. Josefa, Loreto, Sibagat, Esperanza, Talacogon, La Paz, San Luis and Bayugan City.

PEAKPOWER BUKIDNON, INC. (PBI) - 100% owned by PEI

Peakpower Bukidnon Inc. (PBI) was registered with the Securities and Exchange Commission (SEC) on July 24, 2014 with SEC Registration No. CS201414293 primarily to acquire, develop, construct, invest in and operate power generating plants in Bukidnon and engage in the business of a generation company in accordance with Republic Act No. (RA) 9136 otherwise known as the Electric Power Industry Reform Act of 2001 (the "EPIRA") and its implementing rules and regulations, and to develop, assemble and operate other power related facilities, appliances, and devices, and develop and operate conventional and renewable energy resources, sell electricity and carbon credits, act as a wholesale and retail electricity supplier and aggregator, operate and maintain power plants, securing any needed licenses to engage in such business activities and purchasing or otherwise acquiring, for the purpose of holding or disposing of the same, shares of stock, equity, rights, and property of any person, firm, association, or corporation engaged in industries or activities related to energy development, paying for the same in cash, shares of stocks, or bonds of this corporation.

Peakpower Bukidnon Inc. (PBI) is a 10.4MW diesel/bunker-fired power plant located in Barangay Alae, Manolo Fortich, Bukidnon. It has a 15-year BOMT agreement with the Bukidnon Second Electric Cooperative Inc. (BUSECO).

ERC issued a Provisional Certificate of Compliance for the 10.4MW (2 units of 5.2MW) on November 21, 2017, which was extended on February 20, 2018. PBI commenced commercial operation on March 26, 2018.

BUSECO's franchise area includes the municipalities of Libona, Manolo Fortich, Sumilao, Baungon, Malitbog, Talakag, Impasug-ong, Malaybalay, Lantapan and Cabanglasan, all in the Province of Bukidnon.

AB BULK WATER COMPANY, INC. (ABWCI) is 100% owned by ABCI

AB Bulk Water Company, Inc. (ABWCI) was incorporated on March 31, 2015 to engage in the business of holding and providing rights to water, to public utilities and cooperatives or in water distribution in the Municipality of Opol or to engage in business activities related to water development.

ABWCI is currently pursuing the proposed Bulk Water Supply Project for the Municipality of Opol in Misamis Oriental. The Project will tap the water resources of Lumayagan River and aims to supply about 15 to 20 million liters per day (MLD) of potable water. The project with potential capacity of up to 25 MLD is the company's first venture in the bulk water supply project. Other potential service areas include the neighboring municipalities

of Opol – the city of El Salvador, and the municipalities of Alubijid, Laguindingan, and Gitagum. Based on study, these municipalities are potential growth areas.

The detailed engineering design of the Project has been completed confirming the technical viability of the project as defined during the pre-feasibility study. The Water Permit has already been granted by the National Water Resources Board (NWRB). NWRB has approved the applied quantity required for the project. Likewise, the Environmental Compliance Certificate (ECC) has been secured from the Department of Environment and Natural Resources (DENR). The Watershed Management Study was also completed with the involvement of different LGU sectors and stakeholders. The project was submitted to the local government of Opol for their evaluation and consideration as a PPP project.

Pre-operating loss before income tax amounted to ₱58 thousand and ₱ 295 thousand as of December 31, 2020 and 2019, respectively. The decrease is due to lower professional fees and taxes and licenses. The Company's total assets remained at ₱19.3 million this year which consists primarily of construction in progress amounting to ₱18.7 million as of December 31, 2020 and 2019, respectively. It pertains to costs incurred by the Company related to development of its facilities such as the cost for the design of water treatment plant and transmission, permits and registration fees, professional fees and other costs.

BLAZE CAPITAL LIMITED – 100% owned by ABCI

Blaze Capital Limited is a British Virgin Islands company, incorporated and registered on August 8, 2011. It was acquired by ABCI on May 22, 2017. Blaze Capital Limited has a 33.33% ownership in East West Rail Transit Corporation (EWRTC) which is part of a consortium for the East-West Railway Project under the unsolicited track of the BOT Law and its IRR.

The Consortium, composed of EWRTC and Alloy MTD Group (represented by MTD Philippines Inc.), has submitted an unsolicited proposal to the Philippine National Railways to finance, build and then operate and maintain the East-West Rail Project under the Build-Operate-Transfer (BOT) Law. The East-West Rail Project is an integrated light rail mass transportation system and is intended to help alleviate the gap in the transportation infrastructure in the metropolis. This project is in line with the objective of the government to increase the ratio of rail transport systems to the rocketing ridership demand in Metro Manila and other major urban cities. The Project will involve the development, design, construction, supply, completion, testing, commissioning, and the operation & maintenance of the East-West Rail Project. The project will traverse the corridor of Quezon Avenue in Quezon City and España Boulevard in the City of Manila.

The project has already been accepted by PNR and was already endorsed to NEDA for evaluation and approval by the Investment Coordination Committee.

In 2020, the PNR has re-granted the Original Proponent Status (OPS) to the Consortium. PNR has also re-endorsed the project to NEDA. NEDA has formally received the updated project documents and has begun its NEDA-ICC review.

In addition, the project proposal was submitted by PNR to Metro Manila Development Authority (MMDA) to favourably obtain endorsement from Metro Manila Council (MMC). PNR also requested an endorsement from the two-project host LGUs - Quezon City and City of Manila.

The Consortium is now working for the completion of the requirements to get the ECC. The Consortium has engaged the services of consultants to undertake the environmental impact statement study to eventually secure of the Environmental Compliance Certificate (ECC).

The Consortium also remains in active discussions with foreign entities for possible entry and investment in the project.

Blaze Capital Ltd. posted a net loss of \$3,853 and \$3,442 in 2020 and 2019, respectively. The Company recognized an unrealized foreign exchange gain of \$108 and \$73 in 2020 and 2019, respectively. It also incurred \$3,961 operating expenses in 2020 as compared to \$3,515 in 2019. Its total assets amounted to \$2.3 million in 2020 and to \$2.2 million in 2019.

VIRES ENERGY CORPORATION (VEC) – 99.995% owned by ABCI

On June 18, 2020, A Brown Company, Inc. acquired 99.995% of the outstanding capital of Vires Energy Corporation (VEC) owned by Argo Group Pte. Ltd. of Singapore at a total price of Php 50,200,000.

VEC was incorporated in 2015 and is the proponent for the Integrated Floating LNG Storage and Regasification Terminal and the 506MW Floating Natural Gas-Fired Power Plant Project located in Barangay Simlong, Batangas City. VEC has already secured the Environmental Compliance Certificate (ECC) for the project and has also registered the project with the Board of Investments to avail of incentives.

Natural gas supply from Malampaya is expected to decline and reach its economic production threshold by the Mid-2020s. VEC will build the necessary infrastructure to allow the importation of liquefied natural gas (LNG) as early as 2022.

The project will have a Floating Storage and Regasification Unit (FSRU) Terminal in Batangas Bay, Philippines and will deliver natural gas through a pipeline to supply existing and new natural gas-fired power plants.

Vires Energy Corporation (VEC) posted a net loss of ₱57.4 million this year and ₱13.8 million last year. The Company recognized an impairment loss of ₱52.7 million this year. Advances to related party was reduced by 80% or ₱2.6 million which amounted to ₱60k and ₱3.2 in 2020 and 2019, respectively. Other current assets declined from ₱1.5 million to none. The property, plant and equipment -net was reduced by 40% or ₱51.3 million from ₱129.8 million in 2019 to ₱78.5 million in 2020. million to ₱68k ₱308k. Its total assets decreased by 42% which amounted to ₱81.0 million in 2020 and ₱138.7 million in 2019. Trade and other payables decreased by 100% or ₱26.8 million. Advances from related party also decreased by 100% or ₱99.5 million. -₱51.3 million. Equity increased by 556% or ₱68.7 million from ₱12.3 million in 2019 to ₱81.0 million in 2020.

PHIGOLD LTD. (PhiGold) - 18.70%

PhiGold Limited, a company incorporated in the Cayman Islands on October 20, 2010, is the holding company of the Group comprising PhiGold Plc (100%) and its wholly owned subsidiary PhiGold Mining Limited, both incorporated in England and Wales. The two subsidiaries, however, are currently inactive. PhiGold with its principal activity of investing in gold mining assets has invested 40% in the total voting rights in PhiGold Metallic Ore Inc. (PMOI), a gold mining company incorporated in the Philippines last January 7, 2008. Upon the sale of PMOI shares from PhiGold Mining Limited to PhiGold Limited in March 2011, PMOI is already a direct subsidiary of PhiGold Limited.

PMOI is the contractor of its acquired mining property covered by Mineral Production Sharing Agreement 190-2009-XIII (MPSA 190) granted by the Philippine Government through the Mines and Geosciences Bureau (MGB) under the Department of Environment and Natural Resources (DENR). It has a term of 25 years and is renewable for another term of 25 years. MPSA 190, which has gold and other mineral deposits, is situated in Barobo, Surigao del Sur and has an area of 449.49 hectares. Its exploration period is two (2) years initially and renewable every two years but not to exceed eight (8) years in total. On August 24, 2011, all documentary requirements submitted to MGB Regional Office in Surigao have been forwarded to MGB Central Office in Manila. These documents are required in the conversion of MPSA from Exploration status into Development and Production. On October 11, 2011, the provincial board of Surigao del Sur has resolved to approved and endorsed the mining operations of PMOI. The provincial board resolution has also been submitted to MGB.

With the promising prospect in mining industry due to the increasing gold prices in the world market, A Brown Company's Board of Directors approved on November 29, 2011 the acquisition of 29,376,039 of PhiGold Limited shares representing 22.87% of its outstanding equity. With the entry of the new investor in Phigold, ABCI's equity interest reduced to 18.7%.

APEX MINING COMPANY, INC.(APEX) –

Apex Mining Company, Inc. was incorporated on February 26, 1970, principally engaged in the business of mining and production of gold, silver, copper, lead and other precious metals. The company is listed in the Philippine Stock Exchange.

In October 2014, the Parent company sold all its 388,694,698 shares in Monte Oro Resources and Energy Inc. (MORE) to Apex Mining Co., Inc. (Apex) and subsequently subscribed the same number of shares of Apex. The Parent Company has 8.89% shareholdings in Apex after the SEC approved the increase in its authorized capital stock on January 12, 2015. After the next round of subscription, the company's interest was reduced to 6.24%. At the end of 2020, the Parent Company sold all its remaining 1.03% equity interest from last year.

(2) Business of Issuer

Principal Products and Services

A Brown Company, Inc. ("ABCI") is a publicly listed corporation which has major interest in the property development and investment in listed and non-listed companies. It is engaged in the business of real estate development located in Cagayan de Oro City and Initao in Misamis Oriental, Cainta, Rizal; Valencia City, Bukidnon and Butuan City, Agusan del Norte. ABCI, through its subsidiaries, also ventured into palm oil milling, power generation, investment in gold mining assets and real estate brokerage.

Real estate is one of the core businesses of A Brown. Its prime real estate development property is Xavier Estates in Cagayan de Oro City. It is Mindanao's most successful high-end residential subdivision. All real estate developments follow the concept of a mixed-use, nature-themed, well-planned integrated community. In recent years, the Company has expanded to economic and socialized housing projects.

HIGH-END PROPERTIES

Xavier Estates ("XE") - located in Fr. Masterson Avenue, Upper Balulang, is the pioneer in premier mixed-use development in Northern Mindanao. This 220-hectare development sprawled on a panoramic plateau overlooking the City has now become 288 hectares through additional acquisitions of adjacent developable areas over the years. It is a perfectly master planned community which guarantees luxury, elegance, prestige, convenience and security. It has 24-hour security, tree-lined streets and landscaped roadways, high pressure sodium streetlamps, centralized water supply system and water treatment facility, parks and playground, jogging and bicycle paths, forest park and bird sanctuary. Within the Estates, there is a fully air-conditioned chapel. Nearby is a school offering preparatory and elementary education, convenience stores, gasoline station and the Xavier Sports and Country Club – *the first and only country club with proprietary membership*. Other modern conveniences are also within reach such as SM mall and a par 72-hole golf course. Just across it, is Xavier University – a grade school and high school university run by the Jesuits including the newly built IT College. Corpus Christi School, a grade and high school, non-sectarian institution run by lay Christians is also minutes away from Xavier Estates. For the year 2020, there were six (6) lots sold as compared to five (5) lots in 2019.

Teakwood Hills Subdivision is located in Barangay Agusan, Cagayan de Oro City, some 2.3 kilometers from the national highway going uphill. This new and idyllic enclave has a breathtaking endless view of the mountains and the sea. It was inaugurated on September 22, 2007. Part of its master plan development is a perimeter fence with ingress and egress controlled by two gates, 24 hour security, private cul-de-sac with esplanades and parks designed to create a pastoral ambience. The roads are eight meters wide and lined with trees. It has a club house with recreational amenities such as infinity swimming pool and basketball court. Lot sizes starts from a minimum cut of 250 sq.m., all with a 180-degree scenic view of the famous Macajalar bay and an elevation of 220 meters above sea level. A total of seven (7) lots were sold in 2020 and 22 lots in 2019.

Valencia Estates is located in Barangay Lumbo, Valencia City, Bukidnon was launched in October 2008. It is a 11.72 hectares project with an estimated 351 saleable lots ranging from 150 to 293 sq.m. each. Valencia Estates' amenities are patterned after the excellent standards of a plush subdivision with a road network of 15 meters for the main road, 10 meters for the service roads complete with sodium street lamps; a basketball court, a clubhouse with a swimming pool. It also has open spaces and playground, perimeter fence and a 24-hour security service. There were seven (7) lots and 23 lots sold in 2020 and 2019, respectively.

Coral Resort Estates is a mixed-use development located at Brgy. Pagahan, Initao, Misamis Oriental, between the cities of Cagayan de Oro and Iligan. The project is 60 kilometers from Cagayan de Oro and is 27 kilometers away from the Laguindingan International Airport. The development includes a ₱ 30 million clubhouse. The total land area is 10 hectares with a total development area of 5.397 hectares with an average lot cut of 250 sqm. Phase 1 of the project will comprise 82 lots. Cluster A has 42 saleable lots with an area of 2.5 hectares while

Cluster B has 40 saleable lots with an area of 2.9 hectares. There was only one (1) lot sold this year and three (3) lots sold last year.

West Highlands is a residential estate located in Brgy. Bonbon, Butuan City. The project is just 3 kilometers from the JC Aquino Avenue junction and approximately a five-kilometer drive to all major establishments and service facilities in the city. The total area of development of Phase 1 is 25.9 hectares and 289 feet above sea level which gives you an opportunity to have an exclusive view of the historic Mt. Mayapay or the cityscape. Situated at the delta of the mighty Agusan River, Butuan was a trading entrepot that flourished about 900-1000AD within the Southeast Asian maritime trading empire. It is also in Butuan that actual specimens of the ancient boats known as balanghai-today aptly renamed the Butuan Boats- were found. There were 13 lots that were sold this year as compared to 28 lots last year.

West Highlands Phase 2 was launched in October 2017 with a total of 156 lots for sale. There are 75 fairway and 81 inner lots. Fairway Lots have an average of 360 sq.m. lot cut while inner lots have an average of 250 sq.m. lot cut.

West Highlands Golf Club features a 9-hole golf course. Opened for public use in November 2016, the golf course is frequented by local and national golfers. This one-of-a-kind executive all-weather golf course offers Mindanao's first paspalum re: eco-friendly turf grass and moderately undulated green and fairways. A 16-lane driving range is also one of the features in the area.

Xavier Estates Phase 6 – Ignatius Enclave features house and lot units and prime lots. House and Lot units are single detached with lot area of 110 to 120 sq.m. and floor area of 60 sq.m. Prime lots have lot cuts of 250 to 400 sq.m. Aimed at fostering The Happy Community concept, the modern minimalist houses introduced ABCI's first venture into the vibrant house colors of yellow, orange, blue and green accents. Abundant green open spaces shall also highlight the subdivision. There were 49 units that were sold this year as compared to 76 last year.

The Terraces in Xavier Estates highlights prime cascading ridge lots of 180 to 400 sq.m. in size. Located in the terraces-like land configuration, this area commands a 180-view of the city of Cagayan de Oro and the mountains of Bukidnon and is low dense with less than 46 lots for sale. . Five (5) units were sold this year and three (3) for last year.

Economic Housing

Xavier Estates Ventura Residences (Phase V-A) is the first venture of A Brown Company, Inc. into the middle market house-and-lot package. Ventura Residences is nestled inside the Xavier Estates, a secluded place in a guarded gated community. Alicia-modified model house has three rooms and a master's bedroom; three toilet and bath (T & B); a maid's quarter with separate T & B; a carport and terrace. Ventura Residences has parks and playground and 6-meter wide service roads. There were eight (8) house and lot packages sold in 2020 compared to two (2) house & lot sold in 2019.

Ventura Lane is located beside Ventura Residences with lot cuts of 250 sq.m. while Cluster B & C have lots cut at 110sq.m. One unit was sold in 2020 and nil (0) lots in 2019

Xavierville Homes Subdivision is adjacent to the Xavier Estates project. It is an economic housing development under BP 220. Phase 1 has an area of 1.8 hectares while Phase 2 has an area of 0.60 hectares for a total of 131 saleable lots. There were no units sold for the year as compared to three (3) house and lot packages for last year.

East Cove Village is located in Barangay Sto. Domingo, Cainta, Rizal which is conveniently situated at the back of Robinsons shopping center and very accessible by public transportation along Ortigas Extension. This master planned mini subdivision will have the atmosphere of resolute safety and conspicuous ambiance of a first-rate community and neighborhood, truly an affordable world of enclave living. It is a 2.6 hectares project with 140 lots. It was opened to the market in 2005 and was sold out in less than 2 years. It has a perimeter fence for security and privacy, landscaped entrance gate, wide cemented roads – 10 meters wide main road and 8 meters wide auxiliary roads, concrete curbs and gutters, paved sidewalks lined with trees, storm drainage system, mercury lamps along the road, park and playground, street lamps and centralized water system. The HLURB had issued the Certificate of Completion of the project in February 2009 and the Local Government Unit

has already accepted the donation of its open spaces and road lots. On January 21, 2012, the village administration was turned over by ABCI to the new set of officers of the Homeowner's Association.

Adelaida Park Residences located below Xavier Estates is the first residential subdivision in the region offering a ridgeview linear park. The linear park is 410 linear meters in length with park lights along the jogging path/bicycle path. Single detached and attached house and lot units are offered with lot area ranging 90-161 sq.m. with floor area ranging 60-60.5 sq.m. Adelaida Park Residences has single houses sufficiently spaced from each other with its own parking space; is a gated community with ranch-type perimeter fence; has proposed pavilion; and is certified flood-free with an elevation of 157 feet above river bank. A total of 13 house and lot were booked as sale in 2020 compared to 22 house and lot in 2019.

Xavier Estates Phase 5B – Ventura Residences II also features house and lot units and prime lots. Located at the back of Ventura Residences I, this second phase have the identical house colors of orange and cream as the first phase. House and Lot units are single detached with a lot area of 110 to 170 sq.m. and floor area of 80 sq.m.. Prime lots with lot cuts of 110 to 500 sq.m. are located by the ridge. For the year 2020, there were 14 units that were sold as compared to 46 last year.

Socialized Housing

St. Therese Subdivision is a socialized housing project located in mid-Balulang, Cagayan de Oro City. It is about 1.67-hectare project with 155 saleable lots ranging from 50 to 75 sq. m. with floor area of 25 to 28 square meters. There are 91 units of row houses; 38 units of duplexes and 17 units of single-attached that have been for the project. Nine (9) units are up for new design. No units were booked in 2020 and two (2) lots in 2019.

Mountain View Homes. is another socialized housing project of ABCI. Phase 1 opened in February 2015 with 215 houses and lot units while Phase 2 was opened in November 2016 with 83 house and lots units. Located in Mid-Balulang, Cagayan de Oro City. Mountain View Homes is accessible to churches, schools, malls and commercial establishments. The socialized housing project has row houses with lot area of 50 sq.m. and floor area of 26sq.m. Single detached units for economic housing have a lot area of 75-143 sq.m. and floor area of 36-38 sq.m. A total of 2 house and lot were booked as sale in 2020 and 37 house and lots in 2019.

Mangoville. The “Sosyal Socialized Housing” project of A Brown Company located in Barangay Agusan, Cagayan de Oro features duplex house designs and with own parking space; with 10-meter wide main roads and 8-meter wide inner roads; with guardhouse and perimeter fence; and with an elevation of 169 meters above sea level overlooking Macajalar Bay. Mangoville is built on a 3.5 hectares area with a total of 235 housing units. Each unit of the duplex house has a lot area of 67.5 sq. m. and a floor area of 22 sq.m. No units were booked as sale in 2020 while another two (2) house and lots in 2019.

Product Lines:

| | |
|------------------------------------|--------|
| Net Sales | 81.30% |
| Equity in Net Gain of an Associate | 16.43% |
| Gain on Sale of EIFPVL | 1.17% |
| Financial Income | 0.19% |
| Others | 0.90% |

The Company has five categories for products and services. The **first** category covers real estate activities, sale of palm olein, palm stearin, refined bleached deodorized oil, palm acid oil, palm fatty acid distillate and crude palm oil processed from the mill plant of ABERDI, water services and kernels. The revenue from this category accounts for about 81.30% of the total income. The **second** category covers equity in net income of an associate. The **third** covers the gain on sale of equity investment on listed companies. The **fourth** category covers interest income for saving accounts and in-house financed lot sales. The **fifth** category is an income derived from water tapping fees, **transfer fees and other water charges**, service fees, penalties on late payments and income from forfeited deposits, dividend income, unrealized forex gain and gain on bargain purchase.

Foreign Sales not applicable

Distribution Methods of Products and Services

In 2020, ABCI affirmed its pioneering edge in real estate selling in this part of the country by asserting a proactive stance by bringing in new ideas. First off, ABCI has opened the sellers' market. From 5 partner realties, there are now 32 accredited realties selling ABCI properties in Cagayan de Oro; in Initao, Misamis Oriental; in Butuan; and in Bukidnon.

The accredited realties are the following: Arka Realty, BCP Realty, Cdo Brokers and Associates, Chee Realty and Development Corp, Gambe Realty, JCA Realty Corporation, Leuterio Realty and Brokerage, Power Properties Realty Mgt and Devt Corp, and Truly Wealthy Realty, Abejo Realty, Alphatierra Realty, Bachelors Realty and Brokerage, CLM Realty, Divine Graceian Realty, DK Realty Broker, ES Realty, Genuine CDO Properties Realty Co, Golden Nest Realty and Brokerage, Icon Ideal Concepts, Irene Ramos Realty, JAC Homes Realty, La Breeza, Land Asia Global Properties, Landswem Infinite Realty, Mariale Realty and Brokerage, Marlyn Jugao Realty, Rebase Real Estate and Devt Corp, Ro-land Harvest, Ryra Realty and Consultancy, Seankirsten Realty, Sios-e Real Estate Center, and U-1st Realty and Brokerage.

Significantly, on top of the regular commissions, sellers receive novel incentives such as huge cash incentives, travel perks, and branded bags or watches or jackets. They also receive mugs and wine with personal messages from the President.

The first Hall of Famer Award was presented to Rizalinda Chee-de Jong of Chee Realty and Development Corporation. A loyal broker of ABCI for 25 years, Ms. de Jong was a consistent gold awardee and has exhibited outstanding sales leadership and exemplary and unparalleled sales performance all these years. Moreso, outstanding brokers and realties are recognized through Monthly Sales Achievers Ceremonies, Quarterly Awarding Ceremonies and the Annual Sales Conference.

The Brokers' Care and Engagement Programs were instituted and has significantly increased the brokers' attention to ABCI projects, making it top-of-the-mind when selling. Aside from the personal chat and exchange with the individual brokers, company activities included them such as health and wellness programs and the women's talk. Regular personal exchanges between ABCI heads and sellers have boosted loyalty.

With onset of COVID-19 in 2020, much of the interaction between sellers and buyers were done online. There was an intensified presence in the social media as this was the primary means of correspondences apart from Brooky and private messages. Videos of the projects were enhanced, walk-through to the model houses were created, announcements were converted into online posters.

Under the Chief Executive Officer, the ABCI Sales and Marketing Department continues to brainstorm for promotions and advertisements aimed to respond to the market's preferred choice of real estate products.

Lastly, these changes are all anchored on the ABCI vision of "Creating enlightened and happier communities for the common good".

New Products or Services

Three projects were introduced to the market: Ventura Residences 2, Ignatius Enclave and The Terraces. Ventura Residences 2 is an economic housing featuring single detached houses. Prime lot cuts are also available and located by the ridge. And the two high-end (open market) projects are Xavier Estates Phase 6 Ignatius Enclave and The Terraces. Ignatius Enclave features single detached houses and prime lots. The Terraces is a low dense community featuring lots for sale.

Competition

Among several real estate business developments in Cagayan de Oro City, Camella Homes and Johndorf Ventures Inc. **Pueblo de Oro Development Corporation, and Cebu Landmasters** are competitors offering same product and pricing packages as that of Adelaida Park Residences, Ignatius Enclave and Ventura Residences under the economic housing category. Ayala Land's Alegria Hills claim to be a competitor of

Teakwood Hills' magnificent and endless view. For the project in Valencia City, Mountain Breeze is the project in the same category. For Butuan City, other players are the developers of Camella, Filinvest and VCDU projects. Ayala Land, Johndorf Ventures Inc., and Camella are competitors in the socialized housing. For the lot only market in Cagayan de Oro, competitor is Pueblo de Oro Development Corporation (mixed use development) **and Robinson's**.

Most buyers of ABCI real estate projects regard its value appreciation potentials as highly attractive. Another plus factor is the dynamism of its marketing group which is ably handled by its very able marketing personnel in tandem with its well-trained sales agents/brokers. This is the Company's commitment to offer affordable lot and house and lot packages for a well-planned project focused on family oriented and nature-themes environment. The key is security, good location and accessibility to basic locations (supermarkets, churches, public utilities, etc.). It is able to compete for its ability to attract customers which greatly depend on the quality and location of the projects, reputation as a developer, and reasonable prices and pricing schemes and the concept of a well-planned integrated community.

For the Oil Palm Mill, the competitors are Filipinas Palm Oil Plantation, Inc. (Rosario, Agusan del Sur), Kenram Industrial & Development, Inc. (Kenram, Isulan Kultan Kudarat), Agumil Philippines, Inc. (Trento, Agusan del Sur), Univanich Palm Oil Inc. (Carmen, North Cotabato) and Palm Asia Milling Corp. (Matanao, Davao del Sur).

Sources and Availability of Raw Materials

Construction materials for the Cagayan de Oro project were mostly sourced within the city while those used for Manila Operations were also sourced in Manila. The company is not dependent upon any single supplier. Projects are awarded to qualified bidders. Thus, the Company's suppliers are just related to supplies needed for maintenance and/or office needs. List of its principal suppliers are provided on Exhibit II, page 88-89.

For Palm Oil Operations, fresh fruit bunch suppliers are from nearby towns of Bukidnon, Misamis Oriental, Cagayan de Oro City, Cotabato City, Agusan del Sur, Sultan Kudarat, and North Cotabato while the buyers for the crude palm oil (CPO) are from Cagayan de Oro City, Surigao de Norte, Iligan City and Butuan City.

Customer Profile

For the projects offered 2020, there is a 20% representation from the OFW market particularly nurses, doctors, seafarers, engineers and retirees. Ten per cent (10%) of the market of ABCI products are married to foreigner. And the remaining 70% are businessmen and professionals from Northern Mindanao and the Caraga region.

Payment habits are good and very keen on the project's completion. For East Cove Village, the lot buyers are 72 local and 68 from OFWs. On the other hand, the buyers for Teakwood Hills Subdivision, Valencia Estates and West Highlands are local businessmen and professionals and OFWs who want to upgrade their location. Buyers for Mountain View Homes are teachers, government employees and professionals. Adelaida Park Residences' buyers are local professionals and businessmen while Ignatius Enclave and Ventura Residences II attracted OFWs, managers and executives of private companies, businessmen, and second-home buyers.

Buyers for Crude Palm Oil (CPO) and Palm Kernel Nuts (PKN) are from Davao, Bukidnon, Butuan, Cagayan De Oro, Iligan City. However, we have bulk sales for processed palm oil products like palm olein same with palm stearin. Likewise, our Golden Belle brand packaging products (18 kgs in Plastic Container and 50 ml Roll Type Pouches) are focus within Northern Mindanao Areas. While other processed palm oil by products like Palm Fatty Acid and Palm Acid Oil are sold to export buyers.

Related Parties

The Company and its subsidiaries and certain affiliates, in the ordinary course of business have entered into transactions with each other principally consisting of reimbursement of expenses and management agreements. All transactions were done on commercial terms and arms-length basis. See Note 15 of the attached Notes to the Consolidated Financial Statements.

Patents, Trademarks, etc. Not applicable

Government Regulations

There are no existing governmental regulations which may have adverse effects on the business. Licenses to sell for all on-going projects have been secured.

Phases 1 to 4 of Xavier Estates have accordingly been secured and compliance with all the requirements of HLURB have been undertaken. The existing real estate project called Xavier Estates has been granted an Environmental Clearance Certificate (ECC) No. 10(43)00-01-31-1502-50110 which was released on January 31, 2000 consolidating the four phases (I, II, III, IV) of the project. The said certificate supersedes the ECCs previously issued to Phases I, II and III. Xavier Estates Block 62 and 63 belong to Phase 1 of XE project which has an alteration permit no. 026-2008 while its ECC is 10(43)00 01-31-1502-50110. Phase V of Xavier Estates has been issued an ECC No. R10-0912-0091. It supersedes ECC No. 10(43)00 01-31-1502-50110. The project is being visited twice a year by the Multi-partite Monitoring Team to check the Company's compliance to the ECC issued. ABCI pays an annual fee for its Mindanao projects and its being handled by the Guardians of the Earth Association, Inc.

Teakwood Hills Subdivision's ECCs are (43)06 09-11 4294-50200 and R10-0912-0090, Development Permit No. is 014-2007, and License to Sell are 25268 and 030226 which amends LTS Nos. 18507/24800/28390. For Xavierville Homes Subdivision its ECC is 10(43)05 05-16 4004-50200, Development permit no. is 010-2007 and License to Sell are 18500/22399. Valencia Estates ECC license is R10-1001-0009/10(13)07 07-30 4456-50200 while its Development Permit is 07/01 and its License to Sell are 19846 and 24770. For the Cainta project, an ECC has been issued last November 6, 2003 under no. 4A-2003-1100-8410 and a development permit issued by the Sangguniang Bayan of Cainta, Rizal under Resolution No. 2003-084. The HLURB License to Sell No. 11990 was released in February 2005. Saint Therese Socialized Housing has been issued with ECC No. R10-0912-0089, Development Permit No. 002-2011 and License to Sell No. 24799 while Initao Coral Resort Estates has an ECC No. R10-1001-0013 with Development Permit No. 2011-04-01 and License to Sell Nos. 28380/28404/029461. Ventura Residences ECC License is R10-0912-0091, Development Permit No. 007-2011 and License to Sell are 25834/25265/029473/030205 while for Ventura Lane's ECC No. is R10-0912-0091, Development Permit is 007-2011 and License to Sell No. is 02469. In Butuan City's West Highlands, the only golf and residential estates in Caraga region has an ECC No. R13-1204-037, Certificate of Registration No. 23586 and License to Sell Nos. 25889 which was amended to 28412, 28413 & 029465. The LTS for West Highland Phase 2A is 031773. Mt. View Homes has an ECC No. R10-1408-0217 with Development Permit No. 005-2014 and License to Sell No. 029442 for its socialized housing and License to Sell No. 029443 for its economic housing. Mt. View Homes 2 has License to Sell No. 031712 for its economic housing and License to Sell No. 031713 for its socialized housing. Adelaida Park Residences has License to Sell No. 031714.

The Mangoville project has secured its Development Permit No. 004-2017 and License to Sell No. 031789. Xavier Estates Phase 6 - Ignatius Enclave has an ECC No. R10-0912-0091, Development Permit No. 006-2018 and License to Sell No. 033723. Xavier Estates Phase 5B - Ventura Residences 2 has an ECC No. OL-R10-2018-0091, Development Permit No. 007-2018 and License to Sell No. 033724. Development Permit No. 005-2018 and License to Sell No. 033722 were also issued for The Terraces in Xavier Estates.

The Palm Oil Mill's ECC 10(13)06 04-19 4210-31171 was issued on April 19, 2006. It was amended to include Palm Oil Refinery with Fractionation Plant which was approved on February 6, 2013. For the oil palm plantation project, its ECC no. 10(13)07 03-20 4384-31171 was issued on March 20, 2007. For Kalabugao nursery, the Philippine Coconut Authority registration was approved and released last December 24, 2008. While the permit to import oil palm seeds were released on January 12, 2009.

ABERDI received its License to Operate as Food Manufacturer with LTO NO. CFRR-RX-FM-1195 from Food and Drug Administration on July 1, 2016. In addition, the company also received the HALAL registration certificate for the Refined Palm Oil Products on April 29, 2016 with IDCP-NO. 2016-F-828,

Palm Concepcion Power Corp. (formerly DMCI Concepcion Power Corp.) was granted ECC No. 0606-006-4021 dated May 27, 2007 as amended in November 4, 2010 for the proposed construction of the power plant. Endorsements from different levels of the local government units were also issued for the project, namely: Sangguniang Barangay Resolution No. 2004-17 dated December 22, 2004; SB Resolution No. 2005-06 dated January 24, 2005 and SB Resolution No. 2011-068 dated June 13, 2011 (which affirms earlier Resolution and recognizing new corporate name), Provincial Development Council through Resolution No.2005-031 dated July

5, 2005 which favorably endorsing the project to the Regional Development Council; from the Office of the Provincial Governor of Iloilo dated November 10, 2011 and from the Office of the Municipal Mayor of Concepcion, Iloilo dated November 10, 2011.

The Department of Energy (DOE) endorsed the project to the National Grid Corporation of the Philippines (NGCP) to conduct Grid Impact Study (GIS) on February 16, 2011 and classified the project from “Indicative” to “Committed” on February 10, 2012.

The Department of Natural Resources (DENR) granted PCPC’s request for ECC extension on May 9, 2012 and likewise approved the request for ECC amendment for the increase in capacity from 100 MW to 135 MW and relocation of certain project components on October 12, 2012.

With the ECC amendment, the company once again consulted the local government units and appropriate Resolutions interposing no objections were passed and issued as follows: “Sangguniang Barangay Resolution No. 2012-19 dated October 17, 2012 affirming Resolution No. 2012-04; Sangguniang Bayan Resolution No. 2012-99 dated November 5, 2012 affirming SB Resolution No, 2011-69 and Provincial Development Council Executive Committee Resolution No. 2013-034 dated March 13, 2013 affirming the Provincial Development Council’s Resolution No. 2005-031.

The Board of Investments (BOI) issued the Certificate of Registration (2012-114) to PCPC on June 27, 2012 and approved PCPC’s request for amendment for the change in ownership and increase in capacity from 100 MW to 135 MW on October 2, 2012.

The Environmental Management Bureau (EMB)- Region 6, granted PCPC the Authority to Construct (14-AC-F-0630-1258) and Permit to Operate (14-POA-F-0630-1258) Air Pollution Source and Control Installations on November 3, 2014. A Discharge Permit (15-DPW-F-0630-1258) was also issued by EMB on January 5, 2015, allowing PCPC to discharge treated wastewater to Concepcion Bay.

With the request of PCPC to DENR to amend its ECC for the extension of the 350-meter pier conveyor facility, DENR issued a new ECC (ECC-CO-1409-0022) to PCPC on June 19, 2015.

The National Water Resources Board (NWRB) issued a Conditional Water Permit (CWP No. 11-26-14-036) to PCPC on November 26, 2014 granting PCPC to use Concepcion Bay as water source for its desalination plant. Thereafter, the CWP issued was superseded by NWRB as they issued a Water Permit to PCPC with No. 023707 on January 22, 2016.

The Philippine Ports Authority (PPA) granted a Permit to Construct with No. 2015-001 to PCPC on April 24, 2015 granting PCPC to construct a Private Non-commercial port in Barangay Nipa, Concepcion, Iloilo. PPA, then, issued a Certificate of Registration/Permit to Operate (No.491) to PCPC effective February 29, 2016.

The Energy Regulatory Commission issued to PCPC a Provisional Authority to Operate on July 14, 2016 for its 135 MW Circulating Fluidized Bed Coal-Fired Power Plant. Moreover, the Department of Labor & Employment (DOLE) issued to PCPC Permit to Operate for its various power plant equipment in August 2016. Hence, on August 16, 2016, the said plant started its commercial operations. Ten (10) distribution utilities and electric cooperatives have signed up with PCPC for their base load power capacity requirements.

To date, PCPC has renewed its permits as required by various government agencies and is continuously fulfilling its purpose by serving the needs of its customers, helping ensure that homes and businesses have dependable and uninterrupted power supply, which they can afford, as it continues to uphold its commitment to the environment and host communities.

Personnel complement of A Brown Group of Companies as of December 2020 is presented below.

As to position:

| Positions | No. of Personnel |
|---------------------------|------------------|
| Officers | 9 |
| Managers (including AVPs) | 17 |
| Supervisors | 33 |
| Rank and File | 121 |
| Total | 180 |

As to function:

| Functions | No. of Personnel |
|--|------------------|
| Operations | 88 |
| Sales and Marketing | 22 |
| Accounting/Credit and Collection/Finance | 18 |
| Administration | 52 |
| Total | 180 |

The Company expects to maintain its number of employees in the next 12 months.

Risks

A Brown Company, Inc. and its subsidiaries are exposed to financial, operational and administrative risks which are normal in the course of the business, depending on the business industry sector where each of the subsidiaries operate. It is subject to significant competition in each of its principal businesses. ABCI competes with other developers and developments to attract lot buyers and customers for its real estate and palm oil operation. Other risks that the company may be exposed to are the following: changes in Philippine interest rates, changes in the value of the Peso, changes in construction material and labor costs, power rates and other costs, changes in laws and regulations that apply to the Philippine real estate industry and changes in the country's political and economic conditions global health risk or pandemic. Please refer to Note 24 of the Notes to the Audited Consolidated Financial Statements for the discussion on Financial Risk Management Objectives and Policies.

The Company and its subsidiaries have formed board committees composed by their respective directors to mitigate if not to avoid these risks. The Audit Committee and Risk Committee in cooperation with the Company's external and internal auditors exercise the oversight role in managing these risks. It also manages the financial and business risks in accordance with the company's risk profile and risk culture to strengthen the company's position when faced with these risks.

Even larger economies are confronted with downside risk on its credit ratings. Other sovereignties have also been feared to default on its obligations. Global financial crisis if not contained will have a ripple effect to other volatile economies as investors lost confidence and hold back investment.

In recent years, the Philippines enjoys an unprecedented level of confidence among international business community and has improved its global competitiveness rankings. It has received an investment grade and stable outlook on its long-term sovereign credit ratings among the three major credit ratings agencies. The improvement of credit ratings will provide a lower cost of capital on its borrowings.

In spite of opportunities, downside risks to growth exist with the presence of external and domestic shocks. The slowdown in large emerging economies, and conflicts in Middle East are some of the external forces that would pull growth opportunities down. Disasters arising from natural hazards, delays in infrastructure and reconstruction projects, logistics bottlenecks and thin power reserves are perceived to be internal forces that will hamper growth.

As the heat of the global recession hampers growth, the country may be able to weather a global economic slowdown for as long as the fiscal reforms are sustained. Regulatory agencies are also key partners in combating financial crisis through continued vigilance in their examination of compliance to rules and regulations, pro-active in implementing economic programs to sustain pump-priming activities and responsive to the needs of time like the implementation of economic bail-out plan in order to curtail the systemic effect of sectoral crisis trickling down to the whole economy that will affect all local business sectors. Bangko Sentral ng Pilipinas in particular should remain steadfast in its mandate to maintain effective financial system and institute preventive and corrective measures to alleviate the ill-effects of the startling financial difficulty i.e. credit crunch resulting to home foreclosures that became the housing crisis which will ultimately affect the whole economy if not resolved in immediacy. The government should also have the capacity to fix and clean-up the mess that scandals and accusations of graft and corruption within the bureaucracy to encourage and boost foreign and domestic investors' confidence. Although this may have an indirect impact on the company's growth but if the economic slowdown will set in, inevitably this will weaken the business volume, revenue and profits. It may affect the Company's business activity – low demand, higher interest rates and stiff competition. Global

pandemic like COVID-19 is creating unprecedented economic havoc due to lockdowns that limit economic activities and to practice physical distancing to curb widespread infection to the populace.

The company is also subject to risks inherent in real estate development. There is a risk that financing for development may not be available on favourable terms; that construction may not be completed on schedule or within budget due to shortages of materials, work stoppages due to unfavourable weather conditions, unforeseen engineering, environmental and geological problems and unanticipated cost increases; that new governmental regulations including changes in building and planning regulations and delays to obtain requisite construction and occupancy permits; and developed properties may not be leased or sold in profitable terms and the risk of purchaser and/or tenant defaults.

On the other hand, there are also factors that expose the Plantation to risks. These are the peace and order condition of the plantation sites, infestation of pests and diseases and farm to market road (provincial and barangay roads). Generally, the peace and order situation in the plantation area is stable. Coordination for security is made with the cooperation from the local government. Weather disturbance which causes landslides making the roads impassable also delay transporting the fruit bunches to the mill plant.

Risk factors for the mill business are as follows: i) breakdown of one major equipment such as purifier, steam boiler, turbo-alternator and/or fruit digester will paralyze the operation for days, weeks or months; ii) non-adherence to environmental restrictions may cause plant closure or work stoppage; iii) unplanned breakdown of High Power Boiler equipment for Refinery and Chiller for Fractionation can cause to cease operation.

Research and Development

The company is currently doing market studies for a possible expansion of its palm oil plantation and possible projects related to energy and power. The company does not expect to conduct any significant product research and development in the foreseeable future other than related to its existing operations.

Item 2. PROPERTIES

Real properties owned by A Brown Company, Inc. and its subsidiaries are shown on Exhibit IIIa, IIIb and IIIc, page 90-93. Most of the properties were already transferred under ABCI's name. The merger of ABCI and several of its subsidiaries in December 1999 and June 2002 as mentioned in Item 1 of Part 1, has caused the inclusion of properties under East Pacific Investors Corp. (EPIC), but legally, the owner is already ABCI. For properties with individual names indicated, the documentation on the transfer of ownership is still on process. Some real properties were on lease with contracts providing for renewal options subject to mutual agreement of the parties. Rental rates are based on prevailing market rates for the said properties. Other real properties that the Company intends to acquire are still under review depending on the factor/s such as demographics and accessibility to public transport. ABCI's preferred mode of acquisition would be thru purchase or joint ventures with landowners. It continues to assess its landholdings to identify properties which no longer fit its overall business strategy and hence, can be disposed of.

FINANCIAL SOUNDNESS INDICATORS

| Financial Ratios Consolidated Figures | Audited 12/31/2020 | Audited 12/31/2019 | Audited 12/31/2018 |
|--|-------------------------------|-------------------------------|-------------------------------|
| Current ratio ¹ | 2.50:1 | 2.45:1 | 1.73:1 |
| Quick ratio ² | 0.93:1 | 0.76:1 | 0.34:1 |
| Solvency ratio ³ | 0.14:1 | 0.25:1 | 0.15:1 |
| Total Debt to Equity ratio ⁴ | 0.53:1 | 0.53:1 | 0.57:1 |
| Asset to Equity ratio ⁵ | 1.53:1 | 1.53:1 | 1.57:1 |
| Interest coverage ratio ⁶ | 6.20x | 10.45x | 5.54x |
| Return on Equity ⁷ | 7.15% | 13.26% | 8.66% |
| Return on Assets ⁸ | 4.67% | 8.56% | 5.42% |
| Net Profit Margin ratio ⁹ | 34.04% | 48.14% | 34.96% |

¹Current assets/Current liabilities

²Current assets less contract assets, inventories and prepayments/Current liabilities

³Net Income plus depreciation/Total liabilities

⁴Total liabilities/Stockholders' equity

⁵Total assets/Stockholders' equity

⁶Earnings before income tax, interest, depreciation and amortization/Total Interest Payment

⁷Net Income/ Average Total stockholders' equity

⁸Net income/Average Total assets

⁹Net income/Revenue

EXHIBIT- IIaLIST OF ACCREDITED SUPPLIERS (TOP) – ABCI
FOR THE YEAR 2020

| Supplier's Name | Address |
|--|---|
| ARA INDUSTRIAL SUPPLY | SACRET HEART,CARMEN,CDO |
| BME Partners, Inc. | Dr7 GSC/RA Bldg, Gusa, CDO City |
| BUTUAN METRO HARDWARE INCORPORATED | MONT. BOULEVARD COR. BURGOS ST.,TANDANG SORA BUTUAN CITY |
| CITI HARDWARE BACOLOD, INC. | NATL HIGHWAY, TABLON, CDO CITY |
| Dataworld Computer Center | T. Neri St., CDO City |
| FMV DRILLING INDUSTRIES SALES AND SERVICES | DR 2 RAAGAS CMPD, ZONE 2 KAUSWAGAN, CDOC |
| GSC-RAC COMPANY, INC. | GUSA HIGHWAY, CDOC |
| GTS Construction Supply & Devt Corp. | Corrales Ext., CDO City |
| HEAVENLY SPARE PARTS TRADING | ZONE 5, ILAYA VAMENTA BLVD., CARMEN, CDOC |
| JAS Trading & Gen. Services | T.NERI ST., BALOY, TABLON, CDO CITY |
| JHAYCOR INDUSTRIES, INC. | KM10 Diversion Road, Sasa, Davao City 8000 |
| JWL SOURCING GROUP, INC. | J.C AQUINO AVE., LAPU-LAPU, BUTUAN CITY |
| L & B CONCRETE PRODUCTS | CALAANAN, CANITOAN |
| MCKUPLER, INC. | Unit 2508 High Street South Corporation Plaza Tower 2 11th Ave Cor 26th St, Fort Bonifacio, 1630 Taguig City NCR, Philippines |
| MDS Aggregates and Trucking Services | ZONE 9 ANHAWON BULUA, CAG. DE ORO CITY |
| NEOBOULDER RESOURCES & DEVELOPMENT | 1263 GARAME ST., BRGY.5, CABADBARAN CITY 8605 |
| NJJ GENERAL MERCHANDISE | DR 2 DAYANDAYAN APT., CROSSING CAMAMAN-AN, CDOC |
| Oro Mighty Enterprises | 196 Corrales Ave., CDO City |
| UP Marketing | #11 LAPASAN HI-WAY, CDO CITY |
| Wilcon Depot, Inc. | ZONE 5 CUGMAN, CAGAYAN DE ORO CITY (CAPITAL) MIS. OR. PHILIPPINES 9000 |

**LIST OF ACCREDITED SUPPLIERS (TOP 20) – ABERDI
FOR THE YEAR 2020**

| SUPPLIERS' NAME | ADDRESS |
|------------------------------------|---------------------------------|
| 22 KARATS PRINTING & PUBLISHING | VAMENTA,CARMEN CDOC |
| ARA INDUSTRIAL SUPPLY | PUEBLO BUSINESS DISTRICT, CDOC |
| ASIA PHIL TYRES CORP | OSMENA ST.CAG.DE ORO CITY |
| BETA TECHNOLOGIES, INC | 301 F RAMOS ST.CEBU CITY |
| BME PARTNERS, INC | GUSA, CAG.DE ORO CITY |
| CAGAYAN DE ORO GAS CORP | IGPIT, CG.DE ORO CITY |
| CHEMI SOURCE UNLIMITED CORP | SASA, DAVAO CITY |
| DAVAO SUN ASIA & GENERAL MDSE | CORRALES EXTN.CDOC |
| DEGALEN CORP. | GUSA, CAG.DE ORO CITY |
| F.D.J ROSMAR CORP | BALOY, CAG.DE ORO CITY |
| FIL CONVEYOR COMPONENT | TAMBO, NAZARETH,CAG.DE ORO CITY |
| GOODWISH ENTERPRISES | OSMENA EXTN.CAG.DE ORO CITY |
| JET TECH ENERGY & CONST. GROUP | ALAMONOS,LAGUNA |
| JNK TRADING & GEN.MDSE | LOWER JASAAN,MIS.OR |
| KING G AGRO INDUSTRIAL & EQUIPMENT | BUTUAN CITY |
| MAINFRAME INDUSTRIAL SALES | DAGOHOY ROAD,BUTUAN CITY |
| MCKUPLER INC | BULUA, CAG.DE ORO CITY |
| MR.ELECTRIC INDUSTRIAL SUPPLY | MACASANDIG, CAG.DE ORO CITY |
| ORO MIGHTY ENTERPRISES | LAPASAN HI-WAY, CAG.DE ORO CITY |
| VRM BUKID | MAMPAYAG,MANOLO FORTICH |

EXHIBIT- IIIa**List of Properties as of December 31, 2020**

| Location | Area in Sq. Meters | Condition | Owner |
|---------------------------------|-----------------------|---|-----------------------|
| Luzon: Angono, Rizal | 263 | An idle residential lot subject for sale Aurora Hills Subd., Kalayaan, Pelican cor. Sandpiper, Lakeview Executive Village | A Brown Company, Inc. |
| Binangonan, Rizal | 148,953 | Raw land which is suitable for residential development and near the vicinity of East Ridge Golf and Country Club - Cala Lily & Orchid Road | A Brown Company, Inc. |
| Ortigas Ave., Pasig | 87.30 | Lot easement subject to expropriation - DPWH (688.78 sold to Mission Hospital) | A Brown Company, Inc. |
| Culiat, Quezon City | 5,550 | Residential property with informal settlers and ongoing land litigation | A Brown Company, Inc. |
| Tanay, Rizal | 2,509,371 | mostly raw land | A Brown Company, Inc. |

EXHIBIT- IIIb

| Location | Area in Sq. Meters | Condition | Owner |
|--|-------------------------------------|--|---|
| Mindanao: Initao, Misamis Oriental | 54,261 | developed residential subdivision - Corral Resort Estate | A Brown Company, Inc. |
| | 51,867 | undeveloped land for residential use | A Brown Company, Inc. |
| | 11,856 | undeveloped land for residential use | A Brown Company, Inc. |
| | 52,764 | undeveloped land for residential use | A Brown Company, Inc. |
| Cugman, Cagayan de Oro City | 1,160 | developed with infrastructure containing warehouse facilities. staff house was demolished in December 2019 | Epic Holdings Corp/ ABCI |
| Upper Balulang, Cagayan de Oro City | 463,599 | developed residential subdivision Xavier Estates - Phase 4 | A Brown Company, Inc. |
| Lower Balulang, Cagayan de Oro City | 48,396 | developed residential subdivision; economic housing; Xavierville Homes | A Brown Company, Inc. |
| Panginuman, Balulang, Cagayan de Oro City | 56,859 | developed residential subdivision Xavier Estates - Phase 5A (Ventura Residences 1) | A Brown Company, Inc. |
| | 20,924 | developed residential subdivision Xavier Estates - Phase 5B (Ventura Residences 2) | A Brown Company, Inc. |
| | 73,735 | developed residential subdivision Xavier Estates - Phase 6 (Ignatius Enclave) | A Brown Company, Inc. |
| | 25,360 | developed residential subdivision ; socialized housing - Mt. View Homes Phase 1 | A Brown Company, Inc. |
| | 49,703 | on-going development residential subdivision ; socialized housing - Mt. View Homes Phase 2 | A Brown Company, Inc. |
| | 48,165 | developed residential subdivision ; Adelaida Residences | A Brown Company, Inc. |
| | 28,764 | developed residential subdivision ; The Terraces | A Brown Company, Inc. |
| | 131,308 | undeveloped land for residential use | A Brown Company, Inc. |
| | 106,937 | undeveloped land for residential use | A Brown Company, Inc. |
| | Brgy. Balulang, Cagayan de Oro City | 16,720 | developed residential subdivision; socialized housing; St. Therese Subd. |
| 23,618 | | undeveloped land for residential use | MGCC (merged w/ ABCI) |
| 5,198 | | undeveloped land for residential use | MGCC (merged w/ ABCI) |
| 10,900 | | undeveloped land for residential use, accretion | MGCC (merged w/ ABCI) |
| 11,968 | | undeveloped land | A Brown Company, Inc. |
| 38,832 | | undeveloped land | A Brown Company, Inc. |

| Location | Area in Sq. Meters | Condition | Owner |
|-----------------------------------|--------------------------------------|---|--|
| Lumbo, Valencia | 117,244 | developed residential subdivision - Valencia Estates Phase 1 | EPIC (merged w/ABC) |
| | 211,277 | undeveloped land for residential development - Valencia Estates | EPIC (merged w/ABC) |
| Brgy. Agusan, Cagayan de Oro City | 278,136 | developed residential subdivision - Teakwood Hills | A Brown Company, Inc. |
| | 35,834 | developed residential subdivision - Mangoville | A Brown Company, Inc. |
| | 11,366 | undeveloped land for residential use - Teakwood Hills 4 | A Brown Company, Inc. |
| | 30,914 | undeveloped land for residential use - Teakwood Hills 2 | A Brown Company, Inc. |
| | 21,761 | undeveloped land for residential use - Teakwood Hills 3 | A Brown Company, Inc. |
| | 28,610 | undeveloped land for residential use - Teakwood Hills 5 | A Brown Company, Inc. |
| | 13,355 | undeveloped land for residential use - Teakwood Hills 6 | A Brown Company, Inc. |
| | 11,657 | undeveloped land for residential use - Teakwood Hills 6 | A Brown Company, Inc. |
| | 19,054 | undeveloped land for residential use - Teakwood Hills | A Brown Company, Inc. |
| Bonbon, Butuan City | 126,169 | developed residential subdivision - West Highlands | A Brown Company, Inc. |
| | 91,007 | developed residential subdivision - West Highlands Phase 2A | A Brown Company, Inc. |
| | 48,000 | undeveloped land | A Brown Company, Inc. |
| | 169,439 | undeveloped land | A Brown Company, Inc. |
| | 2,334 | undeveloped land | A Brown Company, Inc. |
| | 1,551 | undeveloped land | A Brown Company, Inc. |
| | 54,908 | undeveloped land | A Brown Company, Inc. |
| | 5,671 | undeveloped land | A Brown Company, Inc. |
| | 5,671 | undeveloped land | A Brown Company, Inc. |
| | 59,440 | undeveloped land for residential use | A Brown Company, Inc. |
| | 36,698 | undeveloped land for residential use | A Brown Company, Inc. |
| | 53,694 | undeveloped land for residential use | A Brown Company, Inc. |
| | 300 | undeveloped land for residential use | A Brown Company, Inc. |
| | 35,606.32 | undeveloped land for residential use | A Brown Company, Inc. |
| 46,874 | undeveloped land for residential use | A Brown Company, Inc. | |
| Talakag, Bukidnon | 221,230 | raw land, utilized for quarrying; source of aggregates | Northmin Mining & Devt. Corp. (merged with ABC) |
| Casisang, Malaybalay City | 36,898 | undeveloped land | A Brown Company, Inc. |
| MAMBUAYA, Cagayan de Oro City | 28,464 | undeveloped land | A Brown Company, Inc. |
| BAYANGA, Cagayan de Oro City | 10,795 | undeveloped land | A Brown Company, Inc. |
| DANSOLIHON, Cagayan de Oro City | 1,077,000 | undeveloped land | A Brown Company, Inc. |
| TIGNAPOLOAN, Cagayan de Oro City | 782,000 | undeveloped land | A Brown Company, Inc. |

EXHIBIT- IIIc**Properties owned by the Subsidiaries**

| Location | Area in Sq. Meters | Condition | Owner |
|-------------------------|--------------------|--|--|
| Pagahan, Initao Mis.Or. | 7,840 T-27642 | agricultural land for development in the future as a beach-front property | Bonsai Agri. Corp. |
| Impasug-ong, Bukidnon | 16 hec. T-90115 | agricultural land; 10 has. converted to agro-industrial & currently the site of 10 T/hr palm oil mill and the 50T/day refinery (construction on-going) | ABERDI = 5 has Nakeen Corp. = 5 has. Bonsai Agri. Corp. = 4 has. RFI (merged w/ BRC) = 2 has. |
| Libertad, Butuan City | 20,000 | undeveloped land for residential use | Andesite Corp. (Now Simple Homes Development Inc.) |

Item 3. LEGAL PROCEEDINGS

The Company has contingent liabilities for lawsuits and various other matters occurring in the ordinary course of business. On the basis of information furnished by the legal counsel, management believes that none of these contingencies will materially affect the Company's financial position and results of operation.

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

Except for the matters taken up during the Annual Stockholders' Meeting, there was no other matter submitted to a vote of security holders during the period covered by this report.

PART II SECURITIES OF THE REGISTRANT

Item 5. MARKET FOR REGISTRANT'S COMMON SHARES AND RELATED STOCKHOLDER MATTERS

Market Information

The common shares of ABCI have been listed at the Philippine Stock Exchange (PSE) since February 1994. The table below shows the high and low sales prices of the Company's shares on the PSE for each quarter within the last two (2) fiscal years, to wit:

| Quarter | Year 2020 | | Year 2019 | |
|----------|-----------|-------|-----------|------|
| | High | Low | High | Low |
| Jan-Mar | 0.90 | 0.455 | 0.88 | 0.76 |
| Apr-Jun | 0.81 | 0.50 | 0.85 | 0.70 |
| Jul-Sept | 0.88 | 0.68 | 0.95 | 0.77 |
| Oct-Dec | 1.13 | 0.73 | 0.87 | 0.69 |

The Company's stock price was trading as high as ₱1.13 and as low as ₱0.455 for the four quarters of the year. It also closed at ₱0.90 on December 29, 2020 as compared to the closing price of ₱0.71 on December 27, 2019.

The table below shows the high and low sales prices of the Company's shares on the PSE for the first (1st) quarter of 2021, to wit:

| Month | Year 2021 | |
|----------|-----------|------|
| | High | Low |
| January | 1.18 | 0.83 |
| February | 1.01 | 0.86 |
| March | 0.99 | 0.82 |
| April | 1.04 | 0.84 |

On April 30, 2021, ABCI's shares of common stock were traded at a high of ₱0.97 and a low of ₱0.93 at the Philippine Stock Exchange with closing price of ₱0.95. The stocks are not traded in any foreign market.

Holders of Common Equity

The number of holders of common stock as of December 31, 2020 is 2,090. As of April 30, 2021, the number of holders of common stock is 2,089.

Public Float

As of December 31, 2020 and 2019, the company is compliant with the minimum public float requirement by the Philippine Stock Exchange (PSE) at 36.10% and 37.35%, respectively. The Company's public float of 36.10% is equivalent to 885,058,595 shares out of the 2,452,004,911 outstanding shares.

As of April 30, 2021, the Company's public float is 35.54% which is equivalent to 863,421,595 shares out of 2,429,767,911 outstanding shares.

A BROWN COMPANY, INC.
LIST OF TOP 20 STOCKHOLDERS
AS OF APRIL 30, 2021

| Rank | Name of Stockholders | Total Number of Shares Subscribed | Percent to Total Outstanding |
|------|--|-----------------------------------|------------------------------|
| 1 | PCD NOMINEE CORPORATION** | 2,034,860,376 | 83.7471% |
| 2 | BROWN, WALTER W. | 176,880,000 | 7.2797% |
| 3 | JIN NATURA RESOURCES CORPORATION | 102,000,000 | 4.1979% |
| 4 | PBJ CORPORATION | 74,306,496 | 3.0582% |
| 5 | TAN, A. BAYANI K. | 2,033,120 | 0.0837% |
| 6 | BROWN, WALTER W. OR ANNABELLE P. BROWN | 1,550,566 | 0.0638% |
| 7 | TAN, MA. GRACIA P. | 1,123,089 | 0.0462% |
| 8 | PIZARRO, ROBERTINO E. | 1,060,613 | 0.0437% |
| 9 | DAVILA REGINA | 938,462 | 0.0386% |
| 10 | FERNANDEZ, LUISITO | 853,147 | 0.0351% |
| | GANDIONCO, ANDREA L. | 853,147 | 0.0351% |
| 11 | LORENZO, ALICIA P. | 750,769 | 0.0309% |
| 12 | LAGDAMEO, JR., ERNESTO R. | 602,690 | 0.0248% |
| 13 | KALINANGAN YOUTH FOUNDATION, INC. | 561,123 | 0.0231% |
| 14 | KING, JOSEFINA B. | 557,334 | 0.0229% |
| 15 | GAMILIA, JULIANA | 544,615 | 0.0224% |
| 16 | EBC SECURITIES CORPORATION | 518,221 | 0.0213% |
| 17 | TAN, JOAQUIN T.Q. | 511,885 | 0.0211% |
| 18 | TRIFELS, INC. | 481,905 | 0.0198% |
| 19 | IGNACIO, EDGARDO | 472,512 | 0.0194% |
| 20 | CABALUNA, ANGELITO R. | 431,173 | 0.0177% |
| | | 2,401,891,243 | 98.8527% |
| | ** The following are the clients - beneficial owners owning 5% or more: | | |
| | <i>Walter W. Brown (direct and indirect)</i> | 518,810,132 | 21.3523% |
| | <i>Annabelle P. Brown (direct and indirect)</i> | 131,135,874 | 5.3971% |
| | <i>Brownfield Holdings Inc.</i> | 647,238,938 | 26.6379% |

Dividend

There was no dividend declaration in 2020 and 2019.

Dividend policy:

Dividends are declared by the Company on its shares of stocks and are payable in cash or in additional shares of stock. The declaration and payment of dividends in the future will depend upon the earnings, cash flow and financial condition of the Company and other factors affecting the availability of unrestricted retained earnings, as prescribed under the Revised Corporation Code. Dividend declaration must also take into account the Company's capital expenditure and project requirements and settlement of its credit. Cash and property dividends are subject to approval by the Company's Board of Directors while stock dividends require the approval of both the Company's Board of Directors and Stockholders. In addition, the payment of stock dividends is likewise subject to the approval of the SEC and PSE, if shares are to be listed with the Exchange. Other than the restrictions imposed by the Revised Corporation Code of the Philippines, there is no other restriction that limits the Company's ability to pay dividends on common equity.

Recent Sales of Unregistered Securities or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

On May 19, 2016, the Board of Directors initially approved the amendment of the Corporation's Articles of Incorporation to increase its authorized capital stock (ACS) which was amended later on August 8, 2016 to increase its authorized capital stock (ACS) from the current Two Billion Pesos (P2,000,000,000.00) divided into Two Billion (2,000,000,000) Common Shares to up to Five Billion Pesos (P5,000,000,000.00) divided into Five Billion (5,000,000,000) Common Shares.

The first tranche of the increase in the Corporation's authorized capital stock, is implemented with an increase by One Billion Three Hundred Million Pesos (P1,300,000,000.00), divided into One Billion Three Hundred Million (1,300,000,000) Common Shares and out of said increase, the Twenty Percent (20%) stock dividend declared on May 19, 2016 are issued. This was approved by the Securities and Exchange Commission (SEC) on January 11, 2017. On March 8, 2017, 346,572,301 shares were distributed to stockholders as 20% stock dividend.

On 12 October 2017, the Board approved the conversion of the Company's debt and deposits for future subscription amounting to Php 450,000,000 to equity at Php 1.13/share based on the 15-day volume weighted average price for the period ending on October 11, 2017. This conversion is broken down as follows:

| <u>Debt</u> | Liability | Number of Shares |
|---|------------------------|--------------------|
| Brownfield Holdings Incorporated | ₱250,000,000.00 | 221,238,938 |
| <u>Deposits for future subscription</u> | | |
| Valueleases, Inc. | ₱100,000,000.00 | 88,495,575 |
| RMEscalona Consulting, Inc. | <u>100,000,000.00</u> | <u>88,495,575</u> |
| Total | <u>₱450,000,000.00</u> | <u>398,230,088</u> |

The transaction is intended to settle outstanding loan obligations as well as convert the deposits and at the same time strengthen the balance sheet of the Company. This allowed the Company to raise funds for expansion of existing businesses and investments in new projects.

Brownfield Holdings Incorporated (BHI) is an existing shareholder and a related party to the Issuer with an equity interest of 20.49% as of the transaction date.

Valueleases Inc. and RMEscalona Consulting, Inc. are new investors and are not related parties to the Issuer or any existing shareholder.

The new issuance of shares to BHI, Valueleases, Inc. and RMEscalona Consulting, Inc. represent 8.93%; 3.57% and 3.57%, respectively to the resulting total issued and outstanding shares. The three subscribers are not related to each other and are not acting in concert. This represents the culmination of several months of fund-raising exercises that A Brown Company, Inc. has undertaken to enable it to strengthen its financial base as well as fund some of its on-going investments to ensure growth for the company.

There was no sale of unregistered securities by the registrant during the past three years except as discussed above.

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 0 | 0 | 3 | 1 | 1 | 6 | 8 |
|---|---|---|---|---|---|---|---|---|---|---|

COMPANY NAME

| | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| A | B | R | O | W | N | C | O | M | P | A | N | Y | , | I | N | C | . | A | N | D | S | U | B | S |
| I | D | I | A | R | I | E | S | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | |

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

| | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| X | A | V | I | E | R | E | S | T | A | T | E | S | U | P | T | O | W | N | , | A | I | R | P | O | R | T |
| R | O | A | D | , | B | A | L | U | L | A | N | G | , | C | A | G | A | Y | A | N | D | E | O | R | O | |
| C | I | T | Y | | | | | | | | | | | | | | | | | | | | | | | |
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|--|---------------------------------|---------------------------------------|---|---|---|--|---|---|---|--|---|---|---|
| Form Type | Department requiring the report | Secondary License Type, If Applicable | | | | | | | | | | | |
| <table border="1" style="width: 100%; text-align: center;"> <tr> <td>A</td><td>A</td><td>C</td><td>F</td><td>S</td> </tr> </table> | A | A | C | F | S | <table border="1" style="width: 100%; text-align: center;"> <tr> <td>S</td><td>E</td><td>C</td> </tr> </table> | S | E | C | <table border="1" style="width: 100%; text-align: center;"> <tr> <td>N</td><td>/</td><td>A</td> </tr> </table> | N | / | A |
| A | A | C | F | S | | | | | | | | | |
| S | E | C | | | | | | | | | | | |
| N | / | A | | | | | | | | | | | |

COMPANY INFORMATION

| | | | | | |
|--|------------------------------|--|-----------------|--|-------------|
| Company's Email Address | Company's Telephone Number | Mobile Number | | | |
| <table border="1" style="width: 100%;"> <tr> <td>abci_headoffice@abrown.ph</td> </tr> </table> | abci_headoffice@abrown.ph | <table border="1" style="width: 100%;"> <tr> <td>(02) 8633-3135</td> </tr> </table> | (02) 8633-3135 | <table border="1" style="width: 100%;"> <tr> <td>N/A</td> </tr> </table> | N/A |
| abci_headoffice@abrown.ph | | | | | |
| (02) 8633-3135 | | | | | |
| N/A | | | | | |
| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) | | | |
| <table border="1" style="width: 100%;"> <tr> <td>2,090</td> </tr> </table> | 2,090 | <table border="1" style="width: 100%;"> <tr> <td>Any day of June</td> </tr> </table> | Any day of June | <table border="1" style="width: 100%;"> <tr> <td>December 31</td> </tr> </table> | December 31 |
| 2,090 | | | | | |
| Any day of June | | | | | |
| December 31 | | | | | |

CONTACT PERSON INFORMATIONThe designated contact person ***MUST*** be an Officer of the Corporation

| | | | | | | | |
|---|-------------------------------------|--|---------------------|---|----------------|--|-----------------|
| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number | | | | |
| <table border="1" style="width: 100%;"> <tr> <td>Atty. Marie Antonette U. Quinito</td> </tr> </table> | Atty. Marie Antonette U. Quinito | <table border="1" style="width: 100%;"> <tr> <td>maquinito@abrown.ph</td> </tr> </table> | maquinito@abrown.ph | <table border="1" style="width: 100%;"> <tr> <td>(088) 324-0150</td> </tr> </table> | (088) 324-0150 | <table border="1" style="width: 100%;"> <tr> <td>(+63)9173101870</td> </tr> </table> | (+63)9173101870 |
| Atty. Marie Antonette U. Quinito | | | | | | | |
| maquinito@abrown.ph | | | | | | | |
| (088) 324-0150 | | | | | | | |
| (+63)9173101870 | | | | | | | |

CONTACT PERSON'S ADDRESS

| |
|---|
| Vista Verde Subdivision, Pueblo de Oro, Masterson Avenue, Cagayan de Oro City |
|---|

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

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



April 23, 2021

The Securities and Exchange Commission
 Secretariat Building, PICC Complex,
 Roxas Boulevard, Pasay City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **A Brown Company, Inc. and its Subsidiaries** (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2020, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of 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.

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

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

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



WALTER W. BROWN
 Chairman



ROBERTINO E. PIZARRO
 President and Chief Executive Officer



MARIE ANTONETTE U. QUINITO
 Chief Finance Officer

SUBSCRIBED AND SWORN to before me this MAY 12 2021 day of _____, affiants exhibiting to me their respective passports, as follows:

| Names | Competent Evidence of Identity | Date of Issue | Place of Issue |
|----------------------------|--------------------------------|-------------------|----------------------|
| Walter W. Brown | Senior Citizen ID No. 00020-Q | January 19, 2017 | OSCA – Quezon City |
| Robertino E. Pizarro | P4275745A | September 6, 2017 | DFA – Cagayan de Oro |
| Marie Antonette U. Quinito | P0153658A | September 3, 2016 | DFA – Cagayan de Oro |

Doc. No. 27
 Page No. 7
 Book No. VII
 Series of 2021

APRIL JOY B. GUIANO
 Notary Public for Makati City
 Until December 31, 2020
 Liberty Center- Picazo Law
 104 H.V. Dela Costa Street, Makati City
 Roll of Attorney's No. 73268
 PTR No. 8535726/Makati City/01-05-2021
 BE No. 137918/Makati City/01-06-2021
 M.L.E. Exempted-Admitted to the bar in 2019
 Extended until June 30, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
A Brown Company, Inc. and Subsidiaries
Xavier Estates Uptown, Airport Road
Balulang, Cagayan de Oro City

Opinion

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

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

Basis for Opinion

We conducted our audit 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 output method as the measure of progress in determining real estate revenue; and (3) determination of the actual costs incurred as cost of sales.

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 the buyer, age and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs, after considering the impact of coronavirus pandemic, if it would still support its current threshold of buyers' equity before commencing revenue recognition.

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

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

The disclosures related to real estate revenue are included in Notes 2 and 3 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 coronavirus pandemic to the level of cancellations during the year. On a sampling basis, we traced the historical analysis to supporting documents such as the buyer's collection report and official receipts.

For the application of the output method in determining real estate revenue, we obtained an understanding of the Group's processes for determining the percentage of completion (POC). We obtained the certified POC reports prepared by the project engineers and assessed their competence and objectivity by reference to their qualifications, experience and reporting responsibilities. For selected ongoing projects, we conducted ocular inspections, made relevant inquiries, including inquiries on how the coronavirus pandemic affected the POC during the period, and obtained the supporting details of POC reports showing the completion of the major activities of project construction.

For the cost of real estate sales, we obtained an understanding of the Group's cost accumulation process. For selected projects, we traced costs accumulated, including those incurred but not yet billed costs, to supporting documents such as invoices, official receipts, and accomplishment reports from contractors, among others.



Impairment of Property, Plant and Equipment of Palm Oil Business

The Group's palm oil business has incurred losses since 2016. This was caused by the palm oil plantation's bearer plants not reaching their optimal fruiting stages. This indicates that the carrying amount of the Group's palm oil business assets, which are comprised primarily of property, plant and equipment amounting to ₱752.2 million as of December 31, 2020, may not be recoverable. The property, plant and equipment related to the palm oil business represents 12% of the consolidated assets of the Group as of December 31, 2020. The Group performed an impairment testing on its property, plant and equipment of the palm oil business which resulted in the recognition of an impairment loss of ₱15.1 million in 2020. The impairment testing is significant to our audit because the assessment of the recoverable amount of the palm oil business' property, plant and equipment requires significant judgment and involves estimation and assumptions about future fresh fruit bunches (FFB) production, FFB prices, direct costs, and discount rate. In addition, because of the coronavirus pandemic, there is heightened level of uncertainty on the future economic outlook and market forecast.

The disclosures in relation to property, plant and equipment of palm oil business are included in Notes 3 and 12 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include future FFB production, FFB prices, direct costs, and discount rate. We compared the key assumptions used such as: (a) future FFB production against the forecasted FFB production in accordance with the industry standard yield, and (b) FFB prices and direct costs with externally published data, taking into consideration the impact associated with coronavirus pandemic. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of property, plant and equipment of palm oil business.

Accounting for Investments in Significant Associates

The Group owns 20% of Palm Concepcion Power Corporation (PCPC) and Peakpower Energy, Inc. (PEI) which are accounted for under the equity method. As of December 31, 2020, the investments in these associates amounted to ₱1,376.9 million (representing 21% of the Group's consolidated total assets), and the Group's equity in net earnings from these associates in 2020 amounted to ₱175.9 million (representing 60% of the Group's consolidated net income). The accounting for these investments is significant to our audit because of the substantial amount of the Group's investments and equity in net earnings from these associates.

The disclosures in relation to investments in associates are included in Note 10 to the consolidated financial statements.



Audit response

We obtained an understanding of the Group's process in recognizing its equity in net earnings of the associates. We also obtained an understanding of the business transactions, the revenue recognition process, the impact of the coronavirus pandemic, reviewed material items and other accounts that may have a material effect on the Group's share in the 2020 earnings of the associates, and reviewed alignment of accounting policies. We obtained the financial information of PCPC and PEI and recomputed the Group's equity in net earnings for the year ended December 31, 2020.

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 year ended December 31, 2020, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS, 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 audit, or otherwise appears to be materially misstated.

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

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

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

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

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

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



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

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

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

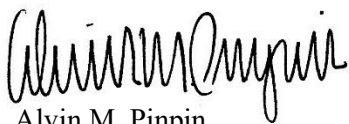
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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

The engagement partner on the audit resulting in this independent auditor's report is Alvin M. Pinpin.

SYCIP GORRES VELAYO & CO.



Alvin M. Pinpin

Partner

CPA Certificate No. 94303

Accreditation No. 94303-SEC (Group A)

Valid to cover audit of 2020 to 2024

financial statements of SEC covered institutions

Tax Identification No. 198-819-157

BIR Accreditation No. 08-001998-070-2020,

December 3, 2020, valid until December 2, 2023

PTR No. 8534344, January 4, 2021, Makati City

April 23, 2021



A BROWN COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | December 31 | |
|---|-----------------------|-----------------------|
| | 2020 | 2019 |
| ASSETS | | |
| Current Assets | | |
| Cash (Note 4) | ₱231,321,649 | ₱74,999,881 |
| Receivables (Note 5) | 1,009,113,885 | 746,447,264 |
| Contract assets (Notes 14 and 27) | 76,301,227 | 128,936,113 |
| Receivables from related parties (Note 15) | 117,690,925 | 114,385,359 |
| Real estate inventories (Note 6) | 1,573,049,067 | 1,580,964,264 |
| Other inventories (Note 7) | 148,093,928 | 154,605,096 |
| Equity instruments at fair value through profit or loss (EIFVPL) (Note 9) | – | 63,484,441 |
| Other current assets (Note 8) | 511,185,498 | 349,774,970 |
| Total Current Assets | 3,666,756,179 | 3,213,597,388 |
| Noncurrent Assets | | |
| Receivables - net of current portion (Note 5) | 26,338,455 | 146,248,831 |
| Contract assets - net of current portion (Notes 14 and 27) | 20,563,963 | 6,294,565 |
| Equity instruments at fair value through other comprehensive income (EIFVOCI) (Note 9) | 175,587,105 | 167,561,453 |
| Investments in associates (Note 10) | 1,430,559,395 | 1,430,401,980 |
| Investment properties (Note 11) | 97,133,941 | 97,133,941 |
| Property, plant and equipment (Note 12) | 912,510,888 | 880,355,966 |
| Deferred tax assets (Note 20) | 16,486,463 | 13,013,537 |
| Other noncurrent assets (Note 8) | 156,516,069 | 140,857,610 |
| Total Noncurrent Assets | 2,835,696,279 | 2,881,867,883 |
| TOTAL ASSETS | ₱6,502,452,458 | ₱6,095,465,271 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Accounts and other payables (Note 13) | ₱628,610,957 | ₱582,695,156 |
| Short-term debt (Notes 15 and 16) | 414,177,400 | 378,100,000 |
| Current portion of long-term debt (Notes 15 and 16) | 254,200,759 | 212,402,746 |
| Contract liabilities (Notes 14 and 27) | 168,966,097 | 139,504,435 |
| Total Current Liabilities | 1,465,955,213 | 1,312,702,337 |
| Noncurrent Liabilities | | |
| Long-term debt - net of current portion (Note 16) | 566,655,809 | 609,287,221 |
| Retirement benefit obligation (Note 19) | 61,169,956 | 46,378,752 |
| Deferred tax liabilities - net (Note 20) | 154,238,970 | 150,611,365 |
| Total Noncurrent Liabilities | 782,064,735 | 806,277,338 |
| Total Liabilities | ₱2,248,019,948 | ₱2,118,979,675 |

(Forward)



| | December 31 | |
|---|-----------------------|----------------|
| | 2020 | 2019 |
| Equity Attributable to Equity Holders of the Parent Company | | |
| Capital stock (Note 17) | ₱2,477,668,925 | ₱2,477,668,925 |
| Additional paid-in capital (Note 17) | 637,968,859 | 637,968,859 |
| Retained earnings (Note 17) | 1,437,223,304 | 1,143,092,830 |
| Fair value reserve of EIFVOCI (Note 9) | (258,483,688) | (266,509,340) |
| Remeasurement loss on retirement benefit obligation - net of tax (Note 19) | (25,293,809) | (20,083,920) |
| Remeasurement loss on defined benefit plan of an associate (Note 10) | (731,525) | - |
| Cumulative translation adjustment | 4,000,560 | 1,006,585 |
| Treasury shares (Note 17) | (21,236,419) | (1,014) |
| | 4,251,116,207 | 3,973,142,925 |
| Noncontrolling interest (Note 17) | 3,316,303 | 3,342,671 |
| Total Equity | 4,254,432,510 | 3,976,485,596 |
| TOTAL LIABILITIES AND EQUITY | ₱6,502,452,458 | ₱6,095,465,271 |

See accompanying Notes to Consolidated Financial Statements.



A BROWN COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | | |
|---|--------------------------------|---------------|--------------|
| | 2020 | 2019 | 2018 |
| REVENUE | | | |
| Real estate sales (Note 27) | ₱761,538,359 | ₱942,735,766 | ₱705,185,689 |
| Sale of agricultural goods (Note 27) | 79,088,786 | 63,724,600 | 100,440,355 |
| Water service (Note 27) | 23,417,340 | 21,349,825 | 20,441,816 |
| | 864,044,485 | 1,027,810,191 | 826,067,860 |
| COSTS OF SALES AND SERVICE | | | |
| Cost of real estate sales (Note 6) | 353,431,663 | 355,232,138 | 293,665,861 |
| Cost of agricultural goods sold (Note 7) | 60,135,511 | 49,684,623 | 82,826,053 |
| Cost of water service revenue | 5,733,021 | 11,989,512 | 9,625,079 |
| | 419,300,195 | 416,906,273 | 386,116,993 |
| GROSS PROFIT | 444,744,290 | 610,903,918 | 439,950,867 |
| GENERAL, ADMINISTRATIVE AND SELLING EXPENSES (Note 18) | 273,385,676 | 287,159,196 | 335,960,636 |
| OTHER INCOME (EXPENSES) | | | |
| Equity in net earnings of associates (Note 10) | 175,888,940 | 380,303,831 | 252,093,316 |
| Interest expense (Note 16) | (25,245,886) | (23,059,066) | (84,031,327) |
| Realized gain (loss) on sale of EIFVPL (Note 9) | 12,478,111 | (32,094,814) | 10,099,242 |
| Gain on bargain purchase (Note 21) | 2,659,077 | — | — |
| Unrealized foreign exchange gain (loss) | 1,129 | 10,668 | 14,704,981 |
| Unrealized gain (loss) on EIFVPL (Note 9) | — | (43,513,896) | 16,672,566 |
| Other income - net (Note 23) | 8,784,492 | 20,993,466 | 35,300,717 |
| | 174,565,863 | 302,640,189 | 244,839,495 |
| INCOME BEFORE INCOME TAX | 345,924,477 | 626,384,911 | 348,829,726 |
| PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 20) | | | |
| Current | 48,954,056 | 36,749,735 | 40,240,501 |
| Deferred | 2,866,315 | 94,841,951 | 19,833,120 |
| | 51,820,371 | 131,591,686 | 60,073,621 |
| NET INCOME | ₱294,104,106 | ₱494,793,225 | ₱288,756,105 |

(Forward)



| | Years Ended December 31 | | |
|---|--------------------------------|--------------|--------------|
| | 2020 | 2019 | 2018 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | |
| <i>Item that will be reclassified to profit or loss in subsequent periods:</i> | | | |
| Cumulative translation adjustment | ₱2,993,975 | ₱4,111,237 | (₱6,584,862) |
| <i>Items that will not be reclassified to profit or loss in subsequent periods:</i> | | | |
| Net change in fair value of EIFVOCI (Note 9) | 8,025,652 | (1,086,232) | 28,900,000 |
| Remeasurement gain (loss) on defined benefit plan - net of tax effect (Note 19) | (5,209,889) | (10,048,492) | 4,806,470 |
| Equity in other comprehensive loss of associate (Note 10) | (731,525) | - | - |
| | 5,078,213 | (7,023,487) | 27,121,608 |
| TOTAL COMPREHENSIVE INCOME | ₱299,182,319 | ₱487,769,738 | ₱315,877,713 |
| Net Income (Loss) Attributable to: | | | |
| Equity holders of the Parent Company | ₱294,130,474 | ₱494,945,733 | ₱288,774,597 |
| Noncontrolling interest (Note 17) | (26,368) | (152,508) | (18,492) |
| | ₱294,104,106 | ₱494,793,225 | ₱288,756,105 |
| Total Comprehensive Income (Loss) Attributable to: | | | |
| Equity holders of the Parent Company | ₱299,208,687 | ₱487,922,246 | ₱315,896,205 |
| Noncontrolling interest (Note 17) | (26,368) | (152,508) | (18,492) |
| | ₱299,182,319 | ₱487,769,738 | ₱315,877,713 |
| Basic/Diluted Earnings per Share (Note 17) | ₱0.12 | ₱0.20 | ₱0.12 |

See accompanying Notes to Consolidated Financial Statements.



A BROWN COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

| | Total Equity Attributable to Equity Holders of the Parent Company | | | | | | | | | | |
|---|---|----------------------------|-----------------------|-------------------------------|--|--|-----------------------------------|----------------------|-----------------------|-------------------------|-----------------------|
| | Capital Stock | Additional Paid-in Capital | Retained Earnings | Fair Value Reserve of EIFVOCI | Remeasurement Retirement Obligation - net of tax | Remeasurement Loss on Defined Benefit Plan of an Associate | Cumulative Translation Adjustment | Treasury Shares | Total | Noncontrolling interest | Total |
| At January 1, 2020 | ₱2,477,668,925 | ₱637,968,859 | ₱1,143,092,830 | (₱266,509,340) | (₱20,083,920) | ₱- | ₱1,006,585 | (₱1,014) | ₱3,973,142,925 | ₱3,342,671 | ₱3,976,485,596 |
| Net income | - | - | 294,130,474 | - | - | - | - | - | 294,130,474 | (26,368) | 294,104,106 |
| Other comprehensive income (loss) | - | - | - | 8,025,652 | (5,209,889) | (731,525) | 2,993,975 | - | 5,078,213 | - | 5,078,213 |
| Acquisitions of treasury shares (Note 17) | - | - | - | - | - | - | - | (21,235,405) | (21,235,405) | - | (21,235,405) |
| At December 31, 2020 | ₱2,477,668,925 | ₱637,968,859 | ₱1,437,223,304 | (₱258,483,688) | (₱25,293,809) | (₱731,525) | ₱4,000,560 | (₱21,236,419) | ₱4,251,116,207 | ₱3,316,303 | ₱4,254,432,510 |
| At January 1, 2019 | ₱2,477,668,925 | ₱637,968,859 | ₱648,147,097 | (₱265,423,108) | (₱10,035,428) | ₱- | (₱3,104,652) | (₱1,014) | ₱3,485,220,679 | ₱3,495,179 | ₱3,488,715,858 |
| Net income | - | - | 494,945,733 | - | - | - | - | - | 494,945,733 | (152,508) | 494,793,225 |
| Other comprehensive income (loss) | - | - | - | (1,086,232) | (10,048,492) | - | 4,111,237 | - | (7,023,487) | - | (7,023,487) |
| | - | - | 494,945,733 | (1,086,232) | (10,048,492) | - | 4,111,237 | - | 487,922,246 | (152,508) | 487,769,738 |
| At December 31, 2019 | ₱2,477,668,925 | ₱637,968,859 | ₱1,143,092,830 | (₱266,509,340) | (₱20,083,920) | ₱- | ₱1,006,585 | (₱1,014) | ₱3,973,142,925 | ₱3,342,671 | ₱3,976,485,596 |
| At January 1, 2018 | ₱2,477,668,925 | ₱637,968,859 | ₱359,372,500 | (₱294,323,108) | (₱14,841,898) | ₱- | ₱3,480,210 | (₱1,014) | ₱3,169,324,474 | ₱3,513,671 | ₱3,172,838,145 |
| Net income | - | - | 288,774,597 | - | - | - | - | - | 288,774,597 | (18,492) | 288,756,105 |
| Other comprehensive income (loss) | - | - | - | 28,900,000 | 4,806,470 | - | (6,584,862) | - | 27,121,608 | - | 27,121,608 |
| | - | - | 288,774,597 | 28,900,000 | 4,806,470 | - | (6,584,862) | - | 315,896,205 | (18,492) | 315,877,713 |
| At December 31, 2018 | ₱2,477,668,925 | ₱637,968,859 | ₱648,147,097 | (₱265,423,108) | (₱10,035,428) | ₱- | (₱3,104,652) | (₱1,014) | ₱3,485,220,679 | ₱3,495,179 | ₱3,488,715,858 |

See accompanying Notes to Consolidated Financial Statements.



A BROWN COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|--|-------------------------|---------------|---------------|
| | 2020 | 2019 | 2018 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Income before income tax | ₱345,924,477 | ₱626,384,911 | ₱348,829,726 |
| Adjustments for: | | | |
| Equity in net earnings of associates (Note 10) | (175,888,940) | (380,303,831) | (252,093,316) |
| Impairment loss (Notes 7, 8 and 12) | 29,410,454 | 21,957,000 | 17,559,508 |
| Depreciation (Note 12) | 27,774,186 | 25,015,142 | 16,442,595 |
| Interest expense (Note 16) | 25,245,886 | 23,059,066 | 84,031,327 |
| Loss (gain) on sale of: | | | |
| EIFVPL (Note 9) | (12,478,111) | 32,094,814 | (10,099,242) |
| Property, plant and equipment (Notes 12 and 23) | 184,474 | (3,475,684) | (2,966,668) |
| Investment properties (Notes 11 and 23) | – | (5,138,414) | – |
| Net changes in retirement benefit obligation (Note 19) | 7,348,507 | 3,403,947 | 8,676,690 |
| Gain on bargain purchase (Note 21) | (2,659,077) | – | – |
| Interest income (Note 23) | (2,045,174) | (2,741,357) | (2,281,600) |
| Unrealized foreign exchange loss (gain) | (1,129) | (10,668) | (14,704,981) |
| Unrealized loss on EIFVPL (Note 9) | – | 43,513,896 | (16,672,566) |
| Operating income before working capital changes | 242,815,553 | 383,758,822 | 176,721,473 |
| Decrease (increase) in: | | | |
| Receivables | (185,230,045) | (535,267,315) | 244,102,061 |
| Contract assets | 38,365,488 | 175,603,670 | (310,834,348) |
| Real estate inventories | 17,098,300 | 30,892,534 | (108,334,516) |
| Other inventories | 8,993,928 | (2,110,671) | (62,687,794) |
| Other current assets | (159,873,441) | (101,281,070) | 10,532,972 |
| Increase in: | | | |
| Accounts and other payables | 7,061,066 | 51,376,238 | 47,650,645 |
| Contract liabilities | 29,461,662 | 71,139,401 | 11,176,817 |
| Net cash from (used in) operations | (1,307,489) | 74,111,609 | 8,327,310 |
| Interest received (Note 23) | 2,045,174 | 2,741,357 | 2,281,599 |
| Net cash provided by operating activities | 737,685 | 76,852,966 | 10,608,909 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from sale of: | | | |
| EIFVPL (Notes 9 and 21) | 25,792,552 | 94,077,587 | 122,755,440 |
| Property, plant and equipment (Note 12) | 608,038 | 5,603,815 | 3,908,516 |
| Investment properties (Note 11) | – | 13,674,108 | – |
| Dividends received from associates (Note 10) | 219,200,000 | 80,000,000 | 13,005,420 |
| Additions to property, plant and equipment (Note 12) | (23,671,005) | (10,717,302) | (22,145,941) |
| Decrease (increase) in: | | | |
| Receivables from related parties | (3,305,566) | (27,488,843) | 76,260,185 |
| Other noncurrent assets | (15,658,459) | (87,223,751) | 2,847,530 |
| Cash inflow from acquisition of a subsidiary (Note 21) | 51,507 | – | – |
| Net cash provided by investing activities | 203,017,067 | 67,925,614 | 196,631,150 |

(Forward)



| | Years Ended December 31 | | |
|---|--------------------------------|---------------|---------------|
| | 2020 | 2019 | 2018 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from: | | | |
| Short-term debt | ₱241,252,000 | ₱245,805,000 | ₱548,653,519 |
| Long-term debt | 171,903,700 | 265,676,700 | 108,815,298 |
| Payments of: | | | |
| Short-term debt | (155,174,600) | (185,780,200) | (406,104,800) |
| Long-term debt | (222,737,099) | (410,807,989) | (403,666,597) |
| Interest paid | (64,436,684) | (64,524,147) | (81,140,117) |
| Acquisition of treasury shares (Note 17) | (21,235,405) | - | - |
| Net cash used in financing activities | (50,428,088) | (149,630,636) | (233,442,697) |
| EFFECT OF EXCHANGE RATE CHANGES | | | |
| ON CASH | 2,995,104 | 4,121,905 | 8,120,118 |
| NET INCREASE (DECREASE) IN CASH | 156,321,768 | (730,151) | (18,082,520) |
| CASH AT BEGINNING OF YEAR | 74,999,881 | 75,730,032 | 93,812,552 |
| CASH AT END OF YEAR (Note 4) | ₱231,321,649 | ₱74,999,881 | ₱75,730,032 |

See accompanying Notes to Consolidated Financial Statements.



A BROWN COMPANY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

A Brown Company, Inc. (the Parent Company or ABCI), a publicly-listed company, was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 21, 1966 as Bendana Brown Pizarro and Associates, Inc. to primarily engage in the business of property development and to invest in shares of stocks of listed companies. On December 28, 2012, upon amendment of Article IV of the Articles of Incorporation, approved among others that “That the term for which the Parent Company is to exist is extended for another fifty (50) years from and after the date of the expiration of the original corporate term on December 20, 2016”.

The Parent Company is engaged in the business of real estate development in Cagayan de Oro City and Initao in Misamis Oriental, Tanay, Rizal; Valencia City, Bukidnon and Butuan City, Agusan del Norte.

The Parent Company’s shares of stock are listed and are currently traded at the Philippine Stock Exchange (PSE).

The principal place of business and registered office address of the Parent Company is Xavier Estates Uptown, Airport Road, Balulang, Cagayan de Oro City.

The Subsidiaries

The Parent Company, through its subsidiaries, also ventured into palm oil milling, power generation and holdings of investments. The following are the subsidiaries of the Parent Company:

A Brown Energy and Resources Development, Inc. (ABERDI)

ABERDI is a 100% owned subsidiary of the Parent Company incorporated and registered with the SEC on February 1, 2001 to primarily engage in the business of manufacturing and trading of palm oil and other palm products including, but not limited to refined bleached deodorized oil, palm olein, crude palm oil, palm stearin, palm acid oil, palm fatty acid distillate, and palm kernels.

Palm Thermal Consolidated Holdings, Corp. (PTCHC)

PTCHC is a 100% owned subsidiary of the Parent Company registered with the SEC on November 22, 2010. Its primary purpose is to purchase, acquire, own, hold, lease, sell and convey properties of every kind and description, including land, buildings, factories and warehouses and machinery, equipment, the goodwill, shares of stock, equity, rights, and property of any person, firm, association, or corporation and other personal properties as may be necessary or incidental to the conduct of the corporate business and to pay cash, shares of its capital stock, debentures and other evidences of indebtedness, or other securities, as may be deemed expedient, for any business or property acquired by the corporation.

Blaze Capital Limited (BCL)

BCL is a 100% owned subsidiary of the Parent Company registered with BVI Financial Services Commission as a British Virgin Island (BVI) Business Company on August 8, 2011 under the BVI Business Companies Act 2004. Subject to the Act and any other BVI legislation, the Company has irrespective of corporate benefit (a) full capacity to carry on or undertake any business or activity, do any act or enter into any transactions; and (b) for the purposes of (a), full rights, powers and privileges. Since its incorporation, the Company has not started its commercial operations.



Hydro Link Projects Corp. (HLPC)

HLPC is a 100% owned subsidiary of the Parent Company registered with the SEC on May 6, 2010. The Company's primary purpose is to engage in, conduct and carry on the business of developing, constructing, operating, repairing, and maintaining hydro-electrical plants and system and other power generating or converting stations, manufacture, operation and repair of related mechanical and electrical equipment. Since its incorporation, the Company has not started its commercial operations.

AB Bulk Water Company, Inc. (ABBWCI)

ABBWCI is a 100% owned subsidiary of the Parent Company registered with the SEC on March 31, 2015. The Company was organized primarily to engage in the business of holding and providing rights to water to public utilities and cooperatives or in water distribution in the Municipality of Opol and related activities. Since its incorporation, the Company has not started its commercial operations.

Masinloc Consolidated Power, Inc. (MCPI)

MCPI is a 49% owned subsidiary of the Parent Company registered with the SEC on July 4, 2007. The Company was organized primarily to engage in, conduct and carry on the business of construction, planning, purchase, supply and sale of electricity. The Company is registered under the Foreign Investments Act of 1991 on July 6, 2007. The Company has not yet started its commercial operations.

Simple Homes Development, Inc. (SHDI)

SHDI is a 100% owned subsidiary of the Parent Company registered with the SEC on February 26, 1997. The Company was organized primarily to invest in, purchase or otherwise acquire and own, hold, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, and related activities. Since its incorporation, the Company has not started its commercial operations.

Nakeen Corporation (NC)

NC is a 100% owned subsidiary of the Parent Company through ABERDI registered with the SEC on February 2, 1997. The Company's primary purpose is to engage in the business of agriculture in all aspects, including but not limited to, the operation of fishponds and fish pens, the raising of cattle, both large and small, the raising of hogs and chicken and any and all other activities related to or incidental to the foregoing markets. The Company is also engaged in selling palm seedlings and bunch.

Bonsai Agri Corporation (BAC)

BAC is a 100% owned subsidiary of the Parent Company through ABERDI registered with the SEC on February 2, 1997. The Company was organized to engage in business of agriculture in all aspect, including but not limited to operation of fishponds and fish pens, the raising of cattle, both large and small, the raising of hogs and chickens and all other activities related to or incidental to the foregoing, and to market, sell, or otherwise dispose of any produce and products in both local and foreign markets. Since its incorporation, the Company has not started its commercial operations.

Vires Energy Corporation (VEC)

VEC is a 99.995% owned subsidiary of the Parent Company registered with the SEC on March 11, 2015. It was organized primarily to operate, engage in, conduct and carry on the business of exploring, developing, converting, producing, processing, and refining of power energy, fuel and/or any other source of power energy, including importation, handling, distributing and marketing at wholesale either within or outside the Philippines; to develop, manage, lease, and operate refineries for the power and fuel products or any other source of power energy; to enter into business undertaking to establish, develop, explore and operate business that will provide the technical



manpower to persons and institutions engaged in aforesaid energy production; and in general to carry on and undertake such activities which may seem to the Company capable of being conveniently carried on in connection with the above purposes, or calculated, directly, to enhance the value of or render profitable, any of the Company's property or rights. Since its incorporation, the Company has not started its commercial operations. VEC is a subsidiary effective June 18, 2020 (see Note 21).

Approval of Consolidated Financial Statements

The accompanying consolidated financial statements of the Group as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 were approved and authorized for issue by the BOD on April 23, 2021.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries (collectively referred to as "the Group").

The accompanying consolidated financial statements have been prepared using the historical cost basis, except for EIFVPL and EIFVOCI that are carried at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is the functional currency of the Parent Company. All subsidiaries and associates also use ₱ as functional currency, except for BCL whose functional currency is US Dollar (\$). All amounts are rounded off to the nearest Philippine Peso, except when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), which include the availment of the reliefs granted by the SEC under Memorandum Circular Nos. 14-2018, 3-2019 and 4-2020 for the following implementation issues of PFRS 15 affecting the real estate industry:

- a. Exclusion of land in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
- b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
- c. Adoption of PIC Q&A No. 2018-14: PFRS 15 – *Accounting for Cancellation of Real Estate Sales*
- d. Adoption of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*) for the Real Estate Industry

The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards and interpretations of the Philippine Interpretations Committee, Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);



- Exposure, or rights, to variable returns from its involvement with the investee; and,
- The ability to use its power over the investee to affect its returns

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the noncontrolling interests (NCI), even if this results in the NCI having a deficit balance. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other similar events. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any NCI and the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the parent’s share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate.

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

| | Effective Percentage of Ownership (%) | | |
|--------|--|------|------|
| | 2020 | 2019 | 2018 |
| ABERDI | 100 | 100 | 100 |
| NC | 100 | 100 | 100 |
| BAC* | 100 | 100 | 100 |
| PTCHC | 100 | 100 | 100 |
| HLPC* | 100 | 100 | 100 |
| ABWCI* | 100 | 100 | 100 |
| BCI* | 100 | 100 | 100 |
| SHDI* | 100 | 100 | 100 |
| MCPI** | 49 | 49 | 49 |
| VEC* | 100 | – | – |

* *pre-operating subsidiaries*

** *non-operating subsidiary*



NCI

NCI represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Group.

NCI are presented separately in the consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from parent shareholder's equity. Any losses applicable to the NCI are allocated against the interests of the NCI even if this results to the NCI having a deficit balance. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the NCI is recognized in equity of the parent in transactions where the NCI are acquired or sold without loss of control.

As at December 31, 2020 and 2019, percentage of NCI pertaining to MCPI amounted to 51%. The voting rights held by the NCI are in proportion of their ownership interest.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. As of the acquisition date, the acquirer shall recognize, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any NCI in the acquiree. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any NCI in the acquiree. For each business combination, the acquirer has the option to measure the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When a business is acquired, the financial assets and financial liabilities assumed are assessed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group as an acquirer shall report in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group as an acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Group as an acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group as an acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PFRS 9, *Financial Instruments*, either in consolidated statements of comprehensive income or as a charge to OCI. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity. Goodwill is initially measured at cost being the excess of the aggregate of the



consideration transferred and the amount recognized for NCI over the fair values of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in consolidated statements of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

A CGU to which goodwill has been allocated shall be tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit including the goodwill, with the recoverable amount of the unit. If the recoverable amount of the unit exceeds the carrying amount of the unit, the unit and the goodwill allocated to that unit shall be regarded as not impaired. If the carrying amount of the unit exceeds the recoverable amount of the unit, the Group shall recognize the impairment loss. Impairment losses relating to goodwill cannot be reversed in subsequent periods.

The Group performs its impairment test of goodwill on an annual basis every December 31 or earlier whenever events or changes in circumstances indicate that goodwill may be impaired.

Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 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 new standards did not have an impact on the consolidated financial statements of the Group.

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

- 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.

The Group applied the amendments in accounting for business combinations for the year ended December 31, 2020 (see Note 21).



- 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.

The amendment had no significant impact in the consolidated statements of financial position, consolidated statements of comprehensive income and consolidated statements of cash flows of the Group.

- 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.

The amendments had no impact on the financial statements of the Group as it did not have any hedging relationships during the period.

- 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.

The revised conceptual framework has no significant impact in the consolidated statements of financial position, consolidated statements of comprehensive income and consolidated statements of cash flows of the Group.

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

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

- The rent concession is a direct consequence of COVID-19;



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

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

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

The Group has not identified COVID-19 related rent concessions in its current lease agreements and render no significant impact to the Group's consolidated statements of financial position, consolidated statements of comprehensive income and consolidated statements of cash flows.

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



Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Business Combinations: 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.

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

- 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.

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



- *Annual Improvements to PFRSs 2018-2020 Cycle*

- 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 PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

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

Effective beginning on or after January 1, 2023

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

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

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

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

The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- PFRS 17, *Insurance Contracts*

This standard is not expected to have any impact on the Group.



Deferred effectivity

- 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 Securities and Exchange Commission (SEC) issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023.

A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

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

The Group availed of the SEC reliefs to defer the above specific provisions of PIC Q&A No. 2018-12. Had these provisions been adopted, the Group assessed that the impact would have been as follows:

- The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell (CTS) might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied retrospectively and would have resulted in restatement of prior year financial statements. Adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, installment contracts receivable (ICR), provision for deferred income tax, deferred income tax asset or liability for all years presented, and the opening balance of retained earnings. The Group has yet to assess if the mismatch constitutes a significant financing component for its CTSs.
- The exclusion of land and uninstalled materials in the determination of POC would have reduced the POC of real estate projects. Adoption of this guidance would have reduced revenue from real estate sales, cost of sales and ICR; increased real estate inventories and would have impacted deferred income tax asset or liability and provision for deferred income tax for all years presented, and the opening balance of retained earnings.

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



- IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*)

In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under paragraph 35(c) of PFRS 15, *Revenue from Contracts with Customers*. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under PAS 23, *Borrowing Costs*, considering that these inventories are ready for their intended sale in their current condition.

On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4-2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Further, on December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the Real Estate Industry until December 31, 2023. Effective January 1, 2024, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC Agenda Decision.

The Group opted to avail of the relief as provided by the SEC. Had the Group adopted the IFRIC agenda decision, borrowing costs capitalized to real estate inventories related to projects with pre-selling activities should have been expensed out in the period incurred.

- Adoption of PIC Q&A 2020-05, *Accounting for Cancellation of Real Estate Sales* (Supersedes PIC Q&A 2018-14)

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 thereof 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 (Approach 3) 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 upon approval of the FRSC.

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

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The



amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

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

Summary of Significant Accounting Policies

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

Current versus Noncurrent Classification

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

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the 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 the 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.

All other liabilities are classified as noncurrent.

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

Fair Value Measurement

The Group measures financial assets designated at FVOCI and financial assets at FVPL at fair value at each reporting date.



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

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

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

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

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

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

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

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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether or not 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.

Cash

Cash includes cash on hand and in banks.

Financial Instruments - Initial recognition and subsequent measurement

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



Financial assets

(i) Initial recognition and measurement

Financial assets are recognized when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

Contractual cash flows characteristics. If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI and interest on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model.

Business model. The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

(ii) Subsequent measurement

The Group subsequently classifies its financial assets into the following measurement categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)



- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial assets at amortized cost (debt instruments). The Group measures financial assets at amortized cost if both of the following conditions are met:

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

These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. Losses arising from impairment are recognized in the consolidated statements of comprehensive income under “Provision for impairment”.

The Group’s financial assets at amortized cost include cash, receivables, receivables from related parties and refundable deposits included under “Other assets” in the consolidated statements of financial position (see Notes 4, 5, 8 and 15).

Financial assets at FVOCI (debt instruments). The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

For debt instruments at FVOCI, interest income and impairment losses or reversals are recognized in the consolidated statements of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

As at December 31, 2020 and 2019, the Group’s does not have debt instruments at FVOCI.

Financial assets designated at FVOCI (equity instruments). At initial recognition, an entity may make an irrevocable election to present in OCI subsequent changes in the fair value of an investment in an equity instrument within the scope of PFRS 9 that is neither held for trading (HFT) nor contingent consideration recognized by an acquirer in a business combination to which PFRS 3 applies. The classification is determined on an instrument-by-instrument basis. The Group recognizes the unrealized gains and losses arising from the fair valuation of financial assets at FVOCI, net of tax, in the consolidated statement of comprehensive income as ‘Net change in fair value of EIFVOCI’.

In applying that classification, a financial asset or financial liability is considered to be HFT if:

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or,



- (b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or,
- (c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Gains and losses on equity instruments designated at FVOCI are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the OCI is reclassified to 'Retained earnings' or any other appropriate equity account upon disposal. Dividends are recognized in the consolidated statements of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group includes equity instruments not HFT in this category. The Group made irrevocable election to present in OCI subsequent changes in the fair value of all the Group's investments in golf shares and unlisted shares of stock (see Note 9).

Financial assets at FVPL. Financial assets at FVPL are measured as at initial recognition unless these are measured at amortized cost or at FVOCI. Included in this classification are equity instruments HFT and debt instruments with contractual terms that do not represent SPPI on the principal amount outstanding. Financial assets held at FVPL are initially recognized at fair value, with transaction costs recognized in the consolidated statements of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statements of comprehensive income under 'Unrealized gain (loss) on EIFVPL'.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVPL, and the gains or losses from disposal of financial investments.

The Group's financial assets at FVPL include listed equity securities.

(iii) 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 consolidated statements of financial position) 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,
- The Group has transferred its rights to receive cash flows from the asset 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 transfers its rights to receive cash flows from an asset or enters 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 recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

(iv) Impairment of financial assets

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

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

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

The Group applies a simplified approach in calculating ECLs for receivables. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. For trade receivables, the Group has established a provision matrix that is based on its historical credit loss experience.

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

As these are future cash flows, these are discounted back to the time of default (i.e., is defined by the Group as upon cancellation of CTS) using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

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



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

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

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

The Group considers that there has been an SICR when contractual payments are more than 90 days past due.

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

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

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

Financial liabilities

(i) Initial recognition and measurement

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

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

(ii) Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at FVPL
- Financial liabilities at amortized cost



Financial liabilities at FVPL. Financial liabilities at FVPL include financial liabilities that are HFT and financial liabilities designated upon initial recognition as at FVPL. Financial liabilities are classified as HFT if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities that are HFT are recognized in the consolidated statements of comprehensive income.

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

Financial liabilities at amortized cost. This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost under 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 interest in the consolidated statements of comprehensive income.

The Group's financial liabilities measured at amortized cost as of December 31, 2020 and 2019 includes the following (see Notes 13 and 16):

- Short-term debt
- Long-term debt
- Accounts and other payables (excluding statutory payables)

Short-term debt and long-term debt are raised for support of short and long-term funding of operations. They are recognized at proceeds received, net of direct issue costs. Finance charges are recognized as "Interest expense" in the consolidated statements of comprehensive income on an accrual basis using the EIR method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Accounts and other payables are initially recognized at fair value and subsequently measured at amortized cost, using EIR method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period, or when the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, these are presented as noncurrent liabilities.

(iii) Derecognition

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

Offsetting Financial Instruments

Financial assets and liabilities are offset, and the net amount is reported in the consolidated statements of financial position if, and only if, there is a legally enforceable right to offset and intention to settle either on a net basis or to realize the asset and settle the liability simultaneously. The Group assesses



that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Real Estate Inventories

Real estate inventories consists of subdivision land and residential houses and lots for sale and development initially recorded at cost. Subsequent to initial recognition, these are valued at the lower of cost and net realizable value (NRV). Cost includes the acquisition cost of the land plus all costs incurred directly attributable to the construction and development of the properties. Borrowing costs are capitalized while the development and construction of the real estate projects are in progress, and to the extent that these are expected to be recovered in the future. Repossessed real estate inventories are recorded at original cost.

NRV is the estimated selling price in the ordinary course of business, based on market prices at the reporting date, less estimated cost of completion and estimated costs necessary to make the sale. Valuation allowance is provided for real estate held for sale when the NRV of the properties are less than their carrying amounts. Undeveloped land is carried at lower of cost and NRV.

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

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale while the asset, which includes real estate inventories, is being constructed are capitalized as part of the cost of that asset.

Capitalization of borrowing cost should commence when: (i) expenditures for the asset and borrowing costs are being incurred; and, (ii) activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when the asset is substantially ready for its intended use or sale. For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowing is used. All other borrowing costs are expensed as incurred.

Other inventories

Other inventories pertain to finished agricultural goods, construction materials and agricultural materials and supplies which are measured at the lower of cost and NRV. At each reporting date, other inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its NRV. The impairment loss is recognized immediately in profit or loss. Provision for inventory losses is established for estimated losses on other inventories which are determined based on specific identification of slow-moving, damaged, and obsolete inventories.

Agricultural produce

Agricultural produce is the harvested product of the Group's bearer plants. A harvest occurs when agricultural produce is either detached from the bearer plant or when a bearer plant's life processes cease. The Group's agricultural produce (e.g. fresh fruit bunches, under other inventories) are measured at fair value less estimated costs to sell at the time of harvest. The Group uses the future selling prices and gross margin of finished goods, adjusted to remove the margin associated to further processing, less future growing cost as the basis of fair value. The Group's harvested produce to be used in processed products are measured at fair value at the point of harvest based on the estimated selling prices reduced by cost to sell and adjusted for margin associated to further processing.



Finished agricultural goods

Cost of processed inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of conversion include raw materials, direct labor and overhead costs. NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Construction materials and agricultural materials and supplies

Construction materials and agricultural materials and supplies are valued at the lower of cost or NRV. Cost is determined using the moving average method. NRV is the replacement cost.

Deposits for Purchased Land

This represents deposits made to landowners for the purchase of certain parcels of land which are intended to be held for sale or development in the future. The Group normally makes deposits before a contract to sell is executed between the Group and the landowner. These are recognized at cost. The sales contracts are expected to be executed within one year or the entity's normal operating cycle, whichever is longer.

Prepayments

Prepayments represent expenses not yet incurred but already paid. Prepayments are initially recorded as assets and measured at the amount paid. Subsequently, these are charged to the consolidated statements of comprehensive income as they are consumed in operations or expire with the passage of time. Prepayments are classified in the consolidated statements of financial position as current assets when the cost of goods or services related to the prepayments are expected to be incurred within one year or the entity's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as noncurrent assets.

Investments in Associates

An associate is an entity in which the Group has significant influence, and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investments in associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized and is not tested for impairment separately.

The consolidated statements of comprehensive income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statements of comprehensive income outside operating profit as 'Equity in net earnings of associates'. If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognizing its share to the extent of the interest in associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. Upon loss of significant influence over the associate, the Group measures and recognizes any



retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in consolidated statements of comprehensive income.

Investment Property

Investment property consists of land and building which currently held either to earn rental or for capital appreciation or for both, but not for sale in the ordinary course of business or use in the supply of services or for administrative purpose. These properties are initially recognized at fair value plus directly attributable cost incurred such as legal fees, transfer taxes and other transaction costs. Subsequent to initial recognition, the building is carried at cost less accumulated depreciation and amortization and any impairment in value while the land is carried at cost less any impairment in value.

The carrying value of the asset, if reviewed for impairment when changes in circumstances indicate the carrying value, may not be recoverable. If any such indication exists, and where the carrying value exceeds the estimated recoverable amount, the asset is written down to its recoverable amount while impairment losses are recognized in the consolidated statements of comprehensive income.

The investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of the asset is recognized in the consolidated statements of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. Transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Property, Plant and Equipment

Property, plant and equipment, except for land and construction in progress, are stated at cost less accumulated depreciation and any impairment in value. Land is stated at cost, less any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price including legal and brokerage fees, import duties, nonrefundable purchase taxes and any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Expenditures incurred after the property and equipment have been put into operation, such as maintenance, repairs and costs of day-to-day servicing, are recognized in profit or loss in the period 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, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property, plant and equipment.

The Group classifies ROU assets as part of property, plant and equipment. The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are initially measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets



includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstance indicate that the carrying values may not be recoverable.

Depreciation or amortization of an item of property, plant and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5 and the date the item is derecognized.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives, except for leasehold improvements and right-of-use assets, which are amortized over their estimated lives or term of the lease, whichever is shorter, and bearer plants, which are depreciated using units-of-production (UOP) method.

| | Years |
|---|---|
| Refined bleached deodorized (RBD) and fractionation machineries | 21 |
| Building and improvements | 10 - 20 |
| Leasehold improvements | 2 - 5 or lease term, whichever is shorter |
| Machineries and equipment | 2 - 10 |
| Right-of-use assets | 17 |
| Other equipment | 2 - 10 |

The useful lives and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from the use of property, plant and equipment.

If there is an indication that there has been a significant change since the last annual reporting date in the pattern by which the Group expects to consume an asset's future economic benefits, the Group shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern. The Group shall account for the change prospectively as a change in an accounting estimate.

Fully depreciated assets are retained in the accounts until these are no longer in use.

Construction in progress represents property, plant and equipment under construction or development and is stated at cost. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time the relevant assets are completed and is available for use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of comprehensive income in the year the asset is derecognized. When assets are retired or otherwise disposed of, both the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the



accounts while any resulting gain or loss is included in the consolidated statements of comprehensive income.

Bearer plants

Bearer plants pertain to the Group's palm oil trees used in the production or supply of fresh fruit bunches (FFB) as its agricultural produce and are expected to bear produce for more than twelve months and have a remote likelihood of being sold as a plant or harvested as agricultural produce, (except for incidental scrap sales).

Bearer plants are measured at cost less accumulated depreciation and any impairment in value. Bearer plants are presented as part of property, plant and equipment. Costs to grow include purchase cost of various chemicals and fertilizers, land preparation expenses and other direct costs necessary to cultivate such plants before they are brought into the location and condition necessary to be capable of operating in the manner intended by management.

UOP method is used for depreciating the bearer plants. Depreciation is charged according to units of FFB harvested over the estimated units of FFB to be harvested during the life of the bearer plants or remaining contract period, whichever is shorter. The Group estimates its total units of FFB to be harvested based on the average yield over which the bearer plants are expected to be available for use. In addition, the estimate is based on collective assessment of internal technical evaluation and experience. Changes in the estimated total units of FFB to be harvested may impact the depreciation of bearer plants.

Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Group's investments in associates, investment properties, property plant, and equipment and other assets excluding refundable deposits (see Notes 8, 10, 11 and 12).

The Group assesses at each reporting date whether there is an indication that an asset may be impaired when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's estimated recoverable amount is the higher of the asset's or cash generating unit's (CGU) 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 group of assets.

Where the carrying values exceed the estimated recoverable amount, the assets or CGUs are written down to their estimated recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses of continuing operations are directly charged or credited to operations in those expense categories consistent with the function of the impaired asset.

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 recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its estimated recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is directly charged or credited to operations.



Equity

Capital stock and additional paid-in capital

Capital stock consists of common shares which are measured at par value for all shares issued. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital' account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. Direct cost incurred related to the equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are charged to 'Additional paid-in capital' account.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

The retained earnings is restricted to payments of dividends to the extent of the cost of treasury shares.

Retained earnings

Retained earnings include all current and prior period results of operations, net of dividends declared and the effects of retrospective application of changes in accounting policies or restatements, if any. Dividends on common stock are recognized as a liability and deducted from equity when declared and approved by the BOD or shareholders of the Parent Company. Dividends for the year that are declared and approved after the reporting date, if any, are dealt with as an event after the reporting date and disclosed accordingly.

Other comprehensive income (loss)

Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the consolidated statements of changes in equity) that are not recognized in the consolidated statements of comprehensive income for the year in accordance with PFRSs. Other comprehensive income (loss) of the Group includes fair value reserve of EIFVOCI, remeasurement gains (losses) on retirement obligation, remeasurement gains (losses) on defined benefit plan of an associate, and cumulative translation adjustment.

Revenue and Cost Recognition

Revenue from contracts with customers

The Group is primarily engaged in real estate development, production and sale of agricultural goods, and water services. Revenue from contracts with customers is recognized when control of the goods and services is 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 considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. The Group has generally concluded that it is the principal in its revenue arrangements since it is the primary obligor in these 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 and developed residential house and lots. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses the output method. The Group recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using physical proportion of work done. This is based on the bi-monthly project accomplishment report prepared by the Group's in-house technical team approved by the construction manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the Group itself.

Buyer's equity represents a certain percentage of buyer's payments of total selling price that the buyer has paid the Group and it is at this collection level that the Group assesses that it is probable that the economic benefits will flow to the Group because of certainty of collection of the remaining balance of the selling price. This gives the buyer, a stake in the property, the level of which is sufficient enough to mitigate the risks of loss through default which would motivate the buyer to honor its obligations to the Group. Management regularly evaluates the historical cancellations and back-outs if it would still support its current collection threshold before commencing revenue recognition.

Any excess of progress of work over the right to an amount of consideration that is unconditional, is recognized under 'Contract assets' in the assets section of the consolidated statements of financial position.

Any excess of collections over the total of recognized ICR and contract assets are recognized under 'Contract liabilities' account in the liabilities section of the consolidated statements of financial position.

Cost of real estate sales. The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated 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.

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

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

Sale of agricultural goods. Revenue from sale of agricultural goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods and acceptance by the buyer. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.



In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, noncash consideration, and consideration payable to the customer, if any.

Variable consideration - rights of return

Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in PFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognizes a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

Cost of agricultural goods sold. Costs of sales include direct material costs, manufacturing expenses and monetary value of inventory adjustments. This is recognized upon delivery of the goods or when the control of the asset is transferred and when the cost is incurred, or the expense arises.

Water service, tapping fees, transfer fees and other water charges. Revenue is recognized over time as the customer receives and consumes the benefit from the performance of the related water services. Water services are billed every month. The Group recognizes revenue in the amount to which the Company has a right to invoice since the Group bills a fixed amount for every cubic meter of water delivered.

Income from forfeited deposits. Income from forfeited collections recorded under 'Other income' in the consolidated statements of comprehensive income is recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale. Such income is also recognized, subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act*, upon prescription of the period for the payment of required amortizations from defaulting buyers.

Rental income. Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the respective lease terms.

Interest income. Interest income is recognized as it accrues, taking into account the effective yield on the asset.

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

Contract Balances

ICR. An ICR 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.

For the Group's real estate sales, contract assets are initially recognized for revenue earned from development of real estate projects as receipt of consideration is conditional on successful completion of development. The amounts recognized as contract assets are reclassified to ICR when the monthly



amortization of the customer is due for collection. It is recognized under 'Receivables' in the consolidated statements of financial position.

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

Costs to obtain contract. The incremental costs of obtaining a contract with a customer are recognized under 'Other current assets' in the consolidated statements of financial position if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized over time using the POC method. Commission expense is included in the 'General, administrative expenses and selling expenses' account in the consolidated statements of comprehensive income.

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

Amortization, derecognition and impairment of capitalized costs to obtain a contract. The Group amortizes capitalized costs to obtain a contract as marketing expense under 'General, administrative expenses and selling expenses' account in the consolidated statements of comprehensive income over the expected construction period using the POC following the pattern of real estate revenue recognition.

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

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

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 and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are generally recognized when the services are used, or the expense arises while interest expenses are accrued in the appropriate period.

This consist of general administrative expenses which constitute costs of administering the business and selling expenses which constitute commission on real estate sales and advertising expenses. General administrative and selling expenses (excluding amortization of capitalized costs to obtain contracts) are recognized as incurred.

Post-employment Benefits

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

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

The following comprise the defined benefit costs:

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

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

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

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

Plan assets are assets that are held in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).



Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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 the 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 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) and at the date of renewal or extension period for scenario (b).

As Lessor. Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Right-of-use assets. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets.

Right-of-use assets are presented under 'Property, plant and equipment' in the consolidated statements of financial position and are subject to impairment.

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

Taxes

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

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.



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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or,
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or,
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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 asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets



on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Creditable withholding taxes (CWT). CWT pertains to taxes withheld on income payments and may be applied against income tax due. The balance of taxes withheld is recovered in future period. The balance as of end of each reporting period represents the unutilized amount after deducting any income tax payable. Creditable withholding tax is stated at its realizable value.

Value-added tax (VAT). Revenues, expenses and assets are recognized net of amount of VAT, if applicable.

When VAT from provision of services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as output VAT under ‘Accounts and other payables’ in the consolidated statements of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from provision of services (output VAT), the excess is recognized as input taxes under ‘Other current assets’ in the consolidated statements of financial position up to the extent of the recoverable amount.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

Deferred input VAT. Deferred input VAT represents portion of input VAT incurred and paid in connection from the purchase of a capital good whose acquisition cost exceeds of ₱1.0 million per month. Section 110(A) (1) of the NIRC so provides that the input tax on capital goods purchased or imported in a calendar month for use in trade or business shall be spread evenly over the month of acquisition and the 59 succeeding months, unless the expected useful life of the capital good is less than five years, in which case the input tax is amortized over such a shorter period. Pursuant to the implementation of the Tax Reform for Acceleration and Inclusion (TRAIN) law, this provision is applicable only until December 31, 2021. Deferred input VAT is stated at its realizable value.

Foreign Currencies

The Group’s consolidated financial statements are presented in Philippine Peso (₱), which is also the Parent Company’s functional currency. For each entity, the Group determines the functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances. Transactions in foreign currencies are initially recorded by the Group’s entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the dates of initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Group companies. The functional currency of BCL is the US Dollar. On consolidation, the assets and liabilities of foreign operations are translated into Philippine Peso (₱) at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized under ‘Cumulative translation adjustment’ in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.



Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing net income attributable to equity holder of the Parent Company by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period.

Diluted EPS is computed by dividing net income attributable to equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares. The calculation of diluted EPS does not assume conversion, exercise or other issue of potential common shares that would have an antidilutive effect on earnings per share. As of December 31, 2020, and 2019, the Group has no potentially dilutive common shares.

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. Financial information on operating segments is presented in Note 25 to the consolidated financial statements.

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. When the Group expects some or all of a provision to be reimbursed, for example, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statements of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period

Events after the reporting period are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the consolidated financial statements are authorized for issue. Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.



3. Significant Accounting Judgments and Estimates

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

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

Judgments

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

Revenue from contracts with customers

The Group is primarily engaged in real estate sales and development, sale of palm oil and other palm products including, but not limited to refined bleached deodorized oil, palm olein, crude palm oil, palm stearin, palm acid oil, palm fatty acid distillate, and palm kernels, and water services. The Group accounts for all of the goods and services in each contract with customer as a single performance obligation capable of being distinct.

The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

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

- *Identifying performance obligations.* The Group has various CTS covering subdivision land and residential houses and lots. The Group concluded that the goods and services transferred in each contract constitute a single performance obligation. In particular, the promised goods and services in contracts for the sale of property under development mainly include design work, procurement of materials and development of the property. Generally, the Group is responsible for all of these goods and services and the overall management of the project. Although these goods and services are capable of being distinct, Group accounts for them as a single performance obligation because they are not distinct in the context contract. The Group uses those goods and services as inputs and provides a significant service of integrating them into a combined output. Included also in this performance obligation is the Group's service to transfer the title of the real estate unit to the buyer.



- *Existence of a contract.* The Group's primary document for a contract with a customer for real estate sales is a signed CTS supported by other signed documentations such as reservation agreement, official receipts, buyers' amortization schedule and invoices and it met all the criteria to qualify as contract with a 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 with the customer, age of receivables, and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs after considering the impact of coronavirus pandemic, if it would still support its current threshold of buyers' equity before commencing revenue recognition.

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

The Group has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the Group's specialists (project engineers).

The Group requires a collection threshold of 10% of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group.

Revenue recognition - sales of agricultural goods and water services. Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of goods that would meet the requirements of PFRS 15; (b) assessment of performance obligation and the probability that the entity will collect the consideration from the buyer; (c) determining method to estimate variable consideration and assessing the constraint. (d) recognition of revenue as the Group satisfies the performance obligation.

- *Identifying performance obligations.* The Group accounts for all of the goods or services in each contract with customer as a single performance obligation capable of being distinct.
- *Recognition of revenue as the Group satisfies the performance obligation of sale of agricultural goods and water services.* The Company concluded that the revenue for sale of palm oil and other palm products to be recognized at a point in time when the goods are delivered and water services to be recognized over time as the customer receives and consumes the benefit from the



performance of the related water services and it has a present right to payment for the services rendered.

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 goods sold or services rendered.

- *Method to estimate variable consideration and assess constraint for agricultural goods.* The Group uses historical experience from the past 12 months to determine the expected value of rights to return and constrain the consideration accordingly. The Group updates its assessment of expected returns and refund liability. Estimates of expected returns are sensitive to changes in circumstances and the Group's past experience regarding returns may not be representative of customers' actual returns in the future. As at December 31, 2020 and 2019, no refund liability was recognized in the consolidated statements of financial position.

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

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

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

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

In line with the impact of COVID-19, the collectability of accounts with customers continues to be closely monitored by the Group. A material change in the provision for impairment of trade receivables has not been identified.



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

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

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

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

Distinction between real estate inventories, investment properties and owner-occupied properties.

The Group determines whether a property will be classified as real estate inventories, investment properties or owner-occupied properties. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (real estate inventories) and whether the property generates cash flow largely independent of the other assets held by an entity.

Real estate inventories comprise of property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell before or on completion of construction. Investment property comprises land and buildings which are not occupied substantially for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation. Owner-occupied properties classified and presented as property, plant and equipment, generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Determination of acquisition of group of assets as a business in accordance with PFRS 3.

Management uses judgment in assessing if the group of assets and liabilities acquired would constitute a business. In accordance with PFRS 3, business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.

On June 18, 2020, the Parent Company signed a share purchase agreement to acquire 99.995% ownership interest in VEC. The Group assessed that the acquired group of assets and liabilities constitute a business since VEC has existing inputs and substantive processes which together have the ability to contribute to the creation of outputs.



Significant influence on Palm Concepcion Power Corporation (PCPC), Peakpower Energy, Inc. (PEI) and East West Rail Transit Corporation (EWRTC). In determining whether the Group has significant influence over an investee requires significant judgment. Generally, a shareholding of 20% to 50% of the voting rights of an investee is presumed to give the Group a significant influence. The Group considers that it has significant influence over its investees when it has board representation which allows them to participate in the financial and operating policy decisions but is not control or joint control of those policies.

Evaluation and reassessment of control in MCPI. The Group refers to the guidance in PFRS 10, *Consolidated Financial Statements*, when determining whether the Group controls an investee. Particularly, the Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group considers the purpose and design of the investee, its relevant activities and how decisions about those activities are made and whether the rights give it the current ability to direct the relevant activities.

The Group controls an investee if and only if it has all 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 the investor's returns.

Ownership interest in MCPI represent 49%. The Group has control over MCPI considering that critical decision making position in deciding over the strategic policies and relevant activities of MCPI are occupied by the representatives of the Group.

Impairment of nonfinancial assets, excluding property, plant and equipment. The Group assesses impairment on investments in associates, investment properties, and other assets excluding refundable deposits and considers the following important indicators considering the impact of COVID-19 pandemic:

- Significant or prolonged decline in the fair value of the asset;
- Increase in market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating the asset's value-in-use and decrease the asset's recoverable amount materially;
- 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;
- Significant negative industry or economic trends; or,
- Significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment where the Group operates.

The Group determines an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the remaining contract period or useful lives, if practicable, and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.



In 2020 and 2019, management has not identified any impairment indicators on the nonfinancial assets, excluding property, plant and equipment. The carrying values of the nonfinancial assets excluding property, plant and equipment follow:

| | 2020 | 2019 |
|-------------------------------------|-----------------------|----------------|
| Investments in associates (Note 10) | ₱1,430,559,395 | ₱1,430,401,980 |
| Other current assets* (Note 8) | 503,723,234 | 342,478,503 |
| Investment properties (Note 11) | 97,133,941 | 97,133,941 |
| Other noncurrent assets* (Note 8) | 117,109,279 | 104,790,600 |

* Excluding refundable deposits

Management's Use of Estimates and Assumptions

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

Revenue recognition on real estate projects. The Group's revenue recognition policy require management to make use of estimates and assumptions that may affect the reported amounts of revenues. The Group's revenue from real estate sales are recognized based on the POC which is measured principally on the basis of the estimated completion of a physical proportion of the contract work which requires technical determination by management's specialists (project engineers) and involves significant judgment and estimation. In view of the restricted mobility due to the coronavirus pandemic, the progress of the Group's performance obligation is affected which resulted to lower POC in 2020.

The Group also includes land in the calculation of POC since the Group availed the relief granted by the SEC under Memorandum Circular Nos. 14-2018 as of 2018 for the implementation issues of PFRS 15 affecting the real estate industry.

For the years ended December 31, 2020, 2019 and 2018, the real estate sales recognized over time amounted to ₱761.5 million, ₱942.7 million and ₱705.2 million, respectively (see Note 27).

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

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

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

The Group considers an ICR and contract asset in default when the Group forfeits and repossesses the property from the customer through cancellation. 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.

The PD 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 LGD, 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 Republic Act 6552, *Realty Installment Buyer Act*, and cost to complete (for incomplete units). As these are future cash flows, these are discounted back to the reporting date using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

The resulting recovery rate coming from the above process, resulted to zero LGD, thus resulting to no recognized impairment loss.

The Group has considered impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. The changes in the gross carrying amount of receivables and contract assets from sale of real estate during the year and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

The Group recognized provision for expected credit losses on receivables and contract assets of ₱3.8 million in 2020 and nil for both 2019 and 2018. As at December 31, 2020 and 2019, the allowance for ECL recognized in the consolidated statements of financial position amounted to ₱4.3 million and ₱0.4 million, respectively (see Note 5).

Estimating NRV of real estate inventories. The Group reviews the NRV of real estate inventories and compares it with the cost. Real estate inventories are written down below cost when the estimated NRV is found to be lower than the cost.

NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable external advice and in light of recent market transactions. NRV in respect of inventory under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell. In line with the impact of COVID-19, the Group experienced limited selling activities that resulted to lower sales in 2020. The estimates used took into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

The carrying values of real estate inventories amounted to ₱1,573.0 million and ₱1,581.0 million as of December 31, 2020 and 2019, respectively (see Note 6).

Estimating fair values of financial assets and liabilities. When the fair values of financial assets and liabilities recorded in the consolidated statements of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.



As at December 31, 2020 and 2019, the aggregate fair values of the financial assets amounted to ₱1,606.5 million and ₱1,357.4 million, respectively, and of the financial liabilities amounted to ₱1,910.1 million and ₱1,855.8 million, respectively (see Note 24).

Impairment of property, plant and equipment. The Group performs annual impairment review of property, plant and equipment. Management is required to make estimates and assumptions to determine the future cash flows to be generated from the continued use and ultimate disposition of the assets in order to determine the value of these assets. While the Group believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements. In addition, the assumptions may be subjected to higher level of estimation uncertainty due to the impact of COVID-19. Future adverse events may cause management to conclude that the affected assets are impaired and may have a material impact on the financial condition and results of operations of the Group.

In 2020 and 2019, the Group has assessed that its bearer plants has indications of impairment due to the palm oil plantation's bearer plants not reaching their optimal fruiting stages. In 2020 and 2019, the Group recognized impairment loss of ₱15.1 million and ₱16.9 million to account for the estimated fruit loss due to some trees not reaching the optimal fruiting stages in accordance with the industry standard yield (see Note 12).

No additional impairment was recognized by the Group for the remaining bearer plants since management estimated that the recoverable amount exceeds the carrying value of the bearer plants excluding the specific impairment as of December 31, 2020 and 2019. The recoverable amount was computed using discounted cash flows approach and considered certain assumptions which included the impact of COVID, such as future FFB production, FFB prices, direct costs, and discount rate.

In addition, the Group recognized an impairment loss of ₱14.1 million for specifically identified construction in progress that are no longer usable (see Note 12).

The Group recognized an allowance for impairment loss on nonfinancial assets amounting to ₱63.7 million and ₱34.5 million as of December 31, 2020 and 2019, respectively (see Note 12). As at December 31, 2019 and 2020, the carrying value of the property, plant and equipment amounted to ₱912.5 million and ₱880.4 million (see Note 12).

Estimating total units of output for bearer plants. The Group estimates the total units of output for its bearer plants based on its average yield over which the bearer plants are expected to be available for use. The estimated total units of output 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 bearer plants, and in consideration of the lease term under the contracts providing the Group for the rights to use parcels of land. In addition, the estimate is based on collective assessment of internal technical evaluation and experience.

For the years ended December 31, 2020, 2019 and 2018, the depreciation recognized from bearer plants under UOP method amounted to ₱39.7 thousand, ₱0.7 million and ₱0.6 million, respectively (see Note 12).

Post-employment defined benefit plan. The cost of defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.



As of December 31, 2020 and 2019, the Group's retirement obligation amounted to ₱61.2 million and ₱46.4 million, respectively (see Note 19).

Estimating realizability of deferred tax assets. 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. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based upon the likely timing and level of future taxable profits determined from the tax planning strategies of the Group. This forecast is based on the Group's past results and future expectations on revenue and expenses.

As at December 31, 2020 and 2019, deferred tax assets amounting to ₱46.6 million and ₱46.3 million, respectively, were not recognized in the consolidated statements of financial position since it is not probable that sufficient taxable income may be available in the future against which the deferred tax assets can be utilized. As at December 31, 2020 and 2019, the carrying values of deferred tax assets amounted to ₱51.9 million and ₱27.7 million, respectively (see Note 20).

4. Cash

| | 2020 | 2019 |
|---------------|---------------------|-------------|
| Cash on hand | ₱1,369,916 | ₱1,165,527 |
| Cash in banks | 229,951,733 | 73,834,354 |
| | ₱231,321,649 | ₱74,999,881 |

Cash in banks pertain to savings and current accounts that generally earn interest based on prevailing respective bank deposit rates. The Group earned interest from cash in banks amounting to ₱0.1 million in 2020 and 2019, respectively.

5. Receivables

| | 2020 | 2019 |
|------------------------------------|-----------------------|--------------|
| ICR | ₱798,623,667 | ₱598,655,904 |
| Trade receivables | 19,672,704 | 13,524,501 |
| Dividend receivable (Note 10) | 138,000,000 | 182,200,000 |
| Advances to officers and employees | 2,985,025 | 1,318,906 |
| Other receivables | 80,431,804 | 97,471,164 |
| | 1,039,713,200 | 893,170,475 |
| Less allowance for credit losses | 4,260,860 | 474,380 |
| | 1,035,452,340 | 892,696,095 |
| Less noncurrent portion | 26,338,455 | 146,248,831 |
| | ₱1,009,113,885 | ₱746,447,264 |

ICR consists of accounts collectible in equal monthly installments with various terms up to a maximum of two years, and bear interest ranging from 10% to 18% in 2020 and 2019. The ICRs are interest-bearing except for those with installment terms within two years. The transfer certificates of title remain in the possession of the Group until full payment has been made by the customers. Interest earned from contract assets and ICR amounted to ₱1.9 million and ₱2.6 million in 2020 and 2019, respectively.



Trade receivables include receivables from water service and sale of palm oil and other palm products which are noninterest-bearing and are normally collected within seven (7) to sixty (60) days.

Dividend receivable pertains to the cash dividends declared by the associates, PCPC and PEI, which is due and demandable.

Advances to officers and employees pertain to salary and other loans granted to the Group's employees that are collectible through salary deduction. These are noninterest-bearing and are due within one year.

Other receivables pertain to advances made to homeowners' association of one of the projects and nontrade receivables. These receivables are noninterest-bearing and are due within one (1) year.

Movement in the allowance for impairment is as follows:

| | 2020 | 2019 |
|------------------------------------|-------------------|----------|
| Balances at beginning of year | ₱474,380 | ₱474,380 |
| Provision for impairment (Note 18) | 3,786,480 | - |
| Balances at end of year | ₱4,260,860 | ₱474,380 |

6. Real Estate Inventories

| | 2020 | 2019 |
|------------------------------------|-----------------------|----------------|
| Land for sale and development | ₱195,500,285 | ₱291,091,721 |
| Construction and development costs | 1,377,548,782 | 1,289,872,543 |
| | ₱1,573,049,067 | ₱1,580,964,264 |

The rollforward of this account follows:

| | 2020 | 2019 |
|--|-----------------------|----------------|
| Balance at beginning of the year | ₱1,580,964,264 | ₱1,596,802,518 |
| Construction costs incurred | 300,155,667 | 284,133,119 |
| Borrowing costs capitalized (Note 16) | 36,177,696 | 35,651,325 |
| Depreciation expense capitalized (Note 12) | 9,183,103 | 5,454,280 |
| Purchase of raw land | - | 4,555,160 |
| Transfers from investment properties (Note 11) | - | 9,600,000 |
| Cost of real estate sales | (353,431,663) | (355,232,138) |
| | ₱1,573,049,067 | ₱1,580,964,264 |

The real estate inventories are carried at cost. No inventories are recorded at amounts lower than cost in 2020 and 2019.

Land for sale and development represents real estate subdivision projects in which the Group has been granted License to Sell (LTS) by the Department of Human Settlements and Urban Development. It also includes raw land inventories that are under development and those that are about to undergo development.



Construction and development costs incurred pertain to amounts paid to contractors and development costs in relation to the development of land and construction of housing units, capitalized borrowing costs and other costs directly attributable to bringing the real estate inventories to its intended condition.

Borrowing costs capitalized to inventories in 2020 and 2019 amounted to ₱36.2 million and ₱35.7 million, respectively (Note 16). The capitalization rate used to determine the borrowing costs eligible for capitalization in 2020 and 2019 is 3.57% and 3.92%, respectively.

Collateralized properties

Pursuant to the loan agreement, certain real estate inventories were collateralized in favor of the bank to secure the Group's short-term and long-term debts (see Note 16). As at December 31, 2020 and 2019, the carrying values of the collateralized real estate inventories amounted to ₱165.5 million and ₱223.4 million, respectively.

7. **Other Inventories - at cost**

| | 2020 | 2019 |
|---|---------------------|--------------|
| Finished agricultural goods | ₱82,007,278 | ₱91,464,783 |
| Construction materials | 65,147,876 | 60,279,616 |
| Agricultural materials and other supplies | 938,774 | 2,860,697 |
| | ₱148,093,928 | ₱154,605,096 |

The cost of inventories recognized under cost of agricultural goods sold in the consolidated statements of comprehensive income are as follows:

| | 2020 | 2019 | 2018 |
|--|---------------------|--------------|--------------|
| FFB at the beginning of year | ₱— | ₱— | ₱1,442,996 |
| Purchase and harvest of FFB | 36,885,423 | 28,001,011 | 60,433,245 |
| Crude palm oil purchased during the year | — | 16,814,433 | — |
| FFB used in production | 36,885,423 | 44,815,444 | 61,876,241 |
| Direct labor | 3,831,991 | 3,845,652 | 5,449,733 |
| Manufacturing overhead | 9,960,592 | 12,924,105 | 11,794,383 |
| Total manufacturing cost | 50,678,006 | 61,585,201 | 79,120,357 |
| Finished goods at beginning of year | 91,464,783 | 79,564,205 | 83,269,901 |
| Finished goods at end of year | (82,007,278) | (91,464,783) | (79,564,205) |
| Total cost of agricultural goods sold | ₱60,135,511 | ₱49,684,623 | ₱82,826,053 |

Depreciation from property, plant and equipment capitalized to other inventories amounted to ₱1.9 million, ₱2.5 million and ₱2.6 million in 2020, 2019 and 2018, respectively (see Note 12).

Construction materials pertain to supplies used in the construction and development of the real estate projects.

Agricultural materials and other supplies pertain to fertilizers, fuel and oil and other consumables. In 2020, expired fertilizers and fertilizer bags no longer usable were written-off amounting to ₱2.0 million recognized under "Provision for inventory obsolescence" in the consolidated statements of comprehensive income (see Note 18).



8. Other Assets

| | 2020 | 2019 |
|--|---------------------|--------------|
| Current: | | |
| Deposits for purchased land | ₱319,065,057 | ₱160,780,887 |
| Prepaid expenses | 94,435,158 | 66,777,985 |
| Creditable withholding taxes | 71,387,309 | 98,227,792 |
| Costs to obtain contracts (Note 27) | 16,005,309 | 16,355,255 |
| Refundable deposits | 7,462,263 | 7,296,467 |
| Miscellaneous | 2,830,402 | 336,584 |
| | ₱511,185,498 | ₱349,774,970 |
| | | |
| | 2020 | 2019 |
| Noncurrent: | | |
| Advances to third party | ₱115,311,840 | ₱102,719,000 |
| Refundable deposits - net of current portion | 39,406,790 | 36,067,010 |
| Deferred input VAT | 1,754,432 | 2,028,593 |
| Goodwill | 43,007 | 43,007 |
| | ₱156,516,069 | ₱140,857,610 |

Deposits for purchased land pertain to installment payments made by the Group to the sellers of land where sales contracts have yet to be executed. The land is intended to be held for sale and development in the future.

Prepaid expenses consist mainly of prepaid supplies, employee benefits, rent, insurance and taxes and licenses which are applicable in the future period.

Creditable withholding taxes pertain to carry over of unapplied income tax credits and are recoverable and can be applied against the income tax payable in future periods.

Costs to obtain contracts pertain to commissions paid to brokers and marketing agents on the sale of pre-completed real estate units. These capitalized costs are amortized as marketing expense under "General, administrative and selling expenses" in the consolidated statements of comprehensive income over the expected construction period using the POC following the pattern of real estate revenue recognition (see Note 18).

Advances to third party pertain to advances made by the Parent Company to potential joint venture partners for acceptable business projects. The advances are to be applied to the cost of the business project.

Deferred input VAT pertains to the input VAT from the purchase of a capital good whose acquisition cost exceeds ₱1.0 million. Section 110(A) (1) of the NIRC so provides that the input tax on capital goods purchased or imported in a calendar month for use in trade or business shall be spread evenly over the month of acquisition and the 59 succeeding months, unless the expected useful life of the capital good is less than five years, in which case the input tax is amortized over such a shorter period. Pursuant to the implementation of TRAIN law, this provision is applicable only until December 31, 2021.

In 2020 and 2019, input VAT written-off amounting to ₱0.2 million and ₱5.0 million, respectively, were recognized under "Impairment loss" in the consolidated statements of comprehensive income.



Miscellaneous pertains to advances to suppliers and contractors.

9. Investments in Equity Instruments

Quoted and unquoted equity securities

The Group's EIFVPL consists of quoted equity securities that are listed and traded in the Philippine Stock Exchange. The fair value of these securities has been determined directly by reference to published prices in an active market using Level 1 fair value hierarchy. The changes in the fair value of the quoted equity securities are recognized under "Unrealized gain (loss) on EIFVPL" in the consolidated statements of comprehensive income.

The Group's EIFVOCI include unquoted golf club shares and unlisted shares of stock. The fair values of the golf club shares are determined based on average selling price of price per share of similar or identical assets traded in an active market (Level 2 input). The Group's unlisted shares of stock are measured at cost. Financial assets are measured at cost when insufficient more recent information is available to measure its fair value, or if a wide range of possible fair value measurements and cost represents the best estimate of fair value within the range under Level 3 of the fair value hierarchy. The changes in the fair value of these unquoted equity instruments are recognized under "Net change in fair value of EIFVOCI" in other comprehensive income.

As of December 31, 2020 and 2019, the carrying value of unquoted golf club shares amounted to ₱162.8 million and ₱154.8 million, respectively; and unlisted shares of stock amounted to ₱12.8 million for both years.

The rollforward analysis of investments in EIFVOCI and EIFVPL in 2020 and 2019 follow:

| | 2020 | |
|-----------------------------|--------------|---------------|
| | EIFVPL | EIFVOCI |
| Cost: | | |
| At January 1 | ₱64,125,698 | ₱434,070,793 |
| Disposal | (64,125,698) | – |
| At December 31 | – | 434,070,793 |
| Cumulative unrealized loss: | | |
| At January 1 | (641,257) | (266,509,340) |
| Disposal | 641,257 | – |
| Fair value adjustment | – | 8,025,652 |
| At December 31 | – | (258,483,688) |
| Carrying values | ₱– | ₱175,587,105 |
| | | |
| | 2019 | |
| | EIFVPL | EIFVOCI |
| Cost: | | |
| At January 1 | ₱139,742,698 | ₱434,070,793 |
| Disposal | (75,617,000) | – |
| At December 31 | 64,125,698 | 434,070,793 |
| Cumulative unrealized loss: | | |
| At January 1 | 93,428,040 | (265,423,108) |
| Disposal | (50,555,401) | – |
| Fair value adjustment | (43,513,896) | (1,086,232) |
| At December 31 | (641,257) | (266,509,340) |
| Carrying values | ₱63,484,441 | ₱167,561,453 |



In 2020 and 2019, the Group sold its 64,125,698 shares and 75,617,000 shares of EIFVPL for ₱76.0 million and ₱94.1 million resulting in a gain of ₱12.5 million and loss of ₱32.1 million, respectively. This includes the transfer of the Parent Company's EIFVPL for ₱50.2 million as part of the consideration paid for the acquisition of VEC (see Note 21).

The Group's dividend income from EIFVOCI amounted to ₱0.2 million and nil in 2020 and 2019, respectively (see Note 23).

10. Investments in Associates

| | 2020 | 2019 |
|---|-----------------------|----------------|
| PCPC | ₱1,062,963,914 | ₱1,081,884,039 |
| PEI | 313,926,796 | 294,768,295 |
| EWRTC | 53,668,685 | 53,749,646 |
| | ₱1,430,559,395 | ₱1,430,401,980 |
| | 2020 | 2019 |
| Acquisition cost, beginning and end of year | ₱1,105,595,917 | ₱1,105,595,917 |
| Accumulated equity in net earnings: | | |
| Balances at beginning of year | 324,806,063 | 126,702,232 |
| Equity in net earnings | 175,888,940 | 380,303,831 |
| Dividends | (175,000,000) | (182,200,000) |
| Equity in other comprehensive loss | (731,525) | - |
| | 324,963,478 | 324,806,063 |
| | ₱1,430,559,395 | ₱1,430,401,980 |

In 2020 and 2019, PEI declared cash dividend to the Group amounting to ₱95.0 million and ₱72.2 million, respectively, while PCPC declared cash dividend to the Group amounting to ₱80.0 million and ₱110.0 million, respectively.

The Group's share in net income (loss) of its associates are shown below:

| | 2020 | 2019 | 2018 |
|-------|---------------------|--------------|--------------|
| PCPC | ₱61,811,399 | ₱260,684,546 | ₱178,224,889 |
| PEI | 114,158,501 | 119,749,942 | 74,323,092 |
| EWRTC | (80,960) | (130,657) | (454,665) |
| | ₱175,888,940 | ₱380,303,831 | ₱252,093,316 |



Investment in PCPC

The Group has 20% investment in PCPC. PCPC was registered with the SEC on December 18, 2007 primarily to acquire, design, develop, construct, invest in and operate power generating plants. The Group accounts its investment in PCPC as investment in associate as it exercises significant influence over PCPC. The following table sets out the summarized financial information of PCPC as of December 31, 2020 and 2019:

| | 2020 | 2019 |
|--|-----------------------|----------------|
| Assets | | |
| Current assets | ₱3,171,695,590 | ₱3,683,808,510 |
| Noncurrent assets | 9,583,664,805 | 10,311,897,819 |
| Less liabilities | | |
| Current liabilities | 1,952,152,885 | 2,088,588,083 |
| Noncurrent liabilities | 5,769,558,012 | 6,778,868,122 |
| Equity | ₱5,033,649,498 | ₱5,128,250,124 |
| Group's carrying amount of the investment | ₱1,062,963,914 | ₱1,081,884,039 |

As of December 31, 2020 and 2019, the Group's share in PCPC's net assets amounted to ₱1,006.7 million and ₱1,025.6 million, respectively. As of December 31, 2020 and 2019, the excess of the carrying value over the Group's share in PCPC's net assets is attributable to the notional goodwill.

| | 2020 | 2019 | 2018 |
|-----------------------------------|-----------------------|----------------|----------------|
| Revenue | ₱4,050,924,027 | ₱5,326,855,110 | ₱4,966,294,490 |
| Costs and expenses | 3,741,867,033 | 4,023,432,382 | 4,075,170,047 |
| Net income | 309,056,994 | 1,303,422,728 | 891,124,443 |
| Other comprehensive loss | (3,657,625) | - | - |
| Total comprehensive income | ₱305,399,369 | ₱1,303,422,728 | ₱891,124,443 |

Investment in PEI

The Group has 20% investment in PEI. PEI was incorporated and registered with the SEC on February 19, 2013 primarily to purchase, acquire, own and hold shares of stock, equity, and property of energy companies. Through its subsidiaries, PEI's focus is to develop, construct, and operate diesel power plants in Mindanao to address the ongoing power shortages in the region.

The following table sets out the summarized financial information of PEI as of December 31, 2020 and 2019:

| | 2020 | 2019 |
|--|-----------------------|----------------|
| Assets | | |
| Current assets | ₱452,429,558 | ₱874,862,507 |
| Noncurrent assets | 2,307,160,801 | 2,363,246,269 |
| Less liabilities | | |
| Current liabilities | 813,912,864 | 1,230,763,795 |
| Noncurrent liabilities | 430,751,998 | 588,211,988 |
| Equity | ₱1,514,925,497 | ₱1,419,132,993 |
| Group's carrying amount of the investment | ₱313,926,796 | ₱294,768,295 |



As of December 31, 2020 and 2019, the Group's share in PEI's net assets amounted to ₱303.0 million and ₱283.8 million, respectively. As of December 31, 2020 and 2019, the excess of the carrying value over the Group's share in PEI's net assets is attributable to the notional goodwill.

| | 2020 | 2019 | 2018 |
|--------------------|---------------------|----------------|--------------|
| Revenue | ₱981,405,568 | ₱1,042,302,657 | ₱971,558,117 |
| Costs and expenses | 410,613,063 | 443,552,945 | 599,942,655 |
| Net income | ₱570,792,505 | ₱598,749,712 | ₱371,615,462 |

Investment in EWRTC

The Group has 33.33% investment in EWRTC. The Consortium composed of EWRTC and Alloy MTD Group (represented by MTD Philippines Inc.) has submitted an unsolicited proposal to the Philippine National Railways (PNR) to build and then operate and maintain the East-West Rail Project. The East-West Rail Project is an integrated light rail mass transportation system and is intended to help alleviate the gap in the transportation infrastructure in the metropolis. This project is in line with the objective of the government to increase the ratio of rail transport systems to the rocketing ridership demand in Metro Manila and other major urban cities. The Project will involve the development, design, construction, supply, completion, testing, commissioning, and operation & maintenance of the East-West Rail Project that will traverse the corridor of Quezon Avenue in Quezon City and España Boulevard in Manila.

As of December 31, 2020, the PNR has re-granted the Original Proponent Status (OPS) to the Consortium. The Project is endorsed again to the National Economic and Development Authority (NEDA) and the Public-Private Partnership Center. NEDA has formally received the updated documents and began its review. The Consortium is now working for the completion of the requirements to get the Environmental Compliance Center (ECC). The Consortium has engaged the services of consultants to undertake the environmental impact statement study to eventually secure of the ECC. The Consortium also remains in active discussions with foreign entities for possible entry and investment in the project.

The following table sets out the summarized financial information of EWRTC as of December 31, 2020 and 2019:

| | 2020 | 2019 |
|---|-----------------------|----------------|
| Assets | | |
| Current assets | ₱36,730,028 | ₱38,810,865 |
| Noncurrent assets | 4,952,061 | - |
| Less liabilities | | |
| Current liabilities | 427,401,511 | 446,128,619 |
| Capital deficiency | (₱385,719,422) | (₱407,317,754) |
| Group's carrying amount of the investment | ₱53,668,685 | ₱53,749,646 |



As of December 31, 2020 and 2019, the Group's share in EWRTC's capital deficiency amounted to ₱128.6 million and ₱135.8 million, respectively. As of December 31, 2020 and 2019, the excess of the carrying value over the Group's share in EWRTC's net assets is attributable to the notional goodwill and translation adjustment.

| | 2020 | 2019 | 2018 |
|--------------------|-----------------|----------|------------|
| Revenue | ₱— | ₱669 | ₱1,305 |
| Costs and expenses | 242,903 | 392,680 | 1,365,435 |
| Net loss | ₱242,903 | ₱392,011 | ₱1,364,130 |

11. Investment Properties

The Group's investment properties as at December 31, 2020 and 2019 are classified as follows:

| | |
|------------------------------------|--------------------|
| Land held for capital appreciation | ₱95,523,877 |
| Land and building held for lease | 1,610,064 |
| | ₱97,133,941 |

The fair values of land and building as of December 31, 2020 and 2019, as determined by an independent appraiser using a combination of Market Data and Income Approach, amounted to ₱400.6 million in both years. The valuation techniques used are categorized under Level 3 of the fair value hierarchy.

The value of the land was arrived at using the Market Data Approach. In this approach, the value of the land is based on sales and listings of comparable property registered in the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.

The values of the building was arrived using the Income Approach. Income Approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

This valuation approach is categorized as Level 3 in the fair value hierarchy as at December 31, 2020 and 2019. The significant unobservable input to the valuation is the price per square meter. Significant increases or decreases in estimated price per square meter in isolation would result in a significantly higher or lower fair value on a linear basis.

The details of land held for capital appreciation are as follows:

| | 2020 | 2019 |
|---|--------------------|--------------|
| Cost: | | |
| Balances at beginning of year | ₱95,523,877 | ₱113,659,571 |
| Transfers to real estate inventories (Note 6) | — | (9,600,000) |
| Disposal | — | (8,535,694) |
| Net carrying value | ₱95,523,877 | ₱95,523,877 |



Land and building held for lease for 2020 and 2019 are as follows:

| | Land | Building | Total |
|---------------------------------------|------------|------------|------------|
| Cost: | | | |
| Balances at beginning and end of year | ₱1,610,064 | ₱7,142,747 | ₱8,752,811 |
| Accumulated depreciation: | | | |
| Balances at beginning and end of year | – | 7,142,747 | 7,142,747 |
| | ₱1,610,064 | ₱– | ₱1,610,064 |

In 2019, the Group has sold a land with a net book value of ₱8.5 million and recognized a gain of ₱5.1 million presented as gain on sale of investment property under “Other income” in the consolidated statements of comprehensive income (see Note 23). Proceeds from the sale amounted to ₱13.7 million.

Rental income generated from land held under lease included under “Other income” in the consolidated statements of comprehensive income amounted to nil in 2020 and 2019 and ₱0.9 million in 2018 (see Note 23). Direct operating expense related to land held for lease included under “General, administrative and selling expenses” in the consolidated statements of comprehensive income amounted to ₱0.1 million in both 2020, 2019 and 2018.



12. Property, Plant and Equipment

| | Land | Leasehold Improvements | Bearer Plants | RBD and Fractionation Machineries | Building and Improvements | Machineries and Equipment | Other Equipment | Right of Use Assets | Construction in Progress | Total |
|--|--------------------|------------------------|---------------------|-----------------------------------|---------------------------|---------------------------|--------------------|---------------------|--------------------------|---------------------|
| 2020 | | | | | | | | | | |
| Cost | | | | | | | | | | |
| At January 1 | ₱12,967,297 | ₱91,181,109 | ₱361,731,276 | ₱253,060,820 | ₱57,076,567 | ₱303,518,953 | ₱146,356,450 | ₱30,535,735 | ₱43,011,570 | ₱1,299,439,777 |
| Additions | - | - | 636,750 | - | - | 5,646,025 | 17,388,230 | - | - | 23,671,005 |
| Acquisition through business combination (Note 21) | - | - | - | - | - | - | - | - | 78,575,418 | 78,575,418 |
| Disposals | - | - | - | - | - | (446,429) | (1,504,463) | - | - | (1,950,892) |
| Reclassifications | - | - | - | - | 713,635 | - | - | - | (713,635) | - |
| At December 31 | 12,967,297 | 91,181,109 | 362,368,026 | 253,060,820 | 57,790,202 | 308,718,549 | 162,240,217 | 30,535,735 | 120,873,353 | 1,399,735,308 |
| Accumulated depreciation | | | | | | | | | | |
| At January 1 | - | 13,922,587 | 10,004,173 | 12,769,798 | 48,307,864 | 177,428,290 | 120,936,140 | 1,237,695 | - | 384,606,547 |
| Depreciation | - | 6,530,226 | 39,747 | 10,455,863 | 837,364 | 8,089,431 | 13,022,201 | 1,101,967 | - | 40,076,799 |
| Disposals | - | - | - | - | - | - | (1,158,380) | - | - | (1,158,380) |
| At December 31 | - | 20,452,813 | 10,043,920 | 23,225,661 | 49,145,228 | 185,517,721 | 132,799,961 | 2,339,662 | - | 423,524,966 |
| Allowance for impairment | | | | | | | | | | |
| At January 1 | - | - | 34,477,264 | - | - | - | - | - | - | 34,477,264 |
| Addition | - | - | 15,126,334 | - | - | - | - | - | 14,095,856 | 29,222,190 |
| At December 31 | - | - | 49,603,598 | - | - | - | - | - | 14,095,856 | 63,699,454 |
| Net Book Value | ₱12,967,297 | ₱70,728,296 | ₱302,720,508 | ₱229,835,159 | ₱8,644,974 | ₱123,200,828 | ₱29,440,256 | ₱28,196,073 | ₱106,777,497 | ₱912,510,888 |
| 2019 | | | | | | | | | | |
| Cost | | | | | | | | | | |
| At January 1 | ₱12,967,297 | ₱91,157,334 | ₱360,657,235 | ₱253,042,963 | ₱56,966,567 | ₱305,070,381 | ₱143,844,375 | ₱30,535,735 | ₱43,011,570 | ₱1,297,253,457 |
| Additions | - | 23,775 | 1,074,041 | 17,857 | 110,000 | 446,429 | 9,045,200 | - | - | 10,717,302 |
| Disposals | - | - | - | - | - | (1,997,857) | (6,533,125) | - | - | (8,530,982) |
| At December 31 | 12,967,297 | 91,181,109 | 361,731,276 | 253,060,820 | 57,076,567 | 303,518,953 | 146,356,450 | 30,535,735 | 43,011,570 | 1,299,439,777 |
| Accumulated depreciation | | | | | | | | | | |
| At January 1 | - | 7,383,030 | 9,255,959 | 2,671,375 | 47,435,044 | 174,531,388 | 115,738,149 | - | - | 357,014,945 |
| Depreciation | - | 6,539,557 | 748,214 | 10,098,423 | 872,820 | 4,582,338 | 9,915,406 | 1,237,695 | - | 33,994,453 |
| Disposals | - | - | - | - | - | (1,685,436) | (4,717,415) | - | - | (6,402,851) |
| At December 31 | - | 13,922,587 | 10,004,173 | 12,769,798 | 48,307,864 | 177,428,290 | 120,936,140 | 1,237,695 | - | 384,606,547 |
| Allowance for impairment | | | | | | | | | | |
| At January 1 | - | - | 17,559,508 | - | - | - | - | - | - | 17,559,508 |
| Addition | - | - | 16,917,756 | - | - | - | - | - | - | 16,917,756 |
| At December 31 | - | - | 34,477,264 | - | - | - | - | - | - | 34,477,264 |
| Net Book Value | ₱12,967,297 | ₱77,258,522 | ₱317,249,839 | ₱240,291,022 | ₱8,768,703 | ₱126,090,663 | ₱25,420,310 | ₱29,298,040 | ₱43,011,570 | ₱880,355,966 |



There are no contractual commitments to purchase property and equipment.

The depreciation from property, plant and equipment in 2020 and 2019 are recognized as:

| | 2020 | 2019 |
|--|--------------------|-------------|
| General, administrative and selling expense (see Note 18) | ₱28,371,189 | ₱25,015,142 |
| Real estate inventories (Note 6) | 9,183,103 | 5,454,280 |
| Other inventories (Note 7) | 1,885,757 | 2,450,990 |
| Bearer plants | 636,750 | 1,074,041 |
| | ₱40,076,799 | ₱33,994,453 |

In 2020 and 2019, the Group has assessed that its bearer plants have indications of impairment due to the palm oil plantation's bearer plants not reaching their optimal fruiting stages. In 2020 and 2019, the Group recognized impairment loss of ₱15.1 million and ₱16.9 million to account for the estimated fruit loss due to some trees not reaching the optimal fruiting stages in accordance with the industry standard yield.

No additional impairment was recognized by the Group for the remaining bearer plants since management estimated that the recoverable amount exceeds the carrying value of the bearer plants excluding the specific impairment as of December 31, 2020 and 2019. The recoverable amount was computed using discounted cash flows approach.

The calculation of value in use of the bearer plants are most sensitive to the following assumptions:

- Revenue - Projected revenue is derived by multiplying the forecasted selling price of FFB per metric ton (MT) to total projected FFB production considering management's best estimates on the future FFB prices and FFB production level considering factors such as the annual growth rate based on average values achieved in the three years preceding the beginning of the budget period, palm oil yields adjusted to the Philippine climate and setting, historical experiences and other economic and agricultural factors.

Projected FFB yield per hectare (ha.) used was 11.1 MT per ha. and 16.7 MT per ha. in 2020 and 2019, respectively. Forecasted FFB selling price per MT used was ₱3,545.5 per MT and ₱4,480.3 per MT with annual growth rate of 5.78% and 5.40% in 2020 and 2019, respectively.

- Direct costs and price inflation - Projected costs are based on the Group's historical experience of the plantation costs incurred (fertilizers, labor and other plantation supplies) per hectare adjusted for inflation based on projected increase in prices with reference to the Philippine market. Forecast figures are used if data is publicly available, otherwise past actual material price movements are used as an indicator of future price movement. Management has considered the possibility of greater-than-forecast increases in price inflation. This may occur if anticipated regulatory changes result in an increase in demand that cannot be met by suppliers.

Projected direct costs related to the plantation in terms of revenue is 42.68% and 21.12% in 2020 and 2019, respectively.

- Discount rate - Discount rate represents the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and risk of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital



(WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

After-tax discount rate used was 9.05% and 6.33% in 2020 and 2019, respectively.

Management have reflected future economic uncertainty in the risk-adjusted cash flows, giving a more accurate representation of the risks specific to the CGU.

In 2020, the Group recognized an impairment loss of ₱14.1 million recognized under “Impairment loss” in the consolidated statements of comprehensive income for specifically identified construction in progress that are no longer recoverable.

In 2020 and 2019, the Group sold property and equipment for ₱0.6 million and ₱5.6 million resulting in a loss of ₱0.2 million and gain of ₱3.5 million, respectively recognized under “Other income” in the consolidated statements of comprehensive income (see Note 23).

13. Accounts and Other Payables

| | 2020 | 2019 |
|--|---------------------|--------------|
| Trade payables | ₱413,701,602 | ₱427,571,661 |
| Accrued expenses | 149,288,602 | 108,991,345 |
| Retention payable | 33,028,041 | 32,964,356 |
| Statutory payables | 30,436,046 | 7,998,026 |
| Accrued interest payable (Notes 16 and 26) | 2,156,665 | 5,169,768 |
| | ₱628,610,957 | ₱582,695,156 |

Trade payables are noninterest-bearing and are generally on a 30 to 60-day credit terms.

Accrued expenses pertain to contractual services, professional fees, rentals and other recurring expenses incurred by the Group.

Retention payable are noninterest-bearing and pertains to the amount withheld by the Group on contractor’s billings to be settled upon completion of the relevant contracts within the year. The retention serves as a holdout amount withheld from the contractor to cover for back charges that may arise from quality issues in affected projects.

Statutory payables pertain to dues from remittance to Social Security System, Philippine Health Insurance Corporation, Home Development Mutual Fund, and withholding taxes. These are noninterest-bearing and are normally settled within one year.

Accrued interest payable is normally settled within 30 days.



14. Contract Assets and Liabilities

Contract assets represent the right to consideration that was already delivered by the Group in excess of the amount recognized as ICR. This is reclassified as ICR when the monthly amortization of the customer is already due for collection. The movement in contract asset is mainly due to new real estate sales contract recognized during the period and increase in POC, less reclassification to ICR.

The Group requires buyers of real estate units to pay a minimum percentage of the total contract price as reservation fee before the parties enter into a sale transaction. Payments from buyers which have not yet reached the buyer's equity to qualify for revenue recognition and excess of collections over the recognized receivables and contract assets based on POC are presented as "Contract liabilities" in the consolidated statements of financial position.

When the Group's current collection threshold is reached by the buyer, revenue is recognized, and these deposits and down payments are recorded as either ICR or contract asset depending on the right to demand collection. The excess of collections over the recognized revenue is applied against the receivables or contract assets in the succeeding years. The movement in contract liabilities is mainly due to the reservation sales and advance payments of buyers less real estate sales recognized upon reaching the collection threshold and from increase in POC.

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

| | 2020 | 2019 |
|---------------------------------------|---------------------|--------------|
| Current portion of contract assets | ₱76,301,227 | ₱128,936,113 |
| Noncurrent portion of contract assets | 20,563,963 | 6,294,565 |
| Contract assets | ₱96,865,190 | ₱135,230,678 |
| Contract liabilities | ₱168,966,097 | ₱139,504,435 |

The amount of revenue recognized in 2020 and 2019 from amounts included in contract liabilities at the beginning of the year amounted to ₱40.4 million and ₱19.1 million, respectively.

15. Related Party Transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control or common significant influence which include affiliates. In considering each possible related party relationship, attention is directed to the substance of relationship and not merely the legal form. Related parties may be individuals or corporate entities.

Material related party transactions refer to any related party transactions, either individually, or in aggregate, amounting to 10% or higher of the Group's total consolidated assets based on its latest audited financial statements.



The Group, in the normal course of business has significant transactions with related parties, which principally consist of the following:

- Loans by the Group from shareholders (see Note 16).

Shareholder Loan - A

As of December 31, 2020 and 2019, the Group has outstanding loan from shareholder, which is classified under “Long term debt” in the consolidated statements of financial position amounting to ₱293.4 million and ₱317.6 million, respectively.

On January 13, 2019, the Group signed into an agreement with the shareholder to restructure the remaining balance of its original short-term loan amounting to ₱369.0 million to be paid in equal monthly amortization payments to commence on January 13, 2019 until December 13, 2030. The loan bears a fixed annual interest rate of 6.00%.

Shareholder Loan - B

As of December 31, 2020 and 2019, ABERDI has outstanding loan from shareholder, which is classified under “Short-term debt” in the consolidated statements of financial position amounting to ₱8.0 million, being on demand and noninterest-bearing.

- Noninterest-bearing cash advances to the Group’s associates, PEI and EWRTC.
- Interest-bearing loan from Brown Resources Corporation (BRC), an affiliate of the Group.
- Advances to officers and employees pertain to salary and other loans granted to the Parent Company’s officers and employees that are collectible through salary deduction. These are noninterest-bearing and are due within one (1) year.

The consolidated statements of financial position include the following amounts resulting from the above transactions with related parties:

| Category | 2020 | | Terms | Conditions |
|---------------------------------------|--------------|-------------------------|---------------------------------|--------------------------|
| | Amount | Receivable (Payable) | | |
| Shareholders | | | | |
| <i>Short-term debt (see Note 16):</i> | | | | |
| <i>Shareholder Loan - B</i> | ₱- | (₱8,000,000) | On demand; non-interest bearing | Unsecured; no collateral |
| <i>Long-term debt (see Note 16):</i> | | | | |
| <i>Shareholder Loan - A</i> | | | | |
| Principal and interest payments | (24,200,000) | - | 12-year, 6.00% | Unsecured; no collateral |
| Current | - | (32,558,172) | interest-bearing | |
| Noncurrent | - | (260,886,842) | | |
| BRC | | | | |
| Proceeds | 1,400,000 | - | 2-year, 6.00% | Unsecured; no collateral |
| Principal payments | (452,773) | - | interest-bearing | |
| Interest payments | (36,373) | - | | |
| Current | - | (947,227) | | |
| | (23,289,146) | (294,392,241) | | |
| Associates | | | | |
| <i>Advances to*:</i> | | | | |
| PEI | - | 80,642,965 | On demand; non- | Unsecured; |
| EWRTC | 3,206,362 | 37,047,960 | interest bearing | no impairment |
| | 3,206,362 | 117,690,925 | | |

* Presented as “Receivables from related parties” in the consolidated statements of financial position.



| Category | 2019 | | | |
|---------------------------------------|---------------|-------------------------|---------------------------------|--------------------------|
| | Amount | Receivable (Payable) | Terms | Conditions |
| Shareholders | | | | |
| Short-term debt (see Note 16): | | | | |
| <i>Shareholder Loan - A:</i> | | | | |
| Reclassification to long-term debt | ₱368,973,519 | ₱– | On demand; non-interest bearing | Unsecured; no collateral |
| <i>Shareholder Loan - B</i> | – | (8,000,000) | | |
| | 368,973,519 | (8,000,000) | | |
| Long-term debt (see Note 16): | | | | |
| <i>Shareholder Loan - A:</i> | | | | |
| Reclassification from short-term debt | (368,973,519) | – | | |
| Principal and interest payments | 51,328,506 | – | 12-year, 6.00% interest bearing | Unsecured; no collateral |
| Current | – | (6,018,818) | | |
| Noncurrent | – | (311,626,195) | | |
| | 317,645,013 | 317,645,013 | | |
| Associates | | | | |
| Advances to*: | | | | |
| PEI | – | 80,543,761 | On demand; non-interest bearing | Unsecured; no impairment |
| EWRTC | 33,841,598 | 33,841,598 | | |
| | 33,841,598 | 114,385,359 | | |

* Presented as "Receivables from related parties" in the consolidated statements of financial position.

Terms and Conditions of Transactions with Related Parties

The outstanding accounts with related parties, except for the advances to key management personnel, shall be settled in cash. There have been no guarantees provided or received for any related party receivables or payables. These accounts are generally unsecured. Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. The Group has approval process and established limits when entering into material related party transactions.

The compensation of the key management personnel, included as part of salaries, wages and employee benefits under "General and administrative expenses" in the consolidated statements of comprehensive income follows:

| | 2020 | 2019 | 2018 |
|------------------------------|--------------------|-------------|-------------|
| Short-term employee benefits | ₱25,912,552 | ₱44,005,303 | ₱42,640,592 |
| Other employee benefits | 1,200,000 | 4,172,862 | 4,123,995 |
| | ₱27,112,552 | ₱48,178,165 | ₱46,764,587 |

Key management personnel of the Group include all directors and senior management.

16. Loans Payable

Loans payable represents various secured and unsecured loans obtained from local financial institutions and shareholder to finance the Group's real estate development projects, working capital requirements and for general corporate purposes.

The Parent Company entered into loan agreements with the following banks: Union Bank of the Philippines (UBP), United Coconut Planters Bank (UCPB), May Bank Philippines (MBI), Philippine Bank of Communication (PBCOM), BPI Family Savings Bank (BPIF), China Bank Corporation (CBC), Development Bank of the Philippines (DBP). The Parent Company also entered into loan



agreements from a financial services company, Caterpillar Financial Services Phils. Inc. (CFSPI), from its affiliate, Brown Resources Corporation (BRC), and from a shareholder.

Short-term debt

Short-term debt represents peso loans obtained from local banks and shareholder for working capital and financing requirements. These loans, except loan from shareholder, bear annual interest rates ranging from 4.5% to 9.0% in 2020 and 2019, subject to semi-annual and quarterly repricing and are due at various dates within the following year from the reporting date. Loan from shareholder is on demand and noninterest-bearing.

| | 2020 | 2019 |
|--------------------------------|---------------------|---------------------|
| DBP | ₱176,668,000 | ₱74,996,000 |
| UBP | 100,000,000 | 100,000,000 |
| CBC | 100,000,000 | 100,000,000 |
| UCPB | 32,509,400 | 95,104,000 |
| Shareholder Loan - B (Note 15) | 8,000,000 | 8,000,000 |
| | ₱414,177,400 | ₱378,100,000 |

Interest expense arising from these loans amounts to ₱28.0 million and ₱21.1 million in 2020 and 2019, respectively.

Long-term debt

The long-term debt represents various loans obtained from local financial institutions and shareholder to finance the Parent Company's real estate projects and for general corporate purposes.

| | 2020 | 2019 |
|--------------------------------|---------------------|---------------------|
| UBP | ₱298,055,556 | ₱211,388,889 |
| UCPB | 87,000,000 | 80,578,108 |
| MBI | 40,000,000 | 66,666,667 |
| PBCOM | 37,451,484 | 67,494,993 |
| BPIF | 31,475,181 | 54,048,121 |
| CBC | 23,824,911 | 11,294,192 |
| CFSPI | 4,833,211 | - |
| DBP | 3,823,984 | 12,573,984 |
| BRC (Note 15) | 947,227 | - |
| Shareholder Loan - A (Note 15) | 293,445,014 | 317,645,013 |
| | 820,856,568 | 821,689,967 |
| Less current portion | 254,200,759 | 212,402,746 |
| | ₱566,655,809 | ₱609,287,221 |

Loans from UBP

Loans from UBP are comprised of loans subject to fixed and variable interest rates which are payable in monthly installments and secured by real estate mortgage. Fixed-rate loans have annual interest rates ranging from 5.78% to 9.10% payable for 2 to 5 years. Variable-rate loans are subject to variable interest rates based on Philippine Dealing System Treasury Reference Rate 2 (PDST-R2) plus 1.5% subject to a floor rate of 5.5% payable for 7 years.

Loans from UCPB

These loans are payable in quarterly installments for 8 years secured by real estate mortgage which are subject to variable interest rates ranging from 8.00% to 8.20% and 5.25% to 8.20% in 2020 and 2019, respectively, based on 3-month Philippine Dealing System Treasury Fixing (PDST-F) rate obtaining at the time of availment, plus a spread of 2% inclusive of gross receipts tax (GRT) or floor



rate of 5.25% inclusive of GRT per annum whichever is higher, subject to quarterly payment and resetting.

Loan from MBI

This loan is payable in quarterly installments for 3 years secured by real estate mortgage which is subject to a fixed annual interest rate of 8.00%.

Loans from PBCOM

These loans are payable in monthly installments and secured by real estate mortgage. Fixed-rate loan has annual interest rate of 11.50% payable for 5 years. Variable-rate loan is subject to variable interest rates ranging from 8.00% to 10.75% payable for 4 years based on prevailing market interest rate for the same or similar type of loans as determined by the bank.

Loans from BPIF

These loans are payable in quarterly installments and secured by real estate mortgage. Fixed-rate loan has annual interest rates of 5.5% payable for 7 years. Variable-rate loans are subject to variable interest rates ranging from 5.23% to 7.75% payable for 7 to 10 years based on prevailing market interest rate for the same or similar type of loans as determined by the bank.

Loans from CBC

These loans are payable in monthly installments for 2 to 5 years pertaining to secured car loans subject to fixed annual interest rates ranging from 8.76% to 9.89%.

Loan from CFSPI

This loan is payable in monthly installments for 3 years, unsecured, and subject to a fixed annual interest rate of 11%.

Loan from DBP

This loan is payable in quarterly installments for 4 years secured by real estate mortgage which is subject to a fixed annual interest rate of 5.25%.

Loans from BRC

This loan is payable in monthly installments for 2 years, unsecured, and subject to a fixed annual interest rate of 6% (see Note 15).

Shareholder Loan - A (modified)

On January 13, 2019, the Parent Company signed into an agreement with the shareholder to restructure the remaining balance of its original short-term loan amounting to ₱369.0 million to be paid in equal monthly amortization payments to commence on January 13, 2019 until December 13, 2030. This loan is now payable in monthly installments for 12 years, unsecured, and subject to a fixed annual interest rate of 6% (see Note 15).

Borrowing Cost

Interest expense arising from these loans and from those due to related parties recognized in consolidated statements of comprehensive income amounts to ₱33.4 million and ₱37.6 million in 2020 and 2019, respectively. In 2020 and 2019, borrowing costs amounting to ₱36.2 million and ₱35.7 million, respectively, are capitalized as part of real estate inventories (see Note 6). The capitalization rate used to determine the borrowing costs eligible for capitalization is 3.57% and 3.92% for 2020 and 2019, respectively.



Interest expense (excluding capitalized borrowing costs) recognized in the consolidated statements of comprehensive income amounts to ₱25.2 million and ₱23.1 million in 2020 and 2019, respectively.

Repayment Schedule

The repayment schedule of the long-term debt follows:

| Year | 2020 | 2019 |
|-------------|---------------------|---------------------|
| 2020 | ₱— | ₱212,402,746 |
| 2021 | 254,200,759 | 205,134,217 |
| 2022 – 2030 | 566,655,809 | 404,153,004 |
| | ₱820,856,568 | ₱821,689,967 |

Security and Debt Covenants

Real estate inventories with carrying amounts of ₱236.7 million and ₱322.8 million as of December 31, 2020 and 2019, respectively, are collateralized for its loans payable (see Note 6).

The Group is not subject to any financial covenants from its short-term and long-term debts.

17. Equity

Common stock

As of December 31, 2020 and 2019, the Group's common stock consists of:

| | Authorized Capital Stock | Outstanding | |
|---|-----------------------------|----------------------|----------------------|
| | | 2020 | 2019 |
| Subscribed and issued common shares*, ₱1 par value | 3,300,000,000 | 2,477,668,925 | 2,477,668,925 |
| Less treasury shares | | 25,664,014 | 1,014 |
| | | 2,452,004,911 | 2,477,667,911 |

On October 12, 2017, the BOD approved the conversion of the Group's debt to Brownfield Holdings Incorporated amounting to ₱250,000,000 and deposits for future subscription of Valueleases, Inc. and RME Consulting, Inc. amounting to ₱200,000,000 to equity at ₱1.13 per share resulting to increase the number of issued shares by 398,230,088 shares.

On May 19, 2016, the Group declared stock dividends amounting to 346,573,104 shares for the stockholders of record as of February 10, 2017 and distributed 346,572,301 shares net of 803 fractional shares to the stockholders.

These stock transactions resulted to an increase in the Group's authorized and subscribed shares of capital stock of 1,300,000,000 and 744,802,389 common shares, respectively.

Record of Registration of Securities with the SEC

The Securities and Exchange Commission (SEC) issued the following orders related to the Group's registration of its securities which are offered to the public: SEC-BED Order No. 1179 issued on December 17, 1993 of 200.0 million shares at an issue price of ₱4.50 per share; SEC-BED Order No. 847 issued on August 15, 1994 of 230.0 million shares; and, SEC-CFD Order No. 64 issued on March 12, 1996 of 530.0 million shares. Common shares are the only equity securities registered and issued by the Group.



There were 2,090 and 2,092 stockholders as of December 31, 2020 and 2019, respectively in the records of the transfer agent, Professional Stock Transfer, Inc. (PSTI).

The share price closed at ₱0.90 on December 29, 2020 and ₱0.71 on December 27, 2019.

Additional paid-in capital (APIC)

There are no movements in APIC in 2020 and 2019. APIC amounted to ₱638.0 million as of December 31, 2020 and 2019.

Treasury shares

In 2016, the Group has acquired all of the unissued fractional shares arising from the stock dividend declaration in 2013, constituting an aggregate of 1,014 shares. These 1,014 shares were reflected as subscribed and issued shares and recognized as treasury shares at cost equal to par value of ₱1.

On August 17, 2020, the BOD of the Parent Company has approved the implementation of a share buyback program of up to ₱50.0 million worth of the Parent Company's common shares.

In 2020, the Parent Company has bought back from the market a total of 25,664,014 shares or ₱21.2 million. These treasury shares are recorded at cost and are not entitled for dividends.

The movement in the Parent Company's treasury shares follows:

| | 2020 | | 2019 | |
|----------------|------------|-------------|--------|--------|
| | Shares | Amount | Shares | Amount |
| At January 1 | 1,014 | ₱1,014 | 1,014 | ₱1,014 |
| Additions | 25,663,000 | 21,235,405 | – | – |
| At December 31 | 25,664,014 | ₱21,236,419 | 1,014 | ₱1,014 |

Retained earnings

Retained earnings amounting to ₱1,437.2 million and ₱1,143.1 million as of December 31, 2020 and December 31, 2019, respectively, include the accumulated equity in undistributed net earnings of consolidated subsidiaries. These amounts are not available for dividend declaration until these are declared by the subsidiaries.

Noncontrolling interest

The Group's noncontrolling interest recognized is the proportionate interests of the Parent Company in MCPI. Noncontrolling interest amounted to ₱3.3 million as of December 31, 2020 and 2019.

The summarized financial information of MCPI are provided below.

| | 2020 | 2019 | 2018 |
|-------------|------------|------------|------------|
| Assets | ₱6,788,403 | ₱6,839,725 | ₱6,856,406 |
| Liabilities | 108,653 | 59,359 | 559 |
| Equity | 6,679,750 | 6,780,366 | 6,855,847 |
| Net loss | 100,617 | 75,481 | 29,978 |



As of December 31, 2020, 2019 and 2018, the accumulated balances of and net income attributable to noncontrolling interests follows:

| | 2020 | 2019 | 2018 |
|---|-------------------|------------|------------|
| Accumulated balances: | | | |
| Noncontrolling interest share in equity | ₱3,316,303 | ₱3,342,671 | ₱3,495,179 |
| Net loss attributable to NCI | 26,368 | 152,508 | 18,492 |

Capital management

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

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

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

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis.

The Group is not subject to externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital in 2020 and 2019.

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

| | 2020 | 2019 |
|----------------------------|-----------------------|----------------|
| Short-term debt | ₱414,177,400 | ₱378,100,000 |
| Long-term debt | 820,856,568 | 821,689,967 |
| Capital stock | 2,477,668,925 | 2,477,668,925 |
| Additional paid-in capital | 637,968,859 | 637,968,859 |
| Treasury shares | (21,236,419) | (1,014) |
| Retained earnings | 1,437,223,304 | 1,143,092,830 |
| | ₱5,766,658,637 | ₱5,458,519,567 |

Earnings per share

Basic earnings per share amounts attributable to equity holders of the Parent Company are as follows:

| | 2020 | 2019 | 2018 |
|---|----------------------|---------------|---------------|
| Net income attributable to the owners of the Parent Company | ₱294,130,474 | ₱494,945,733 | ₱288,774,597 |
| Weighted average number of outstanding shares* | 2,468,708,146 | 2,477,667,911 | 2,477,667,911 |
| Basic earnings per share | ₱0.12 | ₱0.20 | ₱0.12 |

*Weighted average common shares consider the effect of treasury shares

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



18. General, Administrative and Selling Expenses

| | 2020 | 2019 | 2018 |
|---|---------------------|---------------------|---------------------|
| Personnel cost | ₱74,696,992 | ₱83,069,166 | ₱93,887,224 |
| Marketing | 39,966,109 | 51,226,497 | 55,929,765 |
| Impairment loss (Notes 8 and 12) | 29,410,454 | 21,957,000 | 17,559,508 |
| Depreciation (Note 12) | 27,774,186 | 25,015,142 | 16,442,595 |
| Taxes and licenses | 26,230,240 | 25,465,859 | 33,606,761 |
| Outside services | 14,952,302 | 10,998,341 | 26,179,208 |
| Rental (Note 22) | 8,598,659 | 13,361,982 | 14,812,424 |
| Utilities and supplies | 8,517,710 | 8,840,293 | 11,275,592 |
| Retirement benefits (Note 19) | 7,348,507 | 5,103,421 | 8,676,690 |
| Professional fees | 6,908,507 | 10,250,175 | 19,948,941 |
| Provision for impairment (Note 5) | 3,786,480 | - | - |
| Repairs and maintenance | 3,532,932 | 4,524,947 | 4,921,622 |
| Provision for inventory obsolescence (Note 7) | 1,983,704 | - | - |
| Transportation and travel | 1,671,949 | 6,619,671 | 9,867,474 |
| Directors' fee | 1,519,000 | 940,647 | 1,349,500 |
| Insurance | 320,468 | 541,762 | 2,115,412 |
| Others | 16,167,477 | 19,244,293 | 19,387,920 |
| | ₱273,385,676 | ₱287,159,196 | ₱335,960,636 |

Marketing expenses significantly include amortization of the costs to obtain contracts on real estate sales and advertising expenses incurred by the Group.

“Others” pertain to expenses arising from business and research development and software maintenance.

19. Retirement Benefit Obligation

The Group has a funded non-contributory retirement plan covering all regular and full-time employees effective July 1, 2002 (anniversary date was amended to take effect every January 1, retroactive 2003). Benefits are dependent on the years of service and the respective employee's compensation.

The defined benefit obligation is determined using the Projected Unit Credit method. There was no plan of termination, curtailment or settlement for the years ended December 31, 2020 and 2019.

Responsibilities of Trustee

The retirement fund is being administered and managed through a Multi-Employer Retirement Plan (the “Plan”) by a trustee bank. The Retirement Plan Trustee, as appointed by the Group in the Trust Agreement executed between the Group and the duly appointed Retirement Plan Trustee, is responsible for the general administration of the Plan and the management of the retirement fund.

The Retirement Plan Trustee may seek the advice of counsel and appoint an investment manager or managers to manage the retirement fund, an independent accountant to audit the fund, and an actuary to value the retirement fund.



The following tables summarize the components of retirement benefit costs recognized in the consolidated statements of comprehensive income and the amounts recognized in the consolidated statements of financial position.

The components of retirement benefit expense recognized as retirement benefits under “General, administrative and selling expenses” in the consolidated statements of comprehensive income are as follows (see Note 18):

| | 2020 | 2019 | 2018 |
|--|-------------------|-------------------|-------------------|
| Current service cost | P4,551,380 | P2,576,138 | P7,195,622 |
| Interest expense on defined benefit obligation | 2,985,814 | 3,083,098 | 1,747,735 |
| Interest income on plan assets | (188,687) | (555,815) | (266,667) |
| Total retirement benefit expense | P7,348,507 | P5,103,421 | P8,676,690 |

The components of remeasurements of retirement benefit costs recognized in OCI are as follows:

| | 2020 | 2019 | 2018 |
|---|-------------------|--------------------|---------------------|
| Actuarial loss (gain) on defined benefit obligation | P7,372,807 | P9,986,687 | (P7,302,949) |
| Remeasurement loss on plan assets | 69,890 | 4,368,302 | 436,563 |
| Income tax effect | (2,232,808) | (4,306,497) | 2,059,916 |
| Remeasurement loss (gain) at end of year | P5,209,889 | P10,048,492 | (P4,806,470) |

Remeasurement loss on defined benefit obligation recognized in the balance sheets are as follows:

| | 2020 | 2019 |
|--|--------------------|--------------------|
| At January 1 | P20,083,920 | P10,035,428 |
| Actuarial loss on defined benefit obligation | 7,372,807 | 9,986,687 |
| Actuarial loss on fair value of plan assets | 69,890 | 4,368,302 |
| Income tax effect | (2,232,808) | (4,306,497) |
| At December 31 | P25,293,809 | P20,083,920 |

The breakdown of the retirement benefit obligation recognized in the consolidated statements of financial position follow:

| | 2020 | 2019 |
|---|--------------------|--------------------|
| Present value of defined benefit obligation | P64,512,392 | P49,784,641 |
| Fair value of plan assets | (3,342,436) | (3,405,889) |
| Retirement benefit obligation | P61,169,956 | P46,378,752 |

Changes in the present value of the defined benefit obligation follow:

| | 2020 | 2019 |
|-------------------------------|--------------------|--------------------|
| Balance at beginning of year | P49,784,641 | P35,838,192 |
| Current service cost | 4,551,380 | 2,576,138 |
| Interest cost | 2,985,814 | 3,083,098 |
| Benefits paid | (182,250) | (1,699,474) |
| Actuarial losses | 7,372,807 | 9,986,687 |
| Balance at end of year | P64,512,392 | P49,784,641 |



Changes in the fair value of plan assets follow:

| | 2020 | 2019 |
|-------------------------------|-------------------|-------------------|
| Balance at beginning of year | ₱3,405,889 | ₱7,218,376 |
| Interest income | 188,687 | 555,815 |
| Actuarial losses | (69,890) | (4,368,302) |
| Benefits paid | (182,250) | - |
| Balance at end of year | ₱3,342,436 | ₱3,405,889 |

The fair value of plan assets by each class as of December 31 are as follows:

| | 2020 | 2019 |
|-------------------------------|-------------------|-------------------|
| Equity investments | ₱2,795,207 | ₱3,074,980 |
| Deposits in banks | 549,963 | 481,562 |
| Debt instruments | 30,173 | 47,621 |
| Others | (32,907) | (198,274) |
| Balance at end of year | ₱3,342,436 | ₱3,405,889 |

For determination of the retirement benefit obligation, the following actuarial assumptions were used:

| | 2020 | 2019 |
|-----------------------------------|-------|-------|
| Discount rates used | 3.92% | 5.54% |
| Expected rate of salary increases | 4.00% | 4.00% |

Assumptions regarding future mortality and disability are based on the 2001 CSO table-Generational and The Disability Study, Period 2, Benefit 5, respectively.

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefit obligation as of December 31, 2020, assuming all other assumptions were held constant.

| December 31, 2020 | | |
|-------------------------------------|-----------------------|--------------|
| | | Effect |
| 100 bps increase in discount rate | 2.3% to 6.0% decrease | (₱1,798,784) |
| 100 bps decrease in discount rate | 2.6% to 6.6% increase | 1,972,338 |
| 100 bps increase in salary rate | 2.6% increase | 1,982,962 |
| 100 bps decrease in salary rate | 2.4% decrease | (1,841,132) |
| Increase in DBO, no attrition rates | 2.1% increase | 1,875,808 |
| December 31, 2019 | | |
| | | Effect |
| 100 bps increase in discount rate | 2.3% to 6.0% decrease | (₱1,363,829) |
| 100 bps decrease in discount rate | 2.6% to 6.6% increase | 1,495,417 |
| 100 bps increase in salary rate | 2.6% increase | 1,503,472 |
| 100 bps decrease in salary rate | 2.4% decrease | (1,395,937) |
| Increase in DBO, no attrition rates | 2.1% increase | 1,875,808 |



The average duration of the defined benefit obligation as at December 31, 2020 and 2019 is 13.2 years and 2.4 years, respectively. Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2020.

| | Amount |
|--------------------------|-------------|
| Less than 1 year | ₱31,036,162 |
| 1 to less than 5 years | 10,988,506 |
| 5 to less than 10 years | 31,505,673 |
| 10 to less than 15 years | 22,604,991 |
| 15 to less than 20 years | 37,717,802 |
| 20 years and above | 57,346,459 |

20. Income Taxes

Provision for current income tax pertains to regular corporate income tax (RCIT) and minimum corporate income tax (MCIT) as follows:

| | 2020 | 2019 | 2018 |
|------|--------------------|-------------|-------------|
| RCIT | ₱48,574,958 | ₱36,444,856 | ₱39,866,601 |
| MCIT | 379,098 | 304,879 | 373,900 |
| | ₱48,954,056 | ₱36,749,735 | ₱40,240,501 |

The reconciliation of provision for income tax computed at the statutory tax rate to provision for income tax reported in the consolidated statements of comprehensive income follows:

| | 2020 | 2019 | 2018 |
|--|---------------------|---------------|--------------|
| Provision for income tax computed at statutory rate | ₱103,777,343 | ₱187,915,473 | ₱104,648,918 |
| Adjustments for: | | | |
| Equity in net earnings of associates | (52,766,682) | (114,091,149) | (75,627,995) |
| Realized gain on sale of EIFVPL already subjected to final tax | (3,743,433) | - | (3,029,773) |
| Nondeductible expenses | 3,145,489 | 5,311,675 | 8,753,122 |
| Change in unrecognized deferred tax assets | 1,442,146 | 27,765,665 | 35,714,597 |
| Interest income already subjected to final tax | (34,492) | (44,239) | (6,162) |
| Nondeductible unrealized loss on EIFVPL | - | 13,054,169 | - |
| Nondeductible realized loss on sale of EIFVPL | - | 9,628,444 | - |
| Expired NOLCO | - | 2,051,648 | 1,415,977 |
| Nontaxable income | - | - | (7,883,985) |
| Nontaxable unrealized gain on EIFVPL | - | - | (5,001,770) |
| Expired MCIT | - | - | 1,090,692 |
| | ₱51,820,371 | ₱131,591,686 | ₱60,073,621 |



The components of net deferred tax liabilities as of December 31, 2020 and 2019 follow:

| | 2020 | 2019 |
|--|-----------------------|----------------|
| Deferred tax liabilities on: | | |
| Excess of real estate sales based on POC over real estate sales based on tax rules | (₱183,532,768) | (₱158,601,755) |
| Prepaid commission | (4,801,593) | (4,906,578) |
| | (188,334,361) | (163,508,333) |
| Deferred tax assets on: | | |
| Fair value adjustment arising from business combination | 15,961,606 | - |
| Retirement benefit liability | 8,421,518 | 6,428,486 |
| Allowance for impairment on receivables | 838,259 | 126,439 |
| Unamortized past service costs | 86,805 | 213,517 |
| Unrealized foreign exchange loss | 11,249 | 3,281 |
| | 25,319,437 | 6,771,723 |
| In equity: | | |
| Remeasurement loss on retirement benefit plan | 10,059,086 | 7,887,204 |
| Cumulative translation adjustment | (1,283,132) | (1,761,959) |
| | 8,775,954 | 6,125,245 |
| Deferred tax liabilities - net | (₱154,238,970) | (₱150,611,365) |

The components of net deferred tax assets as of December 31, 2020 and 2019 follow:

| | 2020 | 2019 |
|--|--------------------|-------------|
| Deferred tax assets on: | | |
| Allowance for impairment loss on property, plant and equipment | ₱13,657,132 | ₱11,854,952 |
| ROU asset | 988,401 | 11,282 |
| Retirement benefit obligation | 619,379 | 407,859 |
| Allowance for impairment on receivables | 439,999 | 15,875 |
| Unamortized past service cost | - | 2,645 |
| Unrealized forex loss | - | 300 |
| | 15,704,911 | 12,292,913 |
| In equity: | | |
| Remeasurement loss on retirement benefit plan | 781,552 | 720,624 |
| Deferred tax assets | ₱16,486,463 | ₱13,013,537 |

Unrecognized deferred tax assets

The Group has NOLCO and MCIT that are available for offset against future taxable income or tax payable for which deferred tax assets have not been recognized amounting to ₱46.6 million and ₱46.3 million as of December 31, 2020 and 2019, respectively. These come from the following subsidiaries: ABERDI, BAC, PTCHC, ABBWCI, HLPC, SHDI, MCPI and VEC.



The details of unrecognized deferred tax assets as at December 31, 2020 and 2019 are as follows:

| | 2020 | | 2019 | |
|-------------|----------------------|--------------------|----------------------|-------------|
| | Temporary Difference | Tax Effect | Temporary Difference | Tax Effect |
| NOLCO | ₱151,686,450 | ₱45,505,935 | ₱151,146,310 | ₱45,343,893 |
| Excess MCIT | 1,064,896 | 1,064,896 | 932,240 | 932,240 |
| | ₱152,751,346 | ₱46,570,831 | ₱152,078,550 | ₱46,276,133 |

NOLCO. The details of NOLCO are as follow:

| Year Incurred | Expiry Date | At December 31, 2019 | Addition | Expired | At December 31, 2020 |
|---------------|-------------------|----------------------|-------------|---------------|----------------------|
| 2017 | December 31, 2020 | ₱41,046,466 | ₱- | (₱41,046,466) | ₱- |
| 2018 | December 31, 2021 | 54,814,014 | - | - | 54,814,014 |
| 2019 | December 31, 2022 | 55,285,830 | - | - | 55,285,830 |
| 2020 | December 31, 2025 | - | 41,586,606 | - | 41,586,606 |
| | | ₱151,146,310 | ₱41,586,606 | (₱41,046,466) | ₱151,686,450 |

MCIT. The details of excess MCIT are as follow:

| Year Incurred | Expiry Date | At December 31, 2019 | Addition | Expired | At December 31, 2020 |
|---------------|-------------------|----------------------|----------|------------|----------------------|
| 2017 | December 31, 2020 | ₱253,461 | ₱- | (₱253,461) | ₱- |
| 2018 | December 31, 2021 | 373,900 | - | - | 373,900 |
| 2019 | December 31, 2022 | 304,879 | - | - | 304,879 |
| 2020 | December 31, 2023 | - | 386,117 | - | 386,117 |
| | | ₱932,240 | ₱386,117 | (₱253,461) | ₱1,064,896 |

Bayanihan to Recover as One Act (Bayanihan 2)

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4 of Bayanihan 2 which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

Office of the President of the Philippines signed into law on March 26, 2021 the 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, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 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.

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, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred income 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 (30% RCIT and 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Group would have been subjected to lower RCIT and MCIT of 25% and 1%, respectively, 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 RCIT rate of the Parent Company and NC and prorated MCIT rate of ABERDI for the year ended December 31, 2020 is 27.5% and 1.5%, respectively. This will result in a lower provision for current income tax for the year ended December 31, 2020 by ₱4.3 million. The reduced amounts will be reflected in the annual income tax return of the Parent Company, NC and ABERDI in 2020. However, for financial reporting purposes, the changes will only be recognized in the 2021 financial statements.

21. Business Combination

Acquisition of VEC

On June 18, 2020, the Parent Company signed a share purchase agreement with Argo Group Pte. Ltd., to acquire Argo Group Pte. Ltd.'s 99.995% ownership interest in VEC for a total consideration of ₱50.2 million pertaining to the transfer of the Parent Company's EIFVPL through a deed of assignment of shares.

The following are the fair values of the identifiable assets and liabilities assumed:

| | |
|-----------------------------------|-------------------|
| Assets: | |
| Cash | ₱51,507 |
| Receivables | 1,674,693 |
| Other current assets | 1,537,086 |
| Property and equipment (Note 12) | 78,575,418 |
| | 81,838,704 |
| Liabilities: | |
| Trade and other payables | 29,009,627 |
| Total net assets acquired | 52,829,077 |
| Acquisition cost | (50,170,000) |
| Gain on bargain purchase | ₱2,659,077 |
| Cash flow on acquisition: | |
| Cash acquired with the subsidiary | ₱51,507 |



The valuation had not been completed by the date the financial statements were approved for issue by the BOD on April 23, 2021. The purchase price allocation resulted in gain on bargain purchase of ₱2.7 million which is presented under “Gain on bargain purchase” in the consolidated statements of comprehensive income. VEC was sold at a discount since Argo Group Pte. Ltd. is no longer interested in pursuing its liquified natural gas projects and was keen to divest its investment related to such.

The determination of final amount of the fair value of the assets acquired, liabilities assumed and gain on bargain purchase are subject to change within one (1) year of measurement period after the acquisition date.

For the seven-months period ended December 31, 2020, VEC has contributed ₱0.4 million in net losses in the consolidated financial statements of the Group.

22. Lease Agreements

Group as a Lessor

The Group leased its various properties under operating leases. The term of the lease agreements is for one year and is renewable upon mutual agreement of both parties. The agreements provide that the lessees shall pay for all major and minor repairs, business taxes, and charges for water, light, telephone and other utilities expense. There is no escalation clause and the leases are classified as operating leases.

In 2020 and 2019, lease agreements have expired and were not renewed. In 2018, rental income from third parties under these operating leases amounted to ₱0.9 million (see Note 23).

Group as a Lessee

In 2020 and 2019, the Group entered into lease agreements with related and non-related parties for its office spaces in Cagayan de Oro City and Metro Manila and on certain transportation equipment which have lease terms of 12 months or less and are renewable upon the agreement of both parties. The Group applies the ‘short-term lease’ recognition exemption for these leases.

There are no other significant restrictions imposed by lease agreements such as those concerning dividends, additional debt and further leasing.

In 2020, 2019 and 2018, rent expense amounted to ₱8.6 million, ₱13.4 million and ₱14.8 million, respectively (see Note 18).

The Group paid advance rentals for the rights to use parcels of land in Impasugong, Kalabugao, Salawaga Tingalan, Opol, Misamis Oriental and Tignapoloan, Cagayan de Oro City and to develop them as palm oil commercial plantations under the Group’s development contracts (DC) with KASAMAKA and KMBT identified as contracts containing leases scoped in under PFRS 16. There are no future lease payments related to these lease contracts.



In 2020 and 2019, the movements in the Group's right-of-use asset follows (Note 12):

| | 2020 | 2019 |
|--------------------------------------|--------------------|-------------|
| Cost | | |
| Balance at beginning and end of year | ₱30,535,735 | ₱30,535,735 |
| Accumulated depreciation | | |
| At January 1 | 1,237,695 | – |
| Depreciation | 1,101,967 | 1,237,695 |
| At December 31 | 2,339,662 | 1,237,695 |
| Net book value | ₱28,196,073 | ₱29,298,040 |

23. Other Income - net

| | 2020 | 2019 | 2018 |
|---|-------------------|-------------|-------------|
| Tapping fees, transfer fees and other water charges | ₱4,349,008 | ₱8,361,245 | ₱7,240,732 |
| Income from forfeited deposits | 2,373,565 | 1,276,766 | 5,906,511 |
| Interest income (Notes 4 and 5) | 2,045,174 | 2,741,357 | 2,281,600 |
| Dividend income (Note 9) | 201,219 | – | – |
| Gain (loss) on sale of property and equipment (Note 12) | (184,474) | 3,475,684 | 2,966,668 |
| Gain on sale of investment property (Note 11) | – | 5,138,414 | – |
| Management fees income (Note 15) | – | – | 16,000,000 |
| Rental income (Notes 11 and 22) | – | – | 905,206 |
| | ₱8,784,492 | ₱20,993,466 | ₱35,300,717 |

Income from forfeited deposits pertains to collections from potential buyers deemed nonrefundable due to prescription of the period for entering into a contracted sale and/or payment from defaulting buyers upon prescription of the period for payment of the required amortizations subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act*.

24. Financial Risk Management Objectives and Policies

The Group is exposed to a variety of financial risks, which resulted from its operating, investing and financing activities in relation to its financial instruments which include financial assets comprising cash, receivables (excluding advances to officers and employees), receivables from related parties, EIFVPL, EIFVOCI and refundable deposits included under “Other assets”. This also includes financial liabilities comprising accounts and other payables (excluding statutory payables), short-term and long-term debts. The main types of risks are market risk (mainly interest rate and equity price risks), credit risk and liquidity risk which arise in the normal course of the Group’s business activities.

The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group’s results and financial position. The Group actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principle. The management takes charge of the Group’s overall risk management strategies and for approval of risk strategies and policies under the direction of the Group’s BOD.



The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

There were no changes in the Group's financial risk management objectives and policies in 2020 and 2019.

The main risks arising from the use of financial instruments are credit risk, liquidity risk and interest rate risk. The Group's BOD reviews and agrees with policies for managing each of these risks. These are summarized below:

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group trades only with recognized, creditworthy third parties. The Group's receivables are monitored on an ongoing basis to manage exposure to bad debts and to ensure timely execution of necessary intervention efforts. The Group's debt financial assets are not subject to collateral and other credit enhancement except for real estate receivables. Real estate buyers are subject to standard credit check procedures, which are calibrated based on payment scheme offered. The Group's respective credit management units conduct a comprehensive credit investigation and evaluation of each buyer to establish creditworthiness.

In addition, the credit risk for ICRs is mitigated as the Group has the right to cancel the sales contract without need for any court action and take possession of the subject real estate property in case of refusal by the buyer to pay on time the due ICR. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price. In case of default, after enforcement activities, the Group has the right to cancel the sale and enter into another CTS to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Given this, based on the experience of the Group, the maximum exposure to credit risk at the reporting date is nil considering that fair value less cost to repossess of the real estate projects is higher than the exposure at default (i.e., recovery rate is more than 100%).

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

The Group's maximum exposure to credit risk is equal to the carrying values of its debt financial assets and contract assets except for ICRs as discussed above. The table below shows the credit quality and aging analysis of the Group's financial assets and contract assets:

| | 2020 | 2019 |
|--|-----------------------|----------------|
| Financial assets: | | |
| Cash in banks (Note 4) | ₱229,951,733 | ₱73,834,354 |
| Receivables (Note 5)* | 1,032,467,314 | 891,377,189 |
| Receivables from related parties (Note 15) | 117,690,925 | 114,385,359 |
| Refundable deposits (Note 8) | 46,869,053 | 43,363,477 |
| Contract assets (Notes 14 and 27) | 96,865,190 | 135,230,678 |
| | ₱1,523,844,215 | ₱1,258,191,057 |

* Excluding advances to officers and employees amounting to ₱2,985,026 and ₱1,318,906 in 2020 and 2019, respectively.



The following are the analyses of financial assets and contract assets that were neither past due nor impaired and past due but not impaired, and impaired as at December 31, 2020 and 2019:

| | 2020 | | | | | | |
|----------------------------------|-----------------------|-------------------------------|---------------------------|-------------------|-------------------|--------------------|-------------------|
| | Total | Neither Past Due nor Impaired | Past Due But not Impaired | | | | Impaired |
| | | | Less than 30 Days | 30-60 Days | 61-90 Days | More than 90 Days | |
| Financial assets: | | | | | | | |
| Cash in banks | ₱229,951,733 | ₱229,951,733 | ₱- | ₱- | ₱- | ₱- | ₱- |
| Receivables* | 1,032,467,314 | 903,735,194 | 10,353,194 | 7,595,720 | 6,662,291 | 99,860,055 | 4,260,860 |
| Receivables from related parties | 117,690,925 | 117,690,925 | - | - | - | - | - |
| Refundable deposits | 46,869,053 | 46,869,053 | - | - | - | - | - |
| Contract assets | 96,865,190 | 96,865,190 | - | - | - | - | - |
| | ₱1,523,844,215 | ₱1,395,112,095 | ₱10,353,194 | ₱7,595,720 | ₱6,662,291 | ₱99,860,055 | ₱4,260,860 |

* Excluding advances to officers and employees amounting to ₱2,985,025.

| | 2019 | | | | | | |
|----------------------------------|-----------------------|-------------------------------|---------------------------|-------------------|-------------------|--------------------|-----------------|
| | Total | Neither Past Due nor Impaired | Past Due But not Impaired | | | | Impaired |
| | | | Less than 30 Days | 30-60 Days | 61-90 Days | More than 90 Days | |
| Financial assets: | | | | | | | |
| Cash in banks | ₱73,834,354 | ₱73,834,354 | ₱- | ₱- | ₱- | ₱- | ₱- |
| Receivables* | 891,377,189 | 794,117,072 | 7,622,717 | 3,899,061 | 1,135,236 | 84,128,723 | 474,380 |
| Receivables from related parties | 114,385,359 | 114,385,359 | - | - | - | - | - |
| Refundable deposits | 43,363,477 | 43,363,477 | - | - | - | - | - |
| Contract assets | 135,230,678 | 135,230,678 | - | - | - | - | - |
| | ₱1,258,191,057 | ₱1,160,930,940 | ₱7,622,717 | ₱3,899,061 | ₱1,135,236 | ₱84,128,723 | ₱474,380 |

* Excluding advances to officers and employees amounting to ₱1,318,906.

The following are the details of the Group's assessment of credit quality and the related ECLs as at December 31, 2020 and 2019.

General approach

- *Cash* – These are of high quality as the amounts are deposited in reputable banks which have good bank standing and is considered to have low credit risk. Accordingly, management assessed that no ECL relating to the cash of the Group is recognized.
- *Receivables (except ICR and trade receivables), receivables from related parties and refundable deposits* – These are high grade since these pertain to counterparties who have a very remote likelihood of default and have consistently exhibited good paying habits. Accordingly, management assessed that no ECL relating to these receivables and deposits of the Group is recognized. This assessment is undertaken each financial year through examining the financial position of the counterparties and the markets in which they operate.

Simplified approach

- *ICR and contract assets* – These are high grade since these pertain to counterparties who have a very remote likelihood of default and have consistently exhibited good paying habits. Accordingly, management assessed that no ECL relating to these receivables of the Group is recognized. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers. This assessment is undertaken each financial year through examining the financial position of the counterparties and the markets in which they operate.



- *Trade receivables* – These are high grade since these pertain to receivables from customers who have established good credit standing with the Company. The Group applied the simplified approach under PFRS 9, using a ‘provision matrix’. Accordingly, management assessed and recognized ECL relating to trade receivables amounting to ₱2.8 million and ₱0.4 million in 2020 and 2019, respectively. Trade receivables are regarded as short-term and while there are certain accounts that are past-due, the Group evaluates the credit risk with respect to trade receivables as low as there were no history of default payments.

Exposures more than 90 days past due will normally be classified as stage 3.

Credit quality per class of the Group’s financial assets and contract assets are as follows:

| | 2020 | | | | | |
|----------------------------------|-------------------------------|-----------|-----------|------------------------------|-------------------------|-----------------------|
| | Neither Past Due nor Impaired | | | Past Due but Not Impaired | Overdue and Impaired | Total |
| | High | Medium | Low | | | |
| Financial assets: | | | | | | |
| Cash in banks | ₱229,951,733 | ₱– | ₱– | ₱– | ₱– | ₱229,951,733 |
| Receivables* | 903,735,194 | – | – | 124,471,260 | 4,260,860 | 1,032,467,314 |
| Receivables from related parties | 117,690,925 | – | – | – | – | 117,690,925 |
| Refundable deposits | 46,869,053 | – | – | – | – | 46,869,053 |
| Contract assets | 96,865,190 | – | – | – | – | 96,865,190 |
| | ₱1,395,112,095 | ₱– | ₱– | ₱124,471,260 | ₱4,260,860 | ₱1,523,844,215 |

* Excluding advances to officers and employees amounting to ₱2,985,025.

| | 2019 | | | | | |
|----------------------------------|-------------------------------|-----------|-----------|------------------------------|-------------------------|-----------------------|
| | Neither Past Due nor Impaired | | | Past Due but Not Impaired | Overdue and Impaired | Total |
| | High | Medium | Low | | | |
| Financial assets: | | | | | | |
| Cash in banks | ₱73,834,354 | ₱– | ₱– | ₱– | ₱– | ₱73,834,354 |
| Receivables** | 794,117,072 | – | – | 96,785,737 | 474,380 | 891,377,189 |
| Receivables from related parties | 114,385,359 | – | – | – | – | 114,385,359 |
| Refundable deposits | 43,363,477 | – | – | – | – | 43,363,477 |
| Contract assets | 135,230,678 | – | – | – | – | 135,230,678 |
| | ₱1,160,930,940 | ₱– | ₱– | ₱96,785,737 | ₱474,380 | ₱1,258,191,057 |

* Excluding advances to officers and employees amounting to ₱1,318,906

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

- High quality financial assets include cash in banks which are entered into with highly reputable counterparties and receivables with no default in payments.
- Medium quality financial assets are accounts which are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. The Group’s receivables with up to 3 defaults in payment, receivables from related parties and refundable deposits are classified under this because these assets are susceptible to untoward consequences due to the current financial positions of counterparties.
- Low quality financial assets are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms. This includes receivables with up to 3 defaults in payment.

For financial assets recognized on the balance sheet, the gross exposure to credit risk equals their carrying amount except for ICR and contract assets where exposure to credit risk is not significant given that title of the real estate property is only transferred to the customer if the consideration had been fully paid.



Applying the expected credit risk model resulted to recognition of impairment loss of ₱2.4 million and nil from receivables in 2020 and 2019, respectively.

Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and advances from related parties. The Group monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash deemed adequate by management to finance its operations and capital requirements and to mitigate the effects of fluctuations in cash flows. The Group considers its available funds and its liquidity in managing its long-term financial requirements. It matches its projected cash flows to the projected amortization of long-term borrowings. For its short-term funding, the Group's policy is to ensure that there are sufficient operating inflows to match repayments of short-term debt. As part of its liquidity risk management, it regularly evaluates its projected and actual cash flows.

The tables below summarize the Group's financial assets that can be used to manage its liquidity risk and the maturity profile of its financial liabilities as of December 31, 2020 and 2019 based on contractual undiscounted payments:

| | 2020 | | | |
|----------------------------------|---------------------|-----------------------|-----------------------|-----------------------|
| | On Demand | One Year and Below | More than One Year | Total |
| Financial Assets | | | | |
| Cash in banks | ₱229,951,733 | ₱- | ₱- | ₱229,951,733 |
| Receivables* | 212,236,117 | 789,631,882 | 26,338,455 | 1,028,206,454 |
| EIFVOCI | - | - | 175,587,105 | 175,587,105 |
| Receivables from related parties | 117,690,925 | - | - | 117,690,925 |
| Refundable deposits | - | 7,462,263 | 39,406,790 | 46,869,053 |
| | ₱559,878,775 | ₱797,094,145 | ₱241,332,350 | ₱1,598,305,270 |
| Financial Liabilities | | | | |
| Accounts and other payables** | ₱194,587,038 | ₱403,587,874 | ₱- | ₱598,174,911 |
| Short-term debt | | | | |
| Principal | 8,000,000 | 406,177,400 | - | 414,177,400 |
| Interest | - | 26,236,653 | - | 26,236,653 |
| Long-term debt | | | | |
| Principal | - | 254,200,759 | 566,655,809 | 820,856,568 |
| Interest | - | 9,713,247 | 21,652,445 | 31,365,692 |
| | 202,587,038 | 1,099,915,933 | 588,308,254 | 1,890,811,225 |
| Net Inflow (Outflow) | ₱357,291,737 | (₱302,821,787) | (₱346,975,904) | (₱292,505,954) |

* Excluding advances to officers and employees amounting to ₱2,985,025.

** Excluding statutory payables amounting to ₱30,436,046.



| | 2019 | | | |
|----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | On Demand | One Year and Below | More than One Year | Total |
| Financial Assets | | | | |
| Cash in banks | P74,999,881 | P- | P- | P74,999,881 |
| Receivables* | 278,420,213 | 466,255,436 | 146,227,160 | 890,902,809 |
| EIFVPL | - | 63,484,441 | - | 63,484,441 |
| EIFVOCI | - | - | 167,561,453 | 167,561,453 |
| Receivables from related parties | 114,385,359 | - | - | 114,385,359 |
| Refundable deposits | - | 7,296,467 | 36,067,010 | 43,363,477 |
| | P467,805,453 | P537,036,344 | P349,855,623 | P1,354,697,420 |
| Financial Liabilities | | | | |
| Accounts and other payables** | P574,697,130 | P- | P- | P574,697,130 |
| Short-term debt | | | | |
| Principal | 8,000,000 | 370,100,000 | - | 378,100,000 |
| Interest | - | 11,835,904 | - | 11,835,904 |
| Long-term debt | | | | |
| Principal | - | 212,402,746 | 609,287,221 | 821,689,967 |
| Interest | - | 46,817,436 | 114,282,429 | 161,099,865 |
| | 582,697,130 | 641,156,086 | 723,569,650 | 1,947,422,866 |
| Net Inflow (Outflow) | (P114,891,677) | (P104,119,742) | (P373,714,027) | (P592,725,446) |

* Excluding advances to officers and employees amounting to P1,318,906.

** Excluding statutory payables amounting to P7,998,026.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchanges rates, commodity prices, equity prices and other market changes.

Interest Rate Risk. Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rates or rates subject to repricing as it can cause a change in the amount of interest payments. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all variables held constant, of the Group's income before tax and equity, through the impact on floating rate borrowings:

| 2020 | | 2019 | |
|--|--------------------------------|--|--------------------------------|
| Increase (decrease) in basis points | Effect on profit before tax | Increase (decrease) in basis points | Effect on profit before tax |
| 300 | (P12,725,118) | 300 | (P10,684,467) |
| 200 | (8,483,412) | 200 | (7,122,978) |
| 100 | (4,241,706) | 100 | (3,561,489) |
| (100) | 4,241,706 | (100) | 3,561,489 |
| (200) | 8,483,412 | (200) | 7,122,978 |
| (300) | 12,725,118 | (300) | 10,684,467 |

Equity Price Risk. The Group's equity investments listed in the PSE and golf and club shares are susceptible to market price risk arising from uncertainties about future values of the investment securities.

The Group is exposed to equity price risk with respect to EIFVOCI.



The analysis below demonstrates the sensitivity to a reasonably possible change of market index with all other variables held constant, of the Group's net income and equity as of December 31, 2020 and 2019.

| Change in index | Effect on net income | | Effect on equity | |
|-----------------|----------------------|-------------|--------------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| +5% | ₱3,286,877 | ₱3,174,222 | ₱8,289,498 | ₱7,739,022 |
| -5% | (3,286,877) | (3,174,222) | (8,289,498) | (7,739,022) |

The following table presents a comparison by category of carrying values and estimated fair values of the Group's financial instruments as at December 31:

| | 2020 | | 2019 | |
|----------------------------------|-----------------------|-----------------------|-----------------|----------------|
| | Carrying Values | Fair Values | Carrying Values | Fair Values |
| Financial Assets | | | | |
| Cash | ₱231,321,649 | ₱231,321,649 | ₱74,999,881 | ₱74,999,881 |
| Receivables* | 1,032,467,314 | 1,035,037,593 | 891,377,189 | 893,596,231 |
| Receivables from related parties | 117,690,925 | 117,690,925 | 114,385,359 | 114,385,359 |
| EIFVPL | – | – | 63,484,441 | 63,484,441 |
| EIFVOCI | 175,587,105 | 175,587,105 | 167,561,453 | 167,561,453 |
| Refundable deposits | 46,869,053 | 46,869,053 | 43,363,477 | 43,363,477 |
| | 1,603,936,046 | 1,606,506,325 | 1,355,171,800 | 1,357,390,842 |
| Financial Liabilities | | | | |
| Accounts and other payables** | 598,174,911 | 598,174,911 | 574,697,130 | 574,697,130 |
| Short-term debt | 414,177,400 | 414,177,400 | 378,100,000 | 378,100,000 |
| Long-term debt | 820,856,568 | 897,701,778 | 821,689,967 | 903,019,072 |
| | ₱1,833,208,879 | ₱1,910,054,089 | ₱1,774,487,097 | ₱1,855,816,202 |

* Excluding advances to officers and employees amounting to ₱2,985,025 and ₱1,318,906 in 2020 and 2019, respectively.

** Excluding statutory payables amounting to ₱30,436,046 and ₱7,998,026 in 2020 and 2019, respectively.

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

- *Cash, receivables (except ICR), accounts and other payables and short term-debt.* The fair values approximate their carrying amounts as of reporting dates due to the short-term maturity of these financial instruments.
- *ICR.* The fair value of ICR due within one year approximates its carrying amount. Noncurrent portion of ICR are discounted using the applicable discount rates (Level 3 input).
- *Receivables from related parties.* Carrying amounts of receivables from related parties which are collectible on demand approximate their fair values. Receivables from related parties are unsecured and have no foreseeable terms of repayments.
- *EIFVPL.* The carrying value is equivalent to its fair value. The fair values have been determined directly by reference to published prices in an active market (Level 1 input).
- *EIFVOCI.* For unquoted equity securities, the fair value is determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions and reflect appropriate risk adjustments that market participants would make for credit and liquidity risks existing at the end each of reporting period. The fair values are determined based on average selling price of price per share of similar or identical assets traded in an active market (Level 3 input).



- *Refundable deposits.* The fair values of refundable deposits are not determinable since the timing of each refund is not reasonably predictable, hence presented at cost.
- *Long-term debt.* The fair value of borrowings with fixed interest rate is based on the discounted net present value of cash flows using the PH BVAL. Discount rates used range from 5.4% to 7.5% in 2020 and 5.5% to 7.5% in 2019. The Group classifies the fair value of its long-term debt under Level 3.

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; and,
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

25. Segment Information

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

The segments where the Group operate follow:

- Real estate development - Development of land into commercial and residential subdivision, sale of lots and residential houses and the provision of customer financing for sales;
- Agricultural - Development of land for palm oil production and sale of palm oil and other palm products including, but not limited to refined bleached deodorized oil, palm olein, crude palm oil, palm stearin, palm acid oil, palm fatty acid distillate, and palm kernels.
- Power and utilities - Operating of power plants and/or purchase, generation, production supply and sale of power. However, there was no commercial operations yet as of December 31, 2020;
- Holding - Holding of properties of every kind and description.

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

For the years ended December 31, 2020, 2019 and 2018, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.



The financial information about the operations of these operating segments is summarized below (in thousands):

| For the Year Ended December 31, 2020 | | | | | | |
|---|----------------------------|--------------|------------------------|---------|--------------|--------------|
| | Real Estate Development | Agricultural | Power and Utilities | Holding | Eliminations | Consolidated |
| Revenue | ₱784,956 | ₱79,089 | ₱- | ₱- | ₱- | ₱864,045 |
| Costs and expenses | (359,165) | (60,136) | - | - | - | (419,301) |
| Gross profit | 425,791 | 18,953 | - | - | - | 444,744 |
| General, administrative and selling expenses | (180,720) | (62,500) | (636) | (1,386) | 3,251 | (241,992) |
| Other income (expenses) | 1,761 | (19,811) | 366,871 | 79,817 | (285,466) | 143,172 |
| Income (loss) before income tax | 246,832 | (63,358) | 366,235 | 78,431 | (282,215) | 345,924 |
| Provision for (benefit from) income tax | 70,594 | (2,811) | (1) | - | (15,962) | 51,820 |
| Net income (loss) | ₱176,238 | (₱60,547) | ₱366,236 | ₱78,431 | (₱266,254) | ₱294,104 |
| Net income attributable to: | | | | | | |
| Owners of the Parent Company | ₱381,238 | (₱60,547) | ₱161,263 | ₱78,431 | (₱266,280) | ₱294,104 |
| Non-controlling interests | - | - | (26) | - | 26 | - |
| | ₱381,238 | (₱60,547) | (₱161,289) | ₱78,431 | (₱266,306) | ₱294,104 |

| As of December 31, 2020 | | | | | | |
|--------------------------|----------------------------|--------------|------------------------|------------|--------------|--------------|
| | Real Estate Development | Agricultural | Power and Utilities | Holding | Eliminations | Consolidated |
| Other information | | | | | | |
| Segment assets | ₱6,348,797 | ₱1,242,680 | ₱1,408,608 | ₱1,112,873 | (₱3,626,992) | ₱6,485,966 |
| Deferred tax assets | - | 7,248 | - | 24 | 9,215 | 16,487 |
| Total Assets | ₱6,348,797 | ₱1,249,928 | ₱1,408,608 | ₱1,112,897 | (₱3,617,777) | ₱6,502,452 |
| Segment liabilities | ₱1,994,736 | ₱1,115,177 | ₱40,727 | ₱831,735 | (₱1,888,593) | ₱2,093,781 |
| Deferred tax liabilities | 168,919 | - | 2 | - | (14,681) | 154,239 |
| Total Liabilities | ₱2,163,655 | ₱1,115,177 | ₱40,729 | ₱831,735 | (₱1,903,274) | ₱2,248,020 |

| For the Year Ended December 31, 2019 | | | | | | |
|---|----------------------------|--------------|------------------------|----------|--------------|--------------|
| | Real Estate Development | Agricultural | Power and Utilities | Holding | Eliminations | Consolidated |
| Revenue | ₱964,086 | ₱63,724 | ₱- | ₱- | ₱- | ₱1,027,810 |
| Costs and expenses | (367,222) | (49,684) | - | - | - | (416,906) |
| Gross profit | 596,864 | 14,040 | - | - | - | 610,904 |
| General, administrative and selling expenses | (201,509) | (66,302) | (472) | (457) | 3,538 | (265,202) |
| Other income (expenses) | (74,293) | (16,806) | 452,649 | 104,834 | (185,700) | 280,684 |
| Income (loss) before income tax | 321,062 | (69,068) | 452,177 | 104,377 | (182,162) | 626,386 |
| Provision for income tax | (120,042) | 1,326 | 1 | - | (12,878) | (131,593) |
| Net income (loss) | ₱201,020 | (₱67,742) | ₱452,176 | ₱104,377 | (₱195,040) | ₱494,793 |
| Net income attributable to: | | | | | | |
| Owners of the Parent Company | ₱273,226 | (₱67,742) | ₱380,010 | ₱104,377 | (₱195,078) | ₱494,793 |
| Non-controlling interests | - | - | (38) | - | 38 | - |
| | ₱273,226 | (₱67,742) | ₱379,972 | ₱104,377 | (₱195,040) | ₱494,793 |

| As of December 31, 2019 | | | | | | |
|--------------------------|----------------------------|--------------|------------------------|------------|--------------|--------------|
| | Real Estate Development | Agricultural | Power and Utilities | Holdings | Eliminations | Consolidated |
| Other information | | | | | | |
| Segment assets | ₱5,740,190 | ₱1,275,544 | ₱1,423,671 | ₱1,193,626 | (₱3,578,405) | ₱6,054,626 |
| Deferred tax assets | - | 3,775 | - | - | 9,239 | 13,014 |
| Total Assets | ₱5,740,190 | ₱1,279,319 | ₱1,423,671 | ₱1,193,626 | (₱3,569,166) | ₱6,067,640 |
| Segment liabilities | ₱1,769,159 | ₱1,084,596 | ₱41,241 | ₱829,590 | (₱1,784,043) | ₱1,940,543 |
| Deferred tax liabilities | 148,849 | - | 3 | - | 1,759 | 150,611 |
| Total Liabilities | ₱1,918,008 | ₱1,084,596 | ₱41,244 | ₱829,590 | (₱1,782,284) | ₱2,091,154 |



| For the Year Ended December 31, 2018 | | | | | | |
|---|----------------------------|--------------|------------------------|----------|--------------|--------------|
| | Real Estate Development | Agricultural | Power and Utilities | Holdings | Eliminations | Consolidated |
| Revenue | ₱725,628 | ₱103,940 | ₱- | ₱- | (₱3,500) | ₱826,068 |
| Costs and expenses | (303,291) | (82,826) | - | - | - | (386,117) |
| Gross profit (loss) | 422,337 | 21,114 | - | - | (3,500) | 439,951 |
| General, administrative and selling expenses | (256,676) | (60,960) | (3,267) | (1,155) | 3,657 | (318,401) |
| Other income (expenses) | (3,277) | (22,401) | 4 | 94,106 | 158,848 | 227,280 |
| Income (loss) before income tax | 162,384 | (62,247) | (3,263) | 92,951 | 159,005 | 348,830 |
| Benefit from income tax | 32,626 | 15,064 | 48 | 325 | 12,011 | 60,074 |
| Net income (loss) | ₱129,758 | (₱77,311) | (₱3,311) | ₱92,626 | ₱146,994 | ₱288,756 |
| Net income attributable to: | | | | | | |
| Owners of the Parent Company | ₱129,758 | (₱77,311) | (₱3,296) | ₱92,626 | ₱146,979 | ₱288,756 |
| Non-controlling interests | - | - | (15) | - | 15 | - |
| | ₱129,758 | (₱77,311) | (₱3,311) | ₱92,626 | ₱146,994 | ₱288,756 |

| As of December 31, 2018 | | | | | | |
|--------------------------|----------------------------|--------------|------------------------|------------|--------------|--------------|
| | Real Estate Development | Agricultural | Power and Utilities | Holdings | Eliminations | Consolidated |
| Other information | | | | | | |
| Segment assets | ₱5,318,537 | ₱1,285,269 | ₱278,403 | ₱1,115,954 | (₱2,544,469) | ₱5,453,694 |
| Deferred tax assets | - | 37,503 | 4,968 | 154 | (30,093) | 12,532 |
| Total Assets | ₱5,318,537 | ₱1,322,772 | ₱283,371 | ₱1,116,108 | (₱2,574,562) | ₱5,466,226 |
| Segment liabilities | ₱1,709,631 | ₱- | ₱210,046 | ₱- | ₱- | ₱1,919,677 |
| Deferred tax liabilities | 51,938 | 1,049,719 | - | 890,705 | (1,934,529) | 57,833 |
| Total Liabilities | ₱1,761,569 | ₱1,049,719 | ₱210,046 | ₱890,705 | (₱1,934,529) | ₱1,977,510 |

26. Notes to Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities

2020

| | Beginning Balance | Availments | Payments | Others | Ending Balance |
|--------------------|----------------------|--------------|----------------|-------------|----------------|
| Short-term debt | ₱370,100,000 | ₱241,252,000 | (₱197,174,600) | ₱- | ₱414,177,400 |
| Long-term debt | 829,689,967 | 171,903,700 | (180,737,099) | - | 820,856,568 |
| Interest (Note 13) | 5,169,768 | - | (64,436,684) | 61,423,581 | 2,156,665 |
| | ₱1,204,959,735 | ₱413,155,700 | (₱442,348,383) | ₱61,423,581 | ₱1,237,190,633 |

2019

| | Beginning Balance | Availments | Payments | Others | Ending Balance |
|--------------------|----------------------|--------------|----------------|----------------|----------------|
| Short-term debt | ₱687,048,719 | ₱245,805,000 | (₱193,780,200) | (₱368,973,519) | ₱370,100,000 |
| Long-term debt | 597,847,737 | 265,676,700 | (402,807,989) | 368,973,519 | 829,689,967 |
| Interest (Note 13) | 9,964,349 | - | (64,524,147) | 59,729,566 | 5,169,768 |
| | ₱1,294,860,805 | ₱511,481,700 | (₱661,112,336) | ₱59,729,566 | ₱1,204,959,735 |

Others include reclassification of loan from shareholder from short-term debt to long-term debt in 2019 (see Notes 15 and 16), interest expense and capitalized borrowing costs.

The Group's noncash investing and financing activities pertain to the following:

- Dividend receivable amounting to ₱182.2 million in 2019, which is presented under "Receivables" line item in the consolidated statements of financial position, was paid in 2020.
- Dividend receivable amounted to ₱138.0 million and ₱182.2 million as of December 31, 2020 and 2019, respectively.



- In 2020, there was a transfer of the Parent Company's EIFVPL shares amounting to ₱50.2 million through a deed of assignment.
- In 2020 and 2019, capitalized borrowing cost amounted to ₱36.2 million and ₱35.7 million, respectively.
- In 2020, there were additions to construction in progress as a result of the Group's acquisition of VEC amounting to ₱78.6 million (Note 12).

27. Revenue from Contracts with Customers

Revenue Disaggregation

The Group derives revenue from the transfer of services and goods over time and at a point in time, respectively, in different product types. The Group's disaggregation of each sources of revenue from contracts with customers are presented below:

| | 2020 | 2019 | 2018 |
|---------------------------------|---------------------|----------------|--------------|
| <i>Type of product:</i> | | | |
| Real estate sales | | | |
| Lot-only units | ₱397,771,805 | ₱461,979,547 | ₱357,952,543 |
| House and lot units | 363,766,554 | 480,756,219 | 347,233,146 |
| Sale of agricultural goods | | | |
| Crude palm oil | 57,177,025 | 45,945,063 | 75,205,185 |
| Palm olein | 9,364,000 | 9,546,393 | 8,367,151 |
| Palm fatty acid distillate | 5,382,220 | 579,857 | 387,964 |
| Palm acid oil | 3,501,581 | 1,836,356 | 2,081,326 |
| Palm stearin | 3,327,197 | 865,857 | 4,746,991 |
| Palm kernel cake | 336,763 | 1,348,977 | 3,132,811 |
| Palm kernel | - | 3,602,097 | - |
| Refined bleached deodorized oil | - | - | 6,518,927 |
| Water service | 23,417,340 | 21,349,825 | 20,441,816 |
| | ₱864,044,485 | ₱1,027,810,191 | ₱826,067,860 |

The real estate sales and water service revenue are revenue from contracts with customers that are recognized over time while revenue from sale of agricultural goods are recognized at a point in time.

Contract Balances

| | 2020 | 2019 |
|---------------------------------------|---------------------|--------------|
| ICR | ₱754,553,748 | ₱598,655,904 |
| Current portion of contract assets | 76,301,227 | 128,936,113 |
| Noncurrent portion of contract assets | 20,563,963 | 6,294,565 |
| Costs to obtain contracts | 16,005,309 | 16,355,255 |
| Contract liabilities | 168,966,097 | 139,504,435 |

ICR are from real estate sales which are collectible in equal monthly installments with various terms up to a maximum of two years, and bear interest ranging from 10% to 18% in 2020 and 2019. The transfer certificates of title remain in the possession of the Group until full payment has been made by the customers



Contract assets represent the right to consideration that was already delivered by the Group in excess of the amount recognized as ICR. This is reclassified as ICR when the monthly amortization of the customer is already demandable for collection or when the remaining balance of the total contract price once the equity payments have been settled by the customer is already collectible for collection from the bank for real estate sales under bank financing. The movement in contract asset is mainly due to new real estate sales contract recognized during the period and increase in percentage of completion, less reclassification to ICR.

Cost to obtain contract are derecognized if sales are subsequently cancelled. The balances below pertain to the costs to obtain contracts:

| | 2020 | 2019 |
|----------------------------|---------------------|--------------|
| Balance at January 1 | ₱16,355,255 | ₱12,217,593 |
| Additions | 35,198,176 | 32,697,831 |
| Amortization | (35,548,122) | (28,560,169) |
| Balance at end of the year | ₱16,005,309 | ₱16,355,255 |

The amortization of prepaid commissions which are expensed as the related revenue is recognized totaling ₱35.5 million, ₱28.6 million and ₱35.8 million in 2020, 2019 and 2018, respectively, are recognized as marketing expenses presented under “General, administrative and selling expenses” account in the consolidated statements of comprehensive income (see Note 18).

Contract liabilities consist of collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition and excess of collections over the goods and services transferred by the Group based on percentage of completion. The movement in contract liability is mainly due to sales reservations and advance payments of buyers less real estate sales recognized upon reaching the buyer’s equity and from increase in POC.

Performance Obligation

Information about the Parent Company’s significant performance obligation is summarized below:

Real estate sales

The Parent Company entered into contracts to sell with one identified performance obligation, which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration. The sale of real estate unit may cover the contract for either the (i) serviced lot; (ii), and service lot and house and the Parent Company concluded that there is one performance obligation in each of these contracts. The Parent Company recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include payments of 10% and 25% in 2020 and 2019, respectively, of the contract price spread over a certain period (e.g., three months to four years) at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from two (2) to fifteen (15) years with fixed monthly payment, in 2020 and 2019. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either a contract asset or contract liability.



The remaining performance obligation is expected to be recognized within one year which relate to the continuous development of the Group's real estate projects. The Group's real estate projects are completed within 6 months to 12 months, from start of construction.

28. Other Matters

Impasug-Ong and Kalabugao Plantations

The Group entered into a DC with KASAMAKA at the Municipality of Impasug-ong, Bukidnon concerning the development of palm oil commercial plantation on August 2006.

KASAMAKA had been granted with Community Based Forest Management Agreement (CBFMA) no. 55093, by the Department of Environment and National Resources (DENR) on December 22, 2000 covering an area of 2,510.80 hectares. Under the CBFMA, KASAMAKA is mandated to develop, manage and protect the allocated community forest project area. Moreover, it is allowed to enter into agreements or contracts with private or government entities for the development of the whole or portion of the CBFMA area.

The project's objectives are to establish approximately 894 hectares into a commercial palm plantation within 5 years (2006-2011). However, ABERDI may intercrop suitable agricultural crops in the plantation and raise livestock, the harvest and produce of which shall belong to ABERDI.

The responsibilities of KASAMAKA with regards to the project follow:

- To provide the land area of 894 hectares within CBFMA area for oil palm plantation; and,
- To provide manpower needs of the Group in all developmental activities such as land preparation, planting, weeding, fertilization, harvesting, maintenance and others.

On the other hand, the responsibility of ABERDI in regard to the project is to provide technical and financial resources to develop the 894 hectares into palm oil plantation for a period of 20 years up to 2026.

Opol Plantation

The Group entered into a DC for the establishment of palm oil commercial plantation in Tingalan, Opol, Misamis Oriental with KMBT.

KMBT has been granted CBFMA No. 56297 by DENR on December 31, 2000 covering a total area of 1,000 hectares of forest lands located in Tingalan, Opol, Misamis Oriental to develop, manage and protect the allocated Community Forest Project Area.

The roles and responsibilities of KMBT under the Development Contract are as follows:

- To provide the land area within the CBFMA for oil plantation; and,
- To provide manpower needs of NC in all developmental activities such as land preparation, planting, weeding, fertilization, harvesting, maintenance and others.

On the other hand, the responsibility of NC in regard to the project is to provide technical and financial resources to develop the covered area into palm oil plantation for a period of 25 years.



In 2019, the Group entered into a contract with the landowners' association in Tingalan, Opol, Misamis Oriental providing the landowners a royalty fee of ₱10.0 per metric ton of fresh fruit bunches harvested. The royalty fee is included as part of the costs of purchase of FFB recognized under "Other inventories - at cost" in the consolidated statements of financial position.

COVID-19 Pandemic

The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures in various levels throughout the country has caused disruption in the Group's business activities. The Group has adjusted its operations in accordance with the required measures and safety protocols.

Construction and real estate development activities have resumed at various level of activities following safety protocols mandated by the national and local government.

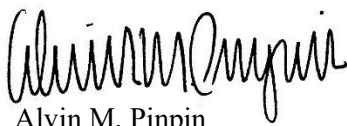


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
A Brown Company, Inc. and Subsidiaries
Xavier Estates Uptown, Airport Road
Balulang, Cagayan de Oro City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of A Brown Company, Inc. and its subsidiaries (the Group) as at December 31, 2020 and 2019, and for each of the three years ended December 31, 2020, included in this Form 17-A, and have issued our report thereon dated April 23, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules, are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic consolidated financial statements. These schedules have been subjected to the audit procedures applied in the audit of the basic consolidated financial statements, and in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Alvin M. Pinpin
Partner

CPA Certificate No. 94303

Accreditation No. 94303-SEC (Group A)

Valid to cover audit of 2020 to 2024

financial statements of SEC covered institutions

Tax Identification No. 198-819-157

BIR Accreditation No. 08-001998-070-2020,

December 3, 2020, valid until December 2, 2023

PTR No. 8534344, January 4, 2021, Makati City

April 23, 2021

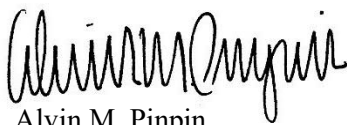


INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
A Brown Company, Inc. and Subsidiaries
Xavier Estates Uptown, Airport Road
Balulang, Cagayan de Oro City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of A Brown Company, Inc. and its subsidiaries (the Group) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated April 23, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated 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 (PFRSs) 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 consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated 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.



Alvin M. Pinpin

Partner

CPA Certificate No. 94303

Accreditation No. 94303-SEC (Group A)

Valid to cover audit of 2020 to 2024

financial statements of SEC covered institutions

Tax Identification No. 198-819-157

BIR Accreditation No. 08-001998-070-2020,

December 3, 2020, valid until December 2, 2023

PTR No. 8534344, January 4, 2021, Makati City

April 23, 2021



A BROWN COMPANY, INC. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES

CONSOLIDATED FINANCIAL STATEMENTS

Statement of Management's Responsibility for Consolidated Financial Statements

Report of Independent Auditors' Report

Consolidated Statements of Financial Position as of December 31, 2020 and 2019

Consolidated Statements of Comprehensive Income for the Years Ended
December 31, 2020, 2019 and 2018

Consolidated Statements of Changes in Equity for the Years Ended
December 31, 2020, 2019 and 2018

Consolidated Statements of Cash flows for the Years Ended
December 31, 2020, 2019 and 2018

Notes to Consolidated Financial Statements

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Report of Independent Auditors on Supplementary Schedules

- I. Schedules required by Annex 68-J:
 - A. Financial Assets
 - B. Amounts Receivable from Directors, Officers, Employees,
Related Parties and Principal Stockholders (Other than Related Parties)
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the Consolidation of Financial Statements
 - D. Intangible Assets - Other Assets
 - E. Long-term Debt
 - F. Indebtedness to Related Parties (Long-term Loans from Related Companies)
 - G. Guarantees of Securities of Other Issuers
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- II. Reconciliation of Retained Earnings Available for Dividend Declaration (Annex 68-D)
- III. Schedule of Financial Soundness Indicators (Annex 68-E)
- IV. Map showing the relationships between and among the companies in the Group and its ultimate
parent company and co-subsidiaries

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS
DECEMBER 31, 2020

| | Number of shares or principal amount of bonds and notes | Amount shown in the consolidated statement of financial position | Income received or accrued |
|----------------------------------|---|---|-------------------------------|
| Cash | – | ₱231,321,649 | ₱116,682 |
| Receivables | | | |
| Dividend receivable | – | 138,000,000 | – |
| Trade receivable | – | 19,672,704 | – |
| ICR | – | 798,623,667 | 1,928,492 |
| Other receivables | – | 80,431,803 | – |
| EIFVPL | – | – | – |
| EIFVOCI | 29,387,017 | 175,587,105 | 201,219 |
| Receivables from related parties | – | 117,690,925 | – |
| Refundable deposits | – | 46,869,053 | – |
| | 29,387,017 | ₱1,608,196,906 | ₱2,246,393 |

A BROWN COMPANY, INC. AND SUBSIDIARIES

**SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM
DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND
PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2020**

| Name and Designation of debtor | Balance at beginning of period | Additions | Amounts collected | Current | Not Current | Balance at the end of the period |
|---|--------------------------------------|-----------|----------------------|---------|----------------|--|
| <i>Not applicable. The Group's receivables from officers and employees pertain to ordinary purchases subject to usual terms, travel and expense advances and other transactions arising from the Group's ordinary course of business.</i> | | | | | | |

A BROWN COMPANY, INC. AND SUBSIDIARIES

**SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM
RELATED PARTIES WHICH ARE ELIMINATED DURING THE
CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Intercompany receivable and payable

| | Receivable Balance | Payable Balance | Current Portion |
|--|-------------------------------|----------------------------|----------------------------|
| ABCI | P78,586,132 | (P66,029,159) | P12,556,973 |
| ABERDI | 31,391,832 | (17,102,867) | 14,288,965 |
| ABBWCI | — | (15,220,495) | (15,220,495) |
| SHDI | — | (1,499,762) | (1,499,762) |
| BAC | — | (1,248,257) | (1,248,257) |
| NC | 18,530,328 | (3,373,308) | 15,157,020 |
| BCL | — | (24,034,444) | (24,034,444) |
| Total Eliminated Receivables/Payables | P128,508,292 | (P128,508,292) | P— |

Deposit for future stock subscription (DFFS) classified as liability

| | Receivable Balance | Payable Balance | Current Portion |
|------------------------------|-------------------------------|----------------------------|----------------------------|
| ABCI | P1,549,431,333 | P— | P— |
| ABERDI | 248,037,878 | (770,290,657) | — |
| NC | — | (248,037,603) | — |
| HLPC | — | (25,984,253) | — |
| PTCHC | — | (747,906,698) | — |
| BCL | — | (5,250,000) | — |
| Total Eliminated DFFS | P1,797,469,211 | (P1,797,469,211) | P— |

A BROWN COMPANY, INC. AND SUBSIDIARIES

**SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2020**

| Description | Beginning Balance | Additions at cost | Charged to cost and expenses | Charged to other accounts | Other changes additions (deductions) | Ending Balance |
|-----------------------|----------------------|----------------------|------------------------------------|---------------------------------|---|-------------------|
| Not applicable | | | | | | |

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
DECEMBER 31, 2020

| Long-term Debt | | | |
|---------------------------------------|--------------------------------|--|---|
| Title of Issue and type of obligation | Amount authorized by indenture | Amount shown under caption "current portion of long-term debt" in related consolidated statement of financial position | Amount shown under caption "long-term debt" in related consolidated statement of financial position |
| Term Loan | ₱2,411,274,523 | ₱254,200,759 | ₱566,655,809 |

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2020

| Indebtedness to related parties (Long-term loans from Related Companies) | | |
|---|---------------------------------------|---------------------------------|
| Name of related party | Balance at beginning of period | Balance at end of period |
| Shareholders | ₱317,645,014 | ₱293,445,014 |

A BROWN COMPANY, INC. AND SUBSIDIARIES**SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF
OTHER ISSUERS****DECEMBER 31, 2020****Guarantees of Securities of Other Issuers**

| Name of issuing entity of securities guaranteed by the company for which this statement is filed | Title of issue of each class of securities guaranteed | Total amount guaranteed and outstanding | Amount owned by person for which statement is file | Nature of guarantee |
|--|---|---|--|---------------------|
| Not applicable | | | | |

SCHEDULE I - H

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK
DECEMBER 31, 2020

| Title of Issue | Number of shares | | Number of shares reserved for options, warrants, conversion and other rights | Number of shares held by | | |
|----------------|-----------------------------|---|--|--------------------------|-----------------------------------|-------------|
| | Number of shares authorized | Number of shares issued and outstanding as shown under related consolidated statement of financial position caption | | Affiliates | Directors, officers and employees | Others |
| Capital stock | 3,300,000,000 | 2,452,004,911 | – | 1,351,556,468 | 215,389,848 | 885,058,595 |

A BROWN COMPANY, INC. AND SUBSIDIARIES**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND
DECLARATION****DECEMBER 31, 2020**

| | |
|--|-----------------------|
| Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning | ₱992,643,412 |
| Add: Net income actually earned/realized during the period | |
| Net income during the period closed to Retained Earnings | 381,477,799 |
| Less: Non-actual/unrealized income net of tax | – |
| Equity in net income of associate/joint venture | – |
| Add (Less): | |
| Treasury shares | (21,236,419) |
| TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND | ₱1,352,884,792 |

SCHEDULE III

A BROWN COMPANY, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2020

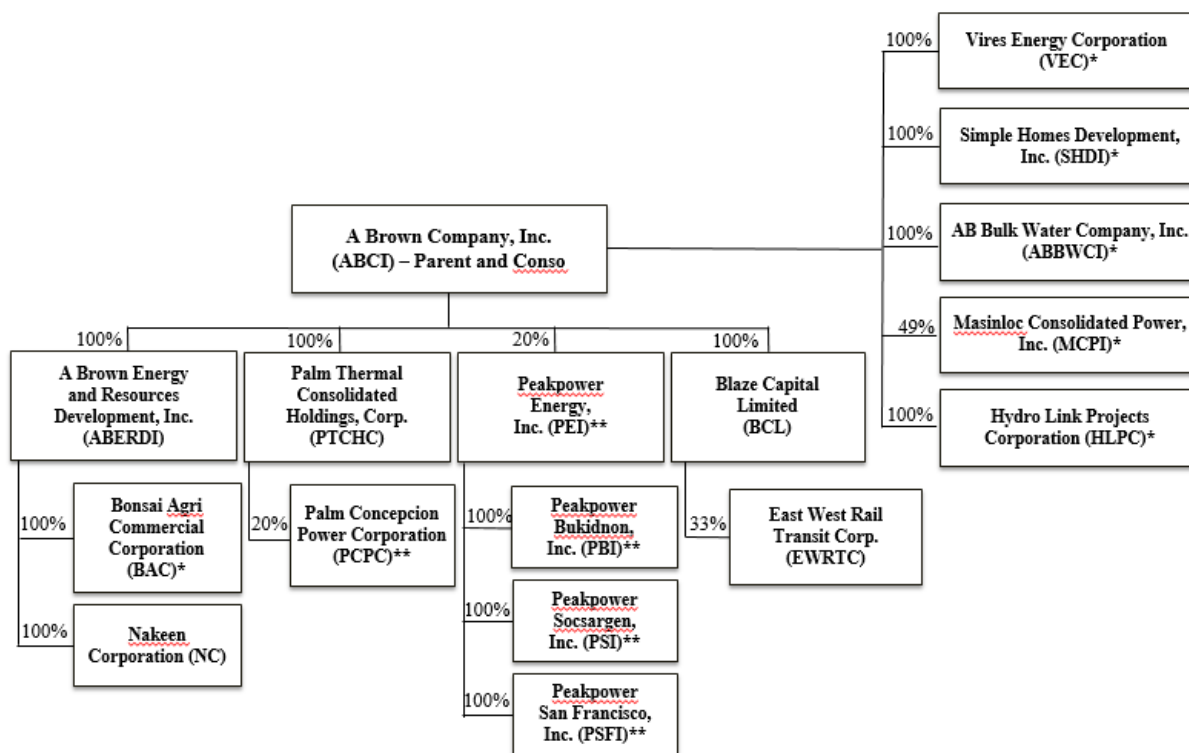
Below are the financial ratios that are relevant to the Group for the years ended December 31, 2020, 2019 and 2018.

| Ratios | Formula | 2020 | 2019 | 2018 |
|------------------------------|--|-------------|-------|------|
| Current ratio | $\frac{\text{Current assets}}{\text{Current liabilities}}$ | 2.50 | 2.45 | 1.73 |
| Acid test ratio | $\frac{\text{Quick assets}}{\text{Current liabilities}}$ | 0.93 | 0.76 | 0.34 |
| Solvency ratio | $\frac{\text{Net income} + \text{Depreciation}}{\text{Total liabilities}}$ | 0.14 | 0.25 | 0.16 |
| Debt to equity ratio | $\frac{\text{Total liabilities}}{\text{Total equity}}$ | 0.53 | 0.53 | 0.57 |
| Asset to equity ratio | $\frac{\text{Total assets}}{\text{Total equity}}$ | 1.53 | 1.53 | 1.57 |
| Interest rate coverage ratio | $\frac{\text{EBITDA}}{\text{Total interest paid}}$ | 6.20 | 10.45 | 5.54 |
| Return on equity | $\frac{\text{Net income}}{\text{Average total equity}}$ | 0.07 | 0.13 | 0.09 |
| Return on assets | $\frac{\text{Net income}}{\text{Average total assets}}$ | 0.05 | 0.09 | 0.05 |
| Net profit margin | $\frac{\text{Net income}}{\text{Net revenue}}$ | 0.34 | 0.48 | 0.35 |

A BROWN COMPANY, INC. AND SUBSIDIARIES

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES

DECEMBER 31, 2020



*Subsidiary

**Associate

REPUBLIC OF THE PHILIPPINES)
PASIG CITY, METRO MANILA) S.S.

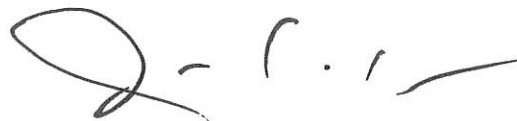
CERTIFICATION

JASON C. NALUPTA, of legal age, Filipino, with office address at 2704 East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila, after having been sworn to in accordance with law, does hereby certify that:

1. I am the duly elected and incumbent Corporate Secretary of **A BROWN COMPANY, INC.** (the "Corporation"), a corporation organized and existing under the laws of the Philippines, with principal office at Xavier Estates Uptown, Airport Road, Balulang, Cagayan de Oro City, Misamis Oriental 9000, Region X and liaison office at 194 Tomas Morato Avenue, Sacred Heart, Quezon City;

2. Based on the information provided to the Corporation by the members of its Board of Directors and its principal executive officers, none of said members of the Board of Directors and principal executive officers of the Corporation are presently employed by any office or agency of the Philippine Government.

ATTESTATION OF THE ABOVE, this Certificate was signed this 14 MAY 2021 day of May 2021 at Pasig City.



JASON C. NALUPTA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 14 MAY 2021 day of May 2021 at Pasig City, Metro Manila, affiant exhibiting to me his Passport No. P7670714A issued at DFA South on 26 June 2018 which expires on 25 June 2028 as his competent evidence of identity.

Doc. No. 38 ;
Page No. 3 ;
Book No. X ;
Series of 2021.

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ABKT/JCN/cely 273-2-00

ISAIAS R. MIGUEL
Notary Public for Cities of
Pasig, San Juan, Taguig & Pateros
App. No. 225 (2019-2020)
(Commission expires until 30 June 2021)
per Supreme Court resolution dated 01 December 2020
2704 East Tower, PSE Centre, Exchange Road
Ortigas Center, 1505 Pasig City
PTR No. 8518971 / 01.29.21 / Pasig
IBP No. LRN-913775 / 04.22.15 / PFLM
Roll of Attorneys No. 64234
MCLEC No. VI-0025855 / 04.15.19

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SEC Registration Number

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(Company's Full Name)

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| C | A | G | A | Y | A | N | D | E | O | R | O | C | I | T | Y |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

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

| |
|------------------------|
| Allan Ace R. Magdaluyo |
|------------------------|

Contact Person

| |
|--------------|
| 02-8631 8890 |
|--------------|

Company Telephone Number

2021 1st Quarter Report

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Month Day
Fiscal Year

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Annual Meeting

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Secondary License Type, if applicable

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Amended Articles Number/Section

Total Amount of Borrowings

| |
|------------------------|
| 2,089 (March 31, 2021) |
|------------------------|

Total No. of Stockholders

| |
|------------------------------------|
| Php 1,124,827,151 (March 31, 2021) |
|------------------------------------|

Domestic

| |
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Foreign

To be accomplished by SEC Personnel concerned

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

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

1. For the **1st** quarter ended **March 31, 2021**
2. Commission Identification Number: 31168
3. BIR Tax identification No. 002-724-446-000
4. **A BROWN COMPANY, INCORPORATED**
5. Metro Manila, Philippines
6. Industry Classification Code: (SEC use only)
7. **Xavier Estates Uptown, Airport Road, Balulang, Cagayan de Oro City 9000**
8. Telephone Nos. (02) 8631-8890 or (02) **8633-3135** (Liaison Office)
9. Former address in last report is: -
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

| Title of each class | Number of shares outstanding |
|---------------------|--------------------------------------|
| Common shares | 2,429,767,911 (As of March 31, 2021) |

Amount of debt outstanding: **₱2,266,459,919***
**total liabilities*

11. Are any or all of the securities listed on a Stock Exchange?
Yes, all of the outstanding common securities are listed in the Philippine Stock Exchange
- 12.a Yes, we have filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and the RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports).
- 12.b Yes, we have been subject to such filing requirements for the past 90 days.

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PART I – Financial Information

Item 1. Financial Statements

Please find attached herein the Unaudited Consolidated Financial Statements (as Exhibit 1) for the First (1st) Quarter ending March 31, 2021.

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

Financial Condition – Consolidated (Unaudited)

| In Thousand Pesos | Unaudited March 2021 | Audited December 2020 | Horizontal Analysis | | Vertical Analysis | |
|---------------------------------|-------------------------|--------------------------|---------------------|------------|-------------------------|--------------------------|
| | | | Increase (Decrease) | | Unaudited March 2021 | Audited December 2020 |
| | | | Amount | % | | |
| Current Assets | 3,772,497 | 3,666,756 | 105,740 | 3% | 59% | 56% |
| Noncurrent Assets | 2,670,209 | 2,835,696 | (165,487) | -6% | 41% | 44% |
| Total Assets | 6,442,706 | 6,502,452 | (59,747) | -1% | 100% | 100% |
| Current Liabilities | 1,505,404 | 1,465,955 | 39,449 | 3% | 23% | 23% |
| Noncurrent Liabilities | 761,056 | 782,065 | (21,009) | -3% | 12% | 12% |
| Equity | 4,176,246 | 4,254,433 | (78,187) | -2% | 65% | 65% |
| Total Liab. & Equity | 6,442,706 | 6,502,452 | (59,747) | -1% | 100% | 100% |

A Brown Company - CONSOLIDATED

Balance Sheet items – March 31, 2021 vs. December 2020

The Group’s total assets decreased by **1% or ₱59.7 million**, from a balance of ₱6.50 billion as of end of the year 2020 to **₱6.44 billion** as of March 31, 2021.

Current assets increased by 3% or ₱105.7 million as a result of the net effect of the following:

47% or ₱109.0M decrease in Cash– due to the net effect of cash used in operating activities and financing activities as compared to the cash provided by investments and deposits and other investing activities.

20% or ₱200.0M increase in Current Receivable due to the net effect of:

- a) **100% or ₱138.0M decrease in dividend receivable** due to collections of dividend receivable account during this current period
- b) **6% or ₱1.2M increase in Trade Receivable** – directly related from increase sale of crude palm oil (CPO), palm Olein, Palm Stearin and other palm products
- c) **15% or ₱119.7M increase in installment contract receivable** due to increase in sales from the recent Projects
- d) **76% or ₱2.3M increase in advances to officers and employees** due to advances to salary and other loans granted to the employees that are collectible through salary deduction
- e) **424% or ₱341.2M increase in accounts receivable - others** - due to advances made to affiliates

3% or ₱48.0M increase in Real estate inventories – due to the net effect of the increase in development costs over sales of various projects

4% or ₱6.2M increase in Inventories – due to materials used in development and lower inventory turn-over of crude palm oil

100% or ₱117.7M decrease in Advances to a related party – due to reclassification of account

10% or ₱48.8M increase in other current assets – due to the increases in deposit for land acquisition, creditable withholding taxes and input taxes.

Non-Current assets decreased by 6% or ₱165.5 million as a result of the net effect of the following:

135% or ₱35.5M increase in Receivable – net of current – due to transfer to current portion

1% or ₱9.8M decrease in Investment in Associates – due to the Group's share in the net income of the associates decreased by dividends received

12% or ₱113.8M increase in Property and Equipment, net - due to the movements of the following property, plant and equipment.

- a) 3% or ₱2.0M net decrease in leasehold improvements – additional depreciation
- b) ₱1.1M net decrease in RBD and fractionation machineries due to additional depreciation
- c) 26% or ₱2.2M net decrease in building and improvement – additional depreciation
- d) 4k net increase in Machineries and Equipment – net of additional machineries against the wear and tear of the existing asset
- e) 11% or ₱3.3M net increase in other fixed assets/equipment – net of additional equipment against additional depreciation and disposal of some equipment
- f) 98% or ₱105.1M net decrease in construction in progress – due to reclassification

63% or ₱10.3M increase in Deferred Tax Assets – directly related to the increase in the allowance in the impairment loss of property, plant and equipment of the group during the quarter.

56% or ₱87.8M increase in Other Non-current Assets – due to the additional utility deposits made during the quarter related to new real estate developments

Current liabilities increased by 3% of ₱39.4 million as a result of the net effect of the following:

14% or ₱89.9M increase in Accounts payable and accrued expenses – primarily due to the net effect of the following:

- a) 34% or ₱140.3M decrease in accounts payable – decrease in purchases thus decrease in accounts payable
- b) 48% or ₱72.1M increase in accrued expenses – due to increase in accrued expenses
- c) 10% or ₱220k increase in accrued interest payable -directly related with the increase in the loan balance due to availment
- d) 66% or ₱21.9M decrease in retention payable - due to payment of retention fee to contractors
- e) 37% or ₱11.1M decrease in Statutory Payables - decrease in withholding for government agencies
- f) ₱191.4M increase in other payables - increase in other payables

6% or ₱25.6M increase in Short term Debt – due to the re-classification of additional availment

5% or ₱13.3M decrease in Current maturities portion of long-term debt – pertains to the part of loan currently due against settlement of principal amount due

7% or ₱11.5M decrease in Contract liabilities – pertains to the collection from real estate customers which have not reached the equity threshold to qualify for a revenue recognition and excess of collections over the goods and services transferred by the Parent Company based on percentage of completion.

Non-Current liabilities decreased by 3% or ₱21.0 million as a result of the net effect of the following:

13% or ₱71.3M decrease in Long-term Debt - net – due to the reclassification of the principal amount that will be due more than one year to current

8% or ₱5.1M increase in Retirement benefit obligation - due to the increase in retirement obligation to employees

29% or ₱45.2M increase in Deferred tax liabilities - due to the decrease in collections pertaining to prior years' real estate sales

Equity decreased by 2% or ₱78.2 million as a result of the net effect of the following:

4% or ₱59.3M decrease in the Retained Earnings – due to the effect of net income earned during the year period

97% or ₱20.6M increase in the Treasury Shares – the increase pertains to the shares buy-back program of the Company which started on August 17, 2020.

24% or ₱63.2M decrease in Fair Value Reserve of EIFVOCI – due to the decrease in market value of equity instruments at fair value through other comprehensive income

731k decrease in Remeasurement loss on defined benefit plan of an associate, net of tax - pertains to the actuarial loss incurred by an associate's retirement plan

250% or ₱63.2M increase in Cumulative re-measurement loss on retirement benefits, net of tax – related to the actuarial valuation of retirement benefits obligation

24% or ₱942k increase in Cumulative translation adjustment – related to the exchange differences in foreign currency translation

Results of Operations – Consolidated (Unaudited)

For the Quarter

| In Thousand Pesos | For the Quarter ending | | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|-------------------------------|-------------------------------|---|--------------|-------------------------------|-------------------------------|
| | Unaudited March 31 2021 | Unaudited March 31 2020 | Amount | % | Unaudited March 31 2021 | Unaudited March 31 2020 |
| Real estate sales | 205,945 | 225,780 | (19,834) | -9% | 95% | 93% |
| Sale of agricultural goods | 4,285 | 10,618 | (6,333) | -60% | 2% | 4% |
| Water service income | 5,903 | 6,040 | (137) | -2% | 3% | 2% |
| REVENUES | 216,133 | 242,438 | (26,305) | -11% | 100% | 100% |
| Cost of real estate sales | 40,660 | 46,703 | (6,043) | -13% | 19% | 19% |
| Cost of agricultural goods sold | 2,452 | 9,568 | (7,116) | -74% | 1% | 4% |
| Cost of water service income | 1,483 | 3,689 | (2,205) | -60% | 1% | 2% |
| COST OF SALES AND SERVICES | 44,595 | 59,959 | (15,364) | -26% | 21% | 25% |
| GROSS PROFIT | 171,538 | 182,478 | (10,941) | -6% | 79% | 75% |
| General, Administrative and Selling Expenses | 57,729 | 51,380 | 6,349 | 12% | 27% | 21% |
| Share in net income (loss) of associates | 70,193 | 57,742 | 12,450 | 22% | 32% | 24% |
| Unrealized gain (loss) on EIFVPL | - | - | - | #DIV/0! | 0% | 0% |
| Gain (loss) on sale of PPE | - | (184) | - | | | |
| Interest expense | (10,590) | (16,756) | 6,166 | -37% | -5% | -7% |
| Other income (expense) -net | 6,859 | 2,037 | 4,823 | 237% | 3% | 1% |
| Other Income (Expenses) | 66,462 | 42,838 | 23,624 | 55% | 31% | 18% |
| Income (Loss) Before Income Tax | 180,271 | 173,937 | 6,334 | 4% | 83% | 72% |
| Provision for (Benefit from) Income Tax | 17,694 | 30,823 | (13,128) | -43% | 8% | 13% |
| NET INCOME (LOSS) | 162,577 | 143,115 | 19,462 | 14% | 75% | 59% |
| Remeasurement gain (loss) on defined benefit plan-net of tax | - | - | - | #DIV/0! | | |
| Exchange difference in foreign currency translation | - | - | - | #DIV/0! | | |
| Net change in fair value of EIFVOCI | - | (15,403) | 15,403 | -100% | | |
| OTHER COMPREHENSIVE INCOME (LOSS) | - | (15,403) | 15,403 | -100% | | |
| TOTAL COMPREHENSIVE INCOME (LOSS) | 162,577 | 127,711 | 34,866 | 27% | | |

**A Brown Company - CONSOLIDATED
Results of Operations
For the 1st Quarter ending March 31, 2021**

The consolidated financial statements for the quarter ending March 31, 2021 resulted to a net income after tax of **₱162.6 million** compared to a **₱143.1 million** net income for the same quarter last year with an increase of **14%** or **₱19.5 million** due to the net effect of the following:

11% or ₱26.3M decrease in Revenue on a QTR due to:

- a) **Decrease in Real estate Sales by 9% or P19.8M on a QTR** – due to the lower of number of units sold at this quarter as compared to the lots sold for same quarter last year
- b) **Decrease in Sales of agricultural goods by 60% or P6.3M on a QTR** – due to the lower number of quantity sold at this quarter as compared to the quantity sold for same quarter last year
- c) **Decrease in Water services by 2% or P137k on a QTR**

26% or P615.4M decrease in Cost of Sales on a QTR due to:

- a) **13% or P6.0M decrease in cost of Real estate on a QTR** – the decrease is relatively due to corresponding decrease in lots sold with lower development costs as compared to the units sold for the same quarter last year
- b) **Decrease in cost of sales of agricultural goods by 74% or P7.1M on a QTR** – the due to the lower number of quantity sold at this quarter as compared to the quantity sold for same quarter last year
- c) **Decrease in Cost of Water services by 60% or P2.2M on a QTR**

12% or P6.3M increase in General, Administrative and Selling Expenses on a QTR -
due to the following net effect of:

- a) **38% or P6.0M increase in Personnel expenses on a QTR** – due to the increase of personnel in this quarter of the current year
- b) **31% or P3.3M decrease in Marketing expenses on a QTR** – includes commissions and incentives on lot sales which is directly related to the decrease real estate sales during the quarter and various advertising and promotional activities which decreased this quarter
- c) **67% or P2.7M increase in Taxes and Licenses on a QTR** – pertains to the increase in business taxes for the quarter
- d) **47% or P2.4M increase in Outside Services on a QTR** – pertains to the increase in security services
- e) **67% or P3.2M decrease in Depreciation and amortization on a QTR** – due to the net effect of lower recorded depreciation expense
- f) **99% or P897k increase in Rental expense on a QTR**
- g) **16% or P385k increase in Utilities and supplies on a QTR** – due to higher consumption of utilities this quarter as compared to last year's 1st quarter
- h) **32% or P366k increase in Repairs and maintenance on a QTR** – due to the increase in cost of repairs and maintenance during the quarter as against the 1st quarter of 2020
- i) **10% or P159k increase in professional fees on a QTR** – directly related to the consultancy services incurred by the group
- j) **53% or P1.3M increase in travel and transportation on a QTR and 17% or P1.1M increase on a YTD** – directly related to the various site visitation for mill, real estate projects and plantation operations and power group operations which were increased this year's 1st quarter
- k) **142% or P311k increase in insurance expense on a QTR** – includes increase payment in insurance of Company's properties

- l) **19% or P407k increase in others/miscellaneous expenses on a QTR** – includes community relations expenses such as scholar’s tuition and other humanitarian assistance

22% or P12.5M increase in Equity in net gain of an associate on a QTR– this pertains to the group’s 20% share on the net earnings of PCPC and PEI’s operating companies and 33.33% share on the net earnings of EWRTC during the 1st quarter of 2021

100% or P184k decrease in loss on sale of property and equipment on a QTR – no transaction involving loss on sale of property and equipment for this quarter

237% or P4.8M increase in Other income on a QTR – due to the surcharge income, income from forfeited deposits, tapping fees, transfer fees, and other miscellaneous income.

37% or P6.2M decrease in Finance costs on a QTR – lower interest payment on bank loans this quarter of this year as compared from last year

Financial Soundness Indicators/Top Key Performance Indicators
(Consolidated Figures)

The table below sets forth the comparative performance indicators of the Company and its majority-owned subsidiaries:

| Financial Ratios Consolidated Figures | Unaudited 03/31/2021 | Unaudited 03/31/2020 | Audited 12/31/2020 |
|--|---------------------------------|---------------------------------|-------------------------------|
| Current ratio ¹ | 2.51:1 | 2.48:1 | 2.50:1 |
| Quick ratio ² | 0.88:1 | 0.75:1 | 0.93:1 |
| Solvency ratio ³ | 0.07:1 | 0.08:1 | 0.14:1 |
| Total Debt to Equity ratio ⁴ | 0.54:1 | 0.47:1 | 0.53:1 |
| Asset to Equity ratio ⁵ | 1.54:1 | 1.47:1 | 1.53:1 |
| Interest coverage ratio ⁶ | 18.18x | 9.75x | 6.20x |
| Return on Equity ⁷ | 3.86% | 3.92% | 7.15% |
| Return on Assets ⁸ | 2.51% | 2.63% | 4.67% |
| Net Profit Margin ratio ⁹ | 75.22% | 52.46% | 34.04% |

¹Current assets/Current liabilities

²Current assets less contract assets, inventories and prepayments/Current liabilities

³Net Income plus depreciation (YTD)/Total liabilities

⁴Total liabilities/Stockholders’ equity

⁵Total assets/Stockholders’ equity

⁶Earnings before income tax, interest, depreciation and amortization (YTD)/Total Interest Payment

⁷Net Income (YTD)/ Average Total stockholders’ equity

⁸Net income (YTD)/Average Total assets

⁹Net income (YTD)/Revenue (YTD)

Real Property Development:

High-end Housing

Xavier Estates: It is the pioneer in premier mixed-use development in Northern Mindanao. This 220-hectare development located at Fr. Masterson Avenue, Upper Balulang, and sprawled on a panoramic plateau overlooking the City has now become 288 hectares through additional acquisitions of adjacent developable areas over the years. It is a perfectly master-planned community which guarantees luxury, elegance, prestige, convenience and security. One (1) unit was sold for the 1st quarter of 2021 as compared to 14 lots for 1st quarter of 2020.

Teakwood Hills: It is located in Barangay Agusan, Cagayan de Oro City, some 2.3 kilometers from the national highway going uphill. This idyllic enclave has a breathtaking endless view of the mountains and the sea. The roads are eight meters wide and lined with trees. It has a club house with recreational amenities such as swimming pool, billiards, darts and table tennis. Lot sizes start from a minimum cut of 250 sq. m., all with a 180-degree scenic view of the famous Macalajar bay and an elevation of 220 meters above sea level. Percentage-of-completion for Phase 1 is at 81% while Phase 2 is 100% complete. For this year's 1st quarter, two (2) lots were sold compared to five (5) lots for the same quarter last year.

Valencia Estates: It is located in Barangay Lumbo, Valencia City, Bukidnon. The amenities are patterned after the excellent standards of a plush subdivision with a road network of 15 meters for the main road, 10 meters for the service roads complete with sodium street lamps; a basketball court, a clubhouse with a swimming pool. It also has open spaces and playground, perimeter fence and a 24-hour security service. The project is 100% complete. Fourteen (14) lots were sold for the 1st quarter of 2021 while six (6) lots for the 1st quarter of 2020.

Coral Resort Estates: The project is considered as the first residential resort estates in Northern Mindanao. It is strategically located in Initao, Misamis Oriental with a total development area of 5.4 hectares. Phase 1-Cluster A and Cluster B of the project with development area of 2.5 hectares and 2.9 hectares, respectively are 100% complete. No lot was sold for this quarter of the year while there one (1) for the same quarter of last year.

West Highlands is a residential estate beside a golf course community located in Brgy. Bonbon, Butuan City. The estate has a total developmental area of 25.9 hectares and is 289 feet above sea level which gives lot owners a panoramic view of historic Mt. Mayapay or the cityscape. **West Highlands Phase2** was launched last October 2017 highlighting fairway and inner fairway lots. Percentage-of-completion for Phase 1 is at 100% while Phase 2 is 96% complete on horizontal development and 46% for vertical development. There were twenty (20) lots sold for this quarter of the year compared to twenty-two (22) lots sold for the same quarter last year.

Economic Housing

Phase 5-Ventura Residences is the first venture of A Brown Company, Inc. into the middle market house-and-lot package nestled inside the Xavier Estates. Ventura Residences is 100% complete. This project has a saleable area of 5.8 hectares. There were three (3) booked sale this quarter of the year compared to two (2) house and lot for the same quarter of last year.

Xavierville Homes: It is an economic housing development project adjacent to the Xavier Estates. Phase 1 and 2 are 100% complete. No units were sold for the 1st quarter of this year and 1st quarter of last year.

Adelaida Park Residences located beside Mountain View Homes is the first residential subdivision in the region offering a ridgeview linear park. The linear park is 410

linear meters in length with park lights along the jogging path/bicycle path. Single detached and attached house and lot units are offered with lot area ranging 90-161 sq.m. with floor area ranging 60-110 sq.m. Adelaida Park Residences has single houses sufficiently spaced from each other with its own parking space; is a gated community with ranch-type perimeter fence; has proposed pavilion; and is certified flood-free with an elevation of 157 feet above river bank. The horizontal development is 100% complete while the vertical development is at 90%. There were nineteen (19) house and lots sold for the 1st quarter of this year while twenty-one (21) house and lot for the same quarter last year.

Socialized Housing

St. Therese Subdivision: The subdivision is a 1.67-hectares socialized housing project located in Balulang, Cagayan de Oro that will provide 155 house and lots of which 91 units are row houses, 38 units are duplex, and 26 units are single attached. The project is 100% complete. There were no lots sold for this year's 1st quarter and last year.

Mountain View Homes: This project has a development area of 2.3 hectares with 216 saleable house and lots with guard house and basketball court. **Mountain View Homes Phase 2** is a new venture into the socialized and economic housing which is adjacent to the original Mountain View Homes. It is accessible to churches, schools, malls and commercial establishment. The socialized housing project has row houses with lot area of 50sq.m. and floor area of 26sq.m. Single detached units for economic housing have a lot area of 75-143 sq. m. and floor area of 36-38 sq. m. Percentage-of-completion for Phase 1 and Phase 2 are 100% complete. Two (2) units were booked as sale in the 1st quarter of 2021 while only one (1) house and lot was sold for the 1st quarter of 2020.

Recent Projects:

Socialized Housing

Mangoville is a socialized housing which was launched on Feb 10, 2018. It is located in Barangay Agusan, Cagayan de Oro, just 1.8 kilometers away from the highway. Mangoville boasts of duplex design houses with its own parking space in a lot area of 67.5 sq.m. with floor area of 22 sq.m. It has a 10 meter-wide main road and 8-meter wide inner roads, with perimeter fence and guardhouse. Mangoville homeowners will enjoy a view of the Macajalar Bay in its elevation of 169 meters above sea level. In 5.5 hours, all 235 units were reserved. The horizontal development is F while the vertical development is at 81%. No units were recorded as booked sale for the 1st quarter of this year and 1st quarter of last year.

Economic Housing

Xavier Estates Phase 5B – Ventura Residences II was launched in June 2018. It features house and lot units and prime lots. Located at the back of Ventura Residences, this second phase shall have the identical house colors of orange and cream as the first phase. House and Lot units are single detached with a lot area of 110 to 170 sq.m. and floor area of 80 sq.m. Prime lots with lot cuts of 110 to 500 sq.m. are located by the ridge. The horizontal development is 100% complete while the vertical development is at 93%. Fifteen (15) units were sold for this quarter this year while three (3) units were sold for the same quarter last year.

High-end Housing

Xavier Estates Phase 6 - Ignatius Enclave was launched in June 2018. It is located in Upper Balulang, Cagayan de Oro City, a 3-kilometer drive to Mastersons Avenue where major commercial establishments are located. There are also churches, grade schools, high schools and educational centers nearby. It features house and lot units and prime lots. Aimed at fostering a Happy Community concept, the single modern home design introduces ABCI's first venture into the vibrant house colors of yellow, orange, blue and green accents. The horizontal development is 100% complete while the vertical development is at 93%. There were eighty-one (81) house and lots sold for the 1st quarter of this year while thirty-one (31) house and lot for the same quarter last year.

The Terraces in Xavier Estates was launched last September 2018. This prime property is highlighted by prime cascading ridge lots of 180 to 400 sq.m. in size. Located in the terraces-like land configuration, this area commands a 180-view of the city of Cagayan de Oro and the mountains of Bukidnon and is low dense with less than 50 lots for sale. The horizontal development is 52% complete. One unit was recorded as booked sale for this quarter this year while five (5) units were sold for the same quarter last year.

Oil Palm Plantation:

For the Quarter Ending March 31, 2021

| Location | Plantation Area in Hectares | | | Yields |
|---------------|-----------------------------|--------------------------|-----------------|----------|
| | Gross Area | Area That Can Be Planted | Area Planted | Bunches |
| Kalabugao | 1,276.53 | 1,087.75 | 920.55* | |
| Phase I | | | | - |
| Phase II | | | | - |
| Phase III | | | | - |
| Phase IV | | | | - |
| Phase V | | | | - |
| Impasug-ong | 4.14 | 4.14 | 4.14 | 8 |
| Opol | 1,089.85 | 630.77** | 623.27 | - |
| Tignapoloan | 1,328.56 | 929.96 | - | - |
| XE Plantation | 43.74 | 43.74 | 43.74 | - |
| TOTAL | 3,742.82 | 2,696.36 | 1,591.70 | 8 |

For the Quarter Ending March 31, 2020

| Location | Plantation Area in Hectares | | | Yields |
|---------------|-----------------------------|--------------------------|-----------------|------------|
| | Gross Area | Area That Can Be Planted | Area Planted | Bunches |
| Kalabugao | 1,276.53 | 1,087.75 | 920.55* | |
| Phase I | | | | - |
| Phase II | | | | - |
| Phase III | | | | - |
| Phase IV | | | | - |
| Phase V | | | | - |
| Impasug-ong | 4.14 | 4.14 | 4.14 | 268 |
| Opol | 1,089.85 | 630.77** | 623.27 | - |
| Tignapoloan | 1,328.56 | 929.96 | - | - |
| XE Plantation | 43.74 | 43.74 | 43.74 | - |
| TOTAL | 3,742.82 | 2,696.36 | 1,591.70 | 268 |

*Total area planted in Kalabugao is net of 55 has. of trees that were uprooted due to severe diseases.

**Total area that can be planted in Opol is net of 60.03 has. It was discovered that it's not suitable for planting due to soil texture (rocky with limestone outcroppings).

The following are the status of the plantation areas as of March 31, 2021:

| Location | Flowering | Vegetative |
|---------------|---------------|------------|
| Kalabugao | | |
| Phase I | 100%;100% | 0%;0% |
| Phase II | 100%;100% | 0%;0% |
| Phase III | 100%;70%;100% | 0%;30%;0% |
| Phase IV | 20%;0% | 80%;100% |
| Phase V | 20% | 80% |
| Impasug-ong | 100% | 0% |
| Opol | | |
| Phase I a | 100% | 0% |
| Phase I b | 100% | 0% |
| Phase I c | 100% | 0% |
| Phase II a | 100% | 0% |
| Phase II b | 100% | 0% |
| Phase II c | 100% | 0% |
| Phase III a | 100% | 0% |
| Phase III b | 80% | 20% |
| Phase IV a | 50% | 50% |
| Phase V a | 0% | 100% |
| XE Plantation | | |
| Phase I | 100% | 0% |
| Phase II | 100% | 0% |

The following are the status of the plantation areas as of March 31, 2020:

| Location | Flowering | Vegetative |
|---------------|---------------|------------|
| Kalabugao | | |
| Phase I | 100%;100% | 0%;0% |
| Phase II | 100%;100% | 0%;0% |
| Phase III | 100%;70%;100% | 0%;30%;0% |
| Phase IV | 20%;0% | 80%;100% |
| Phase V | 20% | 80% |
| Impasug-ong | 100% | 0% |
| Opol | | |
| Phase I a | 100% | 0% |
| Phase I b | 100% | 0% |
| Phase I c | 100% | 0% |
| Phase II a | 100% | 0% |
| Phase II b | 100% | 0% |
| Phase II c | 100% | 0% |
| Phase III a | 100% | 0% |
| Phase III b | 80% | 20% |
| Phase IV a | 50% | 50% |
| Phase V a | 0% | 100% |
| XE Plantation | | |
| Phase I | 100% | 0% |
| Phase II | 100% | 0% |

Palm Oil Mill

A total of 591.3 metric tons of Fresh Fruit Bunches (FFB) derived from internal and external sources were processed for the 1st Quarter of 2021, compared to 1,548 metric tons in the same period of last year. This is an average of 197 metric tons of fresh fruit bunch processed per month as against 516 metric tons of the same period last year. The yield for the 1st quarter of this year was 115.89 metric tons of crude palm oil with an average oil extraction rate of 19.60% as compared to 301.12 metric tons having an average extraction rate of 19.45% for the same period last year.

The kernels that were produced totaled to 6 metric tons as compared to 28.33 metric tons of last year.

Refined Bleached Deodorized Oil (RBDO) Plant

For the 1st quarter of 2021, the refinery produced RBDO 20 metric tons compared to zero metric tons of the same period last year.

In addition, there's no Palm Fatty Acid Distillate was produced in the 1st quarter of this year and last year. This by-product is generated during production of RBDO.

Fractionation Plant

The production of Palm Olein and Palm Stearin started in June 2015. Crude Palm Oil produced is further processed into Refined Bleached and Deodorized Oil, the raw material of Palm Olein and Palm Stearin. In the 1st quarter of 2021, there was no production of Palm Olein compared to 45.10 metric tons for the same period last year and also no production of Palm Stearin for the 1st quarter of this year and last year. The quantity sold during the 1st quarter was 4.39 metric tons of Palm Olein compared to 45.10 metric tons for 1st quarter last year.

Power Generation

Coal-Fired Power Project

Palm Concepcion Power Corp. (PCPC) – 20% owned by PTCHC

Palm Thermal Consolidated Holdings Corp. (PTCHC) is 100% owned by A Brown Company Inc. which currently has 20% equity interest in Palm Concepcion Power Corporation (PCPC). PCPC is the project company for the 2 x 135-megawatt coal-fired power plant in Concepcion, Iloilo.

In July 2013, the lending banks signed the term loan financing totaling to Php 10B to partially finance the Engineering, Procurement and Construction (EPC) and finance costs of the project. These were China Banking Corporation (Php 3.5B); Asian United Bank (Php 2.5B) and BDO Unibank, Inc. (Php 4B). BDO Capital & Investment Corporation acted as the Lead Arranger and Sole Bookrunner for the term loan facilities.

The power plant project is located in Concepcion, Iloilo. It is a base load plant that uses Circulating Fluidized Bed Combustion (CFBC) technology that is highly efficient and low-pollution. The first 135MW unit was designed to address the power supply requirements of the Visayas grid and provide a steady flow of power to the growing businesses and economic development in the islands of Panay, Negros, Cebu and even Leyte.

PCPC started construction of the first 135MW in 2013 and was able to complete the project after 37 months and 22 days. Its commercial operations commenced on August 16, 2016. Ten (10) electric cooperatives have signed up offtake agreements with PCPC's first

135MW unit for their base load power capacity requirements. The project site is designed to operate and support two units of 135MW.

The new Environmental Compliance Certificate (ECC-OC-1911-0033) was released by the Environmental Management Bureau of DENR last October 8, 2020 which now covers both Units 1 and 2 of the 2 x 135-MW CFBC Coal-Fired Power Plant Project of PCPC.

At present, PCPC still takes pride in its environmental performance in which its emission levels are way below the standards set by DENR. On the average, as per YTD, Sulphur Oxides (SO_x) is at 383.16mg/Nm³ compared to the standard value of 700mg/Nm³; nitrogen oxides (NO_x) is at 191.60mg/Nm³ versus the limit of 1000mg/Nm³; carbon oxide (CO) is 11.39mg/Nm³ versus the DENR set value at 150mg/Nm³; while the particulate matter is at 0.77mg/Nm³ compared to the 150mg/Nm³ standards.

PCPC Power Plant's Gross Generation for the period December 2019-October 2020 is at 626,019.91MWh.

Bunker-Fired Power Project

Peakpower Energy Inc. (PEI) – 20% owned by ABCI

Peakpower Energy, Inc. was formed in 2013 to construct diesel/bunker-fired power plant projects designed to generate peaking energy in various A+/Green-rated electric cooperatives in Mindanao. These projects are Build-Operate-Maintain and Transfer (BOMT) agreements for brand new engines, which will last for 15 years through its subsidiaries as operating units: Peakpower Soccsargen, Inc., Peakpower San Francisco, Inc. and Peakpower Bukidnon, Inc.

Peakpower Soccsargen Inc. (PSI) – 100% owned by PEI

Peakpower Soccsargen Inc. (PSI) is a 34.8MW diesel/bunker-fired power plant located in General Santos City. It has a 15-year BOMT agreement with the South Cotabato II Electric Cooperative Inc. (Socoteco 2).

The Energy Regulatory Commission (ERC) issued the Certificate of Compliance (COC) for PSI's first 20.9MW (3 units of 6.97MW) capacity last December 1, 2014. Commercial operations started on January 27, 2015.

The 13.9MW (2 units of 6.97MW) Power Plant expansion declared commercial operations last September 12, 2017. ERC granted the COC of the expansion on February 20, 2018.

Socoteco 2 is the largest distribution utility in Mindanao and its franchise area includes General Santos City, the municipalities of Glan, Malapatan, Alabel, Malungon, Kiamba, Maasim and Maitum in Sarangani and the municipalities of Polomolok and Tupi in South Cotabato.

Peakpower San Francisco Inc. (PSFI) – 100% owned by PEI

Peakpower San Francisco Inc. (PSFI) is a 10.4MW diesel/bunker-fired power plant located in San Francisco, Agusan del Sur. It has a 15-year BOMT agreement with the Agusan del Sur Electric Cooperative Inc. (ASELCO).

ERC issued the Certificate of Compliance (COC) for the first 5.2MW capacity on March 23, 2015. Commercial operations started on January 26, 2018.

The 5.2MW power plant expansion was granted its Provisional Certificate of Compliance on September 27, 2017, which was extended on February 20, 2018. The expansion plant started commercial operations on January 26, 2018.

Aselco's franchise area includes the municipalities of San Francisco, Prosperidad, Rosario, Trento, Bunawan, Veruela, Sta. Josefa, Loreto, Sibagat, Esperanza, Talacogon, La Paz, San Luis and Bayugan City.

Peakpower Bukidnon Inc. (PBI) – 100% owned by PEI

Peakpower Bukidnon Inc. (PBI) is a 10.4MW diesel/bunker-fired power plant located in Barangay Alae, Manolo Fortich, Bukidnon. It has a 15-year BOMT agreement with the Bukidnon Second Electric Cooperative Inc. (Buseco).

ERC issued a Provisional Certificate of Compliance for the 10.4MW (2 units of 5.2MW) on November 21, 2017, which was extended on February 20, 2018. PBI commenced commercial operation on March 26, 2018.

Buseco's franchise area includes the municipalities of Libona, Manolo Fortich, Sumilao, Baungon, Malitbog, Talakag, Impasug-ong, Malaybalay, Lantapan and Cabanglasan, all in the Province of Bukidnon.

Outlook for the Year and Onwards

Real Estate Business:

Real estate is and will still continue to be a good investment at all economic levels of society (Villegas, 2020). As shelter is one of the three basic necessities of human beings including food and clothing.

There is still a demand for low-cost and economic housing. Households of low-middle income and middle-middle income are the potential buyers. Many of these households are dependent on the foreign exchange remittances from relatives working overseas. Despite the displaced OFWs who have returned to the country due to the pandemic, there still continues to be close to 10 million abroad who are expected to send remittances in 2020.

OFW remittances are expected to bounce back after the pandemic is put under worldwide control. And Philippines population with a 1.6% growth shall be factors to increase housing demand.

For the upper middle-income households, they are markets for lots only. They also buy house and lots units to either acquire their own homes or invest for these units to be rented out. They are the market to be watched out for in 2020 and 2021 because a great deal of them had businesses who suffered from the pandemic.

The real estate sector is still a major contributor to employment and income growth as it continues to be an attractive choice of investment for both domestic and foreign investors. Looking at the young and growing

population, the transition of the country from a low-middle income economy to a high-middle income one, and, the expansion of economic activities to the provinces are some of the reasons for this bullish outlook on the real estate sector.

There is a huge unmet demand for housing thus the local real estate market is seen to be resilient. In a downturn, real estate market will naturally correct itself and will be picking up again. The demand for more than 6 million housing units is very clear (Soriano, 2020).

Real-estate investment trusts or REITs, helping to democratize the Philippine property market by allowing smaller investors to participate in high-value real-estate assets, shall pick up (Santos Knight Frank, 2020).

And more developers will be environmentally conscious which are basic attractions for people who prefer the low-density areas coupled with green, open spaces.

High demand and low interest rates will benefit the residential market greatly once things go relatively back to normal (Colliers International Philippines, 2020).

Sources:

The Resilience of the Real Estate Industry In The Face of the Pandemic, editorial Business Mirror, April 2020

Prospects for the Real Estate Sector, Business Inquirer, September 2020

COVID-19 Global Health Crisis

However, health crisis that became pandemic will certainly have tremendous impact on the economy.

After the spread of COVID-19 led to the lockdown of the entire island of Luzon, which accounts for 73 percent of the country's GDP, economic managers were not so optimistic of its impact.

Impact on Real Estate Sales

There is a continued rise in the demand for real estate in Northern Mindanao and Caraga shown in the current sales reservations for the 1st quarter of 2021. The Company made an unprecedented move to immediately shift to the digital platform. These include regular online presence through Facebook and direct messaging to the brokers. Videos of the projects were enhanced, walk-through to the model houses were created, announcements were converted into online posters. These are also online facilities implemented to ensure continuity in equity payments and sales reservation. A challenge was posted by buyers who had difficulty transitioning from their traditional banking style to online payments but these were being responded to. There were reduced foot traffic at the onset of COVID-19 to sites. However, this has gradually increased as the Company implemented safety protocols on site. Website upgrade is ongoing.

Supply Chain Risks

There is a potential risk of shortage of construction materials and supplies because of supply issues from sources in COVID-19 affected countries. Shortage of imported construction materials might lead to an increase in development costs.

To mitigate the impact of potential shortages, we have implemented contingency strategies such as increased inventory and advanced procurement of construction materials.

With the recommended social distancing and adoption of flexible work arrangements, our personnel and brokers' efficiency in handling administrative work (e.g. processing of sale documents; processing of government permits and license; etc.) may be impaired.

We have also instituted increased health awareness in all our offices and project sites. Constant disinfecting and sanitation of the offices and model houses in the all project sites is done. Constant hand-washing is promoted and health and temperature monitoring is conducted with the use of thermal scanners.

Palm Oil Business:

The palm oil industry is a promising enterprise as the palm oil continuously being considered as the most important tropical vegetable oil in the global oils and fats industry, in terms of production and trade.

Citing a study published by the University of Asia and the Pacific, Mindanao Economic Development Council (Medco) said palm oil's domestic demand will continue to increase 5 percent a year in the next 10 years to 2020. (<http://ppdci.org/?p=20>)

According to industry estimates, the current local demand for palm oil is at 1,100,000 metric tons (MT). However, the country produces only an average of 300,000 MT a year. This means the Philippines imports as much as 800,000 MT of palm oil from Indonesia and Malaysia just to meet local demand.

Data from the PPDCI showed that the country's crude palm-oil production in 2014 increased by 10.67 percent to 135,000 MT, from 122,000 MT in 2013. Production in 2015 & 2016 grew by 137,000 MT and 155,000 MT respectively, as the low price of oil palm slightly discouraged farmers from planting the crop. For 2017, the price of oil palm (fresh fruit bunch) reached P3,900 per MT, lower than the "comfortable" price of P5,000 per MT. The inventory was high, but the demand for palm oil declined last year, causing prices to fall (<http://www.businessmirror.com.ph/2016/06/07/pinol-eyes-palm-oil-regulatory-body/>).

Key industry players are positive about the bright prospects of increasing palm oil production in the world market not to mention the great demand from the domestic market and the prospect of eventually exporting palm oil globally. This growing demand presents an opportunity for ABERDI to expand its current crude oil capacity of 10 tons per hour to 30 tons per hour. This expansion requires an additional 2,800 hectares of oil palm plantation representing 50% of the additional requirement of 5,500 hectares. Suitable lands for expansion are available in Misamis Oriental and Bukidnon Provinces due to its strategic proximity to the mill. More importantly, these areas have adequate and ideal available land; in good climatic conditions; and has a vast potential area for oil palm plantation.

There are now seven (7) out of nine (9) milling plants in the country which are located in Mindanao. On top of this, two (2) additional milling plants are in the pipeline. Out of the nine (9) plants, two (2) have upgraded into refinery plants. ABERDI is the second next to Caraga Oil Refinery Inc. (CORI).

To respond to the lack of adequate local production, the management has targeted to develop 2,000 hectares of oil palm plantation in Province of Bukidnon and Misamis Oriental areas through growership program. As of the end of the **1st quarter of 2021**, about 3,743 (gross area) hectares were already acquired for development, of which almost 1,592 hectares were planted while about 1,105 hectares are prepared to be available for planting. The company is anticipating the signing of agreements with local communities in Misamis Oriental and Bukidnon interested for its expansion program aggregating to 2,000 hectares. And to boost its mill operational capacity, the company has been tapping external growers to supply additional fresh fruit bunches (FFB).

ABERDI's refinery with fractionation machine is operational in full capacity of 50 MT/day. Likewise, the company is producing Palm Olein, Palm Stearin and Palm Fatty Acid Distillate in bulk sales. In 2016, it has already engaged in branding and packaging of premium cooking oil labelled as "Golden Belle". Its products are now FDA and HALAL-certified.

The company's Go to Market (GTM) strategy is divided into two (2) service packages - in 18-kg carbuoys and 150-ml roll type packaging (RTP). First service package is direct serve

outlets which will cover industrial or food processing companies, supermarkets, hyper-marts, wholesalers, groceries, catering services, hotels and restaurants around Mindanao region. Second service package will be indirect serve outlets like sari-sari stores, traditional food outlets, mini marts, direct household consumptions or specials events markets will be served by our potential Trade Execution Partners (TEP). This Dealership System has good functional discounts plus variable incentive scheme. This will provide customers and consumers excellent service and good margin to the best quality products.

PROSPECTS OF POWER GENERATION:

Vision

The “Build, Build, Build” program of the Duterte administration serves as a guide of the Department of Energy (DOE) in its programs for 2020. This program emphasizes the crucial role of energy, particularly building sufficient capacity, as the key to sustaining the country’s economic growth.

At present, the country is still on its quest to obtain energy security and equity, considering the affordability and access of electric supply. However, the Philippine Power System remained generally stable and that the DOE will ensure the sustainable implementation of the rules and laws for the security of our energy supply through competition, access to bilateral markets, anti-monopoly measures, least-cost power, and the protection of the environment.

Demand and Forecast

Increase in energy demand are expected from the distinct growth in the industrial, commercial, and domestic sectors of the country. In addition, electrification continues—households in areas such as parts of Mindanao and Mindoro, which are not fully grid-connected, are likely to gain better access to electricity supply in the coming years with the target to reach 100% electrification across the Philippines by 2022.

By 2040, the country’s electricity demand is projected to grow by about 5% annually. And to meet this demand including reserve requirements, a total of 43,765 MW additional capacities must come online.

Peak electricity demand is predicted at 12,285 megawatts (MW) for Luzon; 2,519 MW for Visayas and 2,278 MW for Mindanao, for 2020, according to DOE.

With the additional 237MW on 2017—comprising of 63% coal, 33% solar, and 4% oil-based sources, the energy department is expecting that enough power reserves will meet the demand. In addition, 19,934 MW of capacity is still under development with committed and “indicative” projects until 2025.

Adequate power supply across all three grids—Luzon, Visayas, Mindanao, is forecasted assuming that nothing deviates from the projections based on planned outages, the maintenance program, and the historical peaks and these projected rise in demand by DOE.

Solutions

To solve the country’s energy security woes, DOE initiated the issuance of policies for resiliency, conducted of performance assessment and technical audit for all energy facilities, and reactivated the Inter-Agency Task Force on Securing Energy Facilities, among others.

DOE also called for the full cooperation of all industry stakeholders in monitoring and responding to the power demand-supply situations, they also encourage consumers to practice energy efficiency and conservation measures.

Coal Power Generation

Coal consumption in the Philippines is relatively high as the energy sector is highly reliant on coal-fired power plants. Coal power plants generated 46.8 million MWh in 2017, making up half of the country's power generation mix.

According to forecasts, the share of coal power plants will increase from about 30% in 2010 to around 50% in 2030. This share will further increase to 65% by 2050 since the existing natural gas plants are retired in the future. Over 25% of 2050 capacity will be diesel. It is also assumed that all of electricity demand will be supplied through electricity grids in which plants are dispatched to minimize variable costs.

In conclusion, energy remains a crucial element in economic growth and development of any country. According to the National Economic and Development Authority (NEDA), the potential of the Philippines of reaching high-income status by 2040 provided the economy grows consistently by 7.0 percent annually.

Meanwhile, the Philippines scored 4.2 out of 7 in terms of sufficiency and reliability of power supply, as showed in a World Economic Forum report, and still showing great probability of improvement in the energy industry. Strong coordination among energy stakeholders, coupled with the additional power generation capacities, are paving way in responding to the challenges of the industry.

Sources: DOE, NGCP, ADB, NEDA, Philippine Star

Plan of Action

Coal-Fired Power Project:

As economic activities continue to expand in the Visayas, specifically in Panay, a need for a more stable and sufficient power supply situation is a must. The 2 x 135 MW coal-fired power plant project in Concepcion, Iloilo was developed due to the foreseen power capacity requirements in the Visayas region. The first unit of this new base load plant was designed to address the power supply requirements of the Visayas grid and provide a steady flow of power when it goes on line. Palm Concepcion Power Corporation (PCPC), the project proponent, constructed the power plant in 2013. The power plant is equipped with a steam turbine generator manufactured by Alstom of Europe.

PCPC started commercial operations of the first unit of the 135 MW Circulating Fluidized Bed Combustion (CFBC) power plant on August 16, 2016. It was inaugurated by the Philippine President Rodrigo R. Duterte in Malacañang on November 28, 2016. It is now delivering power supply to Panay, Negros, and the rest of Visayas.

Ten (10) distribution utilities and electric cooperatives have signed up with PCPC for their base load power capacity requirements in order to deliver reliable and stable power generation supply to industrial, commercial, and residential consumers.

The new Environmental Compliance Certificate (ECC-OC-1911-033) was released by the Environmental Management Bureau of DENR last October 8, 2020 which now covers both Units 1 and 2 of the 2 x 135-MW CFBC Coal-Fired Power Plant Project of PCPC.

The power plant takes pride with the capability of its CFBC Technology and the sound environmental measures being practiced in the power plant as it maintained its excellent emission performance vis-a-vis the DENR standards.

At present, PCPC is fulfilling its purpose by serving the needs of its customers, helping ensure that homes and businesses have dependable and uninterrupted power supply, which they can afford, as it continues to uphold its commitment to the environment and host communities.

Bunker-Fired Power Project:

Peakpower Energy, Inc. (PEI) was set up in 2013 to implement projects designed to generate peaking energy across various A+/Green rated electric cooperatives in Mindanao. These are Build-Operate-Transfer agreements for brand new bunker-fired engines, which will last for 15 years.

After signing a Power Purchase and Transfer Agreements for 20-megawatt of peaking power supply with South Cotabato II Electric Cooperative (SOCOTECO II) and 5-megawatt supply with Agusan del Sur Electric Cooperative (ASELCO) in 2013, the respective plants Peakpower Soccsargen, Inc. (PSI) and Peakpower San Francisco, Inc. (PSFI) are commercially operational, supplying the very much needed power capacities in their franchise areas.

Expansion of these two plants are also completed and has already declared their commercial operations last September 2017 and January 2018, respectively. A third plant, Peakpower Bukidnon, Inc. (PBI) which is a 2 x 5.2MW peaking plant and embedded to Bukidnon Second Electric Cooperative (BUSECO) declared commercial operations on March 2018, and was inaugurated a year after.

Recently, PEI officially appointed Wartsila Philippines Inc., a leading supplier of power solutions in the country, to operate the mobilization and maintain the facilities of PEI's three diesel power plants in Mindanao. On October 11, 2019, PEI and Wartsila Philippines Inc. signed an operations and maintenance contract agreement for all its three power plants.

Hydro Power Project:

Hydro Link Projects Corporation (HLPC) - 100% owned by ABCI

Hydro Link Projects Corporation (HLPC) is ABCI's corporate vehicle in the development of hydroelectric power across the Philippines pursuant of ABCI's Vision of energizing the country's development. HLPC is currently pursuing the Carac-an Hydroelectric Project (CHP) in Cantilan, Surigao del Sur. It is a run-of-river type of hydroelectric development along the Carac-an River, the largest river stream around the Carac-an watershed area. This 16.3MW hydroelectric plant is HLPC's first foray in the renewable energy market under the auspices of ABCI.

Bulk Water Project

AB Bulk Water Company, Inc. (ABWCI) - 100% owned by ABCI

AB Bulk Water Company, Inc. (ABWCI) was incorporated on March 31, 2015 to engage in the business of holding and providing rights to water, to public utilities and cooperatives or in water distribution in the Municipality of Opol or to engage in business activities related to water development.

ABWCI is currently pursuing the proposed Bulk Water Supply Project for the Municipality of Opol in Misamis Oriental. The Project which will tap the water resources of Lumayagan River aims to supply about 15 to 20 million liters per day (MLD) of potable water, with potential expansion up to 25 MLD, to cater the present and future requirements of the

municipality. Other potential service areas include the neighboring municipalities of Opol – the city of El Salvador, and the municipalities of Alubijid, Laguindingan, and Gitagum. Based on the study, these are potential growth areas.

The detailed engineering design of the Project has been completed confirming the technical viability of the project as defined during the pre-feasibility study. The Water Permit has already been granted by the National Water Resources Board (NWRB) in which the board approved the applied quantity required for the project. Likewise, the Environmental Compliance Certificate (ECC) has been secured from the Department of Environment and Natural Resources (DENR). The Watershed Management Study was also completed with the involvement of different LGU sectors and stakeholders. The project was submitted to the local government of Opol for their evaluation and consideration. Groundbreaking ceremony was held in April 2016.

East West Railway Project:

Blaze Capital Limited – 100% owned by ABCI

Blaze Capital Limited is a British Virgin Islands company, incorporated and registered on August 8, 2011. It was acquired by ABCI on May 22, 2017. Blaze Capital Limited has a 33.33% ownership in East West Rail Transit Corporation (EWRTC) which is part of a consortium for the East-West Railway Project under the unsolicited track of the BOT Law and its IRR.

The Consortium, composed of EWRTC and Alloy MTD Group (represented by MTD Philippines Inc.) submitted an unsolicited proposal to the Philippine National Railways (PNR) to finance, build and then operate and maintain the East-West Rail Project. The East-West Rail Project is an integrated light rail mass transportation system and is intended to help alleviate the gap in the transportation infrastructure in the metropolis. It will traverse the corridor of Quezon Avenue in Quezon City and España Boulevard in the City of Manila. This project is in line with the objective of the government to provide the most efficient and appropriate solution/system to address the large volume of commuters in Metro Manila and other major urban cities. The Project will involve the development, design, construction, supply, completion, testing, commissioning, operation and maintenance.

The project has already been accepted by PNR and was already endorsed to NEDA for evaluation and approval by the Investment Coordination Committee.

In 2020, the PNR has re-granted the Original Proponent Status (OPS) to the Consortium. PNR has also re-endorsed the project to NEDA. NEDA has formally received the updated project documents and has begun its NEDA-ICC review.

In addition, the project proposal was submitted by PNR to Metro Manila Development Authority (MMDA) to favorably obtain endorsement from Metro Manila Council (MMC). PNR also requested an endorsement from the two-project host LGUs - Quezon City and City of Manila.

The Consortium is now working for the completion of the requirements to get the ECC. The Consortium has engaged the services of consultants to undertake the environmental impact statement study to eventually secure of the Environmental Compliance Certificate (ECC).

The Consortium also remains in active discussions with foreign entities for possible entry and investment in the project.

Natural Gas Project:

Vires Energy Corporation – 99.995% owned by ABCI

As disclosed on June 18, 2020, A Brown Company, Inc. has acquired 99.995% of the outstanding capital of Vires Energy Corporation (VEC) owned by Argo Group Pte. Ltd. of Singapore at a total price of Php 50,200,000.

VEC was incorporated in 2015 and is the proponent for the Integrated Floating LNG Storage and Regasification Terminal and the 506MW Floating Natural Gas-Fired Power Plant Project located in Barangay Simlong, Batangas City. VEC has already secured the Environmental Compliance Certificate (ECC) for the project and has also registered the project with the Board of Investments to avail of incentives.

Natural gas supply from Malampaya is expected to decline and reach its economic production threshold by the Mid-2020s. VEC will build the necessary infrastructure to allow the importation of liquefied natural gas (LNG) as early as 2022.

The project will have a Floating Storage and Regasification Unit (FSRU) Terminal in Batangas Bay, Philippines and will deliver natural gas through a pipeline to supply existing and new natural gas-fired power plants.

Irradiation Project:

Irradiation Solutions Inc. – 100% owned by ABCI

In January 2021, the Securities and Exchange Commission (SEC) approved the incorporation of the ABCI's new subsidiary, Irradiation Solutions, Inc. (ISI).

ISI has the following primary purpose:

"To provide irradiation services for all types of goods, by exposing such goods, food products and non-food products, to ionizing radiation such as gamma rays, x-rays, or accelerated electrons from electron beam machines in order deactivate food pathogens, eliminate pests, prevent sprouting of tubers and bulb crops, or improve food properties for food products, and in order disinfect and sterilize pharmaceutical products, cosmetic products, and medical equipment and medical-related products including sutures, gloves, gown, face masks, dressings, syringes and surgical staplers for non-food product."

Impact of Economic/Political Uncertainties:

The Company's performance will continue to hinge on the overall economic performance of the country. Interest rate movements may affect the performance of the real estate industry, including the Company. Good governance will definitely lead to better economy and better business environment and vice-versa. Political stability encourages people to work better and spend more and the investors to infuse funds for additional investment. Given the other positive economic indicators like recovery in exports, sustained rise in remittances and growing liquidity in the domestic financial market, the government's projected growth targets are attainable.

The annual average headline inflation of the country for the year 2020 at 2.6% was slightly higher than the 2.5% in 2019 which was within the government's 2 to 4 percent target band and way lower than the 5.2% in 2018. The 2018 rate was also the highest since 2008's 8.2 percent year-on-year increase in prices, making it a 10-year high, Philippine Statistics Authority (PSA) data showed.

The Development Budget and Coordination Committee (DBCC), an inter-agency economic planning body together with the BSP decided to keep the current inflation target at 3.0 percent \pm 1.0 percentage point for 2021 – 2022. The 3.0 percent \pm 1.0 percentage point inflation target for 2020 – 2022 and set the inflation target range at 3.0 percent \pm 1.0 ppt for 2023 – 2024. In previous years, the inflation target was an appropriate quantitative representation of the BSP’s medium-term price stability goal that is conducive to the balanced and sustainable growth of the Philippine economy.

The BSP also revised its inflation forecast upwards for 2021 to 3.2 percent (from 2.7 percent) while the projection for 2022 was maintained at 2.9 percent. These are still within the government’s annual inflation target range of 2.0 to 4.0 percent until 2022. Despite the benign inflation outlook, the ongoing La Niña which may bring above normal rainfall conditions and continued presence of African Swine Fever (ASF) may continue to push food prices upward. On the external front, global oil prices remain volatile as uncertainties emanate from new lockdown restrictions in major cities around the world amid the emergence of new coronavirus strains.

The Philippine economy shrank by another 8.3% in the last three months of 2020 as the COVID-19 pandemic continues to cripple consumer spending and business activity, bringing full-year economic growth to -9.5% in 2020, the worst contraction since 1946 and sharpest among the largest economies of Asia-Pacific. This was due to uncontrolled COVID-19 outbreak combined with strict nationwide lockdowns and mobility restrictions, a succession of natural disasters, and delays in budget execution which weighed on public investment. This contraction was the low end of the -8.5 to -9.5 percent estimate of the Development Budget and Coordination Committee (DBCC) in light of the lingering public health crisis. In 2019, the Philippine economy grew by 6% (base year 2018).

The official said this is because hindrances to children's mobility, and by extension their households, have gotten in the way of a rebound in private spending, a huge chunk of the country's economic activity. Economic growth will be hard-pressed to make a stronger economic recovery if children and families are restricted from participating in the economy, as up to 50% of non-essential retail sales are driven by family spending.

Quarantine restrictions likewise resulted in household spending losses of ₱801 billion, or an average of around ₱2.2 billion per day, for 2020. Coupled with unemployment, losses reached around ₱1.04 trillion worth of income of families, or around ₱2.8 billion per day, with a worker incurring an average annual income loss of ₱23,000.

A support package to address multiple concerns of businesses and individuals have been given attention by the government. The government has supported individuals and firms after the deferment of fixed payments and taxes, along with lower taxation rates. These were addressed in the Bayanihan I and II, along with the Corporate Recovery and Tax Incentives for Enterprises Act. Billions of pesos in cash transfers shall also be provided for under the 2021 national budget. Apart from consumer spending, investments also posted deep contraction along with imports and exports. Government spending, however, went up during the period.

The country has declared strict lockdowns and shut its doors to domestic and international travel during the onset of the COVID-19 pandemic in a bid to curb the spread of the coronavirus.

The National Economic and Development Authority (NEDA) updated its growth target to 6.5 to 7.5 percent next year, which was lower than the 8 to 10 percent growth forecast announced last year by government economic managers in the cabinet-level Development Budget Coordination Committee (DBCC). The 2022 target range was also lower than the average 7 to 8 percent growth target for the medium-term set in the original 2017-2022 Philippine Development Plan (PDP), the country’s growth blueprint. The growth target for

2021 meanwhile remains at 6.5 to 7.5 percent, NEDA said, as it presented revisions to the 2017-2022 PDP amid the disruptions caused by the COVID-19 crisis.

The revised growth target this year is dependent on the following factors: shift to a modified general community quarantine (MGCQ), implementation of the recovery program, and timely COVID vaccination. The delay in shifting to the "less restrictive" MGCQ was a significant setback to economic recovery. The government is "very concerned" with the current situation and looking to "find a better balance" between health and economic decisions moving forward. The roll out the vaccine so as to build herd immunity would help further open the economy. It was reported that the Philippine was losing P2 billion a day due to COVID-19.

With government's thrust on "Build Build Build" Program, it continues to exert all efforts to bring inflation within the government's target range of 2 to 4 percent and ensure price stability all year round. The rate of price increases has to be manageable to give the country adequate elbow room to sustain its economic growth and reach its development goals. While faster inflation will affect many disadvantaged sectors, the government has to take swift and decisive measures to tame inflation. Given the signs of easing price pressures, the government needs to continually vigilant of possible risks.

To achieve these goals, there are risks that lie ahead. Extreme weather disturbances like global warming and strong typhoons will be the biggest roadblock. The agriculture sector challenge is to make it resilient to such shocks. Reducing the cost of food, especially of rice, is important in reducing poverty. At the same time, there's need to raise productivity in the agricultural sector by helping farmers transition to higher value crops and making technology easily accessible. Other potential downside risks also include possible policy shifts in the US, greater volatility in capital flows, and geopolitical risk and global pandemic. Thus, the government needs to remain vigilant and consider potential repercussions to the Philippine economy.

There's a need as well to nurture entrepreneurship and attract investments to produce higher-paying, higher quality jobs especially outside of Metro Manila. In turn, such investments will require a truly secure and stable economic and political environment. Moreover, the sectors should be resilient and diversified in both of products and markets, in particular, championing innovation and diversification in the industry sector. In the services sector, there is a need for a policy environment that makes it easier for firms to set up and operate businesses, as well as to comply with regulations. The government also needs to make the regulatory system much more efficient and transparent.

The crafting of the Philippine Development Plan (PDP) of the present administration will provide a holistic and comprehensive approach to equipping the economy to accommodate higher growth in the following years. Importantly, this PDP is people-centered, as it is anchored on the people's aspirations for the long-term, as articulated in AmBisyon Natin 2040. Among the government's priorities are infrastructure development, human capital investment, regional development, social protection and humanistic governance in order to lay the foundation for inclusive growth, a high-trust society, resilient communities, and a globally competitive knowledge economy.

The implementation of the "Build, Build, Build" infrastructure program and the focus on improving the performance of services exports would boost economic growth to hit 6.5% to 7.5% until 2022. Under the ambitious "Build, Build, Build," the government plans to roll out flagship, "game-changing" projects, with about half targeted to be finished within President Duterte's term, alongside plans to spend up to P9 trillion on infrastructure until 2022 to usher in "the golden age of infrastructure." With the government's political will, it has been able to institute policy reforms like liberalizing some areas from farm restriction.

After the expiry of Bayanihan to Heal as One Act (Bayanihan I) law on June 25, 2020, Bayanihan to Recover as One Act (Bayanihan II) was signed into law which provides for a PHP165.5-billion fund to finance the country's response and recovery interventions intended to mitigate the impact of the coronavirus disease 2019 (Covid-19) pandemic and also grants special powers anew to the President to best deal with the pandemic. Bayanihan II was considered crucial in government's efforts to gradually re-open the economy, support businesses and revitalize growth to make the country resilient to Covid-19 by strengthening the health sector, particularly the healthcare capacity and pandemic response. Citizens together should work hand in hand in combating the COVID-19 pandemic. Strict protocols issued by government regulators should be strictly followed to contain the possible spread of the virus and control the increase in infection among people.

Jumpstarting the Economy from the Impact of COVID-19

The government's flagship "Build, Build, Build" infrastructure project will help "jumpstart" the economy from the impact of the coronavirus disease 2019 (Covid-19) crisis. However, the government has yet to determine which infrastructure projects already appropriated under Build, Build, Build would be discontinued to prioritize the government response to Covid-19.

Although the Bayanihan to Heal as One Act (Republic Act 11469) has provision that allows the "direct discontinuance" of appropriated programs, projects or activities of any agency of the Executive Department in the 2019 and 2020 national budget to use savings to augment Covid-19 response allocation, the government is still trying to determine other sources of funds to augment the current PHP275-billion budget for Covid-19 response. The government needs more funds for relief efforts as the country continues to deal with the Covid-19 pandemic.

The Build, Build, Build program, which has helped generate thousands of jobs, would also be crucial in helping the economy recover. Under the Build, Build, Build program, the government has improved the country's key infrastructures -- bridges, roads, railways, urban mass transport, railways, airports, seaports, and new and better cities. The Department of Public Works and Highways (DPWH) was able to construct and rehabilitate about 9,845 km. of roads, 2,709 bridges, 4,536 flood mitigation structures, and 71,803 classrooms. The program also generated 4,199,288 jobs and helped reduce the unemployment rate to 4.5 percent, the lowest rate since 2005.

Source: NEDA Reports, Various News Articles

We believe that the Company's available cash, including cash flow from operations and drawings from existing and anticipated credit facilities, will provide sufficient liquidity to fund our projected operating, investment, capital expenditures and debt service requirements for the next twelve months. We have also implemented a number of initiatives under our liability management program to meet our debt service requirements in the short and medium term.

The Company does not expect to conduct any product research and development in the foreseeable future. No extraordinary purchase or sale of plant and equipment are expected beyond those in the regular course of the Company's operations. There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation nor material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

Material Event/s and Uncertainties:

The Company has no other events to report on the following:

- a) Any known trends, demands, commitments, events or uncertainties that will have a material impact on its liquidity.
- b) Any material commitments for capital expenditures.
- c) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/ revenues/ income from continuing operations.
- d) Any significant elements of income or loss that did not arise from the issuer's continuing operations.
- e) Any seasonal aspects that had a material effect on the financial condition or results of operations.
- f) Any event/s that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- g) Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

The Company has no other information that needs to be disclosed other than disclosures made under SEC Form 17-C (if any).

SIGNATURES:

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

Registrant: **A BROWN COMPANY, INC.**


ROBERTINO E. PIZARRO
President & Chief Executive Officer


MARIE ANTONETTE U. QUINTO
Chief Finance Officer

Date: May 21, 2021

EXHIBIT 1**A BROWN COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

| | | March 31, 2021 | December 31, 2020 |
|---|-------|-----------------------|------------------------|
| | Notes | Unaudited | Audited |
| ASSETS | | | |
| Current Assets | | | |
| Cash | 4 | ₱122,310,875 | ₱231,321,649 |
| Current portion of receivables | 5 | 1,209,111,908 | 1,009,113,885 |
| Current portion of contract assets | 14 | 105,735,270 | 76,301,227 |
| Real estate held for sale | 6 | 1,621,054,413 | 1,573,049,067 |
| Inventories | 7 | 154,327,263 | 148,093,928 |
| Advances to a related party | | - | 117,690,925 |
| Prepayments and other current assets | 8 | 559,956,810 | 511,185,498 |
| Total Current Assets | | 3,772,496,538 | 3,666,756,179 |
| Noncurrent Assets | | | |
| Noncurrent portion of receivables | 5 | 61,861,901 | 26,338,455 |
| Noncurrent portion of contract assets | 14 | 20,563,963 | 20,563,963 |
| Equity instruments at fair value through other comprehensive income (EIFVOCI) | 9 | 175,637,105 | 175,587,105 |
| Investments in associates | 10 | 1,420,752,144 | 1,430,559,395 |
| Investment properties | 11 | 97,133,941 | 97,133,941 |
| Property, plant and equipment | | 798,750,246 | 912,510,888 |
| Deferred tax assets - net | 19 | 26,799,994 | 16,486,463 |
| Other noncurrent assets | 8 | 68,710,065 | 156,516,069 |
| Total Noncurrent Assets | | 2,670,209,359 | 2,835,696,279 |
| TOTAL ASSETS | | 6,442,705,896 | ₱ 6,502,452,458 |
| LIABILITIES AND EQUITY | | | |
| Current Liabilities | | | |
| Accounts and other payables | | 718,487,218 | 628,610,957 |
| Short-term debt | 16 | 388,550,400 | 414,177,400 |
| Current portion of long-term debt | 16 | 240,945,759 | 254,200,759 |
| Contract liabilities | 14 | 157,420,924 | 168,966,097 |
| Total Current Liabilities | | 1,505,404,301 | 1,465,955,213 |
| Noncurrent Liabilities | | | |
| Long-term debt - net of current portion | 16 | 495,330,992 | 566,655,809 |
| Retirement benefit obligation | | 66,271,783 | 61,169,956 |
| Deferred tax liabilities - net | 19 | 199,452,843 | 154,238,970 |
| Total Noncurrent Liabilities | | 761,055,618 | 782,064,735 |
| Total Liabilities | | ₱2,266,459,919 | ₱2,248,019,948 |

(Forward)

| | March 31, 2021 Unaudited | December 31, 2020 Audited |
|--|-----------------------------|------------------------------|
| Equity Attributable to Equity Holders of the Parent Company | | |
| Capital stock | ₱ 2,477,668,925 | ₱2,477,668,925 |
| Additional paid-in capital | 637,968,859 | 637,968,859 |
| Retained earnings | 1,377,940,977 | 1,437,223,304 |
| Treasury shares | (41,840,114) | (21,236,419) |
| Cumulative unrealized gain (loss) on EIFVOCI | (195,305,337) | (258,483,688) |
| Remeasurement loss on defined benefit plan of an associate | | (731,525) |
| Remeasurement loss on retirement benefit obligation - net of tax | (88,472,160) | (25,293,809) |
| Cumulative translation adjustment | 4,942,157 | 4,000,560 |
| | 4,172,903,307 | 4,251,116,207 |
| Noncontrolling Interests | 3,342,670.28 | 3,316,303 |
| Total Equity | 4,176,245,977 | 4,254,432,510 |
| TOTAL LIABILITIES AND EQUITY | ₱6,442,705,896 | ₱6,502,452,458 |

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

| | | Three Months Ended March 31 | |
|--|-------------|------------------------------------|---------------------|
| | Note | 2021 | 2020 |
| | | Unaudited | Unaudited |
| REVENUES | | | |
| Real estate sales | 24 | ₱205,945,485 | ₱225,779,966 |
| Sale of agricultural goods | 24 | 4,284,546 | 10,617,802 |
| Water service | 24 | 5,902,978 | 6,040,153 |
| | | 216,133,009 | 242,437,921 |
| COST AND EXPENSES | | | |
| Cost of real estate sold | 6 | 40,660,169 | 46,703,241 |
| Cost of agricultural goods sold | | 2,451,886 | 9,567,670 |
| Cost of water service income | | 1,483,413 | 3,688,530 |
| | | 44,595,469 | 59,959,441 |
| GROSS PROFIT | | 171,537,540 | 182,478,480 |
| GENERAL, ADMINISTRATIVE AND SELLING EXPENSE | 18 | 57,728,510 | 51,379,700 |
| OTHER INCOME (EXPENSES) | | | |
| Share in net income of associates | 10 | 70,192,749 | 57,742,458 |
| Interest and other financing charges | | (10,590,007) | (16,756,287) |
| Gain (loss) on sale of Property Plant & Equipment | | - | (184,474) |
| Other income | 21 | 6,859,415 | 2,036,638 |
| | | 66,462,157 | 42,838,335 |
| INCOME BEFORE INCOME TAX | | 180,271,186 | 173,937,115 |
| PROVISION FOR (BENEFIT FROM) | | | |
| INCOME TAX (Note 20) | | | |
| Current | | 14,263,470 | 27,175,305 |
| Deferred | | 3,430,751 | 3,647,294 |
| | | 17,694,221 | 30,822,599 |
| NET INCOME | | ₱162,576,965 | ₱143,114,516 |
| NET INCOME ATTRIBUTABLE TO: | | | |
| Equity holders of the Parent Company | | ₱162,579,556 | ₱143,117,397 |
| Non-controlling interests | | (2,591) | (2,881) |
| | | ₱162,576,965 | ₱143,114,516 |
| Basic and Diluted Earnings Per Share | | | |
| Equity holders of the Parent Company | | 0.067 | 0.058 |

See accompanying Notes to Consolidated Financial Statements

A BROWN COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Three Months Ended March 31 | |
|---|------------------------------------|---------------------|
| | 2021 | 2020 |
| | Unaudited | Unaudited |
| NET INCOME | ₱162,576,965 | ₱143,114,516 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | |
| Net change in fair value of EIFVOCI (Note 9) | | (15,403,069) |
| | | (15,403,069) |
| TOTAL COMPREHENSIVE INCOME (LOSS) | ₱162,576,965 | ₱127,711,447 |
| Total Comprehensive Income (Loss) Attributable to: | | |
| Equity holders of the Parent Company | ₱162,579,556 | ₱127,714,328 |
| Noncontrolling Interests (Note 17) | (2,591) | (2,881) |
| | ₱162,576,965 | ₱127,711,447 |

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED MARCH 31, 2021, MARCH 31, 2020 AND DECEMBER 31, 2020

| | Total Equity Attributable to Equity Holders of the Parent Company | | | | | | | | | |
|-----------------------------------|---|----------------------------|-------------------|-------------------------------|-----------------|----------------------------------|-----------------------------------|----------------|--------------------------|----------------|
| | Capital Stock | Additional Paid-in Capital | Retained Earnings | Fair Value Reserve of EIFVOCI | Treasury Shares | Remeasurement Loss on Obligation | Cumulative Translation Adjustment | Total | Noncontrolling Interests | Total |
| At January 1, 2021 (Unaudited) | ₱2,477,668,925 | ₱637,968,859 | ₱1,437,223,304 | -₱258,483,688 | -₱21,235,405 | -₱23,058,741 | ₱1,006,585 | ₱4,251,089,839 | ₱3,316,303 | ₱4,254,406,142 |
| Net income | - | - | 162,576,965 | - | (20,604,709) | - | - | 162,576,965 | 26,367 | 162,603,332 |
| Adjustment | - | - | (221,859,292) | 63,178,351 | (20,604,709) | (65,413,419) | 3,935,572 | (240,763,497) | - | (240,763,497) |
| Other comprehensive income (loss) | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive income | - | - | (59,282,327) | 63,178,351 | (20,604,709) | (65,413,419) | 3,935,572 | (78,186,532) | 26,367 | (78,160,165) |
| At March 31, 2021 | 2,477,668,925 | 637,968,859 | 1,377,940,977 | (195,305,337) | (41,840,114) | (88,472,160) | 4,942,157 | 4,172,903,307 | 3,342,670 | 4,176,245,977 |

| | Total Equity Attributable to Equity Holders of the Parent Company | | | | | | | | | |
|-----------------------------------|---|----------------------------|-------------------|-------------------------------|-----------------|---|-----------------------------------|----------------|--------------------------|----------------|
| | Capital Stock | Additional Paid-in Capital | Retained Earnings | Fair Value Reserve of EIFVOCI | Treasury Shares | Remeasurement Loss on Retirement Obligation | Cumulative Translation Adjustment | Total | Noncontrolling Interests | Total |
| At January 1, 2020 (Unaudited) | ₱2,477,668,925 | ₱637,968,859 | ₱1,143,092,830 | -₱266,509,340 | ₱0 | -₱20,084,934 | -₱3,104,652 | ₱3,969,031,688 | ₱3,495,179 | ₱3,972,526,867 |
| Net income | - | - | 143,114,516 | - | - | - | - | 143,114,516 | 1,545,830 | 144,660,346 |
| Adjustment | - | - | 276,518,899 | 53,883,218 | - | - | - | 330,402,117 | - | 330,402,117 |
| Other comprehensive income (loss) | - | - | - | - | - | (10,484,282) | 4,440,540 | (6,043,742) | - | (6,043,742) |
| Total comprehensive income | - | - | 419,633,415 | 53,883,218 | - | (10,484,282) | 4,440,540 | 467,472,891 | 1,545,830 | 469,018,721 |
| At March 31, 2020 | 2,477,668,925 | 637,968,859 | 1,562,726,245 | (212,626,122) | - | (30,569,216) | 1,335,888 | 4,436,504,579 | 5,041,009 | 4,441,545,588 |

| | | | | | | | | | | |
|-----------------------------------|----------------|--------------|----------------|---------------|--------------|--------------|-------------|----------------|------------|----------------|
| At January 1, 2020 (Audited) | 2,477,668,925 | 637,968,859 | 1,143,092,830 | (266,509,340) | - | (20,084,934) | (3,104,652) | 3,969,031,688 | 3,495,179 | 3,972,526,867 |
| Net income | - | - | 294,130,474 | - | - | - | - | 294,130,474 | (152,508) | 293,977,966 |
| Other comprehensive income (loss) | - | - | - | 8,025,652 | (21,235,405) | (2,973,807) | 4,111,237 | (12,072,323) | - | (12,072,323) |
| Total comprehensive income | - | - | - | 8,025,652 | (21,235,405) | (2,973,807) | 4,111,237 | 282,058,151 | (152,508) | 281,905,643 |
| At December 31, 2020 | ₱2,477,668,925 | ₱637,968,859 | ₱1,437,223,304 | -₱258,483,688 | -₱21,235,405 | -₱23,058,741 | ₱1,006,585 | ₱4,251,089,839 | ₱3,342,671 | ₱4,254,432,510 |

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

Three months ended March 31

| Note | 2021 (Unaudited) | 2020 (Audited) |
|---|----------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax and non-controlling interest | ₱180,271,186 | ₱173,937,115 |
| Adjustments for: | | |
| Equity in net profit of an associate | (70,192,749) | (57,742,458) |
| Finance costs | 10,590,007 | 16,756,287 |
| Depreciation and amortization | 1,619,451 | 4,856,258 |
| Financial income | | |
| Cumulative foreign translation | (4,942,157) | (1,335,888) |
| Amortization of leasehold rights | - | 33,932 |
| Operating income before working capital changes | 117,345,738 | 136,505,246 |
| Decrease (increase) in: | | |
| Accounts receivable | | 3,408,799 |
| Inventories | (6,233,335) | (27,153,578) |
| Prepayments and other current assets | 4,325,180 | 15,490,136 |
| Real estate held for sale | (69,866,945) | 16,759,902 |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | (89,876,261) | (90,782,823) |
| Deposit from customers | (11,545,173) | 11,587,138 |
| Cash provided by operations | (55,850,795) | 65,814,820 |
| Interest received | 669,280 | 18,637 |
| Net cash provided by operating activities | -₱55,181,515 | ₱65,833,457 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from disposal of: | | |
| Dividends Receivable | ₱80,000,000 | ₱133,500,000 |
| Additions (deductions) to: | | |
| Property and equipment | | (10,717,302) |
| Land and improvements | | (82,831,000) |
| Net cash provided by (used in) investing activities | 80,000,000 | 39,951,698 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments of: | | |
| Long-term debt | (111,821,217) | (112,181,486) |
| Proceeds from: | | |
| Finance costs paid | (22,008,042) | (16,756,287) |
| Net cash used in financing activities | (133,829,259) | (128,937,773) |
| NET INCREASE IN CASH | (109,010,774) | (23,152,618) |
| CASH AT BEGINNING OF YEAR | 231,321,649 | 108,735,211 |
| CASH AT END OF PERIOD/YEAR | ₱122,310,875 | ₱85,582,593 |

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

A Brown Company, Inc. (the Parent Company or ABCI), a publicly-listed company, was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 21, 1966 as Bendana Brown Pizarro and Associates, Inc. to primarily engage in the business of property development and to invest in shares of stocks of listed companies. On December 28, 2012, upon amendment of Article IV of the Articles of Incorporation, approved among others that "That the term for which the Parent Company is to exist is extended for another fifty (50) years from and after the date of the expiration of the original corporate term on December 20, 2016".

The Parent Company is engaged in the business of real estate development in Cagayan de Oro City and Initao in Misamis Oriental, Tanay, Rizal; Valencia City, Bukidnon and Butuan City, Agusan del Norte.

The Parent Company's shares of stock are listed and are currently traded at the Philippine Stock Exchange (PSE).

The principal place of business and registered office address of the Parent Company is Xavier Estates Uptown, Airport Road, Balulang, Cagayan de Oro City.

The Subsidiaries

The Parent Company, through its subsidiaries, also ventured into palm oil milling, power generation and holdings of investments. The following are the subsidiaries of the Parent Company:

A Brown Energy and Resources Development, Inc. (ABERDI)

ABERDI is a 100% owned subsidiary of the Parent Company incorporated and registered with the SEC on February 1, 2001 to primarily engage in the business of manufacturing and trading of palm oil and other palm products including, but not limited to refined bleached deodorized oil, palm olein, crude palm oil, palm stearin, palm acid oil, palm fatty acid distillate, and palm kernels.

Palm Thermal Consolidated Holdings, Corp. (PTCHC)

PTCHC is a 100% owned subsidiary of the Parent Company registered with the SEC on November 22, 2010. Its primary purpose is to purchase, acquire, own, hold, lease, sell and convey properties of every kind and description, including land, buildings, factories and warehouses and machinery, equipment, the goodwill, shares of stock, equity, rights, and property of any person, firm, association, or corporation and other personal properties as may be necessary or incidental to the conduct of the corporate business and to pay cash, shares of its capital stock, debentures and other evidences of indebtedness, or other securities, as may be deemed expedient, for any business or property acquired by the corporation.

Blaze Capital Limited (BCL)

BCL is a 100% owned subsidiary of the Parent Company registered with BVI Financial Services Commission as a British Virgin Island (BVI) Business Company on August 8, 2011 under the BVI Business Companies Act 2004. Subject to the Act and any other BVI legislation, the Company has irrespective of corporate benefit (a) full capacity to carry on or undertake any business or activity, do any act or enter into any transactions; and (b) for the purposes of (a), full rights, powers and privileges.

Hydro Link Projects Corp. (HLPC)

HLPC is a 100% owned subsidiary of the Parent Company registered with the SEC on May 6, 2010. The Company's primary purpose is to engage in, conduct and carry on the business of developing, constructing, operating, repairing, and maintaining hydro-electrical plants and system and other power generating or converting stations, manufacture, operation and repair of related mechanical and electrical equipment.

AB Bulk Water Company, Inc. (ABBWCI)

ABBWCI is a 100% owned subsidiary of the Parent Company registered with the SEC on March 31, 2015. The Company was organized primarily to engage in the business of holding and providing rights to water to public utilities and cooperatives or in water distribution in the Municipality of Opol and related activities.

Masinloc Consolidated Power, Inc. (MCPI)

MCPI is a 49% owned subsidiary of the Parent Company registered with the SEC on July 4, 2007. The Company was organized primarily to engage in, conduct and carry on the business of construction, planning, purchase, supply and sale of electricity. The Company is registered under the Foreign Investments Act of 1991 on July 6, 2007.

Simple Homes Development, Inc. (SHDI)

SHDI is a 100% owned subsidiary of the Parent Company registered with the SEC on February 26, 1997. The Company was organized primarily to invest in, purchase or otherwise acquire and own, hold, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, and related activities.

Nakeen Corporation (NC)

NC is a 100% owned subsidiary of the Parent Company through ABERDI registered with the SEC on February 2, 1997. The Company's primary purpose is to engage in the business of agriculture in all aspects, including but not limited to, the operation of fishponds and fish pens, the raising of cattle, both large and small, the raising of hogs and chicken and any and all other activities related to or incidental to the foregoing markets. The Company is also engaged in selling palm seedlings and bunch.

Bonsai Agri Corporation (BAC)

BAC is a 100% owned subsidiary of the Parent Company through ABERDI registered with the SEC on February 2, 1997. The Company was organized to engage in business of agriculture in all aspect, including but not limited to operation of fishponds and fish pens, the raising of cattle, both large and small, the raising of hogs and chickens and all other activities related to or incidental to the foregoing, and to market, sell, or otherwise dispose of any produce and products in both local and foreign markets.

Vires Energy Corporation (VEC)

VEC is a 99.995% owned subsidiary of the Parent Company registered with the SEC on March 11, 2015 acquired on June 18, 2020. The Company was organized to engage in, conduct, and carry on the business of exploring, developing, converting, producing, processing and refining of power energy, fuel and/or any other source of power energy, including importation, handling, distributing and marketing at wholesale either within or outside the Philippines; to develop, manage, lease and operate refineries for the power and fuel products or any other source of power energy; to enter into business undertaking to establish, develop, explore, and operate business that will provide the technical manpower to persons and institutions engaged in aforesaid energy production; and in general, to carry on and undertake such activities which may seem to the Company capable of being conveniently carried on in connection with the above purposes, or calculated, directly, to enhance the value of or render profitable, any of the Company's property or rights.

Irradiation Solutions, Inc. (ISI)

In January 2021, the Securities and Exchange Commission (SEC) approved the incorporation of the ABCI's new subsidiary, Irradiation Solutions, Inc. (ISI). ISI has the following primary purpose:

“To provide irradiation services for all types of goods, by exposing such goods, food products and non-food products, to ionizing radiation such as gamma rays, x-rays, or accelerated electrons from electron beam machines in order deactivate food pathogens, eliminate pests, prevent sprouting of tubers and bulb crops, or improve food properties for food products, and in order disinfect and sterilize pharmaceutical products, cosmetic products, and medical equipment and medical-related products including sutures, gloves, gown, face masks, dressings, syringes and surgical staplers for non-food product.”

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries (collectively referred to as “the Group”).

The accompanying consolidated financial statements have been prepared using the historical cost basis, except for EIFVPL and EIFVOCI that are carried at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is the functional currency of the Parent Company. All subsidiaries and associates also use ₱ as functional currency, except for BCL whose functional currency is US Dollar (\$). All amounts are rounded off to the nearest Philippine Peso, except when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), which include the availment of the reliefs granted by the SEC under Memorandum Circular Nos. 14-2018, 3-2019 and 4-2020 for the following implementation issues of PFRS 15 affecting the real estate industry:

- a. Exclusion of land in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
- b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
- c. Adoption of PIC Q&A No. 2018-14: PFRS 15 – *Accounting for Cancellation of Real Estate Sales*
- d. Adoption of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*) for the Real Estate Industry

The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards and interpretations of the Philippine Interpretations Committee, Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at March 31, 2021 and December 31, 2020.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

- The contractual arrangement with the other vote holders of the investee;

- Rights arising from other contractual arrangements; and,
- The Group's voting rights and potential voting rights.

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the noncontrolling interests (NCI), even if this results in the NCI having a deficit balance. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other similar events. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any NCI and the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate.

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

| | Effective Percentage of Ownership (%) | |
|---|--|-------------|
| | 2021 | 2020 |
| A Brown Energy and Resource Development Inc. (ABERDI) | 100 | 100 |
| Nakeen Corporation (NC) | 100 | 100 |
| Bonsai Agri Corporation (BAC)* | 100 | 100 |
| Palm Thermal Consolidated Holdings Corp. (PTCHC) | - | 100 |
| Hydro Link Projects Corp. (HLPC)* | 100 | 100 |
| AB Bulk Water Company, Inc. (ABWCI)* | 100 | 100 |
| Blaze Capital Limited (BCL)* | 100 | 100 |
| Simple Homes Development, Inc. (SHDI)* | 100 | 100 |
| Masinloc Consolidated Power, Inc. (MCPI)** | 49 | 49 |
| Vires Energy Corporation (VIRE)* | 100 | 100 |
| Irradiation Solutions Inc. (ISI)* | 100 | - |

* *pre-operating subsidiaries*

** *non-operating subsidiary*

Investment in VEC

On June 18, 2020, the Parent Company entered into a share purchase agreement to acquire 86,995,407 common shares representing 99.995% of VEC's total issued and outstanding capital stock for a total consideration of ₱50.2 million.

NCI

NCI represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Group.

NCI are presented separately in the consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from parent shareholder's equity. Any losses applicable to the NCI are allocated against the interests of the NCI even if this results to the NCI having a deficit balance. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the NCI is recognized in equity of the parent in transactions where the NCI are acquired or sold without loss of control.

As at March 31, 2021 and December 31, 2020, percentage of NCI pertaining to MCPI amounted to 51%. The voting rights held by the NCI are in proportion of their ownership interest.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. As of the acquisition date, the acquirer shall recognize, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any NCI in the acquiree. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any NCI in the acquiree. For each business combination, the acquirer has the option to measure the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When a business is acquired, the financial assets and financial liabilities assumed are assessed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group as an acquirer shall report in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group as an acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Group as an acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group as an acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PFRS 9, *Financial Instruments*, either in consolidated statements of comprehensive income or as a charge to OCI. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity. Goodwill is initially measured at cost being the excess of the aggregate of the

consideration transferred and the amount recognized for NCI over the fair values of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in consolidated statements of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

A CGU to which goodwill has been allocated shall be tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit including the goodwill, with the recoverable amount of the unit. If the recoverable amount of the unit exceeds the carrying amount of the unit, the unit and the goodwill allocated to that unit shall be regarded as not impaired. If the carrying amount of the unit exceeds the recoverable amount of the unit, the Group shall recognize the impairment loss. Impairment losses relating to goodwill cannot be reversed in subsequent periods.

The Group performs its impairment test of goodwill on an annual basis every December 31 or earlier whenever events or changes in circumstances indicate that goodwill may be impaired.

Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 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 new standards did not have an impact on the consolidated financial statements of the Group.

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

- 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.

These amendments may impact future periods should the Group enter into any business combinations.

- 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.

The amendment had no significant impact in the consolidated statements of financial position, consolidated statements of comprehensive income and consolidated statements of cash flows of the Group.

- 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.

The amendments had no impact on the financial statements of the Group as it did not have any hedging relationships during the period.

- 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.

The revised conceptual framework has no significant impact in the consolidated statements of financial position, consolidated statements of comprehensive income and consolidated statements of cash flows of the Group.

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

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

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

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

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

The Group has not identified COVID-19 related rent concessions in its current lease agreements and render no significant impact to the Group's consolidated statements of financial position, consolidated statements of comprehensive income and consolidated statements of cash flows.

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

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Business Combinations: 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.

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

- 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.

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

Annual Improvements to PFRSs 2018-2020 Cycle

- 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 PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

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

Effective beginning on or after January 1, 2023

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

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

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

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

The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- PFRS 17, *Insurance Contracts*

This standard is not expected to have any impact on the Group.

Deferred effectivity

- 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 Securities and Exchange Commission (SEC) issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023.

A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

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

The Group availed of the SEC reliefs to defer the above specific provisions of PIC Q&A No. 2018-12. Had these provisions been adopted, the Group assessed that the impact would have been as follows:

- a. The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell (CTS) might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied retrospectively and would have resulted in restatement of prior year financial statements. Adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, installment contracts receivable (ICR), provision for deferred income tax, deferred income tax asset or liability for all years presented, and the opening balance of retained earnings. The Group has yet to assess if the mismatch constitutes a significant financing component for its CTSs.
- b. The exclusion of land and uninstalled materials in the determination of POC would have reduced the POC of real estate projects. Adoption of this guidance would have reduced revenue from real estate sales, cost of sales and ICR; increased real estate inventories and would have impacted deferred income tax asset or liability and provision for deferred income tax for all years presented, and the opening balance of retained earnings.

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

- IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*)

In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under paragraph 35(c) of PFRS 15, *Revenue from Contracts with Customers*. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under Philippine Accounting Standards (PAS) 23, *Borrowing Costs*, considering that these inventories are ready for their intended sale in their current condition.

On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4-2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Further, on December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the Real Estate Industry until December 31, 2023. Effective January 1, 2024, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC Agenda Decision.

The Group opted to avail of the relief as provided by the SEC. Had the Group adopted the IFRIC agenda decision, borrowing costs capitalized to real estate inventories related to projects with pre-selling activities should have been expensed out in the period incurred.

- Adoption of PIC Q&A 2020-05, *Accounting for Cancellation of Real Estate Sales* (Supersedes PIC Q&A 2018-14)

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 thereof 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 (Approach 3) 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 upon approval of the FRSC.

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

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

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

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

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

Summary of Significant Accounting Policies

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

Current versus Noncurrent Classification

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

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the 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 the 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.

All other liabilities are classified as noncurrent.

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

Fair Value Measurement

The Group measures financial assets designated at FVOCI and financial assets at FVPL at fair value at each reporting date.

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

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

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

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

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

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

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

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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether or not 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.

Cash

Cash includes cash on hand and in banks.

Financial Instruments - Initial recognition and subsequent measurement

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

Financial assets

(i) Initial recognition and measurement

Financial assets are recognized when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

Contractual cash flows characteristics. If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI and interest on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model.

Business model. The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

(ii) Subsequent measurement

The Group subsequently classifies its financial assets into the following measurement categories:

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

Financial assets at amortized cost (debt instruments). The Group measures financial assets at amortized cost if both of the following conditions are met:

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

These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. Losses arising from impairment are recognized in the consolidated statements of comprehensive income under "Provision for impairment".

The Group's financial assets at amortized cost include cash, receivables, receivables from related parties and refundable deposits included under "Other assets" in the consolidated statements of financial position (see Notes 4, 5, 8 and 15).

Financial assets at FVOCI (debt instruments). The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

For debt instruments at FVOCI, interest income and impairment losses or reversals are recognized in the consolidated statements of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

As at March 31, 2021 and December 31, 2020, the Group's does not have debt instruments at FVOCI.

Financial assets designated at FVOCI (equity instruments). At initial recognition, an entity may make an irrevocable election to present in OCI subsequent changes in the fair value of an investment in an equity instrument within the scope of PFRS 9 that is neither held for trading (HFT) nor contingent consideration recognized by an acquirer in a business combination to which PFRS 3 applies. The classification is determined on an instrument-by-instrument basis. The Group recognizes the unrealized gains and losses arising from the fair valuation of financial assets at FVOCI, net of tax, in the consolidated statement of comprehensive income as 'Net change in fair value of EIFVOCI'.

In applying that classification, a financial asset or financial liability is considered to be HFT if:

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or,
- (b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or,
- (c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Gains and losses on equity instruments designated at FVOCI are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the OCI is reclassified to 'Retained earnings' or any other appropriate equity account upon disposal. Dividends are recognized in the consolidated statements of comprehensive income when the right of payment has been established, except when

the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group includes equity instruments not HFT in this category. The Group made irrevocable election to present in OCI subsequent changes in the fair value of all the Group's investments in golf shares and unlisted shares of stock (see Note 9).

Financial assets at FVPL. Financial assets at FVPL are measured as at initial recognition unless these are measured at amortized cost or at FVOCI. Included in this classification are equity instruments HFT and debt instruments with contractual terms that do not represent SPPI on the principal amount outstanding. Financial assets held at FVPL are initially recognized at fair value, with transaction costs recognized in the consolidated statements of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statements of comprehensive income under 'Unrealized gain (loss) on EIFVPL'.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVPL, and the gains or losses from disposal of financial investments.

The Group's financial assets at FVPL include listed equity securities.

(iii) 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 consolidated statements of financial position) 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,
- The Group has transferred its rights to receive cash flows from the asset 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 transfers its rights to receive cash flows from an asset or enters 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 recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

(iv) Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual

cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

The Group applies a simplified approach in calculating ECLs for receivables. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. For trade receivables, the Group has established a provision matrix that is based on its historical credit loss experience.

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

As these are future cash flows, these are discounted back to the time of default (i.e., is defined by the Group as upon cancellation of CTS) using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

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

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

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

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

The Group considers that there has been an SICR when contractual payments are more than 90 days past due.

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

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

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

Financial liabilities

(i) Initial recognition and measurement

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

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

(ii) Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at FVPL
- Financial liabilities at amortized cost

Financial liabilities at FVPL. Financial liabilities at FVPL include financial liabilities that are HFT and financial liabilities designated upon initial recognition as at FVPL. Financial liabilities are classified as HFT if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities that are HFT are recognized in the consolidated statements of comprehensive income.

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

Financial liabilities measured at amortized cost. This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost under 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 interest in the consolidated statements of comprehensive income.

The Group's financial liabilities measured at amortized cost as of March 31, 2021 and December 31, 2020 includes the following (see Notes 13 and 16):

- Short-term debt
- Long-term debt
- Accounts and other payables (excluding statutory payables)

Short-term debt and long-term debt are raised for support of short and long-term funding of operations. They are recognized at proceeds received, net of direct issue costs. Finance charges are recognized as "Interest expense" in the consolidated statements of comprehensive income on an accrual basis using the EIR method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Accounts and other payables are initially recognized at fair value and subsequently measured at amortized cost, using EIR method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period, or when the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, these are presented as noncurrent liabilities.

(iii) Derecognition

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

Offsetting Financial Instruments

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

Real Estate Inventories

Real estate inventories consists of subdivision land and residential houses and lots for sale and development initially recorded at cost. Subsequent to initial recognition, these are valued at the lower of cost and net realizable value (NRV). Cost includes the acquisition cost of the land plus all costs incurred directly attributable to the construction and development of the properties. Borrowing costs are capitalized while the development and construction of the real estate projects are in progress, and to the extent that these are expected to be recovered in the future.

NRV is the estimated selling price in the ordinary course of business, based on market prices at the reporting date, less estimated cost of completion and estimated costs necessary to make the sale. Valuation allowance is provided for real estate held for sale when the NRV of the properties are less than their carrying amounts. Undeveloped land is carried at lower of cost and NRV.

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

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale while the asset, which includes real estate inventories, is being constructed are capitalized as part of the cost of that asset.

Capitalization of borrowing cost should commence when: (i) expenditures for the asset and borrowing costs are being incurred; and, (ii) activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when the asset is substantially ready for its intended use or sale. For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowing is used. All other borrowing costs are expensed as incurred.

Inventories

Inventories pertain to agricultural produce and the related finished goods, construction materials and agricultural materials and supplies which are measured at the lower of cost and NRV. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its NRV. The impairment loss is recognized immediately in profit or loss. Provision for inventory losses is established for estimated losses on inventories which are determined based on specific identification of slow-moving, damaged, and obsolete inventories.

Agricultural produce

Agricultural produce is the harvested product of the Group's bearer plants. A harvest occurs when agricultural produce is either detached from the bearer plant or when a bearer plant's life processes cease. The Group's agricultural produce (e.g. fresh fruit bunches, under inventories) are measured at fair value less estimated costs to sell at the time of harvest. The Group uses the future selling prices and gross margin of finished goods, adjusted to remove the margin associated to further processing, less future growing cost as the basis of fair value. The Group's harvested produce to be used in processed products are measured at fair value at the point of harvest based on the estimated selling prices reduced by cost to sell and adjusted for margin associated to further processing.

Finished goods

Cost of processed inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of conversion include raw materials, direct labor and overhead costs. NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Construction materials and agricultural materials and supplies

Construction materials and agricultural materials and supplies are valued at the lower of cost or NRV. Cost is determined using the moving average method. NRV is the replacement cost.

Deposits for Purchased Land

This represents deposits made to landowners for the purchase of certain parcels of land which are intended to be held for sale or development in the future. The Group normally makes deposits before a CTS is executed between the Group and the landowner. These are recognized at cost. The sales contracts are expected to be executed within 12 months after the reporting period.

Prepayments

Prepayments represent expenses not yet incurred but already paid. Prepayments are initially recorded as assets and measured at the amount paid. Subsequently, these are charged to the consolidated statements of comprehensive income as they are consumed in operations or expire with the passage of time. Prepayments are classified in the consolidated statements of financial position as current assets when the cost of goods or services related to the prepayments are expected to be incurred within one year or the entity's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as noncurrent assets.

Investments in Associates

An associate is an entity in which the Group has significant influence, and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investments in associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized and is not tested for impairment individually.

The consolidated statements of comprehensive income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statements of comprehensive income outside operating profit as 'Equity in net earnings of associates'. If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognizing its share to the extent of the interest in associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in consolidated statements of comprehensive income.

Investment Property

Investment property consists of land and building which currently held either to earn rental or for capital appreciation or for both, but not for sale in the ordinary course of business or use in the supply of services or for administrative purpose. These properties are initially recognized at fair value plus directly attributable cost incurred such as legal fees, transfer taxes and other transaction costs. Subsequent to initial recognition, the building is carried at cost less accumulated depreciation and amortization and any impairment in value while the land is carried at cost less any impairment in value.

The carrying value of the asset, if reviewed for impairment when changes in circumstances indicate the carrying value, may not be recoverable. If any such indication exists, and where the carrying value exceeds the estimated recoverable amount, the asset is written down to its recoverable amount while impairment losses are recognized in the consolidated statements of comprehensive income.

The investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of the asset is recognized in the consolidated statements of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. Transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Property, Plant and Equipment

Property, plant and equipment, except for land and construction in progress, are stated at cost less accumulated depreciation and any impairment in value. Land is stated at cost, less any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price including legal and brokerage fees, import duties, nonrefundable purchase taxes and any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Expenditures incurred after the property and equipment have been put into operation, such as maintenance, repairs and costs of day-to-day servicing, are recognized in profit or loss in the period 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, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property, plant and equipment.

The Group classifies ROU assets as part of property, plant and equipment. The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are initially measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstance indicate that the carrying values may not be recoverable.

Depreciation or amortization of an item of property, plant and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5 and the date the item is derecognized.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives, except for leasehold improvements and right-of-use assets, which are amortized over their estimated lives or term of the lease, whichever is shorter, and bearer plants, which are depreciated using units-of-production (UOP) method.

| | Years |
|--|---|
| Refined bleached deodorized (RBD) and fractionation machineries | 21 |
| Building and improvements | 10 - 20 |
| Leasehold improvements | 2 - 5 or lease term, whichever is shorter |
| Machineries and equipment | 2 - 10 |
| Right-of-use assets | 17 |
| Other equipment | 2 - 10 |

The useful lives and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from the use of property, plant and equipment.

If there is an indication that there has been a significant change since the last annual reporting date in the pattern by which the Group expects to consume an asset's future economic benefits, the Group shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern. The Group shall account for the change prospectively as a change in an accounting estimate.

Fully depreciated assets are retained in the accounts until these are no longer in use.

Construction in progress represents property, plant and equipment under construction or development and is stated at cost. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time the relevant assets are completed and is available for use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of comprehensive income in the year the asset is derecognized. When assets are retired or otherwise disposed of, both the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts while any resulting gain or loss is included in the consolidated statements of comprehensive income.

Bearer plants

Bearer plants pertain to the Group's palm oil trees used in the production or supply of fresh fruit bunches (FFB) as its agricultural produce and are expected to bear produce for more than twelve months and have a remote likelihood of being sold as a plant or harvested as agricultural produce, (except for incidental scrap sales).

Bearer plants are measured at cost less accumulated depreciation and any impairment in value. Bearer plants are presented as part of property, plant and equipment. Costs to grow include purchase cost of various chemicals and fertilizers, land preparation expenses and other direct costs necessary to cultivate such plants before they are brought into the location and condition necessary to be capable of operating in the manner intended by management.

UOP method is used for depreciating the bearer plants. Depreciation is charged according to units of FFB harvested over the estimated units of FFB to be harvested during the life of the bearer plants or remaining contract period, whichever is shorter. The Group estimates its total units of FFB to be harvested based on the average yield over which the bearer plants are expected to be available for use. In addition, the estimate is based on collective assessment of internal technical evaluation and experience. Changes in the estimated total units of FFB to be harvested may impact the depreciation of bearer plants.

Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Group's investments in associates, investment properties, property plant, and equipment and other assets excluding refundable deposits (see Notes 8, 10, 11 and 12).

The Group assesses at each reporting date whether there is an indication that an asset may be impaired when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's estimated recoverable amount is the higher of the asset's or cash generating unit's (CGU) 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 group of assets.

Where the carrying values exceed the estimated recoverable amount, the assets or CGUs are written down to their estimated recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses of continuing operations are directly charged or credited to operations in those expense categories consistent with the function of the impaired asset.

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 recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its estimated recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is directly charged or credited to operations.

Equity

Capital stock and additional paid-in capital

Capital stock consists of common shares which are measured at par value for all shares issued. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital' account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. Direct cost incurred related to the equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are charged to 'Additional paid-in capital' account.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

The retained earnings is restricted to payments of dividends to the extent of the cost of treasury shares.

Retained earnings

Retained earnings include all current and prior period results of operations, net of dividends declared and the effects of retrospective application of changes in accounting policies or restatements, if any. Dividends on common stock are recognized as a liability and deducted from equity when declared and approved by the BOD or shareholders of the Parent Company. Dividends for the year that are declared and approved after the reporting date, if any, are dealt with as an event after the reporting date and disclosed accordingly.

Other comprehensive income (loss)

Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the consolidated statements of changes in equity) that are not recognized in the consolidated statements of comprehensive income for the year in accordance with PFRSs. Other comprehensive income (loss) of the Group includes fair value reserve of EIFVOCI, remeasurement gains (losses) on retirement obligation, remeasurement gains (losses) on defined benefit plan of an associate, and cumulative translation adjustments

Revenue and Cost Recognition

Revenue from contracts with customers

The Group is primarily engaged in real estate development, production and sale of agricultural goods, and water services. Revenue from contracts with customers is recognized when control of the goods and services is 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 considers whether there are other promises in the contract that are separate performance obligations to which a portion

of the transaction price needs to be allocated. The Group has generally concluded that it is the principal in its revenue arrangements since it is the primary obligor in these 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 and developed residential house and lots. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses the output method. The Group recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using physical proportion of work done. This is based on the bi-monthly project accomplishment report prepared by the project engineers which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Buyer's equity represents the POC over the total selling price that the buyer has paid the Group and it is at this collection level that the Group assesses that it is probable that the economic benefits will flow to the Group because of certainty of collection of the remaining balance of the selling price. This gives the buyer, a stake in the property, the level of which is sufficient enough to mitigate the risks of loss through default which would motivate the buyer to honor its obligations to the Group. Management regularly evaluates the historical cancellations and back-outs if it would still support its current collection threshold before commencing revenue recognition.

Any excess of progress of work over the right to an amount of consideration that is unconditional, is recognized under 'Contract assets' in the assets section of the consolidated statements of financial position.

Any excess of collections over the total of recognized ICR and contract assets are recognized under 'Contract liabilities' account in the liabilities section of the consolidated statements of financial position.

Cost of real estate sales. The Group recognizes costs relating to satisfied performance obligations as these are incurred which 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.

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

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

Sale of agricultural goods. Revenue from sale of agricultural goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods and acceptance by the buyer.

Cost of agricultural goods sold. Costs of sales include direct material costs, manufacturing expenses and monetary value of inventory adjustments. This is recognized upon delivery of goods or upon transfer of risks and rewards of ownership and when the cost is incurred, or the expense arises.

Water service, tapping fees, transfer fees and other water charges. Revenue is recognized when performance obligation is rendered.

Income from forfeited deposits. Income from forfeited collections recorded under 'Other income' in the consolidated statements of comprehensive income is recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale. Such income is also recognized, subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act*, upon prescription of the period for the payment of required amortizations from defaulting buyers.

Rental income. Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the respective lease terms.

Interest income. Interest income is recognized as it accrues, taking into account the effective yield on the asset.

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

Contract Balances

ICR. An ICR 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.

For the Group's real estate sales, contract assets are initially recognized for revenue earned from development of real estate projects as receipt of consideration is conditional on successful completion of development. Upon completion of development and acceptance by the customer, the amounts recognized as contract assets are reclassified to ICR. It is recognized under 'Receivables' in the consolidated statements of financial position.

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

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

As these are future cash flows, these are discounted back to the time of default (i.e., is defined by the Group as upon cancellation of CTS) using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

Costs to obtain contract. The incremental costs of obtaining a contract with a customer are recognized under 'Other current assets' in the consolidated statements of financial position if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is

recognized over time using the POC method. Commission expense is included in the 'General, administrative expenses and selling expenses' account in the consolidated statements of comprehensive income.

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

Amortization, derecognition and impairment of capitalized costs to obtain a contract. The Group amortizes capitalized costs to obtain a contract as marketing expense under 'General, administrative expenses and selling expenses' account in the consolidated statements of comprehensive income over the expected construction period using the POC following the pattern of real estate revenue recognition.

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

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

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 and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are generally recognized when the services are used, or the expense arises while interest expenses are accrued in the appropriate period.

This consist of general administrative expenses which constitute costs of administering the business and selling expenses which constitute commission on real estate sales and advertising expenses. General administrative and selling expenses (excluding amortization of capitalized costs to obtain contracts) are recognized as incurred.

Post-employment Benefits

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

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

The following comprise the defined benefit costs:

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

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

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

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

Plan assets are assets that are held in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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 the 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 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) and at the date of renewal or extension period for scenario (b).

As Lessor. Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Effective January 1, 2019

Right-of-use assets. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets.

Right-of-use assets are presented under 'Property, plant and equipment' in the consolidated statements of financial position and are subject to impairment.

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

Effective before January 1, 2019

As Lessor. Policies for lessor accounting under PAS 17 are substantially similar with those under PFRS 16, as described above.

As Lessee. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

Taxes

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

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability

in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or,

- In respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or,
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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 asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Creditable withholding taxes (CWT). CWT pertains to taxes withheld on income payments and may be applied against income tax due. The balance of taxes withheld is recovered in future period. The balance as of end of each reporting period represents the unutilized amount after deducting any income tax payable. Creditable withholding tax is stated at its realizable value.

Value-added tax (VAT). Revenues, expenses and assets are recognized net of amount of VAT, if applicable.

When VAT from provision of services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as output VAT under 'Accounts and other payables' in the consolidated statements of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from provision of services (output VAT), the excess is recognized as input taxes under 'Other current assets' in the consolidated statements of financial position up to the extent of the recoverable amount.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

Deferred input VAT. Deferred input VAT represents portion of input VAT incurred and paid in connection from the purchase of a capital good whose acquisition cost exceeds of ₱1.0 million per month. Section 110(A) (1) of the NIRC so provides that the input tax on capital goods purchased or imported in a calendar month for use in trade or business shall be spread evenly over the month of acquisition and the 59 succeeding months, unless the expected useful life of the capital good is less than five years, in which case the input tax is amortized over such a shorter period. Pursuant to the implementation of the Tax Reform for Acceleration and Inclusion (TRAIN) law, this provision is applicable only until December 31, 2021. Deferred input VAT is stated at its realizable value.

Foreign Currencies

The Group's consolidated financial statements are presented in Philippine Peso (₱), which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances. Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the dates of initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Group companies. The functional currency of BCL is the US Dollar. On consolidation, the assets and liabilities of foreign operations are translated into Philippine Peso (₱) at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized under 'Cumulative translation adjustment' in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing net income attributable to equity holder of the Parent Company by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period.

Diluted EPS is computed by dividing net income attributable to equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares. The calculation of diluted EPS does not assume conversion, exercise or other issue of potential common shares that would have an antidilutive effect on earnings per share.

As of March 31, 2021 and December 31, 2020, the Group has no potentially dilutive common shares.

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. Financial information on operating segments is presented in Note 23 to the consolidated financial statements.

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. When the Group expects some or all of a provision to be reimbursed, for example, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statements of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period

Events after the reporting period are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the consolidated financial statements are authorized for issue. Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

3. Significant Accounting Judgments and Estimates

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

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

Judgments

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

Revenue from contracts with customers

The Group is primarily engaged in real estate sales and development, sale of palm oil and other palm products including, but not limited to refined bleached deodorized oil, palm olein, crude palm oil, palm stearin, palm acid oil, palm fatty acid distillate, and palm kernels, and water services. The Group accounts for all of the goods and services in each contract with customer as a single performance obligation capable of being distinct.

The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

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

- *Identifying performance obligations.* The Group has various CTS covering subdivision land and residential houses and lots. The Group concluded that the goods and services transferred in each contract constitute a single performance obligation. In particular, the promised goods and services in contracts for the sale of property under development mainly include design work, procurement of materials and development of the property. Generally, the Group is responsible for all of these goods and services and the overall management of the project. Although these goods and services are capable of being distinct, Group accounts for them as a single performance obligation because they are not distinct in the context contract. The Group uses those goods and services as inputs and provides a significant service of integrating them into a combined output. Included also in this performance obligation is the Group's service to transfer the title of the real estate unit to the buyer.
- *Existence of a contract.* The Group's primary document for a contract with a customer for real estate sales is a signed CTS supported by other signed documentations such as reservation agreement, official receipts, buyers' amortization schedule and invoices and it met all the criteria to qualify as contract with a 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 with the customer, age of receivables, and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs if it would still support its current threshold of buyers' equity before commencing revenue recognition.

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

The Group has determined that output method used in measuring the progress of the

performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the Group's specialists (project engineers).

In addition, the Group requires a collection threshold of 10% of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group.

Revenue recognition - sales of agricultural goods and water services. Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of goods that would meet the requirements of PFRS 15; (b) assessment of performance obligation and the probability that the entity will collect the consideration from the buyer; (c) determining method to estimate variable consideration and assessing the constraint. (d) recognition of revenue as the Group satisfies the performance obligation.

- *Identifying performance obligations.* The Group accounts for all of the goods or services in each contract with customer as a single performance obligation capable of being distinct.
- *Determining the timing of satisfaction of sale of agricultural goods and water services.* The Company concluded that the revenue for sale of palm oil and other palm products and water services is to be recognized at a point in time when the goods are delivered or as services are performed and it has a present right to payment for the services rendered. The Group also considers the probability that it will be able to collect the consideration to which it will be entitled in exchange for the goods sold or services rendered in determining if a contract exists.

Contractual cash flows assessment. For each financial asset, the Group assesses the contractual terms to identify whether the instrument is consistent with the concept of SPPI. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

As at March 31, 2021 and December 31, 2020, the aggregate carrying values of the financial assets amounted to ₱1,647.5 million and ₱1,355.2 million, respectively (see Note 24).

Evaluation of business model in managing financial instruments. The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and,
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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

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

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

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

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

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

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

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

Determining taxable profit, tax bases and tax rates. Upon adoption of the Philippine Interpretation IFRIC 23, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its tax compliance assessment, in consultation with its tax counsel, that it is probable that its income tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have a significant impact on the consolidated financial statements of the Group.

Distinction between real estate inventories, investment properties and owner-occupied properties. The Group determines whether a property will be classified as real estate inventories, investment properties or owner-occupied properties. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (real estate inventories) and whether the property generates cash flow largely independent of the other assets held by an entity.

Real estate inventories comprise of property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell before or on completion of construction. Investment property comprises land and buildings which are not occupied substantially for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation. Owner-occupied properties classified and presented as property, plant and equipment, generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Determination of acquisition of group of assets as a business in accordance with PFRS 3. Management uses judgment in assessing if the group of assets and liabilities acquired would constitute a business. In accordance with PFRS 3, business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.

Significant influence on PCPC, PEI and EWRTC. In determining whether the Group has significant influence over an investee requires significant judgment. Generally, a shareholding of 20.0% to 50.0% of the voting rights of an investee is presumed to give the Group a significant influence. The Group considers that it has significant influence over its investees when it has board representation which allows them to participate in the financial and operating policy decisions but is not control or joint control of those policies.

Evaluation and reassessment of control in MCPI. The Group refers to the guidance in PFRS 10, *Consolidated Financial Statements*, when determining whether the Group controls an investee. Particularly, the Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group considers the purpose and design of the investee, its relevant activities and how decisions about those activities are made and whether the rights give it the current ability to direct the relevant activities.

The Group controls an investee if and only if it has all 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 the investor's returns.

Ownership interest in MCPI represent 49%. The Group has the ability to direct the relevant activities and power to affect its returns considering that critical decision-making position in running the operations of the investee are occupied by the representatives of the Group.

Management's Use of Estimates and Assumptions

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

Revenue recognition on real estate projects. The Group's revenue recognition policy require management to make use of estimates and assumptions that may affect the reported amounts of revenues. The Group's revenue from real estate sales are recognized based on the POC which is measured principally on the basis of the estimated completion of a physical proportion of the contract work which requires technical determination by management's specialists (project engineers) and involves significant management.

The Group also includes land in the calculation of POC since the Group availed the relief granted by the SEC under Memorandum Circular Nos. 14-2018 as of 2018 for the implementation issues of PFRS 15 affecting the real estate industry.

For the years ended March 31, 2021 and December 31, 2020, the real estate sales recognized over time amounted to ₱135 million and ₱761.5million, respectively.

Collectability of the sales price. In determining whether the sales price is collectible, the Group considers that the initial and continuing investments by the buyer of 10% in 2020 and 2019 would demonstrate the buyer's commitment to pay.

The gross amount of ICR and contract assets arising from these sales contracts amounted to ₱126 million and ₱97 million as of March 31, 2021 and December 31, 2020, respectively (see Notes 5 and 14).

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

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

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

The Group considers an ICR and contract asset in default when the Group forfeits and repossesses the property from the customer through cancellation. 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.

The PD 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 LGD, 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 Republic Act 6552, *Realty Installment Buyer Act*, and cost to complete (for incomplete

units). As these are future cash flows, these are discounted back to the reporting date using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

The resulting recovery rate coming from the above process, resulted to zero LGD, thus resulting to no recognized impairment loss.

The Group recognized provision for expected credit losses on receivables and contract assets of ₱2.4 million and nil in 2021 and 2020, respectively. As at March 31, 2021 and December 31, 2020, the allowance for ECL recognized in the consolidated statements of financial position amounted to ₱2.8 million and ₱0.4 million, respectively (see Note 5).

Estimating NRV of real estate inventories. The Group reviews the NRV of real estate inventories and compares it with the cost. Real estate inventories are written down below cost when the estimated NRV is found to be lower than the cost.

NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable external advice and in light of recent market transactions. NRV in respect of inventory under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell. In line with the impact of COVID-19, the Group experienced limited selling activities that resulted to lower sales in 2020. The estimates used took into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

The carrying values of real estate inventories amounted to ₱1,573.0 million and ₱1,581.0 million as of March 31, 2021 and December 31, 2020, respectively (see Note 6).

Estimating useful lives of depreciable property, plant and equipment and investment properties. The Group estimates the useful lives of depreciable property, plant and equipment and investment properties, except bearer plants, based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment and investment properties 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 estimation of the useful lives of property, plant and equipment and investment properties is based on collective assessment of 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.

As of March 31, 2021 and December 31, 2020, the aggregate carrying value of depreciable property, plant and equipment and investment properties, except bearer plants, amounted to ₱490.0 million and ₱507.1 million, respectively (see Notes 11 and 12).

Estimating fair values of financial assets and liabilities. When the fair values of financial assets and liabilities recorded in the consolidated statements of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

As at March 31, 2021 and December 31, 2020, the aggregate fair values of the financial assets amounted to ₱1,650.2 million and ₱1,357.4 million, respectively, and of the financial liabilities amounted to ₱1,896.3 million and ₱1,855.8 million, respectively (see Note 24).

Impairment of nonfinancial assets. The Group assesses impairment on its nonfinancial assets (e.g. investments in associates, investment properties, property, plant and equipment and other assets excluding refundable deposits) and considers the following important indicators:

- Significant or prolonged decline in the fair value of the asset;
- Increase in market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating the asset's value-in-use and decrease the asset's recoverable amount materially;
- 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;
- Significant negative industry or economic trends; or,
- Significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment where the Group operates.

The Group determines an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the remaining contract period or useful lives, if practicable, and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

In 2020 and 2019, the Group has assessed that its bearer plants has indications of impairment due to the palm oil plantation's bearer plants not reaching their optimal fruiting stages. In 2020 and 2019, the Group recognized impairment loss of ₱15.1 million and ₱14.8 million to account for the estimated fruit loss due to some trees not reaching the optimal fruiting stages in accordance with the industry standard yield. (see Note 12).

No additional impairment was recognized by the Group for the remaining bearer plants since management estimated that the recoverable amount exceeds the carrying value of the bearer plants excluding the specific impairment as of March 31, 2021 and December 31, 2020. The recoverable amount was computed using discounted cash flows approach and considered certain assumptions such as future FFB production, prices, direct costs, and discount rate.

The Group recognized an allowance for impairment loss on nonfinancial assets amounting to ₱29.3 million in 2020 (see Notes 8 and 12).

The carrying values of the nonfinancial assets follow:

| | As of 03/31/21 | As of 12/31/20 |
|-------------------------------|-----------------------|-----------------------|
| | Unaudited | Audited |
| Investments in associates | ₱1,420,752,144 | ₱1,429,335,865 |
| Other current assets* | 520,489,753 | 482,185,435 |
| Property, plant and equipment | 798,750,246 | 912,521,023 |
| Investment properties | 97,133,941 | 97,133,941 |
| Other noncurrent assets* | 68,710,065 | 117,091,354 |

* Excluding refundable deposits

Estimating total units of output for bearer plants. The Group estimates the total units of output for its bearer plants based on its average yield over which the bearer plants are expected to be available for use. The estimated total units of output 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 bearer plants, and in consideration of the lease term under

the contracts providing the Group for the rights to use parcels of land. In addition, the estimate is based on collective assessment of internal technical evaluation and experience. The carrying amount of bearer plants, amounted to ₱302.7 million and ₱317.2 million as of March 31, 2021 and December 31, 2020, respectively (see Note 12).

Post-employment defined benefit plan. The cost of defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

As of March 31, 2021 and December 31, 2020, the Group's retirement obligation amounted to ₱66 million and ₱61 million, respectively.

Estimating realizability of deferred tax assets. 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. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based upon the likely timing and level of future taxable profits determined from the tax planning strategies of the Group. This forecast is based on the Group's past results and future expectations on revenue and expenses.

As at March 31, 2021 and December 31, 2020, deferred tax assets amounting to ₱26 million and ₱16 million, respectively, were not recognized in the consolidated statements of financial position since it is not probable that sufficient taxable income may be available in the future against which the deferred tax assets can be utilized.

4. Cash

| | As of 03/31/21 | As of 12/31/20 |
|---------------|-----------------------|-----------------------|
| | Unaudited | Audited |
| Cash on hand | ₱1,444,768 | ₱1,369,916 |
| Cash in banks | 120,866,107 | 229,951,733 |
| | ₱122,310,875 | ₱231,321,649 |

Cash in banks pertain to savings and current accounts that generally earn interest based on prevailing respective bank deposit rates. The Group earned interest from cash in banks amounted to ₱0.1 million in 2021 and 2020, respectively.

5. Receivables

ICR consists of accounts collectible in equal monthly installments with over a period of 2 to 15 years, and bear interest ranging from 10% to 18% in 2020 and 2019. The ICRs are interest-bearing except for those with installment terms within two years. The transfer certificates of title remain in the possession of the Group until full payment has been made by the customers. Interest earned from contract assets and ICR amounted to ₱1.9 million and ₱2.6 million in 2020 and 2019, respectively.

| | As of 03/31/21 Unaudited | As of 12/31/20 Audited |
|---|-----------------------------|---------------------------|
| Dividend receivable | P0 | P138,000,000 |
| Trade receivables | 20,872,745 | 19,672,704 |
| ICR | 953,799,805 | 798,623,667 |
| Advances to officers and emplo | 5,266,682 | 2,985,026 |
| Other receivables | 421,594,669 | 80,431,803 |
| | 1,401,533,902 | 1,039,713,200 |
| Less allowance for impairment | 4,260,860 | 4,260,860 |
| | 1,397,273,042 | 1,035,452,340 |
| Less noncurrent portion of ICR and contract assets | 61,861,901 | 26,338,455 |
| | P1,335,411,140 | P1,009,113,885 |

Trade receivables include receivables from water service and sale of palm oil and other palm products which are noninterest-bearing and are normally collected within seven (7) to sixty (60) days.

Advances to officers and employees pertain to salary and other loans granted to the Group's employees that are collectible through salary deduction. These are noninterest-bearing and are due within one year.

Other receivables pertain to advances made to homeowners' association and nontrade receivables. These receivables are noninterest-bearing.

Movement in the allowance for impairment is as follows:

| | As of 03/31/21 Unaudited | As of 12/31/20 Audited |
|-------------------------------|-----------------------------|---------------------------|
| Balances at beginning of year | P4,260,860 | P474,380 |
| Provision | | 3,786,480 |
| Balances at end of year | P4,260,860 | P4,260,860 |

6. Real Estate Inventories

The rollforward of this account follows:

| | As of 03/31/21 Unaudited | As of 12/31/20 Audited |
|------------------------------------|-----------------------------|---------------------------|
| Land for sale and development | P188,405,059 | P195,500,285 |
| Construction and development costs | 1,432,649,354 | 1,377,548,782 |
| | P1,621,054,413 | P1,573,049,067 |

| | | |
|--|-----------------------|----------------|
| Balance at beginning of the year, as previously reported | ₱1,573,049,067 | ₱1,580,964,264 |
| Effect of adoption of PFRS 15 | - | - |
| Balance at beginning of the year, as restated | 1,573,049,067 | 1,580,964,264 |
| Reclassification of land held for future development | | - |
| Construction costs incurred | 69,866,945 | 300,155,667 |
| Purchase of raw land | | - |
| Transfers from investment properties | | - |
| Transfer from DFFS | | - |
| Transfer from deposits for land acquisition | | - |
| Depreciation expense capitalized | 7,380,535 | 9,183,103 |
| Borrowing costs capitalized | 11,418,035 | 36,177,696 |
| Cost of real estate sales | (40,660,169) | (353,431,663) |
| Balance at the end of the year | ₱1,621,054,413 | ₱1,573,049,067 |

The real estate inventories are carried at cost. No inventories are recorded at amounts lower than cost in 2021 and 2020.

Land for sale and development represents real estate subdivision projects in which the Group has been granted License to Sell (LTS) by the Housing and Land Use Regulatory Board of the Philippines. It also includes raw land inventories that are under development and those that are about to undergo development.

Construction and development costs incurred pertain to amounts paid to contractors and development costs in relation to the development of land and construction of housing units, capitalized borrowing costs and other costs directly attributable to bringing the real estate inventories to its intended condition.

Borrowing costs capitalized to inventories in 2021 and 2020 amounted to ₱11.4 million and ₱36.2 million, respectively (Note 16).

Collateralized properties

Pursuant to the loan agreement, certain real estate inventories were collateralized in favor of the bank to secure the Group's short-term and long-term debts (see Note 16). As at March 31, 2021 and December 31, 2020, the carrying values of the collateralized real estate inventories amounted to ₱233.0 million and ₱232 million.

7. Inventories - at cost

| | As of 03/31/21 | As of 12/31/20 |
|---------------------------------|-----------------------|----------------|
| | Unaudited | Audited |
| Refined bleached deodorized oil | ₱13,261 | ₱19,137,532 |
| Palm olein | 31,608,728 | 31,731,304 |
| Crude palm oil | 1,529,698 | 23,192,245 |
| Palm stearin | 6,218,759 | 6,218,759 |
| Palm acid oil | 19,137,532 | 1,529,698 |
| Palm fatty acid distillate | - | 13,262 |
| Palm kernels | 184,478 | 184,478 |
| Fresh fruit bunches | 21,292,296 | - |
| | 79,984,750 | 82,007,278 |
| <i>Others</i> | | |
| Construction materials | 70,596,576 | 65,147,876 |
| Aggregates and water meter | 1,599,525 | |
| Materials and other supplies | 2,146,412 | 938,774.00 |
| | 74,342,512 | 66,086,650 |
| | ₱154,327,263 | ₱148,093,928 |

The cost of inventories recognized under cost of agricultural goods sold in the consolidated statements of comprehensive income are as follows:

| | As of 03/31/21 Unaudited | As of 12/31/20 Audited |
|---|-----------------------------|---------------------------|
| Fresh fruit bunches at beginning of the year | | |
| Purchase and harvest of fresh fruit bunches | | ₱36,885,423 |
| Fresh fruit bunches used in production | - | 36,885,423 |
| Purchase of crude palm oil | | |
| Purchase of palm kernel cake | | |
| Direct labor | ₱317,589 | 3,831,991 |
| Manufacturing overhead | 111,770 | 9,960,592 |
| Total manufacturing cost | 429,359 | 50,678,006 |
| Finished goods at the beginning of the year | 82,007,278 | 91,464,783 |
| Finished goods at the end of the year | (79,984,750) | (82,007,278) |
| Cost of sales | ₱2,451,886 | ₱60,135,511 |

Depreciation capitalized to inventories amounted to ₱2.4 million in 2020.

Construction materials pertain to supplies used in the construction and development of the real estate projects.

Agricultural materials and other supplies pertain to fertilizers, fuel and oil and other consumables. In 2020, expired fertilizers and fertilizer bags no longer usable were written-off amounting to ₱2.2 million recognized under "Impairment loss" in the consolidated statements of comprehensive income.

8. Other Assets

| | As of 03/31/21 Unaudited | As of 12/31/20 Audited |
|-------------------------------|-----------------------------|---------------------------|
| <i>Current</i> | | |
| Deposits for land acquisition | ₱338,599,623 | ₱319,065,057 |
| CWTs | 89,685,207 | 71,387,309 |
| Input taxes | 89,663,100 | |
| Prepaid expenses | 18,391,792 | 94,435,158 |
| Cost to obtain a contract | 15,987,354 | 16,005,309 |
| Refundable deposits | 6,745,000 | 7,462,263 |
| Miscellaneous | 884,734 | 2,830,401 |
| | ₱559,956,810 | ₱511,185,498 |

| <i>Noncurrent</i> | As of 03/31/21 Unaudited | As of 12/31/20 Audited |
|--|-------------------------------------|-----------------------------------|
| Advances to third party | - | ₱115,311,840 |
| Refundable deposits - net of current portion | ₱68,710,065 | 39,406,790 |
| Deferred input VAT | - | 1,754,432 |
| Goodwill | - | 43,007 |
| | ₱68,710,065 | ₱156,516,069 |

Deposits for purchased land pertain to installment payments made by the Group to the sellers of land where sales contracts have yet to be executed. The land is intended to be held for sale and development in the future.

Prepaid expenses consist mainly of prepaid supplies, employee benefits, rent, insurance and taxes and licenses which are applicable in the future period.

Creditable withholding taxes pertain to carry over of unapplied income tax credits and are recoverable and can be applied against the income tax payable in future periods.

Advances to third party pertain to advances made by the Group to a third party in connection with its engagement to explore potential joint venture partners for acceptable business projects. The advances are to be applied against the cost of the business project.

Costs to obtain contracts pertain to commissions paid to brokers and marketing agents on the sale of pre-completed real estate units. These capitalized costs are charged to expense as "Marketing" under "General, administrative and selling expenses" in the consolidated statements of comprehensive income as the related revenue is recognized (see Note 18).

Deferred input VAT pertains to the input VAT from the purchase of a capital good whose acquisition cost exceeds ₱1.0 million. Section 110(A) (1) of the NIRC so provides that the input tax on capital goods purchased or imported in a calendar month for use in trade or business shall be spread evenly over the month of acquisition and the 59 succeeding months, unless the expected useful life of the capital good is less than five years, in which case the input tax is amortized over such a shorter period. Pursuant to the implementation of TRAIN law, this provision is applicable only until December 31, 2021. In 2020 and 2019, input VAT written-off amounting to ₱0.2 million and ₱5.0 million, respectively, were recognized under "Impairment loss" in the consolidated statements of comprehensive income.

Miscellaneous pertains to advances to suppliers and contractors.

9. Investments in Equity Instruments

Quoted and unquoted equity securities

The Group's EIFVPL consists of quoted equity securities that are listed and traded in the Philippine Stock Exchange. The fair value of these securities has been determined directly by reference to published prices in an active market using Level 1 fair value hierarchy. The changes in the fair value of the quoted equity securities are recognized under "Unrealized gain (loss) on EIFVPL" in the consolidated statements of comprehensive income.

The Group's EIFVOCI include unquoted golf club shares and unlisted shares of stock. The fair values of the golf club shares are determined based on average selling price of price per share of similar or identical assets traded in an active market (Level 2 input).

The Group's unlisted shares of stock are measured at cost. Financial assets are measured at cost when insufficient more recent information is available to measure its fair value, or if a wide range of possible fair value measurements and cost represents the best estimate of fair value within the range under Level 3 of the fair value hierarchy. The changes in the fair value of these unquoted equity instruments are recognized under "Net change in fair value of EIFVOCI" in other comprehensive income.

The rollforward analysis of investments in EIFVOCI and EIFVPL in 2021 and 2020 follow:

| | EIFVPL | EIFVOCI |
|-----------------------------|--------------|---------------|
| Cost: | | |
| At January 1 | P64,125,698 | P434,070,793 |
| Disposal | (64,125,698) | - |
| At December 31 | - | 434,070,793 |
| Cumulative unrealized loss: | | |
| At January 1 | (641,257) | (266,509,340) |
| Disposal | 641,257 | - |
| Fair value adjustment | - | 8,025,652 |
| At December 31 | - | (258,483,688) |
| Carrying values | P- | P175,587,105 |

In 2020 and 2019, the Group sold its 64,125,698 shares and 75,617,000 shares of EIFVPL for P76.0 million and P94.1 million resulting in a gain of P12.5 million and loss of P32.1 million, respectively.

The Group's dividend income from EIFVOCI amounted to P0.2 million (see Note 23).

The Group's investments in golf club shares and unlisted shares of stock were irrevocably designated at FVOCI as the Group considers these instruments to be held for the foreseeable future. Prior to adoption of PFRS 9, these were categorized as AFS investments. Cumulative unrealized loss for these investments amounted to P294.3 million as of January 1, 2018.

10. Investments in Associates

| | As of 03/31/21 Unaudited | As of 12/31/20 Audited |
|--|-----------------------------|---------------------------|
| Peakpower Energy, Inc. (PEI) | P345,760,755 | P313,926,796 |
| Palm Concepcion Power Corporation (PCPC) | 1,021,332,036 | 1,062,963,914 |
| East West Rail Transit Corporation (EWRTC) | 53,659,353 | 53,668,686 |
| | P1,420,752,144 | P1,430,559,395 |

| | As of 03/31/21 Unaudited | As of 12/31/20 Audited |
|---|-------------------------------------|---------------------------|
| Acquisition cost, beginning and end of year | ₱1,105,595,917 | ₱1,105,595,917 |
| Accumulated equity in net earnings: | | |
| Balances at beginning of year | 324,963,478 | 324,806,063 |
| Share in net income | 70,192,748.64 | 175,888,940 |
| Share in OCI | - | (731,525) |
| Dividends | (80,000,000) | (175,000,000) |
| | 315,156,227 | 324,963,478 |
| | ₱1,420,752,144 | ₱1,430,559,395 |

In 2020 and 2019, PEI declared cash dividend to the Group amounting to ₱95.0 million and ₱72.2 million, respectively, while PCPC declared cash dividend to the Group amounting to ₱80.0 million and ₱110.0 million, respectively.

The Group's share in net income (loss) of its associates are shown below:

| <i>Share in net income:</i> | As of 03/31/21 Unaudited | As of 12/31/20 Audited |
|-----------------------------|-------------------------------------|---------------------------|
| PEI | ₱31,833,959 | ₱114,158,501 |
| PCPC | 38,368,123 | 61,811,399 |
| EWRTC | (9,333) | (80,960) |
| | ₱70,192,749 | ₱175,888,940 |

Investment in PCPC

The Group has 20% investment in PCPC. PCPC was registered with the SEC on December 18, 2007 primarily to acquire, design, develop, construct, invest in and operate power generating plants. The Group accounts its investment in PCPC as investment in associate as it exercises significant influence over PCPC. The following table sets out the summarized financial information of PCPC as of March 31, 2021 and December 31, 2020:

| | As of 03/31/21 Unaudited | As of 12/31/20 Audited |
|--|-------------------------------------|---------------------------|
| Current assets | ₱2,810,021,891 | ₱3,171,695,590 |
| Noncurrent assets | 9,453,518,394 | 9,583,664,805 |
| Current liabilities | 1,306,768,775 | 1,952,152,885 |
| Noncurrent liabilities | 5,731,281,400 | 5,769,558,012 |
| <u>Equity attributable to Parent Company</u> | ₱5,225,490,110 | ₱5,033,649,498 |
| Carrying amount of the investment | ₱1,021,332,036 | ₱1,062,963,914 |

As of March 31, 2021 and December 31, 2020, the Group's share in PCPC's net assets amounted to ₱1,045 million and ₱1,006.7million, respectively. As of March 31, 2021 and December 31, 2020, the excess of the carrying value over the Group's share in PCPC's net assets is attributable to the notional goodwill and the difference between the fair value and carrying value of PCPC's net assets at the date of acquisition.

| | As of 03/31/21 Unaudited | As of 12/31/20 Audited |
|--------------------|-------------------------------------|---------------------------|
| Revenue | ₱1,120,155,707 | ₱5,277,307,278 |
| Costs and expenses | 928,315,094 | 3,973,884,550 |
| Net income | ₱191,840,613 | ₱1,303,422,728 |

Investment in PEI

The Group has 20% investment in PEI. PEI was incorporated and registered with the SEC on February 19, 2013 primarily to purchase, acquire, own and hold shares of stock, equity, and property of energy companies. Through its subsidiaries, PEI's focus is to develop, construct, and operate diesel power plants in Mindanao to address the ongoing power shortages in the region.

The following table sets out the summarized financial information of PEI as of March 31, 2021 and December 31, 2020:

| | As of 03/31/21 Unaudited | As of 12/31/20 Audited |
|---------------------------------------|-------------------------------------|---------------------------|
| Current assets | ₱425,943,947 | ₱412,429,558 |
| Noncurrent assets | 2,291,369,766.79 | 2,307,160,801 |
| Current liabilities | 229,509,293.14 | 773,912,863 |
| Noncurrent liabilities | 801,632,106.52 | 430,751,999 |
| Equity attributable to Parent Company | 1,686,172,314.43 | 1,514,925,497 |
| Carrying amount of the investment | ₱345,760,755 | ₱313,926,796 |

As of March 31, 2021 and December 31, 2020, the Group's share in PEI's net assets amounted to ₱ 337.0 million and ₱283.8 million, respectively. As of March 31, 2021 and December 31, 2020, the excess of the carrying value over the Group's share in PEI's net assets is attributable to the notional goodwill and the difference between the fair value and carrying value of PEI's net assets at the date of acquisition.

| | As of 03/31/21 Unaudited | As of 12/31/20 Audited |
|--------------------|-------------------------------------|---------------------------|
| Revenue | ₱234,464,432 | ₱981,405,568 |
| Costs and expenses | 75,294,637 | 410,613,063 |
| Net income | ₱159,169,795 | ₱570,792,505 |

Investment in EWRTC

The Group has 33.33% investment in EWRTC. The Consortium composed of EWRTC and Alloy MTD Group (represented by MTD Philippines Inc.) has submitted an unsolicited proposal to the Philippine National Railways (PNR) to build and then operate and maintain the East-West Rail Project. The East-West Rail Project is an integrated light rail mass transportation system and is intended to help alleviate the gap in the transportation infrastructure in the metropolis. This project is in line with the objective of the government to increase the ratio of rail transport systems to the rocketing ridership demand in Metro Manila and other major urban cities. The Project will involve the development, design, construction, supply, completion, testing, commissioning, and operation & maintenance of the East-West Rail Project that will traverse the corridor of Quezon Avenue in Quezon City and España Boulevard in Manila. As of December 31, 2020, the Project is already accepted by the PNR. PNR has endorsed the project for approval to the National Economic and Development Authority and the Public-Private Partnership Center.

The following table sets out the summarized financial information of EWRTC as of March 31, 2021 and December 31, 2020:

| | As of 03/31/21 Unaudited | As of 12/31/20 Audited |
|--|-------------------------------------|-----------------------------------|
| Current assets | ₱37,221,361 | ₱36,730,028 |
| Noncurrent assets | 11,052,334 | 4,952,061 |
| Current liabilities | 439,177,660 | 427,401,511 |
| Noncurrent liabilities | - | - |
| Equity attributable to Parent Company | -₱390,903,965 | -₱385,719,422 |
| Carrying amount of the investment | ₱53,659,353 | ₱53,668,686 |

As of March 31, 2021 and December 31, 2020, the Group's share in EWRTC's capital deficiency amounted to ₱130 million and ₱128.6 million, respectively. The excess of the Group's share in the carrying value of EWRTC's net assets over the carrying value of the investment is attributable to the difference between the fair value and carrying value of EWRTC's net assets at the date of acquisition.

| | As of 03/31/21 Unaudited | As of 12/31/20 Audited |
|--------------------|-------------------------------------|-----------------------------------|
| Revenue | - | - |
| Costs and expenses | ₱28,017 | ₱242,903 |
| Net income | -₱28,017 | -₱242,903 |

11. Investment Properties

The Group's investment properties as at March 31, 2021 and December 31, 2020 are classified as follows:

| | As of 03/31/21 Unaudited | As of 12/31/20 Audited |
|------------------------------------|-------------------------------------|-----------------------------------|
| Land held for capital appreciation | 95,523,877 | 95,523,877 |
| Land and building held for lease | 1,610,064 | 1,610,064 |
| | 97,133,941 | 97,133,941 |

The fair values of land and building as of March 31, 2021 and December 31, 2020 as determined by an independent appraiser using a combination of income and cost approach. The valuation techniques used are categorized under level 3 of the fair value hierarchy, amounted to ₱398.4 million in both years. The Group classifies the fair values of land and building under Level 3 fair value hierarchy.

The value of the land was arrived at using the Market Data Approach. In this approach, the value of the land is based on sales and listings of comparable property registered in the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. This valuation approach is categorized as Level 3 in the fair value hierarchy as at March 31, 2021 and December 31, 2020. The significant unobservable input to the valuation is the price per square meter.

The values of the building was arrived using the Income Approach. Income Approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Significant increases or decreases in estimated price per square meter in isolation would result in a significantly higher or lower fair value on a linear basis.

The details of land held for capital appreciation are as follows:

| | |
|---|--------------------|
| Cost: | |
| Balances at beginning of year | ₱95,523,877 |
| Transfers to real estate inventories (Note 6) | - |
| Disposal | - |
| Net carrying value | ₱95,523,877 |

Land and building held for lease for 2021 and 2020 are as follows:

| | Land | Building | Total |
|---------------------------------------|------------|------------|------------|
| Cost: | | | |
| Balances at beginning and end of year | ₱1,610,064 | ₱7,142,747 | ₱8,752,811 |
| Accumulated depreciation: | | | |
| Balances at beginning and end of year | - | 7,142,747 | 7,142,747 |
| | ₱1,610,064 | ₱- | ₱1,610,064 |

In 2019, the Group has sold a land with a net book value of ₱8.5 million and recognized a gain of ₱5.1 million presented as gain on sale of investment property under "Other income" in the consolidated statements of comprehensive income (see Note 23). Proceeds from the sale amounted to ₱13.7 million.

Rental income generated from land held under lease included under "Other income" in the consolidated statements of comprehensive income amounted to ₱0.9 million in 2018 (see Note 23). Direct operating expense related to land held for lease included under "General, administrative and selling expenses" in the consolidated statements of comprehensive income amounted to ₱0.1 million in both 2020 and 2019.

12. **Property, Plant and Equipment**

| March 31, 2021 (Unaudited) | Land | Leasehold Improvements | Bearer Plants | RBD and Fractionation Machineries | Building and Improvements | Machineries and Equipment | Other Equipment | Right of Use Assets | Construction in Progress | Total |
|---------------------------------------|-------------------|-----------------------------------|----------------------|--|--------------------------------------|--------------------------------------|----------------------------|--------------------------------|-------------------------------------|--------------------|
| Cost | | | | | | | | | | |
| At January 1 | 12,967,297 | 91,184,888 | 362,368,026 | 253,060,820 | 57,790,202 | 308,714,770 | 162,240,216 | 30,535,735 | 120,873,353 | 1,399,735,307 |
| Additions | | | | | | 4,299 | 1,137,079 | | | 1,141,379 |
| Disposals | | | | | | | | | | |
| Adjustments | | | | | | | | | -105,140,595 | -105,140,595 |
| At December 31 | 12,967,297 | 91,184,888 | 362,368,026 | 253,060,820 | 57,790,202 | 308,719,069 | 163,377,295 | 30,535,735 | 15,732,758 | 1,295,736,090 |
| Accumulated depreciation | | | | | | | | | | |
| At January 1 | | 20,452,813 | 10,033,784 | 23,225,661 | 49,145,228 | 185,517,721 | 132,799,961 | 2,339,662 | | 423,514,830 |
| Depreciation | | 1,984,944 | | 1,097,401 | 2,234,531 | | 4,454,685 | | | 9,771,560 |
| Disposals | | | | | | | | | | 0 |
| At December 31 | - | 22,437,757 | 10,033,784 | 24,323,062 | 51,379,759 | 185,517,721 | 137,254,646 | 2,339,662 | - | 433,286,390 |
| Allowance for impairment | | | | | | | | | | |
| At January 1 | | | 49,603,598 | - | - | - | - | - | 14,095,856 | 63,699,454 |
| Addition | | | | | | | | | | 0 |
| At December 31 | - | - | 49,603,598 | - | - | - | - | - | 14,095,856 | 63,699,454 |
| Net Book Value | 12,967,297 | 68,747,131 | 302,730,644 | 228,737,758 | 6,410,443 | 123,201,348 | 26,122,650 | 28,196,073 | 1,636,902 | 798,750,246 |

| December 31, 2020 (Audited) | Land | Leasehold Improvements | Bearer Plants | RBD and Fractionation Machineries | Building and Improvements | Machineries and Equipment | Other Equipment | Right of Use Assets | Construction in Progress | Total |
|---------------------------------|------------|---------------------------|---------------|---|------------------------------|------------------------------|--------------------|------------------------|-----------------------------|---------------|
| Cost | | | | | | | | | | |
| At January 1 | 12,967,297 | 91,181,109 | 361,731,276 | 253,060,820 | 57,076,567 | 303,518,953 | 146,356,450 | 30,535,735 | 43,011,570 | 1,299,439,777 |
| Additions | | 3,779 | 636,750 | | | 5,642,246 | 17,388,229 | | 78,575,418 | 102,246,422 |
| Disposals | | | | | | -446,429 | -1,504,463 | | | -1,950,892 |
| Reclassifications | | | | | 713,635 | | | | -713,635 | |
| At December 31 | 12,967,297 | 91,184,888 | 362,368,026 | 253,060,820 | 57,790,202 | 308,714,770 | 162,240,216 | 30,535,735 | 120,873,353 | 1,399,735,307 |
| Accumulated depreciation | | | | | | | | | | |
| At January 1 | | 13,922,587 | 10,004,173 | 12,769,798 | 48,307,864 | 177,428,290 | 120,936,140 | 1,237,695 | | 384,606,547 |
| Depreciation | | 6,530,226 | 29,611 | 10,455,863 | 837,364 | 8,089,431 | 13,022,201 | 1,101,967 | | 40,066,663 |
| Disposals | | | | | | | -1,158,380 | | | -1,158,380 |
| At December 31 | - | 20,452,813 | 10,033,784 | 23,225,661 | 49,145,228 | 185,517,721 | 132,799,961 | 2,339,662 | - | 423,514,830 |
| Allowance for impairment | | | | | | | | | | |
| At January 1 | | | 34,477,264 | - | - | - | - | - | - | 34,477,264 |
| Addition | | | 15,126,334 | - | - | - | - | - | 14,095,856 | 29,222,190 |
| At December 31 | - | - | 49,603,598 | - | - | - | - | - | 14,095,856 | 63,699,454 |
| Net Book Value | 12,967,297 | 70,732,075 | 302,730,644 | 229,835,159 | 8,644,974 | 123,197,049 | 29,440,255 | 28,196,073 | 106,777,497 | 912,521,023 |

There are no contractual commitments to purchase property and equipment.

The depreciation from property, plant and equipment in 2020 and 2019 are recognized as:

| | As of 03/31/21 | As of 12/31/20 |
|--|-----------------------|----------------|
| | Unaudited | Audited |
| General, administrative and selling expenses | ₱1,619,451 | ₱28,371,189 |
| Real estate inventories | 7,380,535 | 9,183,103 |
| Inventories | 771,574 | 1,885,757 |
| Bearer plants | - | 636,750 |
| | ₱9,771,560 | ₱40,076,799 |

In 2020 and 2019, the Group has assessed that its bearer plants have indications of impairment due to the palm oil plantation's bearer plants not reaching their optimal fruiting stages. In 2020 and 2019, the Group recognized impairment loss of ₱15.1 million and ₱14.8 million to account for the estimated fruit loss due to some trees not reaching the optimal fruiting stages in accordance with the industry standard yield.

No additional impairment was recognized by the Group for the remaining bearer plants since management estimated that the recoverable amount exceeds the carrying value of the bearer plants excluding the specific impairment as of December 31, 2020 and 2019. The recoverable amount was computed using discounted cash flows approach and considered certain assumptions such as future FFB production, prices, direct costs, and using an average discount rate of 9.05% and 6.33% in 2020 and 2019, respectively.

In 2020 and 2019, the Group sold property and equipment for ₱0.6 million and ₱5.6 million resulting in a loss of ₱0.2 million and gain of ₱3.5 million, respectively recognized under "Other income" in the consolidated statements of comprehensive income (see Note 23).

13. Accounts and Other Payables

| | As of 03/31/21 | As of 12/31/20 |
|--------------------------|-----------------------|----------------|
| | Unaudited | Audited |
| Trade accounts payable | ₱273,401,945 | ₱413,701,602 |
| Accrued expenses: | 221,347,794 | 149,288,602 |
| Retention payable | 11,110,362 | 33,028,041 |
| Statutory payables | 19,289,113 | 30,436,046 |
| Accrued interest payable | 1,936,994 | 2,156,665 |
| Other payables | 191,401,009 | - |
| | ₱718,487,218 | ₱628,610,957 |

Trade payables are noninterest-bearing and are generally on a 30 to 60-day credit terms.

Statutory payables pertain to dues from remittance to Social Security System, Philippine Health Insurance Corporation, Home Development Mutual Fund, and withholding taxes. These are noninterest-bearing and are normally settled within one year.

Accrued expenses pertain to contractual services, professional fees, rentals and other recurring expenses incurred by the Group.

Retention payable are noninterest-bearing and pertains to the amount withheld by the Group on contractor's billings to be settled upon completion of the relevant contracts within the year. The retention serves as a holdout amount withheld from the contractor to cover for back charges that may arise from quality issues in affected projects.

Other payables include customers' deposits. These are noninterest-bearing and are normally settled within one year.

14. Contract Assets and Liabilities

Contract assets represent the right to consideration that was already delivered by the Group in excess of the amount recognized as ICR. This is reclassified as ICR when the monthly amortization of the customer is already due for collection. The movement in contract asset is mainly due to new real estate sales contract recognized during the period and increase in POC, less reclassification to ICR.

The Group requires buyers of real estate units to pay a minimum percentage of the total contract price as reservation fee before the parties enter into a sale transaction. Payments from buyers which have not yet reached the buyer's equity to qualify for revenue recognition and excess of collections over the recognized receivables and contract assets based on POC are presented as "Contract liabilities" in the consolidated statements of financial position.

When the Parent Company's current collection threshold is reached by the buyer, revenue is recognized and these deposits and down payments are applied against the related ICR. The excess of collections over the recognized revenue is applied against the receivables in the succeeding years. The movement in contract liabilities is mainly due to the reservation sales and advance payments of buyers less real estate sales recognized upon reaching the collection threshold and from increase in POC.

When the buyer's equity is reached by the buyer, revenue is recognized, and these deposits and down payments are applied against the related ICR. The excess of collections over the recognized revenue is applied against the receivables in the succeeding years. The movement in contract liabilities is mainly due to the reservation sales and advance payments of buyers less real estate sales recognized upon reaching the buyer's equity and from increase in POC.

The Group's contract assets and contract liabilities as at March 31, 2021 and December 31, 2020 are as follows:

| | As of 03/31/21 | As of 12/31/20 |
|---------------------------------------|-----------------------|-----------------------|
| | Unaudited | Audited |
| Current portion of contract assets | ₱105,735,270 | ₱76,301,227 |
| Noncurrent portion of contract assets | 20,563,963 | 20,563,963 |
| Contract liabilities | 157,420,924 | 168,966,097 |

15. Related Party Transactions

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

The Group, in the normal course of business has significant transactions with related parties, which principally consist of the following:

- Loans received by the Group from shareholder (see Note 16).

Shareholder Loan - A

As of December 31, 2020 and 2019, the Group has outstanding loan from shareholder, which is classified under “Long term debt” in the consolidated statements of financial position amounting to ₱293.4 million and ₱317.6 million, respectively.

On January 13, 2019, the Group signed into an agreement with the shareholder to restructure the remaining balance of its original short-term loan amounting to ₱369.0 million to be paid in equal monthly amortization payments to commence on January 13, 2019 until December 13, 2030. The loan bears a fixed annual interest rate of 6.00%.

Shareholder Loan - B

As of December 31, 2020 and 2019, ABERDI has outstanding loan from shareholder, which is classified under “Short-term debt” in the consolidated statements of financial position amounting to ₱8.0 million, being on demand and noninterest-bearing.

- Noninterest-bearing cash advances to Group’s associates, PEI and EWRTC.
- Interest-bearing loan received from Brown Resources Corporation (BRC), an affiliate of the Group.
- Advances to officers and employees pertain to salary and other loans granted to the Parent Company’s officers and employees that are collectible through salary deduction. These are noninterest-bearing and are due within one (1) year.

The consolidated statements of financial position include the following amounts resulting from the above transactions with related parties:

| Category | March 31, 2021 (Unaudited) | | | |
|--|----------------------------|----------------------|---------------------------------|--------------------------|
| | Amount | Receivable (Payable) | Terms | Conditions |
| Stockholders | | | | |
| Loans from shareholders - Loan A (Reclassification to longterm debt) | (287,035,874) | - | interest bearing | Unsecured; |
| <i>Current</i> | | (53,840,549) | | no impairment |
| <i>Noncurrent</i> | | (233,195,324) | | |
| December 31, 2020 (Audited) | | | | |
| Category | Amount | Receivable (Payable) | Terms | Conditions |
| Shareholders | | | | |
| Short-term debt (see Note 16): | | | | |
| <i>Shareholder Loan - B</i> | ₱- | (₱8,000,000) | On demand; non-interest bearing | Unsecured; no collateral |
| Long-term debt (see Note 16): | | | | |
| <i>Shareholder Loan - A</i> | | | | |
| Principal and interest payments | (₱24,200,000) | ₱- | 12-year, 6.00% interest-bearing | Unsecured; |
| <i>Current</i> | - | (32,558,172) | | no collateral |
| <i>Noncurrent</i> | - | (260,886,842) | | |

| December 31, 2020 (Audited) | | | | |
|-----------------------------|--------------|-------------------------|---|-----------------------------|
| Category | Amount | Receivable (Payable) | Terms | Conditions |
| BRC | | | | |
| Proceeds | 1,400,000 | - | 2-year, 6.00% interest- bearing | Unsecured; no collateral |
| | (452,773) | - | | |
| Principal payments | | | | |
| Interest payments | (36,373) | - | | |
| Current | - | (947,227) | | |
| | (23,289,146) | (294,392,241) | | |
| Associates | | | | |
| Advances to*: | | | | |
| | | ₱80,642,965 | On demand; non- interest bearing | Unsecured; no impairment |
| PEI | ₱- | 37,047,960 | | |
| EWRTC | 3,206,362 | | | |
| | 3,206,362 | 117,690,925 | | |

* Presented as "Receivables from related parties" in the consolidated statements of financial position.

* Presented as "Receivables from related parties" in the consolidated statements of financial position.

Terms and Conditions of Transactions with Related Parties

The outstanding accounts with related parties, except for the advances to key management personnel, shall be settled in cash. There have been no guarantees provided or received for any related party receivables or payables. These accounts are generally unsecured. Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. The Group has approval process and established limits when entering into material related party transactions.

The compensation of the key management personnel, included as part of salaries, wages and employee benefits under "General and administrative expenses" in the consolidated statements of comprehensive income follows:

| Key Management Personnel | As of 03/31/21 Unaudited | As of 12/31/20 Audited |
|---------------------------------|-------------------------------------|-----------------------------------|
| Salaries and wages | ₱8,739,732 | ₱25,912,552 |
| Short-term benefits | 300,000 | 1,200,000 |
| | ₱9,039,732 | ₱27,112,552 |

Key management personnel of the Group include all directors and senior management.

16. Loans Payable

Loans payable represents various secured and unsecured loans obtained from local banks and shareholders to finance the Group's real estate development projects, working capital requirements and for general corporate purposes.

The Group entered into loan agreements with the following banks, Union Bank of the Philippines (UBP), United Coconut Planters Bank (UCPB), May Bank Philippines (MBI), Philippine Bank of Communication (PBCOM), BPI Family Savings Bank (BPIF), China Bank Corporation (CBC), Caterpillar Financial Services Phils., Inc. (CFSPI), Development Bank of the Philippines (DBP), Brown Resources Corporation (BRC), and from a shareholder.

Short-term debt

Short-term debt represents peso loans obtained from local banks and shareholder for working capital and financing requirements. These loans, except loan from shareholder, bear annual interest rates ranging from 4.5% to 9.0% in 2020 and 2019, subject to semi-annual and quarterly repricing and are due at various dates within the following year from the reporting date. Loan from shareholder is on demand and noninterest-bearing.

| | As of 03/31/21 | As of 12/31/20 |
|-------------|-----------------------|---------------------|
| | Unaudited | Audited |
| CBC | ₱100,000,000 | ₱100,000,000 |
| UCPB | 32,509,400 | 173,668,000 |
| UBP | 100,000,000 | 32,509,400 |
| DBP | 156,041,000 | 100,000,000 |
| Shareholder | | 8,000,000 |
| | ₱388,550,400 | ₱414,177,400 |

Interest expense arising from these loans amounts to ₱25.8 million and ₱21.1 million in 2020 and 2019, respectively.

Long-term debt

The long-term debt represents various loans obtained from local banks and shareholders to finance the Parent Company's real estate projects and for general corporate purposes.

| Bank | As of 03/31/21 | As of 12/31/20 |
|--------------|-----------------------|---------------------|
| | Unaudited | Audited |
| UBP | ₱274,722,222 | ₱298,055,556 |
| BRC | 715,708 | 947,227 |
| CFSPI | 4,464,466 | 4,833,211 |
| UCPB | 75,191,487 | 87,000,000 |
| MAYBANK | 33,333,333 | 40,000,000 |
| DBP | 1,636,484 | 3,823,984 |
| PBCOM | 9,657,177 | 37,451,484 |
| CBC | 23,917,693 | 23,824,911 |
| BPIF | 25,602,307 | 31,475,181 |
| SHAREHOLDERS | 287,035,874 | 293,445,014 |
| | 736,276,751 | 820,856,568 |
| Current | 240,945,759 | 254,200,759 |
| | ₱495,330,992 | ₱566,655,809 |

Loans from UBP

Loans from UBP are comprised of loans subject to fixed and variable interest rates which are payable in monthly installments and secured by real estate mortgage. Fixed-rate loans have annual interest rates ranging from 5.78% to 9.10% payable for 2 to 5 years. Variable-rate loans are subject to variable interest rates based on Philippine Dealing System Treasury Reference Rate 2 (PDST-R2) plus 1.5% subject to a floor rate of 5.5% payable for 7 years.

Loans from UCPB

These loans are payable in quarterly installments for 8 years secured by real estate mortgage which are subject to variable interest rates ranging from 8.00% to 8.20% and 5.25% to 8.20% in 2020 and 2019, respectively, based on 3-month Philippine Dealing System Treasury Fixing (PDST-F) rate obtaining at the time of availment, plus a spread of 2% inclusive of gross receipts tax (GRT) or floor rate of 5.25% inclusive of GRT per annum whichever is higher, subject to quarterly payment and resetting.

Loan from MBI

This loan is payable in quarterly installments for 3 years secured by real estate mortgage which is subject to a fixed annual interest rate of 8.00%.

Loans from PBCOM

These loans are payable in monthly installments and secured by real estate mortgage. Fixed-rate loan has annual interest rate of 11.50% payable for 5 years. Variable-rate loan is subject to variable interest rates ranging from 8.00% to 10.75% payable for 4 years based on prevailing market interest rate for the same or similar type of loans as determined by the bank.

Loans from BPIF

These loans are payable in quarterly installments and secured by real estate mortgage. Fixed-rate loan has annual interest rates of 5.5% payable for 7 years. Variable-rate loans are subject to variable interest rates ranging from 5.23% to 7.75% payable for 7 to 10 years based on prevailing market interest rate for the same or similar type of loans as determined by the bank.

Loans from CBC

These loans are payable in monthly installments for 2 to 5 years pertaining to secured car loans subject to fixed annual interest rates ranging from 8.76% to 9.89%.

Loan from CFSPI

This loan is payable in monthly installments for 3 years, unsecured, and subject to a fixed annual interest rate of 11%.

Loan from DBP

This loan is payable in quarterly installments for 4 years secured by real estate mortgage which is subject to a fixed annual interest rate of 5.25%.

Loans from BRC

This loan is payable in monthly installments for 2 years, unsecured, and subject to a fixed annual interest rate of 6% (see Note 15).

Shareholder Loan - A (modified)

On January 13, 2019, the Parent Company signed into an agreement with the shareholder to restructure the remaining balance of its original short-term loan amounting to ₱369.0 million to be paid in equal monthly amortization payments to commence on January 13, 2019 until December 13, 2030. This loan is now payable in monthly installments for 12 years, unsecured, and subject to a fixed annual interest rate of 6% (see Note 15).

Borrowing Cost

Interest expense arising from these loans and from those due to related parties recognized in consolidated statements of comprehensive income amounts to ₱33.2 million and ₱37.6 million in 2020 and 2019, respectively. In 2020 and 2019, borrowing costs amounting to ₱36.2 million and ₱35.7 million, respectively, are capitalized as part of real estate inventories (see Note 6). The capitalization rate used to determine the borrowing costs eligible for capitalization is 3.57% and 3.92% for 2020 and 2019, respectively.

Interest expense (excluding capitalized borrowing costs) recognized in the consolidated statements of comprehensive income amounts to ₱23.0 million and ₱23.1 million in 2020 and 2019, respectively.

Security and Debt Covenants

Real estate inventories with carrying amounts of ₱236.7 million and ₱322.8 million as of December 31, 2020 and 2019, respectively, are collateralized for its loans payable (see Note 6).

The Group is not subject to any financial or negative covenants from its short-term and long-term debts.

17. Equity

Common stock

As of March 31, 2021 and December 31, 2020, the Group's common stock consists of:

| | Authorized Capital Stock | Outstanding | |
|---|-----------------------------|-------------------------------|--------------------------------|
| | | March 31, 2021 (Unaudited) | December 31, 2020 (Audited) |
| Subscribed and issued common shares*, ₱1 par value | 3,300,000,000 | 2,477,668,925 | 2,477,668,925 |
| Less treasury shares | | 47,901,014 | 25,664,014 |
| | | 2,429,767,911 | 2,452,004,911 |

On October 12, 2017, the BOD approved the conversion of the Group's debt to Brownfield Holdings Incorporated amounting to ₱250,000,000 and deposits for future subscription of Valueleases, Inc. and RME Consulting, Inc. amounting to ₱200,000,000 to equity at ₱1.13 per share resulting to increase the number of issued shares by 398,230,088 shares.

On May 19, 2016, the Group declared stock dividends amounting to 346,573,104 shares for the stockholders of record as of February 10, 2017 and distributed 346,572,301 shares net of 803 fractional shares to the stockholders.

These stock transactions resulted to an increase in the Group's authorized and subscribed shares of capital stock of 1,300,000,000 and 744,802,389 common shares, respectively.

Record of Registration of Securities with the SEC

The Securities and Exchange Commission (SEC) issued the following orders related to the Group's registration of its securities which are offered to the public: SEC-BED Order No. 1179 issued on December 17, 1993 of 200.0 million shares at an issue price of ₱4.50 per share; SEC-BED Order No. 847 issued on August 15, 1994 of 230.0 million shares; and, SEC-CFD Order No. 64 issued on March 12, 1996 of 530.0 million shares. Common shares are the only equity securities registered and issued by the Group.

There were 2,089 and 2,090 stockholders as of March 31, 2021 and December 31, 2020, respectively in the records of the transfer agent, Professional Stock Transfer, Inc. (PSTI).

The share price closed at ₱0.88 on March 31, 2021 and ₱0.90 on December 29, 2020.

Additional paid-in capital (APIC)

There are no movements in APIC in March 2021 and in 2020. APIC amounted to ₱638.0 million as of March 31, 2021 and December 31, 2020.

Treasury shares

In 2016, the Group has acquired all of the unissued fractional shares arising from the stock dividend declaration in 2013, constituting an aggregate of 1,014 shares. These 1,014 shares were reflected as subscribed and issued shares and recognized as treasury shares at cost equal to par value of ₱1.

On August 17, 2020, the BOD of the Parent Company has approved the implementation of a share buyback program of up to ₱50.0 million worth of the Parent Company's common shares.

As of March 31, 2021, the Parent Company has bought back from the market a total of 47,901,014 shares or ₱21.2 million. These treasury shares are recorded at cost and are not entitled for dividends.

The movement in the Parent Company's treasury shares follows:

| | March 31, 2021 (Unaudited) | | December 31, 2020 (Audited) | |
|---------------|---------------------------------------|---------------------|--------------------------------|-------------|
| | Shares | Amount | Shares | Amount |
| At January 1 | 25,664,014 | ₱21,236,419 | 1,014 | ₱1,014 |
| Additions | 22,237,000 | 20,603,695 | 25,663,000 | 21,235,405 |
| At End | 47,901,014 | ₱ 41,840,114 | 25,664,014 | ₱21,236,419 |

Retained earnings

Retained earnings include the accumulated equity in undistributed net earnings of consolidated subsidiaries amounting to ₱1,480.6 million and ₱1,442.1 million as of March 31, 2021 and December 31, 2020, respectively. These amounts are not available for dividend declaration until these are declared by the subsidiaries.

Noncontrolling interest

The Group's noncontrolling interest recognized is the proportionate interests of the Parent Company in MCPI. Noncontrolling interest amounted to ₱3.3 million as of March 31, 2021 and December 31, 2020.

The summarized financial information of MCPI are provided below.

| | As of 03/31/21 Unaudited | As of 12/31/20 Audited |
|-------------|-------------------------------------|---------------------------|
| Assets | ₱6,855,164 | ₱6,788,403 |
| Liabilities | 80,653 | 108,653 |
| Equity | 6,774,487 | 6,679,750 |
| Net loss | 5,363 | 100,617 |

Capital management

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

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

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

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis.

The Group is not subject to externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital in 2020 and 2019.

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

| | As of 03/31/21 | As of 12/31/20 |
|----------------------------|-----------------------|----------------|
| | Unaudited | Audited |
| Short-term debt | ₱388,550,400 | ₱414,177,400 |
| Long-term debt | 736,276,751 | 816,851,568 |
| Capital stock | 2,477,668,925 | 2,477,668,925 |
| Additional paid-in capital | 637,968,859 | 637,968,859 |
| Treasury shares | -41,840,114 | -21,236,419 |
| Retained earnings | 1,382,883,134 | 1,442,123,390 |
| | ₱5,581,507,956 | ₱5,767,553,723 |

Earnings per share

Basic earnings per share amounts attributable to equity holders of the Parent Company are as follows:

| | As of 03/31/21 | As of 12/31/20 |
|---|-----------------------|----------------|
| | (Unaudited) | (Audited) |
| Net income attributable to the owners of the Parent Company | ₱162,579,556 | ₱294,130,474 |
| Weighted average number of outstanding shares | 2,440,287,022 | 2,468,708,146 |
| Basic earnings per share | ₱0.07 | ₱0.12 |

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

18. General, Administrative and Selling Expenses

| | As of 03/31/21 | As of 12/31/20 |
|---------------------------|-----------------------|----------------|
| | Unaudited | Audited |
| Personnel cost | ₱21,891,240 | ₱15,920,183 |
| Marketing | 7,507,225 | 10,836,842 |
| Taxes and licenses | 6,787,714 | 4,063,000 |
| Outside services | 7,323,934 | 4,969,179 |
| Professional fees | 1,675,290 | 1,516,398 |
| Depreciation | 1,619,451 | 4,856,258 |
| Rental | 1,803,433 | 906,130 |
| Utilities and supplies | 2,727,546 | 2,343,000 |
| Transportation and travel | 1,166,332 | 2,490,120 |
| Repairs and maintenance | 1,516,130 | 1,149,882 |
| Insurance | 530,017 | 218,842 |
| Bank charges | 663,412 | |
| Others | 2,516,787 | 2,109,867 |
| | ₱57,728,510 | ₱51,379,701 |

Marketing expenses significantly include amortization of the costs to obtain contracts on real estate sales and advertising expenses incurred by the Group.

“Others” pertain to expenses arising from business and research development and software maintenance.

19. Income Taxes

Provision for current income tax pertains to minimum corporate income tax (MCIT) and regular corporate income tax (RCIT) as follows:

| | As of 03/31/21 (Unaudited) | As of 03/31/20 (Unaudited) |
|------|---------------------------------------|-------------------------------|
| RCIT | ₱ 14,263,470 | ₱27,175,305 |
| MCIT | 386,117 | 3,647,294 |
| | ₱ 3,430,751 | ₱30,822,599 |

The components of net deferred tax liabilities as of March 31, 2021 and December 31, 2020 follow:

| | As of 03/31/21 Unaudited | As of 12/31/20 Audited |
|---|-------------------------------------|---------------------------|
| Deferred tax liabilities on: | | |
| Excess of real estate sales based on POC over real estate sales based on tax rules | -₱229,697,830 | -₱161,984,063 |
| Prepaid commission | -3,996,839 | -4,801,593 |
| | -233,694,669 | -166,785,656 |
| Deferred tax assets on: | | |
| Difference between accounting and tax base on assets acquired in business combination | 15,961,606 | 15,961,606 |
| Retirement benefit liability | 8,421,518 | 8,421,518 |
| Allowance for impairment on receivables | 838,259 | 838,259 |
| Unamortized past service costs | 86,805 | 86,805 |
| Unrealized foreign exchange loss | 11,249 | 11,249 |
| | -208,375,232 | -141,466,219 |
| In equity: | | |
| Remeasurement loss on retirement benefit plan | 10,059,086 | 10,059,086 |
| Cumulative translation adjustment | -1,136,696 | -1,283,132 |
| | 8,922,390 | 8,775,954 |
| Deferred tax liabilities - net | -₱199,452,842 | -₱132,690,265 |

The components of net deferred tax assets as of March 31, 2021 and December 31, 2020 follow:

| | As of 03/31/21 | As of 12/31/20 |
|--|-----------------------|--------------------|
| | Unaudited | Audited |
| Deferred tax assets on: | | |
| Allowance for impairment loss on property, plant and equipment | ₱25,041,762 | ₱14,977,884 |
| Retirement benefit obligation | 869,032 | 619,379 |
| Allowance for impairment on receivables | 15,875 | 15,875 |
| ROU asset | 91,473 | 91,473 |
| Unrealized forex loss | 300 | 300 |
| | 26,018,442 | 15,704,911 |
| In equity: | | |
| Remeasurement loss on retirement benefit plan | 781,552 | 781,552 |
| Deferred tax assets | ₱26,799,994 | ₱16,486,463 |

Unrecognized deferred tax assets

The Group has NOLCO and MCIT that are available for offset against future taxable income or tax payable for which deferred tax assets have not been recognized amounting to ₱46.6 million and ₱46.3 million as of December 31, 2020 and 2019, respectively. These come from the following subsidiaries: ABERDI, BAC, PTCHC, ABBWCI, HLPC, SHDI, MCPI and VEC.

NOLCO. The details of NOLCO are as follow:

| Year Incurred | Expiry Date | At December 31, 2019 | Addition | Expired | At December 31, 2020 |
|---------------|-------------------|----------------------|--------------------|----------------------|----------------------|
| 2017 | December 31, 2020 | ₱41,046,466 | ₱- | (₱41,046,466) | ₱- |
| 2018 | December 31, 2021 | 54,814,014 | - | - | 54,814,014 |
| 2019 | December 31, 2022 | 55,285,830 | - | - | 55,285,830 |
| 2020 | December 31, 2025 | - | 41,586,606 | - | 41,586,606 |
| | | ₱151,146,310 | ₱41,586,606 | (₱41,046,466) | ₱151,686,450 |

MCIT. The details of excess MCIT are as follow:

| Year Incurred | Expiry Date | At December 31, 2019 | Addition | Expired | At December 31, 2020 |
|---------------|-------------------|----------------------|-----------------|-------------------|----------------------|
| 2017 | December 31, 2020 | ₱253,461 | ₱- | (₱253,461) | ₱- |
| 2018 | December 31, 2021 | 373,900 | - | - | 373,900 |
| 2019 | December 31, 2022 | 304,879 | - | - | 304,879 |
| 2020 | December 31, 2023 | - | 386,117 | - | 386,117 |
| | | ₱932,240 | ₱386,117 | (₱253,461) | ₱1,064,896 |

Bayanihan to Recover as One Act (Bayanihan 2)

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4 of Bayanihan 2 which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

Office of the President of the Philippines signed into law on March 26, 2021 the 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, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 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.

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, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred income 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 (30% RCIT and 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Group would have been subjected to lower RCIT and MCIT of 25% and 1%, respectively, 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 RCIT rate of the Parent Company and NC and prorated MCIT rate of ABERDI for the year ended December 31, 2020 is 27.5% and 1.5%, respectively. This will result in a lower provision for current income tax for the year ended December 31, 2020 by ₱5.8 million. The reduced amounts will be reflected in the annual income tax return of the Parent Company, NC and ABERDI in 2020. However, for financial reporting purposes, the changes will only be recognized in the 2021 financial statements.

20. Lease Agreements

Group as a Lessor

The Group leased its various properties under operating leases. The term of the lease agreements is for one year and is renewable upon mutual agreement of both parties. The agreements provide that the lessees shall pay for all major and minor repairs, business taxes, and charges for water, light, telephone and other utilities expense. There is no escalation clause and the leases are classified as operating leases.

In March 2021 and 2020, lease agreements have expired and were not renewed.

Group as a Lessee

In 2021 and 2019, the Group entered into lease agreements with related and non-related parties for its office spaces in Cagayan de Oro City and Metro Manila and on certain transportation equipment which have lease terms of 12 months or less and are renewable upon the agreement of both parties. The Group applies the 'short-term lease' recognition exemption for these leases.

There are no other significant restrictions imposed by lease agreements such as those concerning dividends, additional debt and further leasing.

In March 2021 and 2020, rent expense amounted to ₱1.8 million and ₱8.6 million, respectively.

The Group paid advance rentals for the rights to use parcels of land in Impasugong, Kalabugao, Salawaga Tingalan, Opol, Misamis Oriental and Tignapoloan, Cagayan de Oro City and to develop them as palm oil commercial plantations under the Group's DCs with KASAMAKA and KMBT identified as contracts containing leases scoped in under PFRS 16. There are no future lease payments related to these lease contracts.

21. **Other Income - net**

| | As of 03/31/21 Unaudited | As of 03/31/20 Unaudited |
|--------------------------------|-------------------------------------|-------------------------------------|
| Surcharge Income | ₱91,827 | - |
| Income from forfeited deposits | 5,079,109 | 739,505 |
| Miscellaneous Income | 1,688,479 | 1,297,133 |
| | ₱6,859,415 | 2,036,638 |

Income from forfeited deposits pertains to collections from potential buyers deemed nonrefundable due to prescription of the period for entering into a contracted sale and/or payment from defaulting buyers upon prescription of the period for payment of the required amortizations subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act*.

22. **Financial Risk Management Objectives and Policies**

The Group is exposed to a variety of financial risks, which resulted from its operating, investing and financing activities in relation to its financial instruments which include financial assets comprising cash, receivables, advances to a related party, EIFVPL, EIFVOCI and refundable deposits included under "Other assets". This also includes financial liabilities comprising accounts and other payables (excluding statutory payables), short-term and long-term debts. The main types of risks are market risk (mainly interest rate and equity price risks), credit risk and liquidity risk which arise in the normal course of the Group's business activities.

The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's results and financial position. The Group actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principle. The management takes charge of the Group's overall risk management strategies and for approval of risk strategies and policies under the direction of the Group's BOD.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. There were no changes in the Group's financial risk management objectives and policies in 2020 and 2019.

The main risks arising from the use of financial instruments are credit risk, liquidity risk and interest rate risk. The Group's BOD reviews and agrees with policies for managing each of these risks. These are summarized below:

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group trades only with recognized, creditworthy third parties. The Group's receivables are monitored on an ongoing basis to manage exposure to bad debts and to ensure timely execution of

necessary intervention efforts. The Group's debt financial assets are not subject to collateral and other credit enhancement except for real estate receivables. Real estate buyers are subject to standard credit check procedures, which are calibrated based on payment scheme offered. The Group's respective credit management units conduct a comprehensive credit investigation and evaluation of each buyer to establish creditworthiness.

In addition, the credit risk for ICRs is mitigated as the Group has the right to cancel the sales contract without need for any court action and take possession of the subject real estate property in case of refusal by the buyer to pay on time the due ICR. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price. In case of default, after enforcement activities, the Group has the right to cancel the sale and enter into another CTS to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Given this, based on the experience of the Group, the maximum exposure to credit risk at the reporting date is nil considering that fair value less cost to repossess of the real estate projects is higher than the exposure at default (i.e., recovery rate is more than 100%).

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

The Group's maximum exposure to credit risk is equal to the carrying values of its debt financial assets except for real estate receivables as discussed above. The table below shows the credit quality and aging analysis of the Group's financial assets:

| | As of 03/31/21 Unaudited | As of 12/31/20 Audited |
|--|-------------------------------------|-----------------------------------|
| Financial assets: | | |
| Cash in banks (Note 4) | ₱120,866,107 | ₱229,951,733 |
| Receivables and contract assets (Note 5)* | 1,396,267,219 | 1,077,448,876 |
| Receivables from related parties (Note 15) | - | 117,690,925 |
| Refundable deposits (Note 8) | 39,467,057 | 46,869,053 |
| | ₱1,556,600,384 | ₱1,471,960,587 |

* Excluding advances to officers and employees amounting to ₱5.3M and ₱2.9M in 2021 and 2020, respectively.

The aging analysis of debt financial assets as of March 31, 2021 and December 31, 2020 are as follows:

| | March 31, 2021 (Unaudited) | | | | | | |
|---------------------|----------------------------|-------------------------------------|---------------------------|------------------|------------------|----------------------|------------------|
| | Total | Neither Past Due nor Impaired | Past Due But not Impaired | | | | Impaired |
| | | | Less than 30 Days | 30-60 Days | 61-90 Days | More than 90 Days | |
| Financial assets: | | | | | | | |
| Cash in banks | 120,866,107 | 120,866,107 | - | - | - | - | - |
| Receivables* | 1,396,267,219 | 1,381,593,667 | 3,492,751 | 3,476,449 | 1,624,456 | 1,819,037 | 4,260,860 |
| Refundable deposits | 39,467,057 | 39,467,057 | - | - | - | - | - |
| | 1,556,600,384 | 1,541,926,832 | 3,492,751 | 3,476,449 | 1,624,456 | 1,819,037 | 4,260,860 |

| | December 31, 2020 (Audited) | | | | | | |
|----------------------------------|-----------------------------|-------------------------------------|---------------------------|--------------------|--------------------|----------------------|----------------|
| | Total | Neither Past Due nor Impaired | Past Due But not Impaired | | | | Impaired |
| | | | Less than 30 Days | 30-60 Days | 61-90 Days | More than 90 Days | |
| Financial assets: | | | | | | | |
| Cash in banks | 229,951,733 | 229,951,733 | - | - | - | - | - |
| Receivables* | 1,077,448,876 | 340,414,147 | 265,144,276 | 205,541,894 | 100,784,828 | 164,990,632 | 573,100 |
| Receivables from related parties | 117,690,925 | 117,690,925 | - | - | - | - | - |
| Refundable deposits | 46,869,053 | 46,869,053 | - | - | - | - | - |
| | 1,471,960,587 | 734,925,858 | 265,144,276 | 205,541,894 | 100,784,828 | 164,990,632 | 573,100 |

* Excluding advances to officers and employees amounting to ₱2,985,025.

* Excluding advances to officers and employees amounting to ₱1,318,906.

Credit quality per class of the Group's financial assets are as follows:

| | March 31, 2021 (Unaudited) | | | | | |
|---------------------|-------------------------------|----------|----------|------------------------------|-------------------------|----------------------|
| | Neither Past Due nor Impaired | | | Past Due but Not Impaired | Overdue and Impaired | Total |
| | High | Medium | Low | | | |
| Financial assets: | | | | | | |
| Cash in banks | 120,866,107 | - | - | - | - | 120,866,107 |
| Receivables* | 1,381,593,667 | - | - | 10,412,692 | 4,260,860 | 1,396,267,219 |
| Refundable deposits | 39,467,057 | - | - | - | - | 39,467,057 |
| | 1,541,926,832 | 0 | 0 | 10,412,692 | 4,260,860 | 1,556,600,384 |

| December 31, 2020 (Audited) | | | | | | |
|----------------------------------|-------------------------------|--------|-----|---------------------------|----------------------|---------------|
| | Neither Past Due nor Impaired | | | Past Due but Not Impaired | Overdue and Impaired | Total |
| | High | Medium | Low | | | |
| Financial assets: | | | | | | |
| Cash in banks | 229,951,733 | - | - | - | - | 229,951,733 |
| Receivables* | 340,414,146 | - | - | 736,461,629 | 573,100 | 1,077,448,875 |
| Receivables from related parties | 117,690,925 | - | - | - | - | 117,690,925 |
| Refundable deposits | 46,869,053 | - | - | - | - | 46,869,053 |
| | 734,925,857 | 0 | 0 | 736,461,629 | 573,100 | 1,471,960,586 |

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

- High quality financial assets include cash and cash equivalents, which include Cash in banks, refundable deposits, EIFVPL and EIFVOCI which are entered into with highly reputable counterparties. This also includes receivables with no default in payments.
- Medium quality financial assets are accounts which are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. The Group's EIFVOCI are classified as Grade B because these assets are susceptible to untoward consequences due to the current financial positions of counterparties.
- Low quality financial assets are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms. This includes receivables with up to 3 defaults in payment.

Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and advances from related parties. The Group monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash deemed adequate by management to finance its operations and capital requirements and to mitigate the effects of fluctuations in cash flows. The Group considers its available funds and its liquidity in managing its long-term financial requirements. It matches its projected cash flows to the projected amortization of long-term borrowings. For its short-term funding, the Group's policy is to ensure that there are sufficient operating inflows to match repayments of short-term debt. As part of its liquidity risk management, it regularly evaluates its projected and actual cash flows.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchanges rates, commodity prices, equity prices and other market changes.

Interest Rate Risk. Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rates or rates subject to repricing as it can cause a change in the amount of interest payments. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all variables held constant, of the Group's income before tax and equity, through the impact on floating rate borrowings:

| 2020 | | 2019 | |
|---|--------------------------------|---|--------------------------------|
| Increase (decrease) in basis points | Effect on profit before tax | Increase (decrease) in basis points | Effect on profit before tax |
| 300 | (P12,725,118) | 300 | (P10,684,467) |
| 200 | (8,483,412) | 200 | (7,122,978) |
| 100 | (4,241,706) | 100 | (3,561,489) |
| (100) | 4,241,706 | (100) | 3,561,489 |
| (200) | 8,483,412 | (200) | 7,122,978 |
| (300) | 12,725,118 | (300) | 10,684,467 |

Equity Price Risk. The Group's equity investments listed in the PSE and golf and club shares are susceptible to market price risk arising from uncertainties about future values of the investment securities.

The Group is exposed to equity price risk with respect to EIFVOCI.

The analysis below demonstrates the sensitivity to a reasonably possible change of market index with all other variables held constant, of the Group's net income and equity as of December 31, 2020 and 2019.

| Change in index | Effect on net income | | Effect on equity | |
|-----------------|----------------------|-------------|--------------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| +5% | P3,286,877 | P3,174,222 | P8,289,498 | P7,739,022 |
| -5% | (3,286,877) | (3,174,222) | (8,289,498) | (7,739,022) |

The following table presents a comparison by category of carrying values and estimated fair values of the Group's financial instruments as at March 31, 2021 and December 31, 2020:

| | March 31, 2021 (Unaudited) | | December 31, 2020 (Audited) | |
|----------------------------------|----------------------------|-----------------------|-----------------------------|----------------|
| | Carrying Values | Fair Values | Carrying Values | Fair Values |
| Financial Assets | | | | |
| Cash | P122,310,875 | P122,310,875 | P229,951,733 | P229,951,733 |
| Receivables* | 1,392,006,359 | 1,392,006,359 | 1,077,448,876 | 1,080,131,135 |
| Receivables from related parties | - | - | 117,690,925 | 117,690,925 |
| EIFVOCI | 175,637,105 | 175,637,105 | 175,587,105 | 175,587,105 |
| Refundable deposits | 39,467,057 | 39,467,057 | 46,869,053 | 46,869,053 |
| | P1,729,421,396 | P1,729,421,396 | P1,647,547,692 | P1,650,229,951 |
| Financial Liabilities | | | | |
| Accounts and other payables** | P699,198,105 | P699,198,105 | P584,414,702 | P584,414,702 |
| Short-term debt | 388,550,400 | 388,550,400 | 414,177,400 | 414,177,400 |
| Long-term debt | 736,276,751 | 736,276,751 | 816,851,568 | 897,701,778 |
| | P1,824,025,256 | P1,824,025,256 | P1,815,443,670 | P1,896,293,880 |

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

- *Cash, receivables (except ICR), refundable deposits, accounts and other payables and short term-debt.* The fair values approximate their carrying amounts as of reporting dates due to the short-term maturity of these financial instruments.
- *ICR.* The fair value of ICR due within one year approximates its carrying amount. Noncurrent portion of ICR are discounted using the applicable discount rates for similar types of instruments (Level 3 input).
- *EIFVPL.* The carrying value is equivalent to its fair value. The fair values have been determined directly by reference to published prices in an active market (Level 1 input).
- *EIFVOCI.* For publicly traded equity securities, fair values are based on quoted prices. For unquoted equity securities, the fair value is determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions and reflect appropriate risk adjustments that market participants would make for credit and liquidity risks existing at the end each of reporting period. The fair values are determined based on average selling price of price per share of similar or identical assets traded in an active market (Level 2 input).
- *Long-term debt.* The fair value of borrowings with fixed interest rate is based on the discounted net present value of cash flows using the PH BVAL. Discount rates used range from 5.4% and 7.5% in 2019 and 5.5% to 7.2% in 2018. The Group classifies the fair value of its long-term debt under Level 3.

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; and,
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at March 31, 2021 and December 31, 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

23. Segment Information

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

The segments where the Group operate follow:

- Real estate development - Development of land into commercial and residential subdivision, sale of lots and residential houses and the provision of customer financing for sales;
- Agricultural - Development of land for palm oil production and sale of palm oil and other palm products including, but not limited to refined bleached deodorized oil, palm olein, crude palm oil, palm stearin, palm acid oil, palm fatty acid distillate, and palm kernels.
- Power and utilities - Operating of power plants and/or purchase, generation, production supply and sale of power. However, there was no commercial operations yet as of December 31, 2020;
- Holding - Holding of properties of every kind and description.

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

For the years ended December 31, 2020, 2019 and 2018, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

The financial information about the operations of these operating segments is summarized below (in thousands):

| | For the Year Ended March 31, 2021 (Unaudited) | | | | | |
|---|---|--------------|------------------------|---------|--------------|--------------|
| | Real Estate Development | Agricultural | Power and Utilities | Holding | Eliminations | Consolidated |
| Revenue | 211,848 | 4,285 | - | - | - | 216,133 |
| Costs and expenses | 42,144 | 2,452 | - | - | - | 44,595 |
| Gross profit | 169,705 | 1,833 | - | - | - | 171,538 |
| General, administrative and selling expenses | 47,636 | 10,113 | 40 | 663 | -723 | 57,729 |
| Other income (expenses) | 67,521 | -335 | | | -723 | 66,463 |
| Income (loss) before income tax | 189,590 | -8,616 | -40 | -663 | 0 | 180,272 |
| Provision for (benefit from) income tax | 17,694 | | | | | 17,694 |
| Net income (loss) | 171,896 | -8,616 | -40 | -663 | 0 | 162,577 |
| Net income attributable to: | | | | | | |
| Owners of the Parent Company | 171,896 | -8,616 | -40 | -660 | 0 | 162,580 |
| Non-controlling interests | - | | - | (3) | | -3 |
| | 171,896 | -8,616 | -40 | -663 | 0 | 162,577 |

| | For the Year Ended March 31, 2021 (Unaudited) | | | | | |
|--------------------------|---|--------------|------------------------|---------|--------------|--------------|
| | Real Estate Development | Agricultural | Power and Utilities | Holding | Eliminations | Consolidated |
| Other information | | | | | | |
| Segment assets | 6,453,547 | 1,238,402 | 927,698 | 275,343 | -2,452,284 | 6,442,706 |
| Deferred tax assets | 19,406 | 7,248 | - | - | 0 | 26,654 |
| Total Assets | 6,472,952 | 1,245,650 | 927,698 | 275,343 | -2,452,284 | 6,469,359 |
| Segment liabilities | 1,915,076 | 1,120,232 | 774,490 | 315,953 | -1,859,292 | 2,266,460 |
| Deferred tax liabilities | 199,451 | - | - | - | - | 199,451 |
| Total Liabilities | 2,114,527 | 1,120,232 | 774,490 | 315,953 | -1,859,292 | 2,465,911 |

| | As of 03/31/20 (Unaudited) | | | | | |
|--|----------------------------|--------------|------------------------|---------|--------------|--------------|
| | Real Estate Development | Agricultural | Power and Utilities | Holding | Eliminations | Consolidated |
| Revenue | ₱231,820 | ₱10,618 | | | | ₱242,438 |
| Costs and expenses | 50,392 | 9,568 | - | - | - | 59,959 |
| Gross profit | 181,428 | 1,050 | - | - | - | 182,478 |
| General, administrative and selling expenses | 41,331 | 10,993 | ₱32 | | | 52,355 |
| Other income (expenses) | -27,652 | -2,655 | | ₱16,379 | 57,742 | 43,814 |
| Income (loss) before income tax | 112,446 | -12,598 | -32 | 16,379 | 57,742 | 173,937 |
| Provision for (benefit from) income tax | 34,601 | -3,779 | 1 | - | - | 30,823 |
| Net income (loss) | ₱77,845 | -₱8,818 | -₱33 | ₱16,379 | 57,742 | ₱143,115 |
| Net income attributable to: | | | | | | |
| Owners of the Parent Company | ₱77,845 | -₱8,818 | -₱30 | ₱16,379 | ₱57,742 | ₱143,115 |
| Non-controlling interests | - | - | (3) | - | - | - |
| | ₱77,845 | -₱8,818 | -₱33 | ₱16,379 | ₱57,742 | ₱143,115 |

| | As of 03/31/20 (Unaudited) | | | | | |
|--------------------------|----------------------------|--------------|------------------------|----------|--------------|--------------|
| | Real Estate Development | Agricultural | Power and Utilities | Holding | Eliminations | Consolidated |
| Other information | | | | | | |
| Segment assets | ₱6,011,106 | ₱1,080,475 | ₱926,186 | ₱362,336 | -₱1,787,264 | ₱6,592,840 |
| Deferred tax assets | 16,018 | 1,351 | 92 | 3.2 | | 17,464 |
| Total Assets | 5,995,088 | 1,079,124 | 926,094 | 362,333 | -1,787,264 | 6,575,376 |
| Segment liabilities | 1,927,417 | 861,565 | 637,135 | 323,001 | -1,597,824 | 2,151,294 |
| Deferred tax liabilities | 76,043 | - | 3 | - | | 76,046 |
| Total Liabilities | ₱1,851,374 | ₱861,565 | ₱637,132 | ₱323,001 | -₱1,597,824 | ₱2,075,249 |

24. Revenue from Contracts with Customers

Revenue Disaggregation

The Group derives revenue from the transfer of services and goods over time and at a point in time, respectively, in different product types. The Group's disaggregation of each sources of revenue from contracts with customers are presented below:

| | As of 03/31/21 | As of 03/31/20 |
|------------------------------------|-----------------------|-----------------------|
| | Unaudited | Unaudited |
| <i>Type of product:</i> | | |
| <i>Real estate sales:</i> | | |
| Lot-only units | ₱107,570,822 | ₱48,223,692 |
| House and lot units | 98,374,663 | 177,556,274 |
| <i>Sale of agricultural goods:</i> | | |
| Crude palm oil | 4,029,760 | 7,977,000 |
| Palm olein | | 1,966,927 |
| Palm acid oil | | 446,223 |
| Palm kernel | 254,786 | 227,652 |
| <i>Water service</i> | 5,902,978 | 6,040,153 |
| | ₱216,133,009 | ₱242,437,921 |

The real estate sales and water service revenue are revenue from contracts with customers that are recognized over time while revenue from sale of agricultural goods are recognized at a point in time.

Performance Obligation

Information about the Parent Company's significant performance obligation is summarized below:

Real estate sales

The Parent Company entered into contracts to sell with one identified performance obligation, which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration. The sale of real estate unit may cover the contract for either the (i) serviced lot; (ii), and service lot and house and the Parent Company concluded that there is one performance obligation in each of these contracts. The Parent Company recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include payments of 10% to 25% in 2020 and 2019, respectively, of the contract price spread over a certain period (e.g., three months to four years) at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from two (2) to fifteen (15) years with fixed monthly payment, in 2020 and 2019. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either a contract asset or contract liability.

The remaining performance obligation is expected to be recognized within one year which relate to the continuous development of the Group's real estate projects. The Group's real estate projects are completed within 6 months to 12 months, from start of construction.

Upon the adoption of PFRS 15 as at January 1, 2018, the Group's retained earnings decreased by ₱17.1 million, decreased receivables by ₱47.8 million, decreased inventories by ₱23.6 million, decreased deferred tax liabilities by ₱7.2 million, increased contract assets by ₱292.8 million, increased contract liabilities by ₱57.2 million and increased costs to obtain contracts by ₱2.1 million as of January 1, 2018.

25. Other Matter

Impasug-Ong and Kalabugao Plantations

The Group entered into a DC with KASAMAKA at the Municipality of Impasug-ong, Bukidnon concerning the development of palm oil commercial plantation on August 2006.

KASAMAKA had been granted with Community Based Forest Management Agreement (CBFMA) no. 55093, by the Department of Environment and National Resources (DENR) on December 22, 2000 covering an area of 2,510.80 hectares. Under the CBFMA, KASAMAKA is mandated to develop, manage and protect the allocated community forest project area. Moreover, it is allowed to enter into agreements or contracts with private or government entities for the development of the whole or portion of the CBFMA area.

The project's objectives are to establish approximately 894 hectares into a commercial palm plantation within 5 years (2006-2011). However, ABERDI may intercrop suitable agricultural crops in the plantation and raise livestock, the harvest and produce of which shall belong to ABERDI.

The responsibilities of KASAMAKA with regards to the project follow:

- To provide the land area of 894 hectares within CBFMA area for oil palm plantation; and,
- To provide manpower needs of the Group in all developmental activities such as land preparation, planting, weeding, fertilization, harvesting, maintenance and others.

On the other hand, the responsibility of ABERDI in regard to the project is to provide technical and financial resources to develop the 894 hectares into palm oil plantation for a period of 20 years up to 2026.

Opol Plantation

The Group entered into a DC for the establishment of palm oil commercial plantation in Tingalan, Opol, Misamis Oriental with KMBT.

KMBT has been granted CBFMA No. 56297 by DENR on December 31, 2000 covering a total area of 1,000 hectares of forest lands located in Tingalan, Opol, Misamis Oriental to develop, manage and protect the allocated Community Forest Project Area.

The roles and responsibilities of KMBT under the Development Contract are as follows:

- To provide the land area within the CBFMA for oil plantation; and,
- To provide manpower needs of NC in all developmental activities such as land preparation, planting, weeding, fertilization, harvesting, maintenance and others.

On the other hand, the responsibility of NC in regard to the project is to provide technical and financial resources to develop the covered area into palm oil plantation for a period of 25 years.

In 2019, the Group entered into a contract with the landowners' association in Tingalan, Opol, Misamis Oriental providing the landowners' a royalty fee of ₱10.0 per metric ton of fresh fruit bunches harvested.

EXHIBIT 1-A

A BROWN COMPANY, INC. & SUBSIDIARIES

AGING OF INSTALLMENT CONTRACTS AND TRADE RECEIVABLES

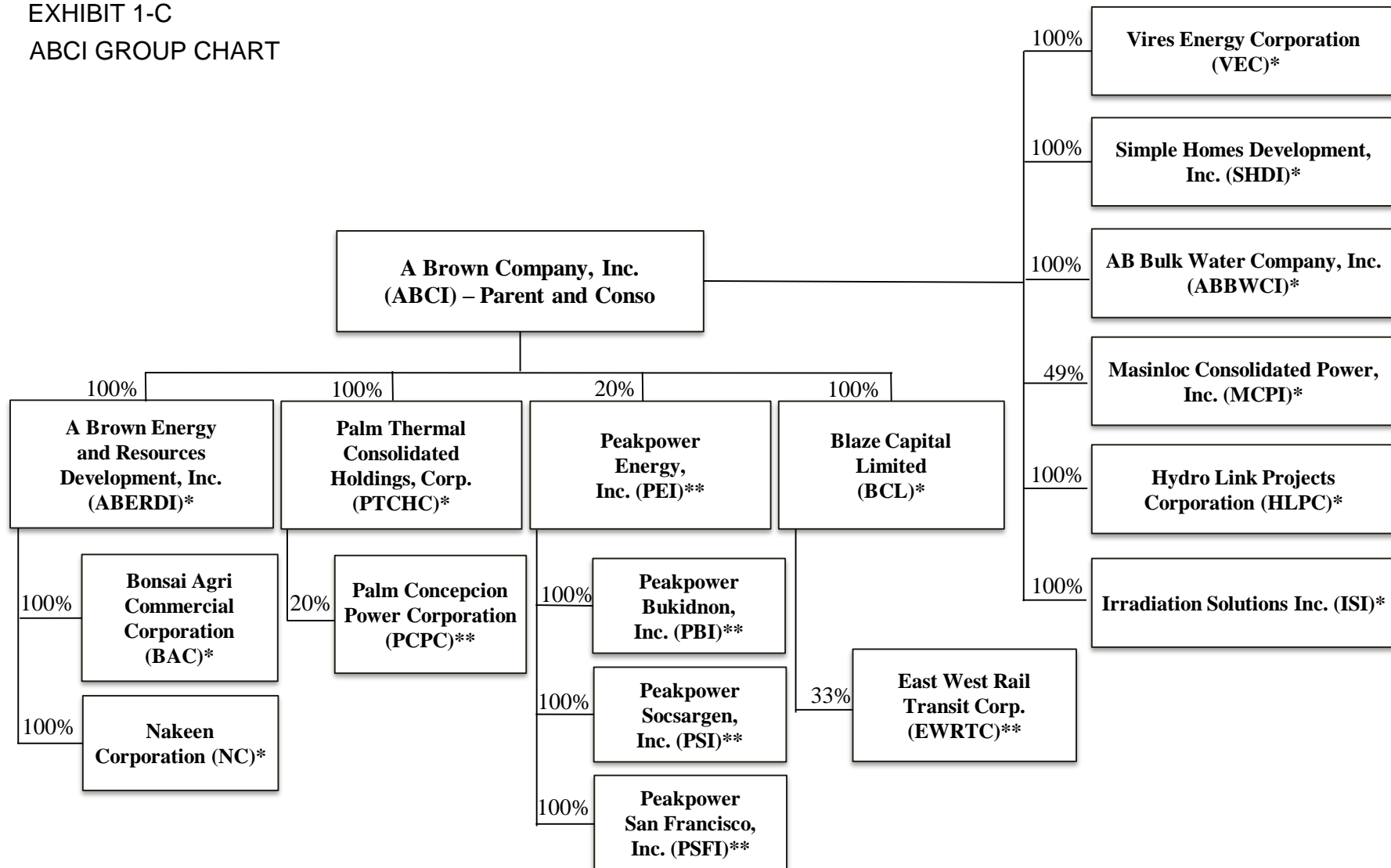
As of March 31, 2021

| | TOTAL | Long Term | Current | 1-30 Days | 31-60 Days | 61-90 Days | 91-120 Days |
|--------------|-----------------------|----------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|
| ABCI | 953,799,804.85 | 61,861,901.44 | 885,017,962.07 | 3,492,750.99 | 3,476,448.80 | 1,624,455.76 | 1,819,036.78 |
| ABERDI | 20,872,744.88 | | 14,972,999.28 | - | 208,070.00 | 2,575,207.31 | 3,116,468.29 |
| TOTAL | 974,672,549.73 | 61,861,901.44 | 899,990,961.35 | 3,492,750.99 | 3,684,518.80 | 4,199,663.07 | 4,935,505.07 |

EXHIBIT 1-B

Please refer to Note 23 – Segment Reporting

EXHIBIT 1-C
 ABCI GROUP CHART



*Subsidiary

**Associate