IMPORTANT NOTICE

THIS PROSPECTUS IS BEING DISPLAYED ON THIS WEBSITE TO MAKE THE PROSPECTUS ACCESSIBLE TO INVESTORS IN THE PHILIPPINES AND IS TO BE VIEWED EXCLUSIVELY WITHIN THE PHILIPPINES.

THE PHILIPPINE STOCK EXCHANGE, INC. (THE "PSE") ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF STATEMENTS MADE, OR THE OPINIONS OR REPORTS EXPRESSED IN THIS PROSPECTUS. THE PSE MAKES NO REPRESENTATION AS TO THE COMPLETENESS OF THE PROSPECTUS AND DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS ARISING FROM OR IN RELIANCE, IN FULL OR IN PART, OF THE CONTENTS OF THE PROSPECTUS.

THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION.

The offering information on this website is intended to be available only to Philippine and non-Philippine citizens residing in the Philippines or corporations or judicial entities organized and existing under Philippine law, and is not intended for distribution outside the Philippines.

If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

You are responsible for protecting against viruses and other destructive items. Your receipt of this electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

A BROWN COMPANY, INC.

(a company incorporated under the laws of the Republic of the Philippines)

Shelf Registration in the Philippines of
50,000,000 Preferred Shares

To be offered within a period of three (3) years
at an Offer Price of ₱100.00 per Preferred Share

To be listed and traded on the
Main Board of The Philippine Stock Exchange, Inc.

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

This Prospectus is dated November 11, 2021

A BROWN COMPANY, INC.
Xavier Estates Uptown, Airport Road,
Balulang, Cagayan de Oro City, 9000
Telephone number (02) 8631 8890
https://www.abrown.ph

This Prospectus (the "**Prospectus**" and, as the context may require, the term includes the relevant Offer Supplement) relates to the shelf registration and offer and sale in the Philippines (the "**Offer**") of up to 50,000,000 preferred shares, with a par value of ₱1.00 per share (the "**Offer Shares**" or the "**Preferred Shares**") of A Brown Company, Inc. ("**ABCI**", the "**Company**" or the "**Issuer**"), a corporation duly organized and existing under the laws of the Philippines, subject to the registration requirements of the Securities and Exchange Commission of the Philippines (the "**SEC**"). The Offer Shares will be sold at a subscription price of ₱100.00 per share (the "**Offer Price**"), or for a total offer size of up to ₱5,000,000,000.00.

The Offer Shares shall be offered and sold in tranches within a period of three (3) years from the effective date of the Registration Statement (the "**Shelf Period**"), at an offer price of ₱100.00 per share. The Offer Shares will comprise of unissued preferred shares to be offered and issued by the Company, subject to the approval by the stockholders and by SEC of the amendment to the Company's Articles of Incorporation to create a class of preferred shares. The specific terms of the Offer Shares for each tranche will be determined by the Company considering the prevailing market conditions and shall be provided in a supplement to be circulated at the time of the offer of the relevant tranche (the "**Offer Supplement**"). The Company will provide a copy of the Prospectus together with the Offer Supplement for each tranche. In the event of any inconsistency between the Prospectus and the Offer Supplement, the more specific information provided between the two shall prevail. The Offer Shares will be issued in one or more series for each tranche of the Offer.

For each tranche of the Offer Shares, the Company shall distribute an Offer Supplement along with this Prospectus. The relevant Offer Supplement will contain the final terms for an offer of the Offer Shares and must be read in conjunction with this Prospectus. Full information on the Issuer and such offer of the Offer Shares is only available through this Prospectus and the relevant Offer Supplement. All information contained in this Prospectus is deemed incorporated by reference in an Offer Supplement. The Company will apply for the listing of the Offer Shares on the Main Board of the PSE for each tranche of the Offer Shares.

The use of proceeds for each tranche of the Offer will be set out in the relevant Offer Supplement.

The Offer Shares are being offered for subscription solely in the Philippines.

The initial tranche of the Offer Shares shall consist of 10,000,000 Preferred Shares with an oversubscription option of 5,000,000 Preferred Shares (the "**Initial Offer Shares**"). Please refer to the Offer Supplement dated November 11, 2021.

The current Authorized Capital Stock of the corporation is ₱3,300,000,000.00 divided into 3,300,000,000 common shares with a par value of ₱1.00 per share.

On April 12, 2021 the Board of Directors of the Company (the "**Board of Directors**") approved the amendment of the Articles of Incorporation of the Company to reclassify and divide the authorized capital stock into: (i) 3,250,000,000 common shares with a par value of Php1.00 per share; and (ii) 50,000,000 preferred shares with a par value of Php1.00 per share (the "**Preferred Shares Amendment**"). On June 24, 2021, the stockholders of Company approved the Preferred Shares Amendment during the Annual Stockholders' Meeting. On July 12, 2021, the Company submitted the Preferred Shares Amendment with the SEC. The Preferred Shares Amendment shall be effective after SEC approval. On October 5, 2021, the SEC approved the Preferred Shares Amendment.

On May 25, 2021, the Board of Directors authorized the shelf registration of 50,000,000 Preferred Shares and the sale and offer of up to 15,000,000 Preferred Shares, at an offer price of up to ₱100.00 per share under a shelf registration, to be issued during the Shelf Period, under such terms and conditions as the management of the Company may deem advantageous to it (the "**Enabling**

Resolutions"). The approval by the Board of Directors of the Enabling Resolutions to issue Preferred Shares is subject to the SEC approval of the Preferred Shares Amendment. On October 5, 2021, the SEC approved the Preferred Shares Amendment.

Dividends may be declared at the discretion of the Board of Directors and will depend upon the future results of operations and general financial condition and capital requirements of ABCI; its ability to receive dividends and other distributions and payments from its subsidiaries; foreign exchange rates, legal, regulatory and contractual restrictions, loan obligations (both at the parent and subsidiary levels), and other factors the Board of Directors may deem relevant.

Dividends are declared by the Company on its shares of stocks at the discretion of the Board of Directors, . 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. Dividend declaration must also take into account the Company's capital expenditure and project requirements and settlement of its credit.

The date of declaration of cash dividends on the Offer Shares will be subject to the discretion of the Board of Directors, to the extent permitted by law. The declaration and payment of dividends (except stock dividends) do not require any further approval from the shareholders of the Company.

As and if cash dividends are declared by the Board of Directors, and in accordance with the Enabling Resolutions, cash dividends on the Offer Shares shall be set out in the Offer Supplement, in all cases calculated for each share by reference to the Offer Price thereof in respect of each Dividend Period (each, the "**Dividend Rate**" for the relevant series). Subject to limitations on the payment of cash dividends as described in the section on the "*Terms of the Offer*", dividends on the Offer Shares will be payable quarterly in arrears for every Dividend Period on such dates provided in the Offer Supplement (each a "**Dividend Payment Date**"), which date shall be any day within the period commencing on (and including) the last date of a Dividend Period and 15 calendar days from the end of the relevant Dividend Period. A "**Dividend Period**" shall be the period commencing on the relevant Issue Date, as defined in the section on "Terms of the Offer", and having a duration of three (3) months, and thereafter, each of the successive periods of three (3) months commencing on the last day of the immediately preceding Dividend Period up to, but excluding the first day of, the immediately succeeding Dividend Period; provided that the first Dividend Period of the Offer Shares shall be the period commencing on the relevant Issue Date and ending on the last day of the then current dividend period for the outstanding Preferred Shares. If a Dividend Payment Date occurs after the end of a Dividend Period, there shall be no adjustment as to the amount of dividends to be paid.

The dividends on the Offer Shares will be calculated on a 30/360-day basis.

If the Dividend Payment Date is not a Banking Day, dividends will be paid on the next succeeding Banking Day, without adjustment as to the amount of dividends to be paid.

For the purpose of the first dividend payment of the Offer Shares, the same will be paid on such date as to synchronize with the payment of dividends for the outstanding Preferred Shares.

The Board of Directors will not declare and pay cash dividends on any Dividend Payment Date where (a) payment of the cash dividend would cause ABCI to breach any of its financial covenants or (b) the retained earnings available to ABCI distribute as cash dividends are not sufficient to enable ABCI to pay in full both the cash dividends on the Preferred Shares and the dividends on all other classes of the shares of ABCI that are scheduled to be paid on or before the same date as the cash dividends on the Preferred Shares and that have an equal right to dividends as the Preferred Shares.

On July 16, 2021, the Company filed an application with the SEC to register the Offer Shares under the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799). The SEC is expected to issue an order rendering the Registration Statement filed by the Company effective and a corresponding permit to offer securities for sale covering the initial tranche of the Offer Shares, and any subsequent offering under the relevant rules requires the submission by the Company of the relevant updates and amendments to the Registration Statement and the issuance of the corresponding permit to sell by the SEC. As a listed company, ABCI regularly disseminates such updates and information in its disclosures to the SEC and The Philippine Stock Exchange, Inc. ("**PSE**")

The Company will, likewise, apply for the listing of the Offer Shares on the Main Board of the PSE. However, there is no assurance that such a listing will actually be achieved either before or after the relevant issue date of the Offer Shares being offered at a particular time or whether such a listing will materially affect the liquidity of the Offer Shares on the secondary market. The Company will apply for the listing of the Offer Shares on the Main Board of the PSE for each tranche of the Offer Shares.

The listing of each tranche of the Offer Shares is subject to the approval of the Board of Directors of the PSE. An application to list the Offer Shares has been filed with the PSE, but has not yet been approved by the Board of Directors of the PSE. If approved by the PSE, such approval for listing is permissive only and does not constitute a recommendation or endorsement of the Offer Shares by the PSE. The PSE assumes no responsibility for the correctness of any statements made or opinions expressed in this Prospectus. The PSE makes no representation as to its completeness and expressly disclaims any liability whatsoever for any loss arising from reliance on the entire or any part of the Prospectus and Offer Supplement.

Upon listing of the Offer Shares on the PSE, ABCI may purchase the Offer Shares which are then currently tradeable at any time in the open market or by public tender or by private contract at any price through the PSE without any obligation to purchase or redeem the other outstanding preferred shares of the Company. The Offer Shares so purchased may be redeemed (pursuant to their terms and conditions as set out in the Prospectus and this Offer Supplement) and cancelled or kept as treasury shares, as applicable. The status as to re-issuance of the Preferred Shares shall be provided in the relevant Enabling Resolution.

The Offer Shares will be offered to the public through underwriters that may be engaged by the Company for each tranche of the Offer Shares (the "**Underwriters**"). The Underwriters for each tranche will be disclosed in the Offer Supplement.

The Company reserves the right to withdraw any offer and sale of the Offer Shares at any time, and the Underwriters for any particular offer of the Offer Shares reserve the right to reject any application to purchase the Offer Shares in whole or in part and to allot to any prospective purchaser less than the full amount of the Offer Shares sought by such purchaser. If an offer of the Offer Shares is withdrawn or discontinued, the Company shall subsequently notify the SEC and the PSE. The Underwriters, any participating underwriter, co-manager and selling agent for any particular offer of the Offer Shares may acquire for their own account a portion of the Offer Shares.

The distribution of this Prospectus and the offer and sale of the Offer Shares may, in certain jurisdictions, be restricted by law. The Company and the Underwriters require persons into whose possession this Prospectus comes, to inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. This Prospectus does not constitute an offer of any securities, or any offer to sell, or a solicitation of any offer to buy any securities of the Company in any jurisdiction, to or from any person whom it is unlawful to make such offer in such jurisdiction.

The price of securities, such as the Preferred Shares, can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. An investment in the Preferred Shares described in this Prospectus involves a certain degree of risk. A prospective purchaser of the Preferred Shares should carefully consider several risk factors relating to the Company's business and operations, risks relating to the Philippines and risks relating to the Offer Shares, as set out in "*Risk Factors*" found on page 29 of this Prospectus, in addition to the other information contained in this Prospectus, in deciding whether to invest in the Offer Shares. The risk disclosure discussion does not purport to disclose all the risks and other significant aspects of investing in the Offer Shares. A person contemplating an investment in the Offer Shares should seek professional advice if he or she is uncertain of, or has not understood any aspect of the securities to invest in or the nature of risks involved in trading of securities. Investing in the Offer Shares involves a higher degree of risk compared to debt instruments.

This Prospectus is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by either the Issuer, the Underwriters or their respective affiliates or legal advisers that any recipient of this Prospectus should purchase the Offer Shares. Each person contemplating an investment in the Offer Shares should make his own investigation and analysis of the creditworthiness of ABCI and his own determination of the suitability of any such investment.

Unless otherwise stated, the information contained in this Prospectus has been supplied by the Company. The Company (which has taken all reasonable care to ensure that such is the case) confirms that the information contained in this Prospectus is correct, and that there is no material misstatement or omission of fact which would make any statement in this Prospectus misleading in any material respect.

Each of the Company and the Underwriters have exercised the required due diligence in ascertaining that all material representations contained in this Prospectus, and any amendment or supplement thereto, are true and correct and that no material information was omitted, which was necessary in order to make the statements contained in said documents not misleading in any material respect.

No dealer, salesman or any other person has been authorized to give any information or to make any representation not contained in this Prospectus. If given or made, any such information or representation must not be relied upon as having been authorized by the Company or any of the Underwriters.

Unless otherwise indicated, all information in the Prospectus is as of the date hereof. Neither the delivery of this Prospectus nor any sale made pursuant to this Prospectus shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company and its subsidiaries since such date. Market data and certain industry forecasts used throughout this Prospectus were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified. Neither the Company nor the Underwriters make any representation, undertaking or other assurance as to the accuracy or completeness of such information or that any projections will be achieved, or in relation to any other matter, information, opinion or statements in relation to the Offer. Any reliance placed on any projections or forecasts is a matter of commercial judgment. Certain agreements are referred to in this Prospectus in summary form. Any such summary does not purport to be a complete or accurate description of the agreement and prospective investors are expected to independently review such agreements in full.

The Company owns land as identified in the section on "*Description of Property*" on page 88. In connection with the ownership of private land, the Philippine Constitution states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. For further discussion, please refer to section on "*Regulations*" on page 161.

PRESENTATION OF FINANCIAL INFORMATION

The Company's financial statements are reported in Philippine Pesos and are prepared based on its accounting policies, which are in accordance with the Philippine Financial Reporting Standards ("**PFRS**") issued by the Financial Reporting Standards Council of the Philippines.

The financial information included in this Prospectus has been derived from the Company's financial statements. Unless otherwise indicated, financial information relating to the Company in this Prospectus is stated in accordance with PFRS.

Figures in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same item of information may vary, and figures which are totals may not be an arithmetic aggregate of their components.

The Company's fiscal year begins on January 1 and ends on December 31 of each year. SyCip Gorres Velayo & Co ("**SGV**") has audited the Issuer's financial statements as of and for the years ended December 31, 2018, 2019 and 2020 in accordance with Philippine Standards on Auditing ("**PSA**").

For more information, please refer to its audited financial statements as of and for the years ended December 31, 2018, 2019 and 2020 as included elsewhere in this Prospectus.

This Prospectus includes presentation of certain financial measures such as EBITDA. EBITDA is not a measure of performance under PFRS, and investors should not consider EBIT or EBITDA in isolation or as alternatives to net income as an indicator of the Company's operating performance or to cash flow from operating, investing and financing activities as a measure of liquidity, or any other measures of performance under PFRS. Because there are various EBITDA calculation methods, the Company's presentation of this measure may not be comparable to similarly titled measures used by other companies.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN IS TRUE AND CORRECT.

A BROWN COMPANY, INC.

By:

ROBERTINO E. PIZARRO
President and Chief Executive Officer

REPUBLIC OF THE PHILIPPINES)
CAGAYAN DE ORO CITY)METRO MANILA) SS.

SUBSCRIBED AND SWORN to before me this NOV 11 2021 in CAGAYAN DE ORO CITY affiant exhibiting to me his ________________ expiring on ________________ as competent evidence of identity.

Doc No.: 43;
Page No.: 9;
Book No.: 23;
Series of 2021.

ALMIRA BOLONGAITA VALDEZ
NOTARY PUBLIC
UNTIL DECEMBER 31, 2021
PTR NO. 4868012 / 12-16-2020
IBP LIFETIME NO. 018145 / MIS. OR CHAPTER
TIN: 950-141-267 / ROLL NO. 54967
MCLE COMPLIANCE NO. VI-0000832 / 04-14-2022

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- known and unknown risks;
- uncertainties and other factors which may cause actual results, performance or achievements of ABCI to be materially different from any future results; and
- performance or achievements expressed or implied by forward-looking statements.

The words "believe", "expect", "anticipate", "estimate", "project", "may", "plan", "intend", "will", "shall", "should", "would" and similar words identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Prospectus are forward-looking statements. Statements in this Prospectus as to the opinions, beliefs and intentions of the Issuer are the opinions, beliefs and intentions of the management of ABCI as to such matters at the date of this Prospectus, although the Issuer can give no assurance that such opinions or beliefs will prove to be correct or that such intentions will not change. This Prospectus discloses, under the section "Risk Factors" and elsewhere, important factors that could cause actual results to differ materially from the expectation of the Issuer. All subsequent written and oral forward-looking statements attributable to either the Issuer or persons acting on behalf of the Issuer are expressly qualified in their entirety by cautionary statements. Such forward-looking statements are based on assumptions regarding the present and future business strategies and the environment in which ABCI will operate in the future. Important factors that could cause some or all of the assumptions not to occur or cause actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things:

- the ability of ABCI to successfully implement its strategies;
- the ability of ABCI to anticipate and respond to consumer trends;
- changes in availability of raw materials used in the production processes of ABCI and its subsidiaries (the "**ABCI Group**");
- the ability of the ABCI Group to successfully manage its growth;
- the condition and changes in the Philippines, Asian or global economies;
- any future political instability in the Philippines, Asia or other regions;
- changes in interest rates, inflation rates and the value of the Peso against the U.S. Dollar and other currencies;
- changes in government regulations, including tax laws, or licensing requirements in the Philippines; and
- competition in the power and utilities, real estate and agribusiness industries in the Philippines.

Additional factors that could cause actual results, performance or achievements of ABCI to differ materially include, but are not limited to, those disclosed under "*Risk Factors*" and elsewhere in this Prospectus. These forward-looking statements speak only as of the date of this Prospectus. ABCI and the Underwriters expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the expectations of ABCI with regard thereto or any change in events, conditions, assumptions or circumstances on which any statement is based. In light of these risks, uncertainties and assumptions associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances discussed in this Prospectus might not occur in the way ABCI expects, or at all. ABCI's actual results could differ substantially from those anticipated in ABCI forward-looking statements. Investors should not place undue reliance on any forward-looking information.

DEFINITION OF TERMS

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set forth below.

ABCI	**:**	A Brown Company, Inc.
ABERDI	**:**	A Brown Energy and Resources Development, Inc.
ABWCI	**:**	AB Bulk Water Company, Inc.
Applicable Law	**:**	Any statute, law, regulation, ordinance, rule, judgment, order, decree, directive, guideline, policy, requirement or other governmental restriction or any similar form of decision of, or determination by, or any interpretation or administration of any of the foregoing by, any Governmental Authority
Application to Purchase	**:**	The application form accomplished and submitted by an Applicant for the purchase of a specified amount of Offer Shares, together with all the other requirements set forth in such application form.
Banking Day	**:**	A day other than a public non-working holiday, Saturday or Sunday on which the facilities of the Philippine banking system are open and available for clearing, and banks are open for business in Metro Manila
BFAR	**:**	Bureau of Fisheries and Aquatic Resources
BIR	**:**	Bureau of Internal Revenue of the Philippines
Blaze Capital	**:**	Blaze Capital Limited
Board of Directors or Board	**:**	Board of Directors of ABCI
BSP	**:**	Bangko Sentral ng Pilipinas
CITIRA	**:**	Corporate Income Tax and Incentives Rationalization Act
Clean Air Act	**:**	The Philippine Clean Air Act of 1999
Clean Water Act	**:**	The Philippine Clean Water Act of 2004
COVID-19	**:**	Severe acute respiratory syndrome coronavirus 2
CPO	**:**	Crude Palm Oil
CPR	**:**	Certificate of Product Registration issued by the FDA
CREATE	**:**	Corporate Recovery and Tax Incentives for Enterprises Act
DA	**:**	Department of Agriculture of the Philippines

DAR	:	Department of Agrarian Reform of the Philippines
DENR	:	Department of Environment and Natural Resources of the Philippines
DHSUD	:	Department of Human Settlements and Urban Development of the Philippines
DOE	:	Department of Energy of the Philippines
DOLE	:	Department of Labor and Employment of the Philippines
DOH	:	Department of Health of the Philippines, including the FDA
DTI	:	Department of Trade and Industry of the Philippines
EBITDA	:	Earnings before interest, taxes, depreciation and amortizations computed as the sum of Income before income tax, Depreciation, and Interest expense.
ECC	:	Environmental Compliance Certificate
ECQ	:	Enhanced Community Quarantine
EIS	:	Environmental Impact Statement
Eligible Investors	:	Philippine and non-Philippine citizens residing in the Philippines or corporations or judicial entities organized and existing under Philippine law.
EMF	:	Environmental Monitoring Fund
EMP	:	Environmental Management Plan
EPIRA	:	Electric Power Industry Reform Act of 2001
ERC	:	Energy Regulatory Commission of the Philippines
FDA	:	The Food and Drug Administration of the Philippines
FDDC Act	:	The Philippine Foods, Drugs and Devices, and Cosmetics Act, as amended by the Food and Drug Administration Act of 2009
FFB	:	Fresh fruit bunches
GCQ	:	General Community Quarantine
Government	:	the Government of the Republic of the Philippines
Grid Code	:	The Philippine Grid Code
Group	:	At any time, the Company and its subsidiaries at such time.

HLPC	**:**	Hydro Link Projects Corp
HUDCC	**:**	Housing and Urban Development Coordinating Council of the Philippines
Initial Offer Shares	**:**	The initial tranche of the Offer Shares consisting of 10,000,000 Preferred Shares with an oversubscription option of 5,000,000 Preferred Shares.
IPP	**:**	Independent Power Producer
IPPA	**:**	Independent Power Producer Administrator
IRR	**:**	Implementing Rules and Regulations
LGU	**:**	Local Government Unit
LTO	**:**	License to Operate
MECQ	**:**	Modified Enhanced Community Quarantine
MGCQ	**:**	Modified General Community Quarantine
MW	**:**	Mega-watt
MWh	**:**	Mega-watt hour
NC	**:**	Nakeen Corporation
NCR	**:**	National Capital Region of the Philippines
NEA	**:**	National Electrification Administration
NEDA	**:**	National Economic Development Authority of the Philippines
NPC	**:**	National Power Corporation of the Philippines
Offer Shares	**:**	Up to 50,000,000 Preferred Shares to be issued and offered by ABCI
Offer Supplement	**:**	The document which sets out the terms and conditions for each tranche of the Offer Shares
PBI	**:**	Peakpower Bukidnon Inc.
PCC	**:**	Philippine Competition Commission of the Philippines
PCPC	**:**	Palm Concepcion Power Corporation
PDTC	**:**	The Philippine Depository & Trust Corp.

PEI	:	Peakpower Energy, Inc.
Peso or ₱ or PHP	:	Philippine Peso, the lawful currency of the Republic of the Philippines
PFF Act	:	Philippine Food Fortification Act of 2000
PFRS	:	Philippine Financial Reporting Standards
Philippines	:	Republic of the Philippines
PIFITA	:	Passive Income and Financial Intermediary Taxation Act
PNR	:	Philippine National Railways
PRC	:	Product Recall Committee
Preferred Shares	:	Cumulative, non-voting, non-participating, non-convertible peso-denominated redeemable perpetual preferred shares in ABCI
Price Act	:	Republic Act No. 7851, otherwise known as the Price Act
PRO	:	Product Recall Order
Prospectus	:	The prospectus dated 11 November 2021 and any amendments, supplements and addenda thereto for the offer and sale to the public of the Preferred Shares within the Shelf Period. As the context may require, the term includes the Offer Supplement.
PSA	:	Philippines Standards on Auditing
PSALM	:	Power Sector Assets and Liabilities Management Corporation
PSE	:	The Philippine Stock Exchange, Inc.
PSFI	:	Peakpower San Francisco, Inc.
PSI	:	Peakpower SOCCSARGEN, Inc.
PTCHC	:	Palm Thermal Consolidated Holdings Corp.
RBD	:	Refined, Bleached and Deodorized
RCOA	:	Retail Competition and Open Access
Registrar, Paying Agent or Stock Transfer Agent	:	Professional Stock Transfer, Inc.
Registration Statement	:	The registration statement filed with the SEC in connection with the offer and sale to the public of the Offer Shares
RES License	:	Retail Electricity Supplier License

Revised Corporation Code	**:**	Republic Act No. 11032, otherwise known as the Revised Corporation Code of the Philippines
Sanitation Code	**:**	Code on Sanitation of the Philippines
SCCP	**:**	The Securities Clearing Corporation of the Philippines
SEC	**:**	Securities and Exchange Commission of the Philippines
Shelf Period	**:**	A period of three (3) years from the date of effectivity of the Registration Statement for the Preferred Shares, during which the Offer Shares may be offered and sold to the public
SRC	**:**	Securities Regulation Code of the Philippines
SSS	**:**	Social Security System of the Philippines
Tax Code	**:**	The Philippine National Internal Revenue Code of 1997, as amended
TP or Trading Participants	**:**	PSE Trading Participants
TRAIN	**:**	Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion
Underwriters	**:**	Underwriters that may be engaged by the Company for each tranche of the Offer
Underwriting Agreement	**:**	The Underwriting Agreement that the Company will enter into with Underwriters for each tranche of the Offer, and its annexes and attachments, as may be modified, supplemented or amended from time to time.
VAT	**:**	Value-added tax
VEC	**:**	Vires Energy Corporation
WESM	**:**	Philippine Wholesale Electricity Spot Market
WHO	**:**	World Health Organization

EXECUTIVE SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and audited financial statements, including notes thereto, found in the appendices of this Prospectus.

Prospective investors should read this entire Prospectus fully and carefully, including the section on "Risk Factors". In case of any inconsistency between this summary and the more detailed information in this Prospectus, then the more detailed portions, as the case may be, shall at all times prevail.

Brief Background on the Company

A Brown Company, Inc. was originally incorporated with the Securities and Exchange Commission on December 21, 1966 as Bendana, Brown, Pizarro & Associates, Inc., and later renamed on October 1, 1992 as Epic Holdings Corporation (EHC). On June 25, 1993, the Securities and Exchange Commission approved the plan of merger between Brown Chemical Corporation and Brown Chemical Sales Corporation into EHC as the surviving entity. The merged company was renamed to its current corporate name a month later. ABCI was listed with the Philippine Stock Exchange on February 8, 1994 under symbol "BRN".

The Company's subsidiaries include A Brown Energy and Resources Development, Inc.; Palm Thermal Consolidated Holdings, Corp.; Blaze Capital Limited; Simple Homes Development. Inc.; AB Bulk Water Company, Inc.; Hydro Link Projects Corp. ("**HLPC**"); Masinloc Consolidated Power, Inc.; Irradiation Solutions, Inc., and Vires Energy Corporation.

The Company has generally focused on business interests in Mindanao, although both the power and real estate segments have investments in other regions. The Company is primarily engaged in the business of real estate development located in Cagayan de Oro City and Initao in Misamis Oriental, Valencia City, Bukidnon, Butuan City in Agusan del Norte, and Cainta and Tanay in Rizal.

In recent years, the Company has diversified its business interests towards power generation and palm oil, industries that are seen to provide steady, recurring income. The Company has interests in power generation through affiliates Palm Concepcion Power Corporation and Peakpower Energy, Inc. In June 2020, the Company purchased 100% of Vires Energy Corporation (VEC).

Through 100%-owned subsidiary A Brown Energy and Resources Development, Inc. (ABERDI), the Company is engaged in the manufacturing and trading of palm oil and other palm products. ABERDI operates a 10 ton per hour crude palm oil mill and a 50 MT/day capacity physical refinery in Impasug-ong, Bukdinon.

Irradiation Solutions Inc. was incorporated In January 4, 2021 to develop the Tanay Multipurpose Irradiation Facility, the first Commercial E-Beam Irradiation Facility to be built in the Philippines. AB Bulk Water Company, Inc. is pursuing bulk water supply projects for the Municipality of Opol in Misamis Oriental and the expanding water needs of adjacent Cagayan de Oro City.

The consolidated sales, gross profit and EBITDA of ABCI for the year ended December 31, 2020 were ₱864.04 million, ₱444.74 million and ₱398.94 million, respectively.

For the six months ended June 30, 2020, consolidated sales was ₱327.73 million, gross profit was ₱217.30 million and EBITDA was ₱274.10 million compared to consolidated sales of ₱289.39 million, gross profit of ₱203.41 million and EBITDA of ₱268.95 million for the six-month period ended June 30, 2021.[1]

Real estate is the core business of ABCI. Its prime real estate development property is Xavier Estates in Cagayan de Oro City. All real estate developments follow the concept of a mixed-use, nature-

[1] EBITDA is computed as the sum of Income before income tax, Depreciation, and Interest expense.

themed, master-planned integrated community. Aside from Xavier Estates, the high-end properties of ABCI include Teakwood Hills Subdivision, Valencia Estates, Coral Resort Estates, West Highlands, West Highlands Phase 2, Xavier Estates Phase 6 – Ignatius Enclave, The Terraces.

In recent years, the Company has expanded to economic and socialized housing projects. These properties include Xavier Estates Ventura Residences, Ventura Lane, Xavierville Homes Subdivision, East Cove Village, Adelaida Park Residences, Xavier Estates Phase 5B – Ventura Residences II, St. Therese Subdivision, Mountain View Homes and Mangoville.

The Company recorded reservation sales of Php669 million during the first half of 2021 vis a vis 2020's Php853 million. The Company believes that on-track progress in the pipeline projects as well as a healthy inventory level would help convert these reservations into duly recognized sales. Average turnaround towards full income recognition is about 27 months. Reservations are converted to booked sales upon reaching 10% based on project completion.

Strengths and Strategies

Strengths

The principal strengths of ABCI include the following:

- Established real estate player with a solid track record and captured niche market in Mindanao for high-end customers
- Large Landbank in Marketable Locations
- Diversified interests across stable growth and high impact industries contributing steady stream of dividends
- Positioned to benefit from healthy recovery outlook on the Philippines real estate industry
- Stable financial performance and resilient profitability track record
- Visionary leadership with extensive experience in real estate, energy, and project development

For a full discussion on the Company's competitive strengths, see page 67 of this Prospectus.

Strategies of ABCI

The principal strategies of ABCI include the following:

- Target the full spectrum of the real estate market from high end to economic and socialized housing segments
- Maintain focus on healthy, environment-friendly and low-density community concepts
- Continue land banking to support pipeline projects
- Increase the sales network by additional accreditation of partner realties.
- Expand its power generation portfolio through development of greenfield power projects.
- Further diversification in strategic and high impact industries

For a full discussion on the Company's strategies, see page 68 of this Prospectus.

Risks of Investing

Prospective investors should also consider the following risks of investing in the Offer Shares:

- Macroeconomic risks, including the current and immediate political and economic factors in the Philippines and the experience of the country with natural catastrophes, as a principal risk for investing in general;
- Risks relating to ABCI, its subsidiaries and their business and operations; and
- The nature of the Offer Shares as perpetual securities, the absence of a liquid secondary market and volatility of the Offer Shares and other risks relating to the Offer Shares.

A summary of the risks of investing are as follows:

Risks relating to the Group
- The COVID-19 Pandemic
- ABCI's businesses are affected by regulations in the Philippines
- Compliance with and renewal of licenses, permits and other authorizations
- Exposure to safety, health and environmental costs and liabilities
- Increases and changes in applicable taxes, taxation laws and tax incentives
- Availability of financing
- Loss of key personnel
- Uninsured losses

Risks relating to ABCI's Real Estate
- The real estate business is a highly competitive industry
- The Company may not be able to acquire new or additional land for new projects
- The real estate industry in the Philippines is capital intensive
- Substantial sales cancellations may have a material adverse effect on the Company
- The Company may not be able to successfully manage its land bank
- Titles over land owned by the Company may be contested by third parties
- The Company may not be able to complete its projects within budget or on time
- The Company relies on banks and the HDMF for end-buyers financing
- Liquidity Risk
- The Philippines' housing market is highly regulated
- Environmental laws applicable to the Company's projects could have a material adverse effect on its business, financial condition or results of operations
- The loss of certain tax exemptions and incentives will increase the Company's tax liability
- Construction defects and other building-related claims
- Reliance on overseas Filipino Workers and expatriate Filipinos.

Risks Relating to Power and Utilities Business
- Non-controlling Interest in Associates
- Suspension of issuance and renewal of Retail Electricity Supplier ("RES") licenses
- Disruptions in fuel supply
- Project risks inherent in the development of greenfield power projects and expansion projects
- Adverse effect of WESM price fluctuations
- Non-renewal of or non-compliance with offtake agreements
- Operating and other risks leading to network failures, equipment breakdowns, planned or unplanned outages.
- Insurance coverage for generation plants
- Dependence on the existence of transmission infrastructure
- Certain tax exemptions and tax incentives
- ERC Regulation of electricity rates of distribution utilities
- Trading in WESM
- Regulatory and Environmental Risks on the Power and Utilities Business

Risks Relating to ABCI's Agribusiness
- The Company's business may be affected by any program developed or supported by the Department of Agriculture of the Philippines
- The Company's business and operations may be affected by any changes in the preferences or purchasing power of consumers
- Risk of Natural Calamities
- The Company's venture to develop a network of irradiation facilities in the Philippines may not be successful

Risks related to the Philippines

- A significant portion of the Company's operations and assets are based in the Philippines
- Political instability may have a negative effect on the business, financial position or results of operations of the Company.
- Acts of terrorism and violent crimes could destabilise the country and could have a material adverse effect on the Company's business, financial position and results of operations.
- Natural or other catastrophes, including severe weather conditions, may adversely affect the Company's business, materially disrupt the Company's operations and result in losses not covered by its insurance.
- Territorial disputes with the China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.
- The credit ratings of the Philippines may restrict the access to capital of Philippine companies, including the Company.

Risks relating to the Offer Shares

- The Offer Shares may not be a suitable investment for all investors
- There can be no guarantee that the Offer Shares will be listed on the PSE.
- Redemption at the option of the Issuer
- Volatility of market price of the Offer Shares
- Additional Taxes
- Deferral of dividend payment
- Subordination to other indebtedness of the Company
- Insufficient distributions upon liquidation
- Subordination of payments to the Holders of the Offer Shares
- Liquidity of the securities market
- Effect of non-payment of dividends
- Inability to reinvest at a similar return on investment upon redemption
- Limited voting rights

Risks relating to certain information in the Prospectus

- Certain information contained herein is derived from unofficial publications

(For a more detailed discussion, see "Risk Factors" on page 29)

Use of Proceeds

The Offer Price shall be at ₱100.00 per share. Out of the gross proceeds, ABCI shall deduct fees, commissions, and expenses for each tranche of the Offer. The use of proceeds for each tranche of the Offer will be set out in the relevant Offer Supplement.

Offer Supplement

For each tranche of the Offer, the Company shall distribute a supplement (the "**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 ABCI, specifically in https://www.abrown.ph

The Company will provide a copy of the Prospectus together with the Offer Supplement for each tranche.

The Offer Supplement shall contain the following information:

- timetable, offer size of the specific offering, the applicable dividend rate and the mode of settlement of the offering;
- capital structure of the Company after the offering;
- any changes to the risk factors and tax consequences of the offering;
- description of the specific distribution and underwriting arrangements; and

- amount and use of proceeds.

Plan of Distribution

ABCI plans to issue the Offer Shares to institutional and retail investors through a public offering to be conducted through the Underwriters (for a more detailed discussion, see the relevant Offer Supplement).

Timetable

The indicative timetable of the Shelf Registration is expected to be as follows:

Particulars	Dates
Filing of the Initial Registration Statement with the SEC	July 16, 2021
Receipt of SEC Pre-Effective Approval	October 21, 2021
Shelf Registration Period	November 12, 2021 to November 12, 2024

After the Registration Statement of the Company for the Offer Shares becomes effective, the Company will secure a permit to sell from the SEC for each tranche of the Offer.

TERMS OF THE OFFER

The following does not purport to be a complete listing of all the rights, obligations and privileges attaching to or arising from the Offer Shares. The specific terms and conditions of each tranche of the Offer Shares shall be set forth in the Offer Supplement. Some rights, obligations or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective shareholders are enjoined to perform their own independent investigation and analysis of ABCI and the Offer Shares. Each prospective shareholder must rely on its own appraisal of ABCI and the Offer Shares and its own independent verification of the information contained herein and any other investigation it may deem appropriate for the purpose of determining whether to invest in the Offer Shares and must not rely solely on any statement or the significance, adequacy or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective shareholder's independent evaluation and analysis.

Issuer	:	A Brown Company, Inc. ("**ABCI**" or the "**Company**")
The Offer	:	The Company may offer from time to time, within a period of three (3) years from the effective date of the registration statement, up to 50,000,000 Preferred Shares in one (1) or more tranches in such amounts and with such terms as may be determined by ABCI 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 the Company specifically, in https://www.abrown.com.ph/. The Offer Shares will be issued in one or more series for each tranche of the Offer. The Offer Supplement will contain the following information: • timetable, offer size of the specific offering, the applicable dividend rate and the mode of settlement of the Offer; • capital structure of the Company after the Offer; • any changes to the risk factors and tax consequences of the offering; • description of the specific distribution and underwriting arrangements; and • amount and use of proceeds.
Instrument	:	Cumulative, non-voting, non-participating, non-convertible peso-denominated redeemable perpetual preferred shares ("**Preferred Shares**")
Par Value	:	The Preferred Shares have a par value of ₱1.00 per share.
Offer Size	:	50,000,000 Preferred Shares, to be issued in one or more series.
Offer Price	:	The Offer Shares shall be offered at a price of ₱100.00 per share.
Registration and Listing	:	The Offer Shares will be registered with the SEC under a shelf registration and listed on PSE, subject to compliance with SEC regulations and PSE listing rules. The Company will apply for the listing of the Offer Shares on the Main Board of the PSE for

		each tranche of the Offer Shares.
Issue Date	**:**	The issue date as set out in the relevant Offer Supplement.
Listing Date	**:**	The listing date as set out in the relevant Offer Supplement.
Use of Proceeds	**:**	The use of proceeds for each tranche of the Offer will be set out in the relevant Offer Supplement.
Dividend Rate	**:**	The dividend rate for each tranche of the Offer shall be set out in the relevant Offer Supplement.
Dividend Payment Dates	**:**	Subject to the Conditions on Declaration and Payment of Cash Dividend described below, dividends on the Offer Shares will be payable quarterly in arrears for every Dividend Period on such dates provided in the Offer Supplement (each a "**Dividend Payment Date**"), which date shall be any day within the period commencing on (and including) the last date of a Dividend Period and fifteen (15) calendar days from the end of the relevant Dividend Period. A "**Dividend Period**" shall be the period commencing on the relevant Issue Date, and having a duration of three (3) months, and thereafter, each of the successive periods of three (3) months commencing on the last day of the immediately preceding Dividend Period up to, but excluding the first day of, the immediately succeeding Dividend Period; provided that the first Dividend Period of the Offer Shares shall be the period commencing on the relevant Issue Date and ending on the last day of the then current dividend period for the outstanding Preferred Shares. If a Dividend Payment Date occurs after the end of a Dividend Period, there shall be no adjustment as to the amount of dividends to be paid.
Dividend Rate Step-Up	**:**	Unless the Offer Shares are redeemed by ABCI on the applicable Optional Redemption Dates (as defined below under "**Optional Redemption and Purchase**"), the Dividend Rate shall be adjusted in accordance with the terms as set out in the Offer Supplement.
Conditions on Declaration and Payment of Cash Dividends	**:**	The declaration and payment of cash dividends on each Dividend Payment Date will be subject to the discretion of the Board of Directors, the covenants (financial or otherwise) in the loans and credit agreements to which the Issuer is a party and the requirements under applicable laws and regulations. If the retained earnings available for distribution as cash dividends are, in the opinion of the Board of Directors, not sufficient to enable the Issuer to pay in full cash dividends on the Preferred Shares and cash dividends that are scheduled to be paid on or before the same date on shares that have an equal right to dividends as the Preferred Shares ("**Comparable Shares**"), the Issuer is required to pay cash dividends on the Preferred Shares and any Comparable Shares pro rata to the amount of the cash dividends scheduled to be paid to the Preferred Shares and the Comparable Shares, respectively. For purposes of this paragraph, the amount scheduled to be paid shall include all dividends due on such Dividend Payment Date

		as well as all accumulated dividends due and payable or dividends in arrears in respect of prior Dividend Periods ("**Dividends in Arrears**"). The retained earnings available for distribution are, in general and with some adjustments pursuant to applicable laws, regulations, and Philippine Financial Reporting Standards (PFRS) which shall include all applicable PFRSs, Philippine Accounting Standards (PAS) and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC), equal to the accumulated, realized profits of the Issuer less accumulated, realized loss. Holders of the Offer Shares shall not be entitled to participate in any other or further dividends, cash, property or stock beyond the dividends specifically payable on the Offer Shares. ABCI will covenant that, in the event: • any cash dividends due with respect to any Preferred Shares then outstanding for any period are not declared and paid in full when due; • where there remains outstanding Arrears of Dividends; or • any other amounts payable under the terms and conditions of the Offer Shares described in the Prospectus are not paid in full when due for any reason, then it will not declare or pay any dividends or other distributions in respect of, or repurchase or redeem, securities ranking *pari passu* with, or junior to, the Offer Shares (or contribute any moneys to a sinking fund for the redemption of any securities ranking *pari passu* with, or junior to, the Offer Shares) until any and all Arrears of Dividends and accrued but unpaid cash dividends have been paid to the holders of the Offer Shares.
Optional Redemption and Purchase	:	As and if approved by the Board of Directors, ABCI may redeem the Offer Shares on such dates as set out in the Offer Supplement, or on the last day of any Dividend Period thereafter (each an "**Optional Redemption Date**") in whole or in part, at a redemption price equal to the relevant Offer Price of the Offer Shares plus any accrued and unpaid cash dividends due them on such Dividend Payment Date as well as all Arrears of Dividends outstanding (the "**Redemption Price**"): If at any time, ABCI redeems more than one (1) series, which, under the terms and conditions by which they were offered, may already be subject to optional redemption, ABCI has the option to redeem, without preference or priority, in whole or in part, any or all of the series; provided that in case of partial redemption of a series, such redemption shall apply pro rata among the holders thereof.

		The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the Preferred Shares, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Preferred Shares at the Optional Redemption Date stated in such notice. The Issuer may also redeem the Preferred Shares, in whole but not in part, at any time if an Accounting Event or a Tax Event has occurred and is continuing, having given not less than thirty (30) nor more than sixty (60) days' written notice prior to the intended date of redemption, which notice shall be irrevocable and binding upon the Issuer to effect such redemption of the Preferred Shares at the redemption date stated in such notice. The redemption due to an Accounting Event or a Tax Event shall be made by the Issuer at the Redemption Price, which shall be paid within five (5) Banking Days of the exercise of the right to redeem the Preferred Shares on the date of redemption set out in the notice.
No Sinking Fund	**:**	The Issuer has not established, and currently has no plans to establish, a sinking fund for the redemption of the Offer Shares.
Redemption by reason of an Accounting Event	**:**	An accounting event ("**Accounting Event**") shall occur if in the opinion of the Issuer, with due consultation with its external auditor authorized to perform auditing services in the Philippines, there is more than an insubstantial risk that the Preferred Shares may no longer be recorded as equity pursuant to a change in PFRS accounting principles in the audited consolidated financial statements of the Issuer prepared in accordance with PFRS, or such other accounting standards which succeed PFRS as adopted by the Issuer for the preparation of its audited consolidated financial statements for the relevant financial year, and such event cannot be avoided by use of reasonable measures available to the Issuer, the Issuer having given not more than 60 nor less than 30 days' notice, may redeem the Preferred Shares in whole, but not in part at the Redemption Price.
Redemption by reason of a Tax Event	**:**	A tax event ("**Tax Event"**) shall occur if dividend payments become subject to additional withholding or any new tax as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer having given not more than sixty (60) nor less than thirty (30) days' notice, may redeem the Preferred Shares at any time in whole but not in part, at the Redemption Price.
Purchase of the Offer Shares	**:**	Upon listing on the PSE, the Issuer may purchase the Preferred Shares at any time in the open market or by public tender or by private contract at any price through the PSE. The Preferred Shares so purchased may either be redeemed (pursuant to their terms and conditions as set out in the Prospectus) and cancelled, or kept as treasury shares, as applicable.
Taxation	**:**	All payments in respect of the Preferred Shares are to be made free and clear of any deductions or withholding for or on account of any future taxes or duties imposed by or on behalf of Republic of the Philippines, including but not limited to, stamp, issue, registration, documentary, value added or any similar tax or

		other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the Issuer will pay additional amounts so that holders of the Preferred Shares will receive the full amount of the relevant payment which otherwise would have been due and payable. Provided, however, that the Issuer shall not be liable for, and the foregoing payment undertaking of the Issuer shall not apply to: a. any withholding tax applicable on dividends earned or on any amounts payable to the holders of the Preferred Shares, including any additional tax on such dividends imposed by changes in law, rule, or regulation; b. any income tax, including capital gains tax, (whether or not subject to withholding); percentage tax (such as stock transaction tax), documentary stamp tax or other applicable taxes on the redemption (or receipt of the redemption price) of the Preferred Shares or on the liquidating distributions as may be received by a holder of the Preferred Shares; c. any expanded value added tax which may be payable by any holder of the Preferred Shares on any amount to be received from the Issuer under the terms and conditions of the Preferred Shares; d. any withholding tax, including any additional tax imposed by changes in law, rule, or regulation, on any dividends payable to any holder of Preferred Shares or any entity which is a non-resident foreign corporation; and e. any applicable taxes on any subsequent sale or transfer or redemption of the Preferred Shares by any holder of the Preferred Shares which shall be for the account of the said holder (or the buyer in case such buyer shall have agreed to be responsible for the payment of such taxes). All sums payable by the Issuer to tax-exempt entities shall be paid in full without deductions for taxes, duties, assessments or governmental charges provided said entities present sufficient proof of such tax-exempt status from the tax authorities. Documentary stamp tax and all other costs and expenses for the issuance of the Preferred Shares and the documentation, if any, shall be for the account of the Issuer. The applicable taxes to any subsequent sale of the Offer Shares by any holder of the Offer Shares shall be for the account of the said holder.
Form, Title and Registration of the Preferred Shares	:	The Preferred Shares will be issued in scripless form through the electronic book-entry system of Professional Stock Transfer, Inc. as Registrar for the Offer ("**Registrar**"), and lodged with Philippine Depository & Trust Corp. ("**PDTC**") as Depository Agent on Listing Date through PSE Trading Participants respectively nominated by the applicants. For this purpose, applicants shall indicate in the proper space provided for in the

		Application Form the name of a PSE Trading Participant under whose name their shares will be registered. After Listing Date, holders of the Preferred Shares (the "**Shareholders**") may request the Registrar, through their respective nominated PSE Trading Participants, to (a) open a scripless registry account and have their holdings of the Preferred Shares registered under their name, or (b) issue stock certificates evidencing their investment in the Preferred Shares. Any expense that will be incurred in relation to such registration or issuance shall be for the account of the requesting shareholder. Legal title to the Preferred Shares will be shown in an electronic register of shareholders ("**Registry of Shareholders**") which shall be maintained by the Registrar. The Registrar shall send a transaction confirmation advice confirming every receipt or transfer of the Preferred Shares that is effected in the Registry of Shareholders (at the cost of the requesting shareholder). The Registrar shall send (at the cost of the Issuer) at least once every quarter a statement of account to all shareholders named in the Registry of Shareholders, except certificated shareholders and depository participants, confirming the number of shares held by each shareholder on record in the Registry of Shareholders. Such statement of account shall serve as evidence of ownership of the relevant shareholder as of the given date thereof. Any request by shareholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Shareholder. For scripless shares, the maintenance and custody fee payable to the PDTC shall be for the account of the shareholder.
Selling and Transfer Restrictions	:	Initial placement and subsequent transfers of interests in the Preferred Shares shall be subject to normal selling restrictions for listed securities as may prevail in the Philippines from time to time.
Governing Law	:	The Preferred Shares will be issued pursuant to the laws of the Philippines.

Features of the Preferred Shares

Status	:	The Preferred Shares will constitute the direct and unsecured subordinated obligations of the Company ranking at least *pari passu* in all respects and ratably without preference or priority among themselves. In the event of the winding-up of the Company, the Preferred Shares rank junior in right of payment to all indebtedness of the Company and junior in right of payment to securities of, or claims against, the Company which rank or are expressed to rank senior to the Preferred Shares. The Preferred Shares, however, rank in *pari passu* with the other Preferred Shares. There is a substantial risk that an investor in the Preferred Shares will not receive any return of the principal amount or any unpaid amounts due under the terms of the Offer unless ABCI

		can satisfy in full all of its other obligations ranking senior to the Preferred Shares. The Company is at liberty from time to time without the consent of the holders of the Preferred Shares to create and issue additional preferred shares or securities either (a) ranking at least *pari passu* in all respects with the Preferred Shares, or (b) upon such terms as to ranking, distributions, conversion, redemption and otherwise as the Company may determine at the time of the issue.
Dividend Cumulative	**:**	Dividends on the Preferred Shares will be cumulative. If for any reason the Board of Directors of the Company does not declare a dividend on the Preferred Shares for a Dividend Period, the Company will not pay a dividend on the Dividend Payment Date for that Dividend Period. However, on any future Dividend Payment Date on which dividends are declared, holders of the Preferred Shares must receive the dividends due them on such Dividend Payment Date as well as any dividends in which the declaration and/or payment have been deferred, in respect of prior Dividend Periods (the "**Arrears of Dividends**").
No Voting Rights	**:**	Holders of the Preferred Shares shall not be entitled to vote at the Company's stockholders' meetings, except as otherwise provided by law.
Non-Participating	**:**	Holders of the Preferred Shares shall not be entitled to participate in any other or future dividends beyond the dividends specifically payable on the Preferred Shares.
Non-Convertible	**:**	Holders of the Preferred Shares shall have no right to convert the Preferred Shares to any other preferred shares or common shares of the Company.
No Pre-emptive Rights	**:**	Holders of the Preferred Shares shall have no pre-emptive rights to subscribe to any shares (including, without limitation, treasury shares) that will be issued or sold by the Company.
Liquidation Rights	**:**	In the event of a return of capital in respect of the liquidation, dissolution or winding up of the affairs of ABCI but not on a redemption or purchase by ABCI of any of its share capital, the holders of the Preferred Shares at the time outstanding will be entitled to receive, in Pesos, out of the assets of ABCI available for distribution to shareholders, together with the holders of any other of the shares of ABCI ranking, as regards repayment of capital, *pari passu* with the Offer Shares and before any distribution of assets is made to holders of any class of the shares of ABCI ranking junior to the Preferred Shares as regards repayment of capital, liquidating distributions in an amount equal to the Redemption Price as of (and including) the date of commencement of the winding up of ABCI or the date of any such other return of capital, as the case may be. If, upon any return of capital in the winding up of ABCI, the amount payable with respect to the Preferred Shares and any other shares of ABCI ranking as to any such distribution *pari passu* with the Preferred Shares are not paid in full, the holders of the Preferred Shares and of such other shares will share proportionately in any such distribution of the assets of ABCI in proportion to the full respective preferential amounts to which they are entitled.

		After payment of the full amount of the liquidating distribution to which they are entitled, the holders of the Preferred Shares will have no right or claim to any of the remaining assets of ABCI and will not be entitled to any further participation or return of capital in a winding up.
Other Terms of the Offer	**:**	The other terms of the Offer Shares, including the Offer Period, minimum subscription to the Offer Shares, Eligible Investors, procedure for application, payment for the Offer Shares, acceptance/rejection of applications, and refunds of application payments shall be set out in the relevant Offer Supplement for each tranche.
Timetable	**:**	The timetable of each tranche of the Offer shall be as set out in the relevant Offer Supplement.
Underwriters	**:**	The underwriters for each tranche of the Offer as set out in the relevant Offer Supplement.
Depository Agent	**:**	Philippine Depository & Trust Corp.
Registrar and Stock Transfer Agent	**:**	Professional Stock Transfer, Inc.
Receiving Agent	**:**	Professional Stock Transfer, Inc.
Selling Agents	**:**	The selling agents for each tranche of the Offer as set out in the relevant Offer Supplement.
Counsel to the Issuer	**:**	Picazo Buyco Tan Fider & Santos
Counsel to the Underwriters	**:**	Romulo Mabanta Buenaventura Sayoc & de los Angeles

DESCRIPTION OF OFFER SHARES

Set forth below is information relating to the Offer Shares. This description is only a summary and is qualified by reference to Philippine law and the Amended Articles of Incorporation and Amended By-laws of ABCI, as may be amended from time to time.

Share Capital

A Philippine corporation may issue common or preferred shares, or such other classes of shares with such rights, privileges or restrictions as may be provided for in the articles of incorporation and the by-laws of the corporation.

The current Authorized Capital Stock of the corporation is ₱3,300,000,000.00 divided into 3,300,000,000 common shares with a par value of ₱1.00 per share.

On April 12, 2021 the Board of Directors of the Company (the "**Board of Directors**" or "**Board**") approved the amendment of the Articles of Incorporation of the Company to reclassify and divide the authorized capital stock into: (i) 3,250,000,000 common shares with a par value of ₱1.00 per share; and (ii) 50,000,000 preferred shares with a par value of ₱1.00 per share (the "**Preferred Shares Amendment**"). On June 24, 2021, the stockholders of Company approved the Preferred Shares Amendment during the Annual Stockholders' Meeting. On July 12, 2021, the Company submitted the Preferred Shares Amendment with the SEC. The Preferred Shares Amendment shall be effective after SEC approval. On October 5, 2021, the SEC approved the Preferred Shares Amendment.

Upon the approval by the SEC of the Preferred Shares Amendment, the authorized capital stock of the Company shall be ₱3,300,000,000.00 divided into: (i) 3,250,000,000 common shares with a par value of ₱1.00 per share; and (ii) 50,000,000 preferred shares with a par value of ₱1.00 per share.

Below is a table illustrating the issued and outstanding shares of the Company as of July 31, 2021:

Share Class	**Issued**	**Outstanding**	**Treasury**
Common	2,477,668,925	2,411,001,911	66,667,014
Preferred Shares	-	-	-
TOTAL	**2,477,668,925**	**2,411,001,911**	**66,667,014**

The Issuance of the Offer Shares

On May 25, 2021, the Board of Directors authorized the shelf registration of 50,000,000 Preferred Shares and the sale and offer of up to 15,000,000 Preferred Shares, at an offer price of up to ₱100.00 per share under a shelf registration, to be issued during the Shelf Period, under such terms and conditions as the management of the Company may deem advantageous to it (the "**Enabling Resolutions**"). The approval by the Board of Directors of the Enabling Resolutions to issue Preferred Shares is subject to the SEC approval of the Preferred Shares Amendment. On October 5, 2021, the SEC approved the Preferred Shares Amendment.

The Offer Shares will comprise of unissued preferred shares to be offered and issued by the Company, subject to the SEC approval of the Preferred Share Amendment.

ABCI may offer from time to time, within the Shelf Period to be issued in one or more series for each tranche of the Offer.

The Company will file an application for the listing of the Offer Shares on the PSE for each tranche of the Offer Shares. Once the Offer Shares are listed on the PSE, ABCI may purchase the Offer Shares, then tradeable at that time, at any time in the open market or by public tender or by private contract at any price through the trading facilities of the PSE.

Shelf Registration and Features of the Offer Shares

Subject to the SEC approval of the Preferred Share Amendment, the Offer Shares will have different features that will be determined in the Enabling Resolutions and the relevant Offer Supplement. The number of Offer Shares to be allocated to each series shall be determined by the Board of Directors of the Company. ABCI shall issue the Offer Shares to subscribers only upon full payment by the subscribers of the subscription price for the said shares, which shall be ₱100.00 per share.

The Offer Shares shall be registered under a shelf registration and issued in tranches during the Shelf Period. The specific terms of each tranche of the Offer Shares shall be determined by the Company, taking into account prevailing market conditions at the time of sale and shall be set out in the relevant Offer Supplement. After the Registration Statement of the Company for the Offer Shares becomes effective, the Company will secure a permit to sell from the SEC for each tranche of the Offer. The Offer Shares will be issued in one or more series for each tranche of the Offer.

The Offer Shares have a par value of ₱1.00 per share. Preferred Shares may be issued from time to time by the Board of Directors which is authorized under the Articles of Incorporation of the Company to adopt resolutions authorizing the issuance of Preferred Shares in one or more series for such number of shares and relative rights and preferences as the Board of Directors may deem beneficial to the Corporation. The features and specific terms of the Offer Shares shall be set out in the Enabling Resolutions and the Offer Supplement of the relevant issue tranche) which shall include the following general features:

(a) **Dividends (Cumulative; Non-Participating)**

The Board of Directors shall have the sole discretion to declare dividends on the Offer Shares, provided that ABCI has unrestricted retained earnings, the covenants (financial or otherwise) in the loans and credit agreements to which the Issuer is a party will not be breached, and the rate of dividend or formula for determining the same rate shall be indicated in the relevant Enabling Resolutions.

The dividends on the Offer Shares will be calculated on a 30/360-day basis.

Dividends on the Offer Shares will be payable quarterly in arrears for every Dividend Period on such dates provided in the Offer Supplement (each a "**Dividend Payment Date**"), which date shall be any day within the period commencing on (and including) the last date of a Dividend Period and fifteen (15) calendar days from the end of the relevant Dividend Period.

A "*Dividend Period*" shall be the period commencing on the relevant Issue Date, and having a duration of three (3) months, and thereafter, each of the successive periods of three (3) months commencing on the last day of the immediately preceding Dividend Period up to, but excluding the first day of, the immediately succeeding Dividend Period; provided that the first Dividend Period of the Offer Shares shall be the period commencing on the relevant Issue Date and ending on the last day of the then current dividend period for the outstanding Preferred Shares. If a Dividend Payment Date occurs after the end of a Dividend Period, there shall be no adjustment as to the amount of dividends to be paid.

Dividends on the Preferred Shares will be cumulative. If for any reason the Board of Directors of the Company does not declare a dividend on the Preferred Shares for a Dividend Period, the Company will not pay a dividend on the Dividend Payment Date for that Dividend Period. However, on any future Dividend Payment Date on which dividends are declared, holders of the Preferred Shares must receive the dividends due them on such Dividend Payment Date as well as any dividends in which the declaration and/or payment have been deferred, in respect of prior Dividend Periods (the "**Arrears of Dividends**").

The holders of the Offer Shares shall not be entitled to any participation or share in the retained earnings remaining after dividend payment shall have been made on the shares as aforementioned, nor shall they be entitled to any other kind of dividend payment whether cash, property, or stock, other than corresponding to the dividend rate determined by the Board of Directors.

The specific dividend rate on the Offer Shares shall be provided in the relevant Offer Supplement.

(b) **Non-Conversion**

Holders of the Preferred Shares shall have no right to convert the Preferred Shares to any other preferred shares or common shares of the Company.

(c) **Redemption**

As and if approved by the Board of Directors, ABCI may redeem the Offer Shares on such dates as set out in the Offer Supplement, or on the last day of any Dividend Period thereafter (each an "**Optional Redemption Date**") in whole or in part, at a redemption price equal to the relevant Offer Price of the Offer Shares plus any accrued and unpaid cash dividends due them on such Dividend Payment Date as well as all Arrears of Dividends outstanding (the "**Redemption Price**").

If at any time, ABCI redeems more than one (1) series, which, under the terms and conditions by which they were offered, may already be subject to optional redemption, ABCI has the option to redeem, without preference or priority, in whole or in part, any or all of the series; provided that in case of partial redemption of a series, such redemption shall apply pro rata among the holders thereof.

The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the Preferred Shares, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Preferred Shares at the Optional Redemption Date stated in such notice.

The Issuer may also redeem the Preferred Shares, in whole but not in part, at any time if an Accounting Event or a Tax Event has occurred and is continuing, having given not less than thirty (30) nor more than sixty (60) days' written notice prior to the intended date of redemption, which notice shall be irrevocable and binding upon the Issuer to effect such redemption of the Preferred Shares at the redemption date stated in such notice. The redemption due to an Accounting Event or a Tax Event shall be made by the Issuer at the Redemption Price, which shall be paid within five (5) Banking Days of the exercise of the right to redeem the Preferred Shares on the date of redemption set out in the notice.

An accounting event ("**Accounting Event**") shall occur if in the opinion of the Issuer, with due consultation with its external auditor authorized to perform auditing services in the Republic of the Philippines, there is more than an insubstantial risk that the Preferred Shares may no longer be recorded as equity pursuant to a change in PFRS accounting principles in the audited consolidated financial statements of the Issuer prepared in accordance with PFRS, or such other accounting standards which succeed PFRS as adopted by the Issuer for the preparation of its audited consolidated financial statements for the relevant financial year, and such event cannot be avoided by use of reasonable measures available to the Issuer, the Issuer having given not more than 60 nor less than 30 days' notice, may redeem the Preferred Shares in whole, but not in part at the Redemption Price.

A tax event ("**Tax Event**") shall occur if dividend payments become subject to additional withholding or any new tax as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer having given not more than sixty (60) nor less than thirty (30) days' notice, may redeem the Preferred Shares at any time in whole but not in part, at the Redemption Price.

The Offer Shares, when redeemed, shall not be considered retired and may be re-issued by ABCI at a price to be determined by the Board of Directors.

ABCI has not established, and currently has no plans to establish, a sinking fund for the redemption of the Offer Shares.

As and if declared by the Board of Directors, the Company may redeem the Offer Shares on the Redemption Price determined therefor. The terms of any redemption will be set out in the relevant Offer Supplement.

The Company may not redeem the Offer Shares if the Company is declared insolvent or if such redemption will result in insolvency or inability to meet its debts as they mature.

(d) **Liquidation**

In the event of a return of capital in respect of the liquidation, dissolution or winding up of the affairs of ABCI but not on a redemption or purchase by ABCI of any of its share capital, the holders of the Preferred Shares at the time outstanding will be entitled to receive, in Pesos, out of the assets of ABCI available for distribution to shareholders, together with the holders of any other of the shares of ABCI ranking, as regards repayment of capital, pari passu with the Offer Shares and before any distribution of assets is made to holders of any class of the shares of ABCI ranking junior to the Preferred Shares as regards repayment of capital, liquidating distributions in an amount equal to the Redemption Price as of (and including) the date of commencement of the winding up of ABCI or the date of any such other return of capital, as the case may be. If, upon any return of capital in the winding up of ABCI, the amount payable with respect to the Preferred Shares and any other shares of ABCI ranking as to any such distribution pari passu with the Preferred Shares are not paid in full, the holders of the Preferred Shares and of such other shares will share proportionately in any such distribution of the assets of ABCI in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of the Preferred Shares will have no right or claim to any of the remaining assets of ABCI and will not be entitled to any further participation or return of capital in a winding up.

(e) **Voting Rights**

Holders of the Preferred Shares shall not be entitled to vote except in cases expressly provided by law. Thus, the holders of the Offer Shares are not eligible, for example, to vote for or elect the Board of Directors of ABCI. Holders of the Preferred Shares, however, may vote on the following corporate acts, which the Revised Corporation Code considers significant and may be implemented only with the approval of shareholders representing at least two-thirds (2/3) of the issued and outstanding capital stock of ABCI:

- Amendment of the Amended Articles of Incorporation;
- Adoption and amendment of By-laws;
- Sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the corporate property of ABCI;
- Incurring, creating or increasing bonded indebtedness;

- Increase or decrease of authorized capital stock;
- Merger or consolidation of ABCI with another corporation or other corporations;
- Investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which ABCI was organized; and
- Dissolution of ABCI.

However, for the amendment of the Amended By-laws of ABCI, the approval of the shareholders representing at least a majority of the issued and outstanding capital stock of ABCI in a meeting duly called for the purpose is required.

(f) **Pre-emptive Rights**

Holders of the Preferred Shares shall have no pre-emptive right to any issue or disposition of any share of any class of ABCI.

(g) **Status**

The Preferred Shares will constitute the direct and unsecured subordinated obligations of the Company ranking at least pari passu in all respects and ratably without preference or priority among themselves.

In the event of the winding-up of the Company, the Preferred Shares rank junior in right of payment to all indebtedness of the Company and junior in right of payment to securities of, or claims against, the Company which rank or are expressed to rank senior to the Preferred Shares. There is a substantial risk that an investor in the Preferred Shares will not receive any return of the principal amount or any unpaid amounts due under the terms of the Offer unless ABCI can satisfy in full all of its other obligations ranking senior to the Preferred Shares.

The Company is at liberty from time to time without the consent of the holders of the Preferred Shares to create and issue additional preferred shares or securities either (a) ranking at least pari passu in all respects with the Preferred Shares, or (b) upon such terms as to ranking, distributions, conversion, redemption and otherwise as the Company may determine at the time of the issue.

Other Rights and Incidents Relating to the Preferred Shares

The other rights and incidents relating to the Offer Shares, which may also apply to other classes of shares of ABCI, are as follows:

Derivative Suit

Philippine law recognizes the right of a shareholder to institute, under certain circumstances, proceedings on behalf of the corporation in a derivative action in circumstances where the corporation itself is unable or unwilling to institute the necessary proceedings to redress wrongs committed against the corporation or to vindicate corporate rights, as for example, where the directors themselves are the malefactors.

Appraisal Rights

Under Philippine law, shareholders dissenting from the following corporate actions may demand payment of the fair value of their shares in any of the following circumstances:

- in case any amendment to the corporation's articles of incorporation has the effect of changing and restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class;

- in case of any sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property or assets;

- in case of merger or consolidation;

- in case the corporation decides to invest its funds in another corporation or business or for any purpose other than the primary purpose; and

- in case of extension or shortening of the term of corporate existence.

In these circumstances, the dissenting shareholder may require the corporation to purchase his, her or its shares at a fair value which, in case of disagreement between the dissenting shareholder and the corporation, is determined by three (3) disinterested persons, one (1) of whom shall be named by the stockholder, one (1) by the corporation, and the third by the two thus chosen. The appraisal rights may be exercised by the dissenting stockholder by making a written demand within thirty (30) days after the date on which the vote was taken on the corporate action. The failure to make the demand within the period shall be deemed a waiver of the appraisal rights.

The payment to the dissenting stockholder of the fair value of his shares will only be available if the corporation has unrestricted retained earnings to cover such purchase. From the time the shareholder makes a demand for payment until the corporation purchases such shares, all rights accruing on the shares, including voting and dividend rights, shall be suspended, except the right of the shareholder to receive the fair value of the share.

Right of Inspection

It is a recognized right of a shareholder to inspect the corporate books, records of all business transactions of the corporation and the minutes of any meeting of the Board and shareholders, at reasonable hours on business days and may demand a copy of excerpts from such records or minutes at the shareholder's expense. On the other hand, the corporation may refuse such inspection if the shareholder demanding to examine or copy the records of the corporation has improperly used any information secured through any prior examination, or was not acting in good faith or for a legitimate purpose in making his demand.

Right to Financial Statements

Another recognized right of a shareholder is the right to be furnished with the most recent audited financial statement of the corporation prepared in accordance with PFRS, which shall include a balance sheet as of the end of the last taxable year and a profit and loss statement for said taxable year, with related notes. At the meeting of shareholders, the board of directors is required to present to the shareholders a financial report of the operations of the corporation for the preceding year, which shall include financial statements duly audited by an independent certified public accountant.

Changes in Control

There is no provision in the Amended Articles of Incorporation and Amended By-laws of ABCI which would delay, deter or prevent a change in control of ABCI. There are no existing arrangements to which ABCI is a party or which are otherwise known to ABCI that may result in a change in control of ABCI.

SHAREHOLDERS' MEETINGS

Annual or Regular Shareholders' Meetings

All Philippine corporations are required to hold an annual meeting of shareholders for corporate purposes, one of which is the election of directors. ABCI's By-laws provide for annual meetings any day of June of each year, and if a legal holiday, then on the following Business Day.

Special Shareholders' Meeting

Special meetings of shareholders, for any purpose or purposes, may at any time be called by either the President of the Company, upon the request by a majority of the Board of Directors to the President of the Company, or upon the written request of stockholders registered as the owners of not less than 1/4 of the outstanding capital stock of the Company entitled to vote. Pursuant to Section 49 of the Revised Corporation Code, stockholders may propose the holding of a special meeting and items to be included in the agenda.

Notice of Shareholders' Meeting

Whenever shareholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and time of the meeting, and the purpose or purposes for which the meeting is called. Notices of meetings of the stockholders shall be sent by the Corporate Secretary by personal delivery, by mail, telegraph, facsimile, or cable to each stockholder at least fifteen (15) Business Days prior to the date of the meeting to each stockholder of record at his last known address. In addition, in accordance with Section 49 of the Revised Corporation Code and SEC Memorandum Circular No. 6, series of 2020, for meetings to be held via remote communication, written notice must be sent at least twenty-one (21) days prior to the scheduled regular meeting. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called. In case of special meetings, only matters stated in the notice can be the subject of motions or deliberations at such meeting. Notice of any meeting may be waived, expressly or impliedly, by any shareholder, in person or by proxy, before or after the meeting.

When the meeting of the shareholders is adjourned to another time or place, notice of the adjourned meeting need not be provided so long as the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is decided. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

Quorum

Unless otherwise provided by law, shareholders who own or hold a majority of the outstanding capital stock must be present or represented in all regular or special meeting of shareholders in order to constitute a quorum, except in cases where the Revised Corporation Code provides a greater percentage vis-a-vis the total outstanding capital shares. If no quorum is constituted, the meeting shall be adjourned until shareholders who own or hold the requisite number of shares shall be present or represented.

Upon approval of and upon notice by the Board of Directors, meetings may be attended by the stockholders either in person or through video or teleconference or such other means as may be subsequently permitted by applicable law or regulation.

Fixing Record Dates

The Board of Directors has the authority to fix in advance the record date for shareholders entitled: (a) to notice of, to vote at, or to have their shares voted at, any shareholders' meeting; (b) to receive payment of dividends or other distributions or allotment of any rights; or (c) for any lawful action or for making any other proper determination of shareholders' rights.

Pursuant to SEC rules, cash dividends declared by corporations whose shares are listed on the PSE shall have a record date which shall not be less than ten (10) and not more than thirty (30) days from the date of declaration of cash dividends.

RISK FACTORS

General Risk Warning

An investment in the Offer Shares involves a number of risks. The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance and there may be a large difference between the buying price and the selling price of the Offer Shares. The occurrence of any of the following events, or other events not currently anticipated, could have a material adverse effect on the business, financial condition, results of operations and cause the market price of the Offer Shares to decline. All or part of an investment in the Offer Shares could be lost. Investors deal in a range of investments each of which may carry a different level of risk.

Prudence Required

The risk disclosure does not purport to disclose all the risks and other significant aspects of investing in these securities. Investors should undertake independent research and study on the trading of these securities before commencing any trading activity. Investors may request publicly-available information on the Offer Shares and ABCI from the SEC and PSE.

Professional Advice

An investor should seek professional advice if he or she is uncertain of, or has not understood, any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially high-risk securities.

Risk Factors

This Prospectus contains forward-looking statements that involve risks and uncertainties. ABCI adopts what it considers conservative financial and operational controls and policies to manage its business risks. The actual results may differ significantly from the results discussed in the forward-looking statements. See section "Forward-Looking Statements" of this Prospectus. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of ABCI, in particular, and those that pertain to the over-all political, economic, and business environment, in general. These risk factors and the manner by which these risks shall be managed are presented below. The risk factors discussed in this section are of equal importance and are only separated into categories for easy reference.

Investors should carefully consider all the information contained in this Prospectus including the risk factors described below, before deciding to invest in the Offer Shares. The business, financial condition and results of operations of the Company could be materially and adversely affected by any of these risk factors.

RISKS RELATING TO THE GROUP

The COVID-19 Pandemic

COVID-19, an infectious disease that was first reported to have been transmitted to humans in late 2019, has spread globally over the course of 2020, and in March 2020 it was declared as a pandemic by the World Health Organization. The Philippine government has taken measures in varying degrees to contain the spread, including social distancing measures, community quarantine, suspension of operations of non-essential businesses and travel restrictions. The COVID-19 pandemic has created significant public health concerns as well as economic disruption, uncertainty, and volatility, all of which have affected and may continue to affect the Company's businesses.

The continuing impact of the COVID-19 pandemic is highly unpredictable and uncertain, and has and will continue to cause disruptions in the Philippine and global economy and financial markets, as well as the Company's financial performance, among others. While the Company has implemented and complied with government health and safety protocols to mitigate the adverse effects of the pandemic, the duration and extent of these effects are beyond the control of the Company. As of the date of this Prospectus, quarantine restrictions are still in place in the Philippines and may be made more stringent as COVID-19 cases continue to rise.

As the country started to adjust and recover from the pandemic, the Philippine economy posted a growth of 11.8% in the second quarter of 2021. The main contributors to the growth were: manufacturing (22.3%), construction (25.7%), wholesale and retail trade, and repair of motor vehicles and motorcycles (5.4%). Among the major economic sectors, industry and services posted positive growths of 20.8% and 9.6% while agriculture, forestry, and fishing posted a contraction of -0.1 percent in the second quarter of 2021. Household Final Consumption Expenditure improved by 7.2% along with Gross Capital Formation (75.5%); Exports (27%); and Imports (37.8%). Government Final Consumption Expenditure dropped by -4.9% percent in the second quarter of 2021.[2]

The World Bank, for its part, sees the outlook as rather dimmer than hoped after it slashed its full-year Gross Domestic Product ("**GDP**") growth forecast for the Philippines to 4.7% from 5.5% previously, largely due to the disappointing Q1 performance and amid the lingering threats of inflation and losses in household incomes. Its 2022 projection is more upbeat as it expects that growth levels would accelerate to 5.9% anchored in the anticipated rebound of the global economy which would translate into robust export demand and higher remittances. The multilateral lender noted further that other upside factors include the progress on vaccination efforts that could lead to increased consumer and business confidence and the current administration's commitment towards large-scale infrastructure projects.

While the Company has taken numerous steps to mitigate the impact of the pandemic on its results of operation, there can be no assurance that these efforts will be successful. As of the date of this Prospectus, Metro Manila is under General Community Quarantine ("**GCQ**"), while other areas continue to be placed under other levels of community quarantine and there is no assurance that areas that are currently under GCQ or Modified GCQ will not be put under more stringent community quarantine in the future. Due to numerous uncertainties and factors beyond its control, The Company is unable to predict the impact that COVID-19 will have going forward on its businesses, results of operations, cash flows, and financial condition. These factors and uncertainties include, but are not limited to:

- the severity and duration of the pandemic or other additional periods of increases or spikes in the number of COVID-19 cases in future periods in areas in which the Company operates;
- the duration and degree of governmental, business or other actions in response to the pandemic, including but not limited to quarantine, stay-at-home or other lockdown measures;
- restrictions on operations up to and including complete or partial closure of offices;
- economic measures, fiscal policy changes, or additional measures that have not yet been effected;
- the health of, and effect of the pandemic on, the Company's personnel and the Company's ability to maintain staffing needs to effectively operate its businesses;
- evolving macroeconomic factors, including general economic uncertainty, unemployment rates, and recessionary pressures;
- the impact of the pandemic and related economic uncertainty on consumer confidence, economic well-being, spending, and shopping behaviors, both during and after the crisis;

[2] Philippine Statistic Authority, Reference Number: 2021-339.

- impacts—financial, operational or otherwise—on the Company's supply chain, including manufacturers or suppliers of products and logistics or transportation providers, and on the Company's service providers or third-party contractors;

- volatility in the credit and financial markets during and after the pandemic;

- the impact of any litigation or claims from customers, suppliers, regulators or other third parties relating to COVID-19 or the Company's actions in response thereto;

- the pace of recovery when the pandemic subsides; and

- the long-term impact of the pandemic on the Group's businesses.

The above factors and uncertainties, or others of which the Company is not currently aware, may result in adverse impacts to the Company's businesses, results of operations, cash flows, and financial condition. In particular, the COVID-19 pandemic has, and is expected to continue to have, an adverse effect on the Company's businesses and results of operations. While the country was subjected to Enhanced Community Quarantine ("**ECQ**") at the onset of the pandemic, the community quarantine measures eventually eased up throughout the year. The Government continues to calibrate the imposition of lockdown or community quarantine measures across the country depending on the situation in specific localities. To address the spread of infection, the Government placed Metro Manila and certain neighboring provinces under ECQ from March 29, 2021 until April 11, 2021 and on August 6 to 20, 2021. On August 26, 2021, the Department of Interior and Local Government announced that the Government will phase out the large-scale community quarantine measures and replace the same with granular lockdowns. While the Government had initially intended to implement pilot testing of granular lockdowns in Metro Manila commencing on September 8, 2021 to September 30, 2021, the Government announced on September 7, 2021 that Metro Manila will remain under MECQ until September 15, 2021 or until the pilot alert level system is implemented, whichever comes first. Following the issuance of the new guidelines on the alert level system on September 13, 2021, the Government announced on September 14, 2021 that Metro Manila will be placed under Alert Level 4 from September 16, 2021 to September 30, 2021. The pilot implementation of the alert system was extended from October 1 to 15, 2021 and Metro Manila remained under Alert Level 4. On October 16, 2021, Metro Manila was downgraded to Alert Level 3 and beginning November 5, 2021, it was placed on Alert Level 2. While most of the Luzon island and other provinces have been placed on various levels of community quarantine, the government has commenced vaccination for those considered as high-risk individuals including healthcare workers, senior citizens, and individuals with comorbidities. The vaccination drive in the country started on February 15, 2021 and as of the date of this Prospectus, the Philippines has administered 65.8 million doses of the vaccine, with 35.7 million people fully vaccinated representing 32.5% of the total population of the country.

Given the imposition of ECQ, and other community quarantine measures for the duration of the year 2020, as well as mobility restrictions still currently being imposed, the full year 2020 performance reflects the full impact of the lockdown, thereby continuing and amplifying trends observed during the first quarter of 2020. The re-imposition of stricter quarantine measures following the rise in cases of COVID-19 in the country may continue to impact the financials of the Group in 2021.

For the Company's real estate business, the pandemic and its disruption of global supply chains have increasingly affected construction activities, with shortages of raw materials and other inputs, contractors and subcontractors, and workers. Some building material supply chains have suspended production and distribution. There was a delay in the construction as well as costs increased as many factories have been closed for extended periods. Limited transportation and travel bans also slowed the project delivery and labor shortages have been a problem for the real estate sector since the government imposed community quarantine restrictions.

The Company worked closely together with subcontractors and agencies to assist them in the case of widespread construction site shutdowns. A periodic review and assessment of profitability, loans and cash flow to support ongoing operations is also being undertaken by the Company and a thorough review of the capital and corporate cost budgets to identify not only marginal investments, but also discretionary items that can be cut was done at the start of the pandemic.

The extent to which the COVID-19 pandemic will continue to impact the Company will depend on future developments, including the timeliness and effectiveness of actions taken or not taken to contain and mitigate the effects of COVID-19, in the Philippines and internationally, by governments, central banks, healthcare providers, health system participants, other businesses, and individuals, all of which are highly uncertain and unpredictable. To the extent the COVID-19 pandemic adversely affects the business and financial results of the Company, it may also have the effect of heightening many of the other risks described in this Prospectus.

ABCI's businesses are affected by regulations in the Philippines

The businesses and operations of the ABCI Group are subject to a number of national and local laws, rules, and regulations governing several different industries in the Philippines. The political and regulatory landscape is continually evolving, and the ABCI Group is required to continuously assess and ensure it is up to date with the demands of regulatory compliance. These laws and regulations require the Company to obtain and maintain several approvals, licenses, and permits from various entities such as the Department of Human Settlements and Urban Development ("**DHSUD**"), the Department of Environment and Natural Resources ("**DENR**"), the Energy Regulatory Commission (the "**ERC**"), and the Philippine Food and Drug Administration ("**FDA**"), among others. Additionally, the Company may need to apply for more approvals, licenses, and permits and renew such approvals, licenses, and permits that may expire from time to time. In addition, there is no assurance that the Company will not be subject to new licensing requirements in the future or that it will be able to obtain and/or maintain such approvals, licenses or permits in a timely manner, or at all, or that it will not become subject to any regulatory action on account of not having obtained or renewed such approvals, licenses, and permits.

For example, the real estate industry is highly regulated. The development of subdivision and other residential projects is subject to a wide range of government regulations, which, while varying from one locality to another, typically include zoning considerations as well as the requirement to procure a variety of environmental and construction-related permits. In addition, projects that are to be located on agricultural land must get clearance from the Department of Agrarian Reform ("**DAR**") so that the land can be re-classified as non- agricultural land and, in certain cases, tenants occupying agricultural land may have to be relocated at the Company's expense.

The power and utilities investments of the Group is also subject to extensive regulation, including the Electric Power Industry Reform Act of 2001 ("**EPIRA**"). The enactment and implementation of any such bills or amendments to the EPIRA or other changes to Philippine laws and regulations relevant to the power industry, could have a material adverse effect on the business, financial condition, and results of operations of the Group, or on the rules and regulations governing the power industry, which could materially reduce sales and profitability.

There can be no assurance that future laws, regulations and/or standards will not have a material adverse effect on the Company. In particular, the enactment and implementation of any such bills or amendments to the National Internal Revenue Code of 1997, as amended (the "Philippine Tax Code"), or other changes to Philippine laws and regulations relevant to the power and utilities investments, the real estate business, and the agri-business, could increase the Company's costs and have a material adverse effect on the business, financial condition, and results of operations of ABCI.

On January 29, 2021, Republic Act No. 11521 was enacted which introduced amendments to the Anti-Money Laundering Act of 2001 ("**AMLA**"). Among the amendments is the inclusion of real estate developers as Covered Persons subject to verification and reporting requirements under the AMLA. Compliance with these requirements may entail additional cost and delay in the marketing and sales of our real estate business.

To mitigate this risk, the Company regularly monitors applicable regulations, its permits and approvals to ensure that all are properly complied with and permits are renewed and maintained. See "*Material Permits and Licenses*". The Company has also appointed Compliance Officers to submit all required reports from the Company including to the AMLC as well as to keep records of all transactions within the prescribed period of time.

Compliance with and renewal of licenses, permits and other authorizations

The ABCI Group is required to maintain licenses, permits, and other authorizations for the operations of its businesses, including business permits and permits concerning, for example, health and safety, and environmental standards. These licenses, permits, and other authorizations contain various requirements that must be complied with to keep the same valid. If the Group fails to meet the terms and conditions of any of our licenses, permits or other authorizations necessary for operations, these operations may be suspended or terminated.

While the Company believes, to the best of its knowledge, that it has, at all relevant times, materially complied with all applicable laws, rules and regulations and has an established compliance culture to ensure that all requirements, permits, and approvals are obtained in a timely manner, there is no assurance that changes in laws, rules or regulations or the interpretation thereof by relevant government agencies, will not result in the Company having to incur substantial additional costs or capital expenditures.

The measures implemented by ABCI to comply with laws and regulations may also be deemed insufficient by governmental authorities. If the Company fails to comply, or is deemed to be non-compliant with any applicable laws or regulations, the Group may be subject to penalties, which could disrupt its operations and have a material adverse effect on its business and results of operations. Potential liabilities for such non-compliance with the legal requirements or violations of prescribed standards and limits under these laws include administrative, civil, and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, that could limit or affect its operations such as orders for the suspension and/or revocation of permits or licenses or suspension and/or closure of operations. There can be no assurance that the Company will not become involved in future litigation or other proceedings or be held responsible in any such future litigation or proceedings, the costs of which could be material. In the event that the Company becomes involved in any future litigation or other proceedings or is subject to any adverse rulings or decisions, such events may materially and adversely affect its business, financial condition, and results of operations.

There can be no assurance that the Group will continue to be able to renew the necessary licenses, permits, and other authorizations as necessary or that such licenses, permits, and other authorizations will not be revoked. If the Company is unable to obtain or renew them or are only able to do so on unfavourable terms, this could have an adverse effect on the Company's business, financial condition, and results of operations.

Exposure to safety, health and environmental costs and liabilities

The businesses of the Group span several industries and are subject to a variety of laws, rules and regulations that impose limitations, prohibitions, and standards with respect to health and safety, as well as the use, discharge, emission, treatment, release, disposal, and management of regulated materials and waste, and hazardous substances. Safety, health and environmental laws and regulations in the Philippines have become increasingly stringent and it is possible that these laws and regulations will become significantly stricter in the future. The adoption of new safety, health and environmental laws and regulations, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments in the future may require additional capital expenditures or the incurrence of additional operating expenses in order to comply with such laws and to maintain current operations as well as any costs related to fines and penalties.

Furthermore, if the measures implemented by the Group to comply with these laws and regulations are not deemed sufficient by governmental authorities, compliance costs may significantly exceed estimates. If the Group fails to meet safety, health, and environmental requirements, it may be subject to administrative, civil, and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties, as well as orders that could limit or halt its operations. There is no assurance that the Group will not become involved in future litigation or other proceedings or be held responsible in any such future litigation or proceedings relating to safety, health, and environmental matters in the future, the costs of which could be material. Environmental compliance and remediation costs at sites on which its facilities are located and related litigation and other proceedings could materially and adversely affect the cash flow, results of operations, and financial condition of ABCI. The Company continuously monitors its compliance with applicable health, safety, and environmental regulations.

Increases and changes in applicable taxes, taxation laws and tax incentives

The businesses and operations of ABCI are subject to various taxes, including value-added tax ("**VAT**"), excise taxes, duties and tariffs in the Philippines and in other countries where it conducts its businesses. An increase in prices due to additional taxes may affect demand for its products in the Philippines.

On September 9, 2019, the House of Representatives of the Philippines approved on third and final reading House Bill No. 304, or the Passive Income and Financial Intermediary Taxation Act ("**PIFITA Bill**"). The PIFITA Bill provides for, among others, a reduction in the tax rates on interest income from yield or any other monetary benefit earned or received from bank deposits, deposit substitutes, trust fund and similar arrangements from the current 20% to 15%, and an increase in the tax rate on cash and/or property dividends from the current 10% to 15%. In addition, the PIFITA Bill provides for the rationalization of documentary stamp taxes. In the event the PIFITA Bill is enacted, the amount required to be grossed up by the Company will increase. To date, the House of Representatives is still awaiting the Senate's action on the PIFITA Bill.

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises Act ("**CREATE**") (formerly known as the Corporate Income Tax and Incentives Rationalization Act was passed into law. The CREATE law provides for the application of lower corporate income taxes. However, it also provides for the reduction, suspension or cancellation of fiscal incentives for corporations under certain circumstances.

Increases in tax, changes in the applicable tax regime or other taxes and incentives to which the Group is subject, or the imposition of new taxes on its operations or products, including those which may result from ongoing tax reforms by the Government may, (i) if passed on to the consumers by way of upward price adjustments, reduce sales, (ii) if prices remain unchanged, reduce margins, or (iii) if additional taxes are not fully passed on to the consumers, have both of the foregoing effects. Thus, as with other Philippine companies engaged in similar businesses, these increases and changes may materially and adversely affect the Company's business, financial condition, and results of operations.

Availability of financing

ABCI may not be able to obtain financing or capital on terms acceptable to it or at all which could adversely impact the execution of its expansion plans and the Group may not be able to fulfil its debt obligations. The Group may need to obtain external debt and equity financing, through public or private financing. The continued access to debt and equity financing as sources of funding for new projects and for refinancing maturing debt is subject to many factors, including: (i) Philippine regulations limiting bank exposure to a single borrower or related group of borrowers; (ii) the compliance with existing debt covenants; (iii) the ability of the Group to service new debt; and (iv) market perceptions of the Company and its businesses. Political instability, an economic downturn, social unrest, or changes in the Philippine regulatory environment could also increase the cost of borrowing or restrict its ability to obtain debt financing.

The Company believes, that it prudently manages the financial requirements of its business. In addition, by broadening its funding sources to include tapping the capital markets, including the Shelf Registration of the Preferred Shares, ABCI will be able to better manage and anticipate the fiscal demands of its businesses.

Loss of key personnel

Any loss of key personnel, inability to replace such personnel, and failure to train and retain replacement personnel could materially and adversely affect the ability of the Group to provide products and services to its customers. Continued resignation of trained personnel could also result in the Group incurring additional expenses in hiring and training replacement personnel in a competitive job market, and it may take time for these new personnel to reach the level of technical skill and expertise of the personnel being replaced.

ABCI has relied and will continue to rely significantly on the continued individual and collective contributions of its senior management team. If any key personnel are unable or unwilling to continue in their present positions, the Group may not be able to replace them easily, and its business may be significantly disrupted. Any of the foregoing could have a material adverse effect on the businesses of the Group. To address this, the Company has in place a system of financial prudence and corporate governance and strengthens the competencies of our employees specifically those in the succession pipeline of key personnel, provide training to prepare employees to take on higher responsibilities, and pursue strategic hiring for identified critical positions.

Uninsured losses

The Group may not be fully insured against, and insurance may not be available for, unexpected losses caused by natural disasters, breakdowns, or other events that could affect its businesses. Any unexpected losses caused by such events against which it is not fully insured could have a material adverse effect on its businesses, financial condition, and results of operations. It could suffer a decline in production, receive adverse publicity, and be forced to invest significant resources in addressing such losses. Such events could materially and adversely affect its financial condition and results of operations. The Company maintains insurance policies for its businesses in accordance with prevailing industry standards and practice and believes that its insurance coverage is in accordance with its business exposure. The Group's insurance coverage includes, but not limited to the following: Fire/Lightning, Earthquake Fire & Earthquake Shock, Typhoon, and other natural disasters; and Robbery/Hold-up, Riot/Strike/Malicious Damage, Spontaneous Combustion, Landslide & Subsidence.

RISKS RELATING TO ABCI'S REAL ESTATE BUSINESS

The real estate business is a highly competitive industry

The Company is primarily engaged in the business of horizontal real estate development that range from high-end and middle-income residential developments to economic and socialized housing segments. ABCI targets the full spectrum of the real estate market and responds to the demands of the market and will sustain the niche for the middle-middle, upper-middle and premium markets.

In the event the Company's competitors are able to secure better locations or develop, market and sell more attractive properties than the Company, or if the Company is unable to properly gauge the market for its properties, then the Company's results of operations and prospects may be negatively impacted.

Some competitors may also have substantially greater financial and other resources, which may allow them to undertake more aggressive marketing and to react more quickly and effectively to changes in the markets.

The Company believes that with its strong local presence and familiarity and the customers' recognition of the value appreciation potentials of its projects, it will be able to compete in the price segments it operates in.

The Company may not be able to acquire new or additional land for new projects

ABCI is subject to significant competition in connection with the acquisition of land for residential real estate projects in Cagayan de Oro City and Initao in Misamis Oriental, Cainta, Rizal; Tanay, Rizal;

Valencia City, Bukidnon; and Butuan City, Agusan del Norte. The Company competes with its competitors to secure suitable sites for development.

The Company's future growth and development are dependent, in part, on their ability to acquire or enter into agreements to develop additional tracts of land suitable for the types of residential real estate projects they have developed over the years. As the Company and its competitors attempt to locate sites for development, ABCI may experience difficulty locating parcels of land of suitable size in locations and at prices acceptable to them, particularly parcels of land located in areas surrounding urban areas throughout the Philippines. The Company may also have difficulty in attracting land owners to enter into joint venture agreements with them that will provide the Company with reasonable returns. In addition, pending negotiations with third parties to acquire additional land for the Company's projects may not be successful that may hamper its land banking activities and future inventory. In the event the Company is unable to acquire suitable land at acceptable prices, or at all, or to enter into agreements with joint venture partners to develop suitable land with reasonable returns, or at all, the Company's growth prospects could be limited and its business, financial condition and results of operations could be adversely affected.

Nevertheless, the Company believes it has an extensive landbank in Northern Mindanao, Bukidnon, Caraga Region and Tanay, Rizal of 317 hectares and intends to acquire additional raw land for future developments.

The real estate industry in the Philippines is capital intensive

The real estate industry in the Philippines is capital intensive, and market players are required to incur significant capital expenditures to complete existing projects and commence construction on new developments. To illustrate, in 2020, the Company spent ₱300.1 million for development and construction costs in relation to the development of land and construction of housing units.

The Company has funded a significant portion of its capital expenditure requirements through a combination of internally generated funds from its revenues and investments and through bank financing. There can be no assurance that the Company will be able to continue funding its capital expenditure requirements internally, or that it will be able to externally obtain sufficient funds at acceptable rates to fund its capital expenditure budgets. Failure to obtain the requisite funds could delay or prevent the completion of the Company's on-going projects or any new projects, and such delay or failure to complete could materially and adversely affect the Company's business, financial condition and results of operations.

The Company believes, that it prudently manages the financial requirements of its business. In addition, by broadening its funding sources to include tapping the capital markets, including the Shelf Registration of the Preferred Shares, ABCI will be able to better manage and anticipate the capital demands of its real estate business.

Substantial sales cancellations may have a material adverse effect on the Company

The Company is subject to Republic Act No. 6552 or the Realty Installment Buyer Act (the "**Maceda Law**"), which applies to all transactions or contracts involving the sale or financing of real estate through installment payments, including residential condominium units. Under the Maceda Law, buyers who have paid at least two years of installments are granted a grace period of one month for every year of paid installments to cure any payment default. If the contract is cancelled, the buyer is entitled to receive a refund of at least 50% of the total payments made by the buyer, with an additional 5% per annum in cases where atleast five years of installments have been paid (but with the total not to exceed 90% of the total payments). Buyers who have paid less than two years of installments and who default on installment payments are given a 60-day grace period to pay all unpaid installments before the sale can be cancelled, but without a right of refund. See *"Regulatory and Environmental Matters."*

There can be no assurance that the Company will not suffer from substantial sales cancellations and that such cancellations will not have a material adverse effect on its financial condition and results of operations.

In order to mitigate this risk, management regularly evaluates historical sales cancellations. Collectability is assessed by considering factors such as past history with the buyer, age, and pricing of the property.

In 2019 and 2020, the Company's customer default rate was at 1% and 5%, respectively. The following table summarizes the Company's historical default rate for the last five (5) years:

Year	Default Rate
2020	5%
2019	1%
2018	6%
2017	4%
2016	5%

In case of default, the Company can immediately repossess the property on the 8th month from date of default and then resell the property on the same month. Sales cancellations does not have a major impact on the Company's operations as The Company is able to resell the property upon repossession.

The Company may not be able to successfully manage its land bank

The Company has an extensive landbank in Northern Mindanao, Bukidnon, Caraga Region and Tanay, Rizal of more than 290 hectares and in negotiations to acquire an additional 300 hectares for development. The Company must continue with land acquisitions to replenish inventory for future land developments. As consumer demand for residential real estate decreases the risks for the land acquisition increases. The market value of land, subdivision lots and housing inventories can also fluctuate significantly as a result of changing market conditions.

In the event of any significant change in economic, political, security or market conditions, the Company may have to sell its products at significantly lower margins or at a loss. Changes in economic or market conditions may also require the Company to defer the commencement of housing and land development projects. This would require the Company to continue to carry the cost of acquired but undeveloped land on its statement of financial position, as well as reduce the amount of property available for sale. Any of the foregoing events would have a material adverse effect on the Company's business, financial condition and results of operations.

To mitigate this risk, the Company relies on the experience of management in the real estate business. The Company has a long-term development plan for its pipeline projects that can be supported by its available land bank. The Company does continuous land banking focused on areas where the Company has a local foothold and a competitive advantage.

Titles over land owned by the Company may be contested by third parties

The Philippines has adopted a system of land titling and registration that is intended to conclusively confirm land ownership and to be binding on all persons (including the Government). However, it is not uncommon for third parties to claim ownership of land that has already been registered and over which a title has been issued. There have also been cases in the Philippines in which third parties have produced false or forged title certificates over land.

In the event a significant number of similar third-party claims are brought against the Company in the future or any such claims involves land that is material to the Company's housing and land development projects, the Company's management may be required to devote significant time and incur significant costs in defending the Company against such claims. In addition, if any such claims are successful, the Company may have to either incur additional costs to settle such third-party claims or surrender title to land that may be material in the context of the Company's housing and land development projects. Any of the foregoing circumstances could have a material adverse effect on the Company's business, financial condition and results of operations, as well as on its business reputation.

To mitigate this risk, the Company undertakes due diligence in the acquisition of parcels of land.

The Company may not be able to complete its projects within budget or on time

Construction delays or failure to complete the construction of a project according to its planned specifications, schedule and budget may harm the Company's reputation as a property developer or lead to cost overruns or loss of or delay in recognizing revenues and lower margins. This may also result in sales and resulting profits from a particular development not being recognized in the year in which it was originally expected to be recognized, which could adversely affect the Company's results of operations for that year.

Other factors that could adversely affect the time and the costs involved in completing the development and construction of the Company's projects include:

- pandemics, natural catastrophes and adverse weather conditions;
- changes in market conditions, economic downturns, unemployment rate, and decreases in business and consumer sentiment in general;
- delays in obtaining government approvals and permits;
- delays in completion of its prior projects, which would create shortages of contractors and skilled labor;
- imposition of lockdowns by the Government, changes in laws or in Government priorities;
- timing of commencement of the projects;
- relocation of existing residents and/or demolition of existing constructions;
- shortages of materials and equipment;
- labor disputes with contractors and subcontractors;
- construction accidents;
- errors in judgment on the selection and acquisition criteria for potential sites; and
- other unforeseen problems or circumstances.

If a property project is not completed on time, the purchasers of pre-sold units within the project may also be entitled to compensation for late delivery. If the delay extends beyond a certain period, the purchasers may be entitled to terminate their presale agreements and claim damages. There can be no assurance that the Company will not experience any significant delays in completion or delivery of its projects in the future or that it will not be subject to any liabilities for any such delays.

To mitigate this, the Company has put into place internal processes and controls to monitor progress throughout the development process, which it believes to be effective. For more than two (2) decades, the Company believes it has built a credible reputation of delivering high quality real estate products on time.

The Company relies on banks and the HDMF for end-buyers financing

Buyers of the Company's housing units secure financing from HDMF or from domestic banks. Documentation, loan application, and loan approval may take longer than expected and the Company's customers may not be able to timely secure financing for their purchase which may delay revenue and income recognition for the Company.

To address this, the Company has adopted a 3-year in-house financing program to allow buyers to acquire the housing unit pending the loan approval by the HDMF or the bank. The Company's in-house financing has adopted risk assessments and methodology in line with criteria of the HDMF among others, to ensure creditworthiness of its buyers.

Liquidity Risk

The Company is exposed to liquidity risk with respect to its buyers who avail of the Company's in-house financing pending loan approval by HDMF or domestic banks. To mitigate this risk, buyers are encouraged to issue Post Dated Checks to cover their monthly amortizations. In addition, ABCI undertakes an independent evaluation of accounts prior to endorsement to banks for take-out. The buyer through their agents are likewise encouraged to submit their bank requirements in preparation for the bank take out. To discourage defaults, the Company imposes steep penalties for late payments. In addition, buyers are not allowed to move in to the housing units unless the unit as well as the miscellaneous fees have been settled.

The Philippines' housing market is highly regulated

In July 2019, Senate Bill No. 256 or the Agricultural Land Conversion Ban Bill was filed which seeks to prohibit the conversion of irrigated and irrigable agricultural and for non-agricultural uses. The bill is currently pending before Senate Committee on Local Government. If passed into law, the ban may delay the implementation of the Company's proposed projects because the supply of land available for development may be limited. This may further lead to an increase in the acquisition cost of land and the development cost of the Company's projects.

Meanwhile, Presidential Decree No. 957, as amended, ("**P.D. 957**") and B.P. 220 are the principal statutes which regulate the development and sale of real property as part of a condominium project or subdivision. P.D. 957 and B.P. 220 cover subdivision projects for residential, commercial, industrial or recreational purposes and condominium projects for residential or commercial purposes. Pursuant to Republic Act No. 11201, the Housing and Urban Development Coordinating Council ("**HUDCC**") and the Housing and Land Use Regulatory Board ("**HLURB**") were consolidated to create the DHSUD. Simultaneously, the HLURB was reconstituted into the Human Settlement Adjudication Commission ("**HSAC**"). The functions of the HUDCC and the planning and regulatory functions of HLURB were transferred to and consolidated in the DHSUD, while the HSAC shall assume and continue to perform the adjudication functions of HLURB. DHSUD is the administrative agency of the Government which, together with local government units ("**LGUs**"), enforces these decrees and has jurisdiction to regulate the real estate trade and business. Regulations applicable to the Company's operations include standards regarding:

- the suitability of the site;
- road access;
- necessary community facilities;
- open spaces;
- water supply;
- sewage disposal systems;
- electricity supply;
- lot sizes;
- the length of the housing blocks; and
- house construction.

All subdivision development plans are required to be filed with and approved by the local government unit with jurisdiction over the area where the project is located. Approval of development plans is conditioned on, among other things, completion of the acquisition of the project site and the developer's financial, technical and administrative capabilities and donation of roadways to and other easements in favor of the relevant government agencies. Alterations of approved plans that affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the relevant government unit. There can be no assurance that the Company, its subsidiaries or associates or partners will be able to obtain governmental approvals for its projects or that when given, such approvals will be in accordance with the Company's planned timing for the relevant project and will not be later revoked. Any non-receipt or delay in receipt of approvals could affect the Company's ability to complete projects on time or at all.

In addition, owners of or dealers in real estate projects are required to obtain licenses to sell before making sales or other dispositions of subdivision lots and housing and condominium units. Project permits and any license to sell may be suspended, cancelled or revoked by the DHSUD based on its own findings or upon complaint from an interested party and there can be no assurance that the Group will in all circumstances, receive the requisite approvals, permits or licenses or that such permits, approvals or licenses will not be cancelled or suspended. Any of the foregoing circumstances or events could affect the Company's ability to complete projects on time, within budget or at all, and could have a material adverse effect on its financial condition and results of operations.

The Company is in constant consultation with relevant government agencies and other approving bodies to ensure that all requirements, permits, and approvals are anticipated and obtained in a timely manner. We believe we have an established compliance culture and have processes in place to manage adherence to laws and regulations.

Environmental laws applicable to the Company's projects could have a material adverse effect on its business, financial condition or results of operations

In general, developers of real estate projects are required to submit project descriptions to regional offices of the DENR. For environmentally-sensitive projects or at the discretion of the regional office of the DENR, a detailed EIA may be required and the developer will be required to obtain an ECC to certify that the project will not have an unacceptable environmental impact. There can be no assurance that current or future environmental laws and regulations applicable to the Company will not increase the costs of conducting its business above currently projected levels or require future capital expenditures. In addition, if a violation of an ECC occurs or if environmental hazards on land where the Company's projects are located cause damage or injury to buyers or any third party, the Company may be required to pay a fine, to incur costs in order to cure the violation and to compensate its buyers and any affected third parties. The Company cannot predict what environmental legislation or regulations will be amended or enacted in the future, how existing or future laws or regulations will be enforced, administered or interpreted, or the amount of future expenditures that may be required to comply with these environmental laws or regulations or to respond to environmental claims. The introduction or inconsistent application of, or changes in, laws and regulations applicable to the Company's business could have a material adverse effect on its business, financial condition and results of operations.

The Company is in constant consultation with relevant government agencies and other approving bodies to ensure that all requirements, permits, and approvals are anticipated and obtained in a timely manner. We believe we have an established compliance culture and have processes in place to manage adherence to laws and regulations.

The loss of certain tax exemptions and incentives will increase the Company's tax liability

The Company benefits from provisions under Philippine law and regulations which exempt sales of residential lots with a gross selling price of ₱1.5 million or less and sales of residential houses and lots with a gross selling price of ₱2.5 million or less from the VAT of 12%. However, under the TRAIN Law which amended certain provisions of the Tax Code, beginning January 1, 2021, the VAT exemption shall only apply to (i) sale of real properties not primarily held for sale to customers or held for lease in the ordinary course of business; (ii) sale of real property utilized for socialized housing as defined by Republic Act No. 7279; and (iii) sale of house and lot, and other residential dwellings with selling price of not more than ₱2 million as adjusted to ₱3,199,200.00 in 2011 using the 2010 Consumer Price Index values as provided under Revenue Regulation No. 8-2021.

There is no assurance that laws and regulations removing the VAT exemption for socialized housing will be passed and enacted in the future. If the VAT exemptions are removed, the selling prices for the Company's subdivision lots and housing and condominium units may increase, which increase could adversely affect the Company's sales. Because taxes such as VAT are expected to have indirect effects on the Company's results of operations by affecting general levels of spending in the Philippines and the prices of subdivision lots and houses, any adverse change in the Government's VAT-exemption policy could have an adverse effect on the Company's results of operations.

Construction defects and other building-related claims

Philippine law provides that property developers, such as the Company, warrant the structural integrity of houses that were designed or built by them for a period of fifteen (15) years from the date of completion of the house. The Company may also be held responsible for hidden (i.e., latent or non-observable) defects in a house sold by it when such hidden defects render the house unfit for the use for which it was intended or when its fitness for such use is diminished to the extent that the buyer would not have acquired it or would have paid a lower price had the buyer been aware of the hidden defect. This warranty may be enforced within six months from the delivery of the house to the buyer. In addition, the Building Code, which governs, among others, the design and construction of buildings, sets certain requirements and standards that must be complied with by the Company. The Company or its officials may be held liable for administrative fines or criminal penalties in case of any violation of the Building Code.

There can be no assurance that the Company will not be held liable for damages, the cost of repairs, and/or the expense of litigation surrounding possible claims or that claims will not arise out of uninsurable events, such as landslides or earthquakes, or circumstances not covered by the Company's insurance and not subject to effective indemnification agreements with the Company's contractors. Neither can there be any assurance that the contractors hired by the Company will be able to either correct any such defects or indemnify the Company for costs incurred by the Company to correct such defects. In the event a substantial number of claims arising from structural or construction defects arise, this could have a material adverse effect on the Company's reputation and on its business, financial condition and results of operations.

To ensure that the construction of houses is built to specification, the Company's quality control and monitoring group inspects the houses and provides immediate feedback to the Construction group to address. The independence of the Quality Control team with the Sales and Marketing team was set-up to rectify defects and complaints reported.

The Certificate of Acceptance Form is signed by customers before move-in to ensure that they are satisfied with the quality of the houses.

Reliance on overseas Filipino Workers and expatriate Filipinos.

A significant portion of the demand for the Company's residential real estate projects is from overseas Filipino workers ("OFWs") and expatriate Filipinos, which exposes the Company to risks relating to the performance of the economies of the countries where these potential customers are based. The Company relies on OFWs and expatriate Filipinos to generate a significant portion of the demand for their residential projects. Approximately 20% of the Company's real estate sales in 2020 is attributed to sales to OFWs. A number of factors could lead to, among other effects, reduced remittances from OFWs, a reduction in the number of OFWs or a reduction in the purchasing power of expatriate Filipinos. These include a downturn in the economic performance of the countries and regions where a significant number of potential customers are located, such as the Middle East, Singapore, Japan, Italy and the United Kingdom, a change in Government regulations that currently exempt the income of OFWs from taxation in the Philippines, the imposition of restrictions by the Government on the deployment of OFWs to particular countries or regions, such as the Middle East, and restrictions imposed by other countries on the entry or the continued employment of foreign workers. Any of these events could adversely affect demand for the Company's residential real estate projects from OFWs and expatriate Filipinos, which could have a material adverse effect on the Company's business, financial condition and results of operations.

RISKS RELATING TO POWER AND UTILITIES BUSINESS

Non-controlling Interest in Associates

The Company has a non-controlling interest in Palm Concepcion Power Corporation ("**PCPC**") and Peakpower Energy, Inc. ("**PEI**"). In 2020, 2019, and 2018, the Company received dividends from PCPC and PEI amounting to 219.2 million, ₱80.0 million, and ₱13.0 million, respectively.

ABCI's investments in PCPC and PEI are accounted for under the equity method. In 2020, 2019, and 2018, the Company's equity in net earnings from associates amounted to ₱176.0 million or 60% of ABCI's consolidated net income, 380.4 million or 77% of ABCI's consolidated net income, and ₱252.5 million or 87% of ABCI's consolidated net income, respectively.

ABCI has no direct involvement in the operations of PCPC and PEI and its participation in these companies is limited to its representation in the board of directors of these companies and as a minority shareholder.

To mitigate this risk, ABCI has representation on meetings of the Board of Directors and the Executive Committee of the Board of Directors. ABCI representatives maintain a good working relationship with its co-shareholders in PCPC and PEI.

Suspension of issuance and renewal of Retail Electricity Supplier ("RES") licenses

In June 2015, the DOE through its Department Circular ("**DC**") No. 2015-06-0010 enjoined the ERC to immediately issue the supporting guidelines including the revised rules for issuance of RES licenses. In compliance with the department circular, the ERC issued the following resolutions to govern the issuance of new RES licenses and renewal of existing RES licenses and the registration of retail customers:

- Resolution No. 5, Series of 2016, entitled "A Resolution Adopting the 2016 Rules Governing the Issuances of the Licenses to Retail Electricity Suppliers and Prescribing the Requirements and Conditions Therefore" (the "RES License Guidelines")

- Resolution No. 10, Series of 2016, entitled "Adopting the Revised Rules for Contestability"

- Resolution No. 11, Series of 2016, entitled "Imposing Restrictions on the Operations of Distribution Utilities and Retail Electricity Suppliers in the Competitive Retail Electricity Market"

- Resolution No. 28, Series of 2016, entitled "Revised Timeframe for Mandatory Contestability"

However, in February 2017, the Philippine Supreme Court, acting on a petition filed by certain entities, issued a temporary restraining order ("**TRO**") on the implementation of the foregoing ERC resolutions. As of the date hereof, the temporary restraining order has not been lifted. In response to the temporary restraining order, and to provide guidance to relevant power industry players, the DOE issued DC No. 2017-12-0013 and DC No. 2017-12-0014 encouraging eligible contestable customers to voluntarily participate in RCOA. In 2019, the DOE issued DC2019-07-0011, amending various issuances on the implementation of the RCOA. DC No. 2019-07-0011 provides that registration of contestable customers as trading participant in the WESM shall be on a voluntary basis and that contestable customers shall source its electricity supply requirements from ERC-licensed/authorized suppliers.

In 2020, the ERC has resumed the processing of new and renewal applications for RES licenses, based on a 2011 ERC resolution on RES licensing which, according to the ERC, is not covered by the above-mentioned TRO. While PEI and its subsidiaries have valid and existing RES licenses, the ability of these associates to directly contract with contestable customers may be limited if prior to the expiry of such RES licenses (a) the temporary restraining order on the RES License Guidelines is not lifted, or (b) an alternative regulatory framework governing the retail sale of electricity is not put in place. Such limitation on the ability of PEI and its subsidiaries to directly contract with contestable customers could have a material adverse effect on the business, financial condition and results of operations of PEI.

Disruptions in fuel supply

The operation of the PCPC's 135-megawatt coal-fired power plant in Concepcion, Iloilo depend on the availability of coal. There is no assurance that there will not be any interruption or disruption in, or change in terms of, the coal supply for the power plant or that there will be sufficient supply in the open market at competitive prices or sufficient transportation capacity available to ensure that the power plant receives sufficient fuel supplies required for operations on a timely basis or at all. Consequently, PCPC could experience difficulties ensuring a consistent quality of fuel, which could negatively affect the stability and performance of the power plant.

Such factors, which include events which are beyond the control of PCPC, could affect the normal operation of the power plant or incur significant costs to source replacement power or reconfigure the plant, which could have material adverse effect on the business, financial condition, and results of operations of PCPC.

In order to ensure that there is an adequate supply of coal to operate the coal-fired power plant, PCPC has entered into long-term coal supply agreements with reputable international suppliers valid immediately after the start of operations in 2016.

Project risks inherent in the development of greenfield power projects and expansion projects

The development of greenfield power projects and expansion of existing power plants involve substantial risks that could give rise to delays, cost overruns, or unsatisfactory construction or development in the projects. Such risks include the inability to secure adequate financing, inability to negotiate acceptable offtake agreements, and unforeseen engineering and environmental problems, among others. Any such delays, cost overruns, unsatisfactory construction or development could have a material adverse effect on the business, financial condition, results of operation as well as future growth prospects of PEI and HLPC.

Project risks could emanate from various sources such as poor project planning, execution and contractor/ subcontractor issues. If not addressed in a timely manner, these issues may negatively impact the project which would ultimately affect PEI or HLPC's financial condition and results of operations, such as revenue loss resulting from delay in commercial operations. Further, any delay in the receipt of the relevant permits will also delay the completion of a project. Any of these project risks could have a material adverse effect on the business, financial condition, results of operations, and future growth prospects of PEI or HLPC.

The greenfield power projects and expansion projects will secure power supply agreements to contract its available capacities to manage risk. The Parent Company, ABCI, has the ability finance the projects using either internally generated funds and available credit lines.

Upon final investment decision of the expansion power projects, the Company will appoint an experienced Engineering, Procurement, and Construction (EPC) contractor to construct the project. The EPC Contractor will be responsible for the implementation of the project and can assume risks and penalties during the construction period.

Adverse effect of WESM price fluctuations

From the time the WESM for Luzon began operating in June 2006, market prices for electric power have fluctuated substantially. Unlike many other commodities, electric power can only be stored on a very limited basis and generally must be produced concurrently with its use. As a result, power prices are subject to significant volatility from supply and demand imbalances. Long-term and short-term power prices may also fluctuate substantially due to other factors outside of the control of PCPC, including:

- increases and decreases in generation capacity in the markets, including the addition of new supplies of power from existing competitors or new market entrants as a result of the development of new generation power plants or expansion of existing power plants or additional transmission capacity;
- changes in power transmission or fuel transportation capacity constraints or inefficiencies;
- electric supply disruptions, including power plant outages and transmission disruptions;
- changes in the demand for power or in patterns of power usage, including the potential development of demand-side management tools and practices;
- the authority of the ERC to review and, if warranted under applicable circumstances, adjust the prices on the WESM;
- climate, weather conditions, natural disasters, wars, embargoes, terrorist attacks, and other catastrophic events;
- availability of competitively priced alternative power sources;
- development of new fuels and new technologies for the production of power; and
- changes in the power market and environmental regulations and legislation.

These factors could have a material adverse effect on the business, financial condition and results of operations of PCPC.

To mitigate this risk, more than 75% of PCPC's dependable capacity are covered by Power supply agreements or off-take agreements. This ensures cash flows while minimizing the exposure of PCPC from unfavorable fluctuations in WESM prices.

Non-renewal of or non-compliance with offtake agreements

More than 75% of PCPC's dependable capacity are covered by long term offtake agreements. The Company believes electricity demand requirements of the markets PCPC serves will continue to increase supported by GDP growth. PCPC has an experienced power marketing team that actively networks with existing and prospective customers.

PEI's diesel peaking power plants in are under 15-year Build-Operate-Maintain-Transfer agreements with the respective electric cooperatives it is serving.

Operating and other risks leading to network failures, equipment breakdowns, planned or unplanned outages.

Power generation is vulnerable to human error in operation, equipment failure, catastrophic events, natural disasters, sabotage, terrorist attacks or other events which can cause service interruptions, network failures, breakdowns or unplanned outages. There is no assurance that accidents will not occur with the PCPC and PEI power plants or that the preventative measures taken will be fully effective in all cases, particularly in relation to external events that are not within its control.

PCPC and PEI's income and cash flows will be adversely affected by any disruption of operations of its plants due to any of the foregoing risks. Any unplanned plant shutdowns for an extended period of time will have a material adverse effect on PCPC's and PEI's ability to sell power and their results of operations could suffer.

To mitigate, all operating units abide by strict operational and preventive maintenance procedures.

Insurance coverage for generation plants

The power plants of PCPC and PEI secure the necessary insurance for their respective power plants, the terms of which are reviewed regularly and cover industrial all risks, business interruption, marine cargo insurance, sabotage and terrorism, physical material loss or damage caused by natural disasters, breakdowns or other events that could affect the facilities and processes used by its businesses.

In addition, there is no assurance that PCPC and PEI will be able to renew these policies on similar or otherwise acceptable terms, or at all, or that they will not experience a material increase in the premiums payable under their insurance policies. If PCPC or PEI's plants were to incur a serious uninsured loss, a loss that significantly exceeded the limits of its insurance policies or any unexpected losses against which these subsidiaries are not fully insured, this could have a material adverse effect on their businesses, financial condition, and results of operations.

Dependence on the existence of transmission infrastructure

The transmission infrastructure in the Philippines continues to experience constraints on the amount of electricity that can be delivered from power plants to customers, as well as limited interconnectivity between the Luzon-Visayas Grid and the lack of any interconnectivity between the Visayas-Mindanao Grid. The DOE is mandated by law to prepare a Transmission Development Plan to be implemented by NGCP which aims to address projected infrastructure limitations and interconnectivity of sub-grids.

If these transmission constraints continue, the ability of PCPC and PEI to supply electricity will be adversely affected. This could have a material adverse effect on the business and revenue growth of PCPC and PEI from the sale of power.

Certain tax exemptions and tax incentives

On June 27, 2012, PCPC was registered with the BOI as a new operator of the 135MW coal-fired power generation plant with non-pioneer status under the Omnibus Investments Code of 1987 (Executive Order 226). PCPC is entitled, among others, to four-year ITH on the revenue generated from the sales of electricity starting January 2016 or actual start of commercial operations, whichever is earlier, subject to specific terms and conditions set in the registration. The ITH incentive of the Company ended in December 2019.

Pursuant to the 2015 Iloilo Provincial Investment and Incentives Code, PCPC was given a 10-year tax relief from paying real property tax. On the first and second year of implementation, 0 taxes will be incurred. A gradual tax reduction of 90 percent would be imposed on the 3rd year; 80 percent on the 4th year; 70 percent on the 5th year; 60 percent on the 6th year; 50 percent on the 7th year; 40 percent on the 8th year; 30 percent on the 9th year; and 20 percent on the 10th year.

In the event the tax relief is revoked or repealed, the income from these sources will be subject to corporate income tax. As a result of a loss in the tax relief, the tax expense of PCPC would increase and its profitability would decrease.

ERC Regulation of electricity rates of distribution utilities

The imposition of more stringent regulations and similar measures by the ERC could have a material adverse effect on the business, financial conditions, and results of operations of PCPC and PEI.

Sales to distribution utilities account for majority of the consolidated sales volume of PCPC and PEI. While rates charged by PCPC and PEI under their offtake agreements, including those with distribution utilities, are not regulated by the ERC, the rates that distribution utility customers charge to their customers are subject to review and approval by the ERC. Accordingly, the ability of distribution utility customers to pay largely depends on their ability to pass on their power costs to their customers. There is also no assurance that the current laws, regulations, and issuances affecting the industry, particularly the EPIRA and the issuances of the ERC, will not change or be amended in the future.

More recently, the Supreme Court issued its ruling in May 2019 in respect of the following ERC resolutions:

- Resolution No. 13, Series of 2015, entitled "A Resolution Directing All Distribution Utilities to Conduct a Competitive Selection Process in the Procurement of their Supply to the Captive Market" ("CSP Guidelines")

- Resolution No. 1, Series of 2016, entitled "A Resolution Clarifying the Effectivity of ERC Resolution No. 13, Series of 2015" ("ERC Clarificatory Resolution")

The CSP Guidelines and the ERC Clarificatory Resolution were issued by the ERC to implement the CSP, pursuant to the DOE's Department Circular No. DC2015-06-0008 mandating all distribution utilities to undergo CSP in securing power supply agreements.

In its decision, the Supreme Court, acting on a petition filed by certain entities, declared as void the first paragraph of Section 4 of the CSP Guidelines and the ERC Clarificatory Resolution. Consequently, all PSAs filed with the ERC on or after June 30, 2015 were directed to comply with the CSP in accordance with prevailing rules and regulations. The power purchase cost resulting from the CSP (the "**CSP Power Purchase Cost**") would be the generation cost which the relevant distribution utility may pass on to its customers commencing on June 30, 2015. In a resolution dated July 23, 2019, the Supreme Court denied with finality all motions for reconsideration filed by various parties.

The ERC in the exercise of its regulatory powers may also impose fines, penalties, or sanctions on PCPC or PEI in appropriate cases. Any such fines, penalties, sanctions or restriction on the ability of distribution utilities and/or generation companies to pass on such costs or any intervention in such rates could have a material adverse effect on the business, financial conditions, and results of operations of PCPC and PEI

Trading in WESM

While PCPC only sells a small amount of power through the WESM, volatile market conditions on the WESM may nevertheless pose risks to PCPC regardless of whether there is a shortage or a surplus of energy available. When the WESM experiences a shortage, there is little risk to suppliers in terms of their value-position being destroyed. However, such a suppliers' market exposes these suppliers to the risk that regulatory agencies may intervene (directly or indirectly) to dictate prices and dispatch of power plants. Consumer outrage, triggered by high prices, could precipitate attempts to suspend the WESM and return to subsidized rates regimes. Regardless of whether such a suspension ultimately comes to pass, market anticipation of such an occurrence could lead to value-destructive market distortions.

On the other hand, a surplus market tends to cause spot market prices to reflect the marginal cost of producing power. One of the main features of the WESM is a merit-order dispatch scheme wherein the cheapest sources of power, such as power produced from geothermal and hydroelectric energy, are dispatched first, before the more expensive power providers. While a supplier can mitigate its exposure to surplus risks by contracting the bulk of its capacity to offtakers to protect against low spot prices, as PCPC has done, this also caps a supplier's ability to take advantage of price spikes caused by temporary market shortages.

As of November 30, 2020, the ERC has maintained a reduced primary bid cap of ₱32,000 per MWh (megawatt hours). In addition, a permanent secondary price cap limits spot prices to ₱6,245 per MWh for as long as cumulative spot prices breach a certain threshold. Prices are automatically capped at ₱6,245 per MWh for hours where the average price for the last 120-hours exceeds ₱9,000 per MWh.

The occurrence of such events could have a material adverse effect on the business, financial condition and results of operations of PCPC.

Regulatory Risks on the Power and Utilities Business

The business of PCPC, PEI, and HLPC are subject to extensive government regulation, particularly for greenfield power plants, expansion projects, and retail supply business. To conduct businesses, PCPC, PEI, and HLPC must obtain various licenses, permits, and approvals. Even when such required licenses, permits, and approvals are obtained, their operations are subject to continued review under the applicable regulations, and the interpretation or implementation of such regulations is subject to change. For instance, the Department of Environment and Natural Resources ("**DENR**") requires This real-time monitoring is a requirement of certain emissions, such as Sulfur Oxide (SOx) in the form of Sulfur Dioxide (SO_2), Nitrogen Oxide (NOx), Carbon Monoxide (CO) and Particulates. With the capability of the circulating fluidized bed combustion (CFBC) with re-heat technology and the sound environmental measures being practiced in the power plant, the Company believes that PCPC maintains its excellent emission performance vis-a-vis the mandated standards. Further, the Group takes a proactive approach in dealing with its host communities and stakeholders and has implemented community based programs focusing on Environment, Education, Health & Safety, and Capacity Building and Infrastructure.

Policy and regulatory changes, technological developments and market and economic responses relating to climate change may also affect PCPC and PEI.The Philippines is also a party to the 2015 Paris Agreement, which aims to keep the increase in global average of temperature to well below 2°C above pre-industrial levels and to limit the increase to 1.5°C, since this would substantially reduce the risks and effects of climate change. As a party to the agreement, the Philippines may impose more stringent regulations, particularly on coal-fired power plant emissions, requiring expensive pollution controls on coal-fired power plants, among other measures. These measures may significantly increase costs of coal-fired power plants and, at the same time, increase the cost competitiveness of renewable energy. A significant portion of the captive market may shift away from coal and other hydrocarbon fuels, which may expose the coal-fired power plant of PCPC to stranded-asset risk (*i.e.*, hazard of an asset suffering from an unanticipated write-down, devaluation, or conversion to liability).

The enactment of other international agreement on climate change or other comprehensive legislation focusing on greenhouse gas emissions could have the effect of restricting the use of coal. Other efforts to reduce greenhouse gas emissions and initiatives in various countries to use cleaner alternatives to coal such as natural gas may also affect the use of coal as an energy source. For example, in October 2020, the DOE declared a moratorium on endorsements for greenfield coal power plants as its most recent assessment revealed the need for the country to shift to a more flexible power supply mix.

In addition, technological developments may increase the competitiveness of alternative energy sources, such as renewable energy, which may decrease demand for coal generated power. Other efforts to reduce emissions of greenhouse gases and initiatives in various countries to encourage the use of natural gas or renewable energy may also discourage the use of coal as an energy source. The physical effects of climate change, such as changes in rainfall, water shortages, rising sea levels, increased storm intensities and higher temperatures, may also disrupt the operations of PCPC, PEI, and HLPC. As a result of the above, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

PCPC, PEI, and HLPC have been compliant with and continue to perform their obligations under applicable laws and regulations relevant to their businesses. If they fail to comply with all applicable regulations or if the regulations governing its business or their implementation change, they may incur increased costs or be subject to penalties, which could disrupt its operations and have a material adverse effect on its business and results of operations.

With respect to the ongoing trend and shift towards renewables, ABCI believes that, given the various uncertainties on future sources of reliable and cost-effective energy, it has a good mix of existing investments in the energy business through PCPC and PEI and its pipeline hydroelectric power project through HLPC.

RISKS RELATING TO ABCI'S AGRIBUSINESS

The Company's business may be affected by any program developed or supported by the Department of Agriculture of the Philippines

The Company's revenue from its agri-business comes primarily from the sale of agricultural products. Any agricultural program of the Department of Agriculture ("**DA**") develops for the farmers of the country or a particular area may affect the Company. In the event that the Government is unable to effectively implement its programs, this may result in a slowdown of the Company's agri-business as farmers might not have the required resources to produce the crops to be used by the Company.

In order to mitigate, the Company has put up oil palm fresh fruit bunch (FFB) buying stations in strategic locations in Mindanao to provide additional sources of raw materials for its operations. To boost its mill operational capacity, the company has been tapping external growers to supply additional FFB.

The Company's business and operations may be affected by any changes in the preferences or purchasing power of consumers

The Company's ability to increase or maintain sales is dependent on the public's continued acceptance of its products. Changes in demographic, social or health proclivity may alter the demand for the Company's products.

Any adverse downturn in the Philippine economy may cause consumers to opt for cheaper or more affordable products or options.

Palm oil products are used as cooking oil and raw material for local feed mills. To reach customers, 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.

Risk of Natural Calamities

The Company's revenues in its agri-business are highly dependent on the weather conditions in the Philippines. Severe drought or flooding in a particular agricultural region will significantly affect the productivity of farmers and the availability of the supply of crops to be used for the Company's products.

In order to mitigate, the Company's strategy is to expand its sourcing and supplier base and lessen dependence on select palm oil growers for its operations. The Company also sources additional Crude Palm Oil (CPO) from the market to maximize the utilization of the refinery.

The Company has put up oil palm fresh fruit bunch (FFB) buying stations in strategic locations in Mindanao to provide additional sources of raw materials for its operations. The company also taps external growers to supply additional FFB.

The Company's venture to develop a network of irradiation facilities in the Philippines may not be successful

The Company intends to use up to ₱350 Million of the proceeds from the initial tranche of the Preferred Shares to fund its subsidiary, Irradiation Solutions Inc. ("**ISI**"). ISI will engaged in the development of a network of irradiation facilities in the Philippines. Currently, ISI is developing the Tanay Multipurpose Irradiation Facility Project. The project is envisioned to be the first Commercial E-Beam Irradiation Facility to be built in the Philippines and is expected to promote much needed additional economic activity throughout the agriculture value chain through improved quality of agricultural and fishery products. The facility is expected to enable local products, fruits, and seafood to be of export quality and gain wider access to international markets. The Facility will also fill the need for sterilization of medical masks, dressings, syringes and surgical staplers. The E-Beam technology is used in more than 60 countries and is considered the most economical alternative among available commercial sterilization methods.

There is no assurance that the development and operation of the irradiation facilities will be commercially successful and if the Company will be able to receive dividends from ISI or recover its investments. To mitigate this risk, the Company relies on its highly experienced management team with a proven track record across various industries. For further discussion, please refer to section on "Management".

RISKS RELATED TO THE PHILIPPINES

A significant portion of the Company's operations and assets are based in the Philippines

A significant portion of the Company's business operations and assets are based in the Philippines. As a result, the Company's income, results of operations and the quality and growth of its assets depend, to a large extent, on the performance of the Philippine economy.

The Philippines is currently experiencing an economic downturn due to the COVID-19 pandemic and resultant community quarantine. The country's GDP suffered a -9.6% contraction for the whole of 2020 with economists forecasting it to rise sharply in 2021 by 6.5% to 7.5%. The World Bank expects the Philippine economy to grow by 5.5% and 6.3% in 2021 and 2022, respectively. For the year 2020, domestic inflation averaged 2.6%, reaching as high as 3.5% in December. However, the average inflation rate was still within the Government's 2% to 4% target. For the fifth time in 2020, BSP cut the rate on its overnight reverse repurchase facility by 25 basis points to 2.00% from 2.25%, totalling a 200-basis point reduction for the entire 2020. In addition, the Monetary Board cut the rate on the overnight deposit facility and the overnight lending facility to 1.50% and 2.50%, respectively. A global recession also took place for the year 2020 as the economic effects of the COVID-19 pandemic were felt in other countries, which also adversely affected the Philippine economy.

Factors that may adversely affect the Philippine economy include:

- decreases in business, industrial, manufacturing or financial activities in the Philippines, Southeast Asia or globally;
- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines, Southeast Asia or globally;
- exchange rate fluctuations and foreign exchange controls;
- rising inflation or increases in interest rates;
- levels of employment, consumer confidence and income;
- changes in the Government's fiscal and regulatory policies and regulations, including tax laws and regulations that impact or may impact inflation and consumer demand;
- Government budget deficits;
- adverse trends in the current accounts and balance of payments of the Philippine economy;
- public health epidemics or outbreaks of diseases, such as COVID-19, re-emergence of Middle East Respiratory Syndrome- Corona virus (MERS-CoV), SARS, avian influenza (commonly known as bird flu), or H1N1, or the emergence of another similar disease (such as Zika) in the Philippines or in other countries in Southeast Asia;
- natural disasters, including but not limited to tsunamis, typhoons, earthquakes, fires, floods and similar events;
- political instability, terrorism or military conflict in the Philippines, in other countries in the region or globally; and
- other regulatory, social, political or economic developments in or affecting the Philippines.

Uncertainty surrounding the global economic outlook could cause economic conditions in the Philippines to deteriorate and there can be no assurance that current or future Government policies will continue to be conducive to sustaining economic growth. There can be no assurance that the Philippines will maintain strong economic fundamentals in the future. Any future deterioration in economic conditions in the Philippines could materially and adversely affect the Company's financial position and results of operations, including the Company's ability to implement its business strategy. Changes in the conditions of the Philippine economy could materially and adversely affect the Company's business, financial condition or results of operations.

Political instability may have a negative effect on the business, financial position or results of operations of the Company.

The Philippines has from time to time experienced political and military instability, including acts of political violence. In the last two decades, there has been political instability in the Philippines, including extra-judicial killings, alleged electoral fraud, impeachment proceedings against two former presidents, two chief justices of the Supreme Court of the Philippines, and public and military protests arising from alleged misconduct by previous administrations. In addition, a number of officials of the Philippine government are currently under investigation or have been indicted on corruption charges stemming from allegations of misuse of public funds, extortion, bribery, or usurpation of authority. There can be no assurance that acts of political violence will not occur in the future and any such events could negatively impact the Philippine economy.

No assurance can be given that the future political or social environment in the Philippines will be stable or that current and future governments will adopt economic policies conducive for sustaining economic growth. An unstable political or social environment, whether due to the imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting, could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material adverse effect on the business, operations, and financial condition of the Company.

Acts of terrorism and violent crimes could destabilise the country and could have a material adverse effect on the Company's business, financial position and results of operations.

The Philippines has also been subject to a number of terrorist attacks and the Armed Forces of the Philippines has been in conflict with groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines. In addition, bombings have taken place in the Philippines, mainly in cities in the southern part of the country. For example, in May 2017, the city of Marawi in Lanao del Sur, Mindanao, was assaulted by the Maute Group, terrorists which were inspired by pledged allegiance to the Islamic State of Iraq and Syria (ISIS). Due to the clash between the Government forces and the terrorists and the risk of the armed conflict spilling over to other parts of Mindanao, martial law was declared in the entire island of Mindanao, Philippines. In October 2017, the city was declared liberated from the terrorists. Despite this, the Philippine Congress extended the imposition of martial law in Mindanao until the end of 2019, citing persistent threats of terrorism and rebellion and to ensure the total eradication of ISIS-inspired terrorists in the country. The martial law in Mindanao was lifted on January 1, 2020, however certain areas in Mindanao remain under a state of emergency and law enforcement groups are in heightened security as a measure against potential terror threats. An increase in the frequency, severity or geographic reach of these terrorist acts could destabilize the Philippines, and adversely affect the country's economy. These armed conflict and terror attacks could lead to further injuries or deaths by civilians and members of the military, which could destabilize parts of the country and adversely affect the country's economy.

Natural or other catastrophes, including severe weather conditions, may adversely affect the Company's business, materially disrupt the Company's operations and result in losses not covered by its insurance.

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, droughts, volcanic eruptions and earthquakes. There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Company's operations. These factors, which are not within the Company's control, could potentially have significant effects on the Company's assets and operations. While the Company carries insurance for certain catastrophic events, of types, in amounts and with deductibles that the Company believes are in line with general industry practices in the Philippines, there are losses for which the Company cannot obtain insurance at a reasonable cost or at all. The Company also does not carry any business interruption insurance. Should an uninsured loss or a loss in excess of insured limits occur, the Company could lose all or a portion of the capital invested in such business, as well as the anticipated future turnover, while remaining liable for any costs or other financial obligations related to the business. Any material uninsured loss could materially and adversely affect the Company's business, financial condition and results of operations.

Territorial disputes with the China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.

Competing and overlapping territorial claims by the Philippines, the People's Republic of China ("**China**") and several Southeast Asian nations (such as Vietnam, Brunei and Malaysia) over certain islands and features in the West Philippine Sea (South China Sea) have for decades been a source of tension and conflict.

China claims historic rights to nearly all of the West Philippine Sea based on its so-called "nine-dash line" and in recent years dramatically expanded its military presence in the sea, which has raised tensions in the region among the claimant countries. In 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, the international arbitration tribunal based at the Hague, Netherlands to legally challenge claims of China in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the United Nations Convention on the Law of the Sea. In July 2016, the tribunal rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that the "nine-dash line" claim of China is invalid. The Government, under the current administration, has taken measures to de-escalate tensions concerning the territorial dispute with China. In March 2021, more than 180 Chinese military vessels were spotted on Julian Felipe Reef in the West Philippine Sea. The presence of the vessels defined a diplomatic protest and demand for the vessels to leave the area, issued by Defense Secretary Delfin Lorenzana.

There is no guarantee that the territorial dispute between the Philippines and other countries, including China, would end or that any existing tension will not escalate further, as China has taken steps to exercise control over the disputed territory. In such event, the Philippine economy may be disrupted and its business and financial standing may be adversely affected.

Any deterioration in the Philippine economy as a result of these or other factors, including a significant depreciation of the Peso or increase in interest rates, may adversely affect the Company's operations. In particular, further disputes between the Philippines and other countries may lead to reciprocal trade restrictions on the other's imports or suspension of visa-free access and/or overseas Filipinos permits. Any impact from these disputes in countries in which the Company has operations could materially and adversely affect the Company's business, financial condition and results of operations.

The credit ratings of the Philippines may restrict the access to capital of Philippine companies, including the Company.

International credit rating agencies issue credit ratings for companies with reference to the country in which they are resident. As a result, the sovereign credit ratings of the Philippines directly affect companies that are residents in the Philippines, such as the Company. Historically the Philippines' sovereign debt has been rated relatively low by international credit rating agencies. As of December 31, 2019, the Philippines' long-term foreign-currency denominated debt was rated Baa2 by Moody's, BBB+ S&P Global Ratings, and BBB by Fitch. However, no assurance can be given that Fitch, Moody's, S&P Global Ratings or any other international credit rating agency, will not downgrade the credit ratings of the Government in the future and, therefore, of Philippine companies, including the Company. Any such downgrade could have a material adverse effect on liquidity in the Philippine financial markets and the ability of the Philippine government and Philippine companies, including the Company, to raise additional financing, and will increase borrowing and other costs. As of July 16, 2020, Moody has affirmed the Philippines Baa2 rating with stable outlook. On January 10, 2021, Fitch affirmed the Philippines' long-term foreign-currency issuer default rating at BBB, noting that the outlook is stable. On July 12, 2021, however, Fitch revised the outlook of the Philippines to negative, although its long-term foreign-currency issuer default rating remained at BBB. The change in outlook was attributed to the potential scarring effects, and possible challenges associated with unwinding the exceptional policy response to the COVID-19 health crisis and restoring sound public finances as the pandemic recedes. As of May 28, 2021, S&P maintained its BBB+ long-term credit rating for the Philippines with a stable outlook, and also affirmed its A-2 short-term credit rating for the Philippines.

RISKS RELATING TO THE OFFER SHARES

The Offer Shares may not be a suitable investment for all investors

Each potential investor in the Offer Shares must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Offer Shares, the merits and risks of investing in the Offer Shares and the information contained in this Prospectus;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Offer Shares and the impact the Offer Shares will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Offer Shares, including where the currency for principal or dividend payments is different from the currency of the potential investor;

- understand thoroughly the terms of the Offer Shares and be familiar with the behavior of any relevant financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate, foreign exchange rate and other factors that may affect its investment and its ability to bear the applicable risks.

There can be no guarantee that the Offer Shares will be listed on the PSE.

Purchasers of the Offer Shares will be required to pay for such Offer Shares prior to the Listing Date of such shares. There can be no guarantee that listing will occur on the anticipated Listing Date for the relevant tranche or at all. Delays in the admission and the commencement of trading in shares on the PSE have occurred in the past. If the PSE does not admit the Offer Shares onto the PSE, the market for the Offer Shares will be illiquid and shareholders may not be able to trade the Offer Shares. This may materially and adversely affect the value of the Offer Shares.

Redemption at the option of the Issuer

The Offer Shares are perpetual and have no fixed final maturity date. The Issuer has the option but not the obligation to redeem the Offer Shares. Holders have no right to require the Company to redeem the Offer Shares at any time and they can only be disposed of by sale in the secondary market. Holders who wish to sell their Offer Shares may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Offer Shares. The Issuer also has the option to redeem the Offer Shares due to an Accounting Event or a Tax Event (See "Terms of the Offer" on page 13 of this Prospectus and on the relevant Offer Supplement). Holders of the Offer Shares should be aware that they may be required to bear the financial risks of an investment in the Offer Shares for an indefinite period of time.

The sale of the Offer Shares or any rights thereto prior to the listing of the Offer Shares cannot be made through the PSE. The Company shall file an application for the listing of the Offer Shares on the PSE for each tranche of the Offer Shares.

Prior to the listing of the Offer Shares on the PSE, the sale of subscription rights to the Offer Shares may be treated as a sale of shares and subject to documentary stamp tax, capital gains tax (on any gain derived from the sale thereof) or donor's tax (in case of donation or sale of the subscription rights to the Offer Shares for a price below the fair market value of the subscription rights).

Volatility of market price of the Offer Shares

The market price of the Offer Shares could be affected by various factors, including:

- general market, political and economic conditions;

- changes in earnings estimates and recommendations by financial analysts;

- changes in market valuations of listed stocks, in general, and stocks of other conglomerates;

- changes to government policy, legislation or regulations, and

- general operational and business risks.

In addition, many of the risks described within this section could materially and adversely affect the market price of the Offer Shares.

Additional Taxes

The sale, exchange or disposition of the Offer Shares after the Offer Period, if made outside the facilities of the PSE is subject to capital gains tax and documentary stamp tax, and if made through the facilities of the PSE (except for a dealer in securities) is subject to stock transaction tax. Changes in laws, rules and regulations may result in additional taxes on the acquisition, disposition, or transfer of the Offer Shares. For a discussion on the taxes currently imposed by the BIR, please refer to the section on "*Taxation*" on page 183 of the Prospectus.

Deferral of dividend payment

Dividends on the Offer Shares may not be paid or may be paid in less than full dividends, under the terms and conditions governing the Offer Shares. Holders of the Offer Shares will not receive dividends on a Dividend Payment Date or for any period during which the Company does not have retained earnings out of which to pay dividends.

Subordination to other indebtedness of the Company

The obligations of ABCI under the Offer Shares are unsecured and are subordinated obligations to all indebtedness of the Company. The rights and claims of holders of the Offer Shares will (subject to the extent permitted by law) rank senior to the holders of the common shares of the Company and *pari passu* with the other Preferred Shares.

In the event of the winding-up of the Company, the Offer Shares rank junior in right of payment to all indebtedness of the Company and junior in right of payment to securities of, or claims against, the Company, which rank or are expressed to rank senior to the Offer Shares. There is a substantial risk that an investor in the Offer Shares will not receive any return of the principal amount or any unpaid amounts due under the terms of the Offer unless ABCI can satisfy in full all of its other obligations ranking senior to the Offer Shares.

There are no terms in the Offer Shares that limit the ability of ABCI to issue new shares including shares that ranks senior to or *pari passu* with the Offer Shares.

Insufficient distributions upon liquidation

Upon any voluntary or involuntary dissolution, liquidation or winding up of ABCI, holders of Offer Shares will be entitled only to the available assets of the Company remaining after the indebtedness of ABCI is satisfied. If any such assets are insufficient to pay the amounts due on the Offer Shares, then the holders of the Offer Shares shall share ratably in any such distribution of assets in proportion to the full distributions to which they would otherwise be respectively entitled.

Subordination of payments to the Holders of the Offer Shares

ABCI has and will continue to have a certain amount of outstanding indebtedness. The current terms of the financing agreements of ABCI contain provisions that could limit the ability of the Company to pay dividends to the holders of the Offer Shares. Also, ABCI may in the future, directly or indirectly through its subsidiaries, enter into other financing agreements which may restrict or prohibit the ability of the Company to pay dividends on the Offer Shares. There can be no assurance that existing or future financing arrangements will not adversely affect the ability of ABCI to pay dividends on the Offer Shares.

Liquidity of the securities market

The Philippine securities markets are substantially less liquid and more volatile than major securities markets in other jurisdictions, and are not as highly regulated or supervised as some of these other markets. The Company cannot guarantee that the market for the Offer Shares will always be active or liquid upon their listing on the PSE.

In addition, the Company and the Underwriters are not obligated to create a trading market for the Offer Shares and any such market making will be subject to the limits imposed by applicable law, and may be interrupted or discontinued at any time without notice. Accordingly, the Company cannot predict whether an active or liquid trading market for the Offer Shares will develop or, if such a market develops, if it can be sustained. Consequently, a shareholder may be required to hold his Offer Shares for an indefinite period of time or sell them for an amount less than the Offer Price.

Effect of non-payment of dividends

If dividends on the Offer Shares are not paid in full, or at all, the Offer Shares may trade at a lower price than they might otherwise have traded if dividends had been paid. The sale of Offer Shares during such a period by a holder of Offer Shares may result in such holder receiving lower returns on the investment than a holder who continues to hold the Offer Shares until dividend payments resume. In addition, because of the dividend limitations, the market price for the Offer Shares may be more volatile than that of other securities that do not have these limitations.

Inability to reinvest at a similar return on investment upon redemption

On the Optional Redemption Date or at any time redemption occurs, ABCI may redeem the Offer Shares at the Redemption Price, as described in ''*Description of the Offer Shares''*. At the time of redemption, interest rates may be lower than at the time of the issuance of the Offer Shares and, consequently, the holders of the Offer Shares may not be able to reinvest the proceeds at a comparable interest rate or purchase securities otherwise comparable to the Offer Shares.

Limited voting rights

Holders of Offer Shares will not be entitled to elect the Board of Directors of the Company. Except as specifically set forth in the Amended Articles of Incorporation of the Company and as provided by Philippine law, holders of Offer Shares will have no voting rights (see ''*Description of the Offer Shares*'' on page 21).

RISKS RELATING TO CERTAIN INFORMATION IN THE PROSPECTUS

Certain information contained herein is derived from unofficial publications

Certain information in this Prospectus relating to the Philippines and the real estate, agribusiness and energy industries and markets, including statistics relating to market size, is derived from various Government and private publications. This Prospectus also contains industry information which was prepared from available public sources and independent market research to provide an overview of the segments of the relevant industries in which the Group operates. Similarly, industry forecasts and other market research data, including those contained or extracted herein, have not been independently verified by us nor the Underwriters, nor any of the Group’s respective affiliates or advisors, and may not be accurate, complete, up to date or consistent with other information compiled within or outside the Philippines. Prospective investors are cautioned accordingly.

DETERMINATION OF OFFER SHARES

The Offer Price of ₱100.00 is at a premium to the par value of the Offer Shares, which is ₱1.00 per share. The Offer Price was arrived at by dividing the desired gross proceeds of ₱5,000,000,000 by the amount of Offer Shares.

DILUTION

The Offer Shares will not have any dilutive effect on the rights of the holders of the common shares of the Company as the Offer Shares are non-voting, non-convertible and non-participating.

CAPITALIZATION

The following table sets forth the consolidated capitalization and indebtedness of the Company as of June 30, 2021 and as adjusted to give effect to the issue of the Initial Offer Shares. This table should be read in conjunction with the Company' unaudited interim condensed consolidated financial statements and the notes thereto, included in the Prospectus:

	As of June 30, 2021	
	Actual	As Adjusted
	(Unaudited) (in millions)	
	(in ₱)	(in ₱)
Debt		
Short-term debt and current portion of long-term debt	538	P 538
Long-term debt—net of current portion	725	725
Securities to be issued		
Total debt (a) (1)	1,263	1,263
Cash and cash equivalents	110	1,576
Short-term investments	-	-
Net debt (2)	1,153	(313)
Equity		
Capital stock—net of subscription receivable	2,478	2,493
Additional paid-in capital	638	2,097
Senior perpetual securities	-	-
Other reserve	(212)	(212)
Cumulative translation adjustments of foreign subsidiaries and interests in joint ventures and associates	6	6
Remeasurement loss on net defined benefit plan—net of tax	(26)	(26)
Comprehensive loss on derivative liability	-	-
Excess of cost over the carrying value of non-controlling interests acquired	-	-
Retained earnings		
Appropriated for future expansion	-	-
Unappropriated	1,663	1,655
Less cost of common stock held in treasury	(57)	(57)
Non-controlling interests	3	3
Total equity (b)	4,493	5,959
Total capitalisation (a+b)	5,756	7,222

(1) Total debt includes short-term debt and current portion of long-term debt and long-term debt—net of current portion.
(2) Net debt is total debt less cash and cash equivalents and short-term investments.
(3) Does not consider debt issue costs that should be offset against the liability.

USE OF PROCEEDS

The use of proceeds for each tranche of the Offer shall be set out in the relevant Offer Supplement.

No amount of the proceeds is to be used to reimburse any officer, director, employee, or shareholder for services rendered, assets previously transferred, money loaned or advanced, or otherwise.

The Company undertakes that it will not use the net proceeds from the Offer for any purpose, other than as discussed in the Offer Supplement. The Company's cost estimates may also change as these plans are developed further, and actual costs may be different from budgeted costs. For these reasons, timing and actual use of the net proceeds may vary from the foregoing discussion and the Company's management may find it necessary or advisable to alter its plans. In the event of any substantial deviation, adjustment or reallocation in the planned use of proceeds, the Company shall inform the SEC, PSE and the holders of the Preferred Shares in writing at least 30 days before such deviation, adjustment or reallocation is implemented. Any material or substantial adjustments to the use of proceeds, as indicated above, should be approved by the Board or the Executive Committee, and disclosed to the PSE. In addition, the Company shall submit via the PSE's online disclosure system, the Electronic Disclosure Generation Technology ("EDGE"), the following disclosures to ensure transparency in the use of proceeds:

i. any material disbursements made in connection with the planned use of proceeds from the Offer;

ii. quarterly progress report on the application of the proceeds from the Offer on or before the first 15 days of the following quarter;

iii. annual summary of the application of the proceeds on or before January 31 of the following year; and

iv. approval by the Board or the Executive Committee of any reallocation on the planned use of proceeds. The actual disbursement or implementation of such reallocation must be disclosed by the Company at least 30 days prior to the said actual disbursement or implementation.

The Company shall submit a certification by the Company's Treasurer and independent auditor on the accuracy of the information reported by the Company to the PSE, as well as a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the relevant Offer Supplement, if any, in the Company's quarterly and annual reports as required in items (ii) and (iii) above. Such detailed explanation will state the approval of the Board as required in item (iv) above.

PLAN OF DISTRIBUTION

ABCI plans to issue the Offer Shares to institutional and retail investors in the Philippines through a public offering to be conducted through the Underwriters. The Offer does not include an international offering.

The detailed plan of distribution and underwriting arrangements for each tranche of the Offer shall be as set out in the Offer Supplement.

The Underwriters are duly licensed by the SEC to engage in the underwriting or distribution of the Offer Shares. The Underwriters may, from time to time, engage in transactions with and perform services in the ordinary course of its business, for ABCI or any of its subsidiaries.

The Underwriters have no direct relations with ABCI in terms of ownership by either of their respective major shareholder/s and have no right to designate or nominate any member of the Board of Directors of ABCI.

The Underwriters have no contract or other arrangement with ABCI by which it may return to ABCI any unsold Initial Offer Shares.

Sale and Distribution

The distribution and sale of the Initial Offer Shares shall be undertaken by the Underwriter who shall sell and distribute the Offer Shares to third-party buyers/investors. The Underwriter is authorized to organize a syndicate of underwriters, soliciting dealers and/or Selling Agents for the purpose of the Offer. In connection with the foregoing, the Underwriter may enter into agreements, participation agreements, or like agreements with other co-lead managers and managers (who may be named or have been named in the Offer Supplement) and/or Selling Agents, as necessary. There is nothing in such agreements that allow the Underwriter to return to ABCI any unsold Offer Shares.

Of the 10,000,000 Initial Offer Shares to be offered, 80% or 8,000,000 shares are being offered through the Underwriters for subscription and sale to Qualified Institutional Buyers and the general public. The Company plans to make available 20% or 2,000,000 shares for distribution to the respective clients of the 125 Trading Participants of the PSE, acting as Selling Agents. Each Trading Participant shall be allocated 16,000 shares ("**Allocation per TP**") (computed by dividing the Shares allocated to the Trading Participants by 125). Trading Participants may undertake to purchase more than the Allocation per TP. Any requests for shares in excess of the Allocation per TP may be satisfied via the reallocation of any Preferred Shares not taken up by other Trading Participants. Each participating Trading Participant shall accept the terms and conditions of the Offer as set out in this Prospectus. PSE Trading Participants who take up the Offer Shares shall be entitled to a selling fee of 0.125% of the Offer Shares taken up and purchased by the relevant trading participant. The selling fee, less the applicable withholding tax, will be paid by the Receiving Agent to the PSE Trading Participants starting on the tenth Banking Day from the Listing Date. The 0.125% commission of the Trading Participants shall be inclusive of VAT and will be paid to the Trading Participants less any applicable withholding tax.

The Company will not allocate any Offer Shares for the Local Small Investors Program of the PSE.

Prior to close of the Offer Period for each tranche of the Offer, any Offer Shares not taken up by the trading participants shall be distributed by the Underwriters directly to their clients and general public. All Offer Shares not taken up by the trading participants, general public, and the Underwriter's clients shall be purchased by the Underwriter pursuant to the terms and conditions of the relevant Underwriting Agreement.

For further information, please refer to the Offer Supplement dated November 11, 2021.

Local Small Investors

The Company will not allocate any Offer Shares for the Local Small Investors Program of the PSE.

Trading Participant Allocation Process

The Company plans to make available 2,000,000 Initial Offer Shares or 20% of the Initial Offer Shares for distribution to the respective clients of the 125 Trading Participants of the PSE, acting as Selling Agents. The total number of Offer Shares allocated to the PSE Trading Participants will be distributed following the procedures indicated in the implementing guidelines for the Initial Offer Shares to be announced in the PSE EDGE by the PSE. Each Trading Participant shall be allocated 16,000 shares (computed by dividing the Offer Shares allocated to the Trading Participants by 125), subject to reallocation as may be determined by the Receiving Agent. Trading Participants may undertake to purchase more than their allocation of 16,000 shares. Any requests for shares in excess of 16,000 shares may be satisfied via the reallocation of any Offer Shares not taken up by other Trading Participants. Any Initial Offer Shares allocated to the PSE Trading Participants but not taken up by them, will be allocated first to the Trading Participants who subscribed to their allotment and indicated additional demand, at the sole discretion of the Underwriter.

For further information, please refer to the Offer Supplement dated November 11, 2021.

Term of Appointment

The term of the appointment of the Underwriters for each tranche of the Offer shall be as set out in the relevant Offer Supplement.

Manner of Distribution

The Underwriters shall, at their discretion, determine the manner by which proposals for subscriptions to, and issuances of, the Offer Shares shall be solicited, with the sale of the Offer Shares to be effected only through the Underwriters. The Underwriters may appoint other entities, including trading participants, to sell on their behalf.

Offer Period

The Offer Period for each tranche of the Offer shall be set out in the relevant Offer Supplement.

Application to Purchase

The requirements to purchase the Offer Shares shall be set out in the relevant Offer Supplement.

Minimum Purchase

The minimum purchase requirement for the Offer Shares shall be set out in the relevant Offer Supplement.

Payment of the Offer Shares

The terms of payment of the Offer Shares shall be set out in the relevant Offer Supplement.

Refunds

The provision on refunds shall be set out in the relevant Offer Supplement.

Secondary Market

ABCI may purchase the Offer Shares, then tradeable at that time, at any time without any obligation to make pro rata purchases of Offer Shares from all Shareholders.

Registry of Shareholders

The Offer Shares will be issued in scripless form through the electronic book-entry system of Professional Stock Transfer, Inc. as Registrar for the Offer, and lodged with The Philippine Depository & Trust Corp. ("**PDTC**") as Depository Agent on Listing Date through PSE trading participants nominated by the applicants. Applicants shall indicate in the proper space provided for in the Application Form the name of the PSE trading participant under whose name their Offer Shares will be registered.

Legal title to the Offer Shares will be shown in an electronic register of shareholders (the "**Registry of Shareholders**") which shall be maintained by the Registrar. The Registrar shall send a transaction confirmation advice confirming every receipt or transfer of the Offer Shares that is effected in the Registry of Shareholders (at the cost of the requesting shareholder). The Registrar shall send (at the cost of the Company) at least once every quarter a statement of account to all shareholders named in the Registry of Shareholders, except certificated shareholders and depository participants, confirming the number of Offer Shares held by each shareholder on record in the Registry of Shareholders. Such statement of account shall serve as evidence of ownership of the relevant shareholder as of a given date thereof. Any request by the shareholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting shareholder.

Expenses

All out-of-pocket expenses, including but not limited to, registration with the SEC, printing, publication, communication and signing expenses incurred by the Underwriters in the negotiation and execution of the transaction will be for the account of ABCI, irrespective of whether the transaction contemplated herein is completed. Such expenses are to be reimbursed upon presentation of a composite statement of account. See "Use of Proceeds" on the relevant Offer Supplement for details of expenses.

THE COMPANY

OVERVIEW

A Brown Company, Inc. was originally incorporated with the Securities and Exchange Commission on December 21, 1966 as Bendana, Brown, Pizarro & Associates, Inc., and later renamed on October 1, 1992 as Epic Holdings Corporation (EHC). On June 25, 1993, the Securities and Exchange Commission approved the plan of merger between Brown Chemical Corporation and Brown Chemical Sales Corporation into EHC as the surviving entity. The merged company was renamed to its current corporate name a month later. ABCI was listed with the Philippine Stock Exchange on February 8, 1994 under symbol "BRN".

The Company has generally focused on business interests in Mindanao, although both the power and real estate segments have investments in other regions. The Company is primarily engaged in the business of real estate development located in Cagayan de Oro City and Initao in Misamis Oriental, Valencia City, Bukidnon, Butuan City in Agusan del Norte, and Cainta and Tanay in Rizal.

In recent years, the Company has diversified its business interests to include power generation, an industry that is seen to provide steady, recurring income. The Company has interests in power generation through affiliates Palm Concepcion Power Corporation and Peakpower Energy, Inc. In June 2020, the Company purchased 100% of Vires Energy Corporation (VEC).

Through 100%-owned subsidiary A Brown Energy and Resources Development, Inc. (ABERDI), the Company is engaged in the manufacturing and trading of palm oil and other palm products. ABERDI operates a 10 ton per hour crude palm oil mill and a 50 MT/day capacity physical refinery in Impasug-ong, Bukdinon.

Irradiation Solutions Inc. was incorporated In January 4, 2021 to develop the Tanay Multipurpose Irradiation Facility, the first Commercial E-Beam Irradiation Facility to be built in the Philippines. AB Bulk Water Company, Inc. is pursuing bulk water supply projects for the Municipality of Opol in Misamis Oriental and the expanding water needs of adjacent Cagayan de Oro City.

The consolidated sales, gross profit and EBITDA of ABCI for the year ended December 31, 2020 were ₱864.04 million, ₱444.74 million and ₱398.94 million, respectively.[3]

For the six months ended June 30, 2020, consolidated sales was ₱327.73 million, gross profit was ₱217.30 million and EBITDA was ₱274.10 million compared to consolidated sales of ₱289.39 million, gross profit of ₱203.41 million and EBITDA of ₱268.95 million for the six-month period ended June 30, 2021.[4]

The Company's subsidiaries include A Brown Energy and Resources Development, Inc.; Palm Thermal Consolidated Holdings, Corp.; Blaze Capital Limited; Simple Homes Development. Inc.; AB Bulk Water Company, Inc.; Hydro Link Projects Corp. ("**HLPC**"); Masinloc Consolidated Power, Inc.; Irradiation Solutions, Inc., and Vires Energy Corporation.

Real Estate

Real estate is the core business of ABCI. Its prime real estate development property is Xavier Estates in Cagayan de Oro City. All real estate developments follow the concept of a mixed-use, nature-themed, master-planned integrated community. Aside from Xavier Estates, the high-end properties of ABCI include Teakwood Hills Subdivision, Valencia Estates, Coral Resort Estates, West Highlands, West Highlands Phase 2, Xavier Estates Phase 6 – Ignatius Enclave, The Terraces.

In recent years, the Company has expanded to economic and socialized housing projects. These properties include Xavier Estates Ventura Residences, Ventura Lane, Xavierville Homes Subdivision,

---

[3] EBITDA is computed as the sum of Income before income tax, Depreciation, and Interest expense.
[4] EBITDA is computed as the sum of Income before income tax, Depreciation, and Interest expense.

East Cove Village, Adelaida Park Residences, Xavier Estates Phase 5B – Ventura Residences II, St. Therese Subdivision, Mountain View Homes and Mangoville.

Power

Palm Thermal Consolidated Holdings Corp ("**PTCHC**"), which is 100% owned by ABCI, is the corporate vehicle for ABCI's entry in the power generation business. PTCHC owns 20% of Palm Concepcion Power Corporation ("**PCPC**"). 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 February 2013, the Company caused the incorporation of Peakpower Energy, Inc. ("**PEI**"), the holding company that ventured into projects designed to generate peaking energy in Mindanao using brand new bunker-fired engines. After its incorporation, ABCI invited additional investors and eventually ABCI was diluted to 20% ownership in PEI. 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 a 10.4MW Diesel/Bunker-fired power plant to be constructed in Manolo Fortich, Bukidnon. On October 16, 2016, the Company transferred its 100% interest in PBI to PEI to consolidate its investment in the peaking projects under one holding company.

ABCI owns 100% of HLPC. HLPC is a registered renewable energy developer with the Department of Energy. HLPC will be ABCI's vehicle to pursue renewable energy projects. HLPC remains on the lookout for opportunities at any stage of development from greenfield opportunities to acquisition of operating power projects.

On June 18, 2020, ABCI acquired 99.995% of the outstanding capital of Vires Energy Corporation ("**VEC**") from Argo Group Pte. Ltd. of Singapore. VEC was incorporated in 2015 and is the proponent for an Integrated Floating LNG Storage and Regasification Terminal and a 506MW Floating Natural Gas-Fired Power Plant Project located in Barangay Simlong, Batangas City. The Department of Energy
Issued a Notice to Proceed (NTP) on Aprill 2021 for the proposed Integrated Natural-Gas Fired Power Plant and LNG Storage and Regasification Project of VEC.

The following table summarizes key information relating to the Company's power plant properties (the "**Properties**").

	PCPC	**PBI**	**PSI**	**PSFI**
Type of powerplant	Base load	Peaking	Peaking	Peaking
Location	Concepcion, Iloilo	Manolo Fortich, Bukidnon	General Santos City	San Francisco, Agusan del Sur
Right over property	Owned	Leased	Leased	Leased
Land lease expiry	-	Concurrent with 15-year Build Operate Maintain Transfer Contract	Concurrent with 15-year Build Operate Maintain Transfer Contract	Concurrent with 15-year Build Operate Maintain Transfer Contract
Lessor		BUSECO	SOCOTECO II	ASELCO
Installed capacity	135 MW	10.4 MW	34.8 MW	10.4 MW
% Contracted as	75%	100%	100%	100%

of June 30, 2021				
	PCPC	**PBI**	**PSI**	**PSFI**
Commercial operations date	Oct 2016	March 2018	Jan 2015 Expansion 2017	Feb 2015 Expansion 2018
Contract expiry	>5 Years	>10 Years	>10 Years	>10 Years
Contract type	Take and pay	Capacity-based Build Operate Maintain Transfer	Capacity-based Build Operate Maintain Transfer	Capacity-based Build Operate Maintain Transfer

In addition to the Properties, after the Offer, the Company intends to expand its energy property portfolio as described below:

- **PCPC 2x135MW Coal-Fired Power Plant**
  2nd unit expansion of existing PCPC Coal-Fired Power Plant located in Concepcion, Iloilo with an estimated equity contribution of Php800 Million. The project shall commence by 4th quarter of 2021, with an estimated completion date by 1st quarter of 2024.

- **Vires 450MW Floating LNG-fired Power Plant**
  Floating power barge combined cycle LNG located in Batangas City with an estimated equity contribution of Php3.0 Billion. The project shall commence by 1st quarter of 2022, with an estimated completion date by 1st quarter of 2025.

Utilities

AB Bulk Water Company, Inc. ("**ABWCI**") is 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 up to 40 million liters per day ("**MLD**") of potable water. 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. As of June 30, 2021, ABWCI is 100% owned by ABCI.

Agribusiness

A Brown Energy and Resources Development, Inc. ("**ABERDI**") (formerly A Brown Energy, Inc.) is engaged in the business of manufacturing and trading goods such as crude oil and petroleum products on wholesale/retail basis. 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 rights and responsibilities of ABERDI in the Development Contract were transferred to Nakeen Corporation ("**NC**") starting year 2006. On March 26, 2007, ABERDI approved the transfer of its palm oil nursery and plantation operations to NC to facilitate efficiency and profitability.

ABERDI is into palm oil milling and refining operations. Its crude palm oil mill started operations in 2014 is located in Impasug-ong, Bukidnon. In 2012, ABERDI began construction of a physical refinery to be able to produce palm olein. The refinery started commercial operations in September 2015 with a capacity of 50 MT/day.

On August 30, 2012, the SEC approved the Articles and Plan of Merger of NC and ABERDI ("**Articles of Merger**"). On July 24, 2013, the Amended Articles and Plan of Merger ("**Amended Articles of Merger**") was filed to the SEC to reflect the new capital structure of NC and specifying the effectivity date of the revised merger to be the first day of the subsequent month following the SEC approval. On February 11, 2015, the SEC denied petition for the Amended Articles of Merger and NC has already filed for a request for reconsideration to approve the petition. As of the date of this Prospectus, the motion for reconsideration is still pending before the SEC. While the merger was intended to improve operational efficiencies between NC and ABERDI, the Company believes that there will be no material adverse effect on the Group in the event the merger is not approved, ABERDI entered into a lease agreement with NC for the plantation area, inclusive of the standing crops, properties and equipment, wherein ABERDI shall be given access to enter NC's premises for the set-up, construction and preparation for its intended use of the plantation area. The lease was renewed and will expire on April 1, 2022.

As of June 30, 2021, ABERDI is 100% owned by ABCI.

Irradiation Solutions Inc. ("**ISI**") is a 100% subsidiary of ABCI and was incorporated on January 4, 2021 to pursue to develop a network of irradiation facilities in the Philippines. ISI is developing the Tanay Multipurpose Irradiation Facility Project. The project is envisioned to be the first Commercial E-Beam Irradiation Facility to be built in the Philippines.

The Irradiation Facility will promote much needed additional economic activity throughout the agriculture value chain through improved quality of agricultural and fishery products. This will enable local products, fruits, and seafood to be of export quality and gain wider access to international markets. The Facility will also need for sterilization of medical masks, dressings, syringes and surgical staplers will also be addressed. The E-Beam technology is used in more than 60 countries and is considered the most economical alternative among available commercial sterilization methods.

Recent Developments

The COVID-19 Pandemic

COVID-19, an infectious disease that was first reported to have been transmitted to humans in late 2019, has spread globally over the course of 2020, and in March 2020 it was declared as a pandemic by the World Health Organization. As of July 15, 2021, there had been about 188 million confirmed cases in the world, as reported to the World Health Organization. All the countries and territories where the Group operates business have reported confirmed cases and have taken measures in varying degrees to contain the spread, including social distancing measures, community quarantine, suspension of operations of non-essential businesses and travel restrictions.

The Government issued a series of directives and social distancing measures as part of its efforts to contain the outbreak in the Philippines. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and an enhanced community quarantine ("**ECQ**") was imposed on the island of Luzon, including Metro Manila. Under the ECQ guidelines, restrictions on movement outside of the residence were set in place (ranging from stay-at-home orders to total lockdowns), mass transport facilities were suspended, schools were closed and alternative work arrangements were implemented. The COVID-19 pandemic affected most daily activities and forced many businesses to suspend operations or shut down for the duration of the ECQ. Only essential businesses such as plants involved in manufacturing and processing of basic food products, medicine, medical devices/equipment and essential products such as hygiene products, and delivery services transporting food, medicine, and essential goods, as well as essential sectors such as hospitals, power, and water utilities were allowed to operate, subject to certain conditions and limitations on operating capacity. The ECQ was eventually lifted in certain areas and either a Modified ECQ ("**MECQ**"), General Community Quarantine ("**GCQ**") or Modified GCQ ("**MGCQ**") was implemented which calibrate the quarantine restrictions depending on the extent of the pandemic in a given area. The graduated lockdown schemes from ECQ, MECQ, GCQ, and MGCQ impose varying degrees of restrictions on travel and business operations. The Philippine government continues to calibrate the imposition of lockdown or community quarantine measures across the country depending on the situation in specific localities. To address the spread of infection, the Government placed Metro Manila and certain neighboring provinces under ECQ from March 29, 2021 until April 11, 2021 and on August 6 to 20, 2021. On August 26, 2021, the Department of Interior and Local Government announced that the Government will phase out the large-scale community quarantine measures and replace the same with granular lockdowns. While the Government had initially intended to implement pilot testing of granular lockdowns in Metro Manila commencing on September 8, 2021 to September 30, 2021, the Government announced on September 7, 2021 that Metro Manila will remain under MECQ until September 15, 2021 or until the pilot alert level system is implemented, whichever comes first. Following the issuance of the new guidelines on alert level system on September 13, 2021, the Government announced on September 14, 2021 that Metro

Manila will be placed under Alert Level 4 from September 16, 2021 to September 30, 2021. The pilot implementation of the alert system was extended from October 1 to 15, 2021 and Metro Manila remained under Alert Level 4. On October 16, 2021, Metro Manila was downgraded to Alert Level 3 and beginning November 5, 2021, it was placed on Alert Level 2. While most of the Luzon island and other provinces have been placed on various levels of community quarantine, the government has commenced vaccination for those considered as high-risk individuals including healthcare workers, senior citizens, and individuals with comorbidities. The vaccination drive in the country started on February 15, 2021 and as of the date of this Prospectus, the Philippines has administered 65.8 million doses of the vaccine, with 35.7 million people fully vaccinated representing 32.5% of the total population of the country.

The pandemic and its disruption of global supply chains have increasingly affected construction activities, with shortages of raw materials and other inputs, contractors and subcontractors, and workers. Some building material supply chains have suspended production and distribution. There was a delay in the construction as well as costs increased as many factories have been closed for extended periods. Limited transportation and travel bans also delayed project delivery. Labor shortages have been a problem for the real estate development sector since the lockdowns were first imposed in response to the pandemic.

The Company worked closely together with subcontractors and agencies to assist them in the case of widespread construction site shutdowns. A periodic review and assessment of profitability, loans and cash flow to support ongoing operations was undertaken and a thorough review of the capital and corporate cost budgets to identify not only marginal investments, but also discretionary items that can be cut was implemented at the start of the pandemic.

With the current COVID 19 pandemic, the Company shifted to offer farm lots to the market as well as environmental conscious units with lots of open and green spaces.

There is a continued demand for office space particularly by the expansion of the IT-BPO sector post-pandemic. These businesses are looking into the provinces particularly the next-wave cities (NWCs) which include Cagayan de Oro among others.

The work-from-home arrangements are expected to continue after the pandemic. With the increasing urbanization, mixed use developments, townships and metropolis provisions are the property to be looked out for. The Build Build Build Program and the Balik Probinsiya Program of the government also bring in livelihood and employment opportunities to the countryside.

In February 2021, the government commenced COVID-19 vaccination for those considered as high-risk individuals including healthcare workers, senior citizens, and individuals with comorbidities. In June 2021, the government expanded the vaccination drive to all private sector workers required to be physically present at their workplace outside their residences; employees in government agencies and instrumentalities; and informal sector workers and self-employed who may be required to work outside their residences, and those working in private households.

Amendments to the Articles of Incorporation

On April 12, 2021 the Board of Directors approved the amendment of the Articles of Incorporation of the Company to reclassify and divide the authorized capital stock into: (i) 3,250,000,000 common shares with a par value of Php1.00 per share; and (ii) 50,000,000 preferred shares with a par value of Php1.00 per share. On June 24, 2021, the stockholders of Company approved the Preferred Shares Amendment during the Annual Stockholders' Meeting. On July 12, 2021, the Company submitted the Preferred Shares Amendment with the SEC. The Preferred Shares Amendment shall be effective after SEC approval. On October 5, 2021, the SEC approved the Preferred Shares Amendment.

Upon the approval by the SEC of the Preferred Shares Amendment, the authorized capital stock of the Company shall be ₱3,300,000,000.00 divided into: (i) 3,250,000,000 common shares with a par value of ₱1.00 per share; and (ii) 50,000,000 preferred shares with a par value of ₱1.00 per share.

STRENGTHS AND STRATEGIES

STRENGTHS

Established Real Estate Player with a Solid Track Record and Captured Niche Market in Mindanao for high-end customers

ABCI has over 20 years of track record in real estate development in Mindanao. It has established itself as the premier developer for the middle-middle, upper-middle and premium markets in the area, known for underscoring healthy, environment-friendly and low dense communities with focus on city-, mountainside-, agricultural-, golf and sea resort-, and lifestyle-developments.

Further, its in-depth knowledge of the local setting is bolstered by the fact that its management and base of operations are both centered in Mindanao unlike most of its competitors.

As of June 30, 2021, the Company has completed a total of 15 projects located in Cagayan de Oro City, Valencia City, Butuan City, and Initao, Miasamis Oriental covering 4,144 units over a total developed area of 2,019,234 sqm. The Company also as a total of eight ongoing projects located in Cagayan de Oro City and Butuan City, composed of both high-end and socialized / economic units. Despite logistical challenges brought about by the ongoing pandemic, ABCI was able to meet construction timetables as of first quarter of 2021, with majority of projects more than 80% completed. ABCI also has a total of 17 projects in the pipeline covering a total area of 4,428,827 sqm. consisting of high-end and economic/socialized units, memorial garden, and farm estate. For further discussion on the Company's projects, please refer to section on *The Company – Businesses of ABCI – The Real Estate Development Business – Summary of Projects.*

Large Landbank in Marketable Locations

As of June 30 2021, the Company has a land bank of 293 hectares that can support its pipeline projects. The land bank is mostly located in the Company's traditional markets and provides an opportunity for the Company to venture into all segments of the housing market. Total book value as of June 30, 2021, amounted to Php618 million.

The Company is also in negotiation to acquire an additional 300 hectares of raw land for future land development in the areas of Tanay, Rizal, Cagayan de Oro City, Butuan City, Bukidnon province, and Batangas City.

Diversified Interests across Stable Growth and High Impact Industries Contributing Steady Stream of Dividends

ABCI has substantial investments in the utilities sector that contributes an element of stability into its revenues streams, supplementing its real estate sales. In particular, it has exposure to power generation via associates that regularly declare dividends. The power business generally grows at a steady pace in line with the overall economy.

PCPC started commercial operations in 2016 and has been continuously providing base load power via its 135-MW CFBC coal-fired power plant. PCPC addresses the power supply requirements of the Visayas grid and provides a steady flow of power to the growing businesses and economic development in the islands of Panay, Negros, Cebu and even Leyte.

PEI has been reliably supplying peaking power supply in Mindanao through its three bunker-fired power plants with an aggregate capacity of 55 MW. Its customers are South Cotabato II Electric Cooperative (SOCOTECO II), Agusan del Sur Electric Cooperative (ASELCO) and Bukidnon Second Electric Cooperative (BUSECO), all of which are AAA/Green rated by the National Electrification Administration.

Associates	For the year ended December 31		
	2018	2019	2020
Palm Concepcion Power Corporation	80.0	110.0	80.0
Peakpower Energy, Inc.	13.0	72.2	95.0

Dividend income for the past three years pertains to ABCI's 20% ownership in PCPC and 20% ownership in PEI.

Positioned to Benefit from Healthy Recovery Outlook on the Philippines Real Estate Industry

The Company has historically targeted the full spectrum of the real-estate industry, enabling it to take promptly take advantage of shifts in the demand of its customers. Hence, it is in the position to venture into pockets of growth areas that are outside its niche as seen in the current thrust to supply the necessary housing inventory to address the backlog in the economic and socialized segments.

In anticipation of the recovery of the economy that will be driven by new growth cities, the ABCI expects to commence development on March 2022 of the Uptown Metropolis located in the east side of Xavier Estates. It shall have a space for a commercial mall, shoppe houses, town houses, condominium and a central business district. The estimated completion date of the project is on January 2026.

Stable Financial Performance and Resilient Profitability Track Record

ABCI has a demonstrated history of sustainable profitability and financial prudence that has seen it overcome several global crises including the 1973 oil crisis, the 1997 Asian financial crisis, and the 2008 U.S. subprime crisis.

The Company has been able to remain profitable, managing to improve its gross profit and net income margins year-on-year despite the drop in sales at the height of the pandemic. ABCI believes that its agility and operational capability would allow it to sustain profit growth despite the highly uncertain environment. For further discussion, please refer to the section on *Management's Discussion and Analysis of Results of Operations and Financial Condition.*

Visionary Leadership with Extensive Experience in Real Estate, Energy, and Project Development

The Company employs a highly experienced management team with a proven track record across various industries led by visionary Dr. Walter W. Brown. Dr. Brown, the founder, is a trained geologist and geo-chemist. His track record includes serving as Chairman or as President or Director of Apex Mining Co. Inc., 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, Seafront Petroleum, and Basic Petroleum.

STRATEGIES

Target the full spectrum of the real estate market from high end to economic and socialized housing segments

ABCI shall continue to deliver excellent and value for money developments in accordance with its core competence. The Company has the land bank in place to support expansion and pipeline projects that will be rolled out. A master planned community is being developed in Tanay, Rizal and Butuan City. New phases shall also be developed in West Highlands in Butuan City; Coral Resort Estates in Initao, Misamis Oriental; and, Teakwood Hills in Cagayan de Oro City. For the premium market, on the drawing board is a golf and retirement estate in Manolo Fortich, Bukidnon. The Uptown Metropolis located in the Xavier Estates area in Cagayan de Oro City shall feature The Shoppe

Houses, a commercial district, and residential spaces complementing existing establishments in the area. ABCI has developed the technical expertise and processes to be able to develop projects efficiently across the whole spectrum from socialized to high end. The Company's solid track record of its completed and ongoing projects allows good brand recall among its customers.

Maintain focus on healthy, environment-friendly and low-density community concepts

With the health benefits and personal well-being of the residents as its core thrust, the Company will continue to deliver developments that feature generous open spaces, lush vegetation, fresh flowing air, bike lanes and open patios in its home designs. Changing market demands brought upon by the Covid-19 pandemic has highlighted the preference of customers for low-density community concepts. The Company's land bank is situated mostly outside the main cities. The Company aims to take advantage of this by fast tracking planned developments and integrating farm lots into its real estate product offerings.

Continue land banking to support pipeline projects

The Company does continuous land banking focused on areas where the Company has a local foothold and a competitive advantage. Land parcels adjacent completed and ongoing projects are usual targets for expansion phases. With its experience in developing master-planned mixed-use developments, the Company is also looking into new areas where it can consolidate sizable portions to be able to come up with integrated mixed-use developments.

Increase the sales network by additional accreditation of partner realties

ABCI asserts a pro-active stance with regard to its partner realties, brokers, and agents. The Company's strategy is to expand the reach of its products by actively engaging additional accreditation of partner realties to market the Company's real estate products. In 2020, ABCI expanded its network to 32 accredited realties. On top of the regular commissions, ABCI institutes programs, trainings, talks, personal chats and exchange with individual brokers which has increased the brokers' drive to sell the Company's real estate offerings.

Expand its power generation portfolio through development of greenfield power projects

ABCI's investments in power generation associates PCPC and PEI have remained profitable and contributes a steady source of dividends to the Company. With its experience and knowledge of the industry, the Company is looking to expand its current portfolio. ABCI believes that subsidiary Vires Energy Corporation (VEC)'s floating LNG Power Plant Project to be built in Batangas can provide an environmental-friendly and economic source of electricity for the country's power needs. The Company remains on the lookout for good opportunities ranging from development of new greenfield power project opportunities or acquisition of development or operating power projects.

Further diversification in strategic and high impact industries

ABCI is looking at expansion and continuous diversification in new business segments. Projects in the irradiation and bulk water segments are expected to be income contributors in the future as the projects progress in development. Irradiation Solutions, Inc. (ISI), a fully owned subsidiary, is putting up in Tanay, Rizal, the first E-Beam Commercial Sterilization Facility will provide commercial irradiation services to improve the quality of agricultural and fishery products. ABCI is looking at two main markets for AB Bulk Water Co. This is to supply water in the Opol to Laguindingan corridor and the expanding needs of Cagayan de Oro City. ABCI banks on its experience in project development, knowledge on the local and regulatory framework of the sectors it is operating in, and its network with both local and foreign experts in their respective fields.

ABCI is also expanding its portfolio of investments with total estimated project cost of Php5.4 Billion. Pipeline projects for other business interests in power, utility and agribusiness sectors are as follows:

Project	Location	Type	Ownership Interest in Project	Estimated Project Cost (₱ Mn)*	Start Date	Estimated Completion Date
Tanay Multipurpose Irradiation Facility	Rizal	Commercial Sterilization	100%	600	4Q2021	3Q2023
Vires Floating LNG-fired Power Plant	Batangas City	Power generation	100%	3,000	1Q2022	1Q2025
PCPC Coal-Fired Project (2nd Unit)	Concepcion, Iloilo	Power generation	20%	800	4Q2021	1Q2024
Opol Bulk Water Project	Misamis Oriental	Bulk water supply	100%	500	2Q2022	1Q2025
CDO Bulk Water Project	Cagayan De Oro	Bulk water supply	100%	500	2Q2022	1Q2025
			Total	5,400		

** Refers to the estimated equity contribution of the Company only.*

CORPORATE HISTORY AND MILESTONES

1966	The Company was incorporated in the Philippines as Bendana, Brown, Pizarro & Associates, Inc.
1992	The SEC approved the amended Articles of the Incorporation and By-laws of Bendana, Brown, Pizarro & Associates, Inc. which changed the corporate name to Epic Holdings Corporation and effected a 5:1 stock split by reducing the par value of shares from Php5 to Php1 while increasing the total number of authorized shares from 20,000,000 to 100,000,000.
1993	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).
1994	ABCI was listed with the Philippine Stock Exchange
1995	Xavier Estates Phase 1 in Cagayan de Oro was launched, ABCI's first real estate development project in Mindanao
1999	The SEC approved the plan of merger of the Company (surviving company) and five of its wholly-owned subsidiaries: A Brown Chemical Corporation, Geoex Farms, Inc., East Pacific Investors Corporation, Terra Asia Pacific Development Manager, Inc and Victorsons Trans Cargo System, Inc. (absorbed corporations).
2001	A Brown Energy, Inc. was incorporated on February 21, 2001
2002	The SEC approved the plan of merger of the Company and five (5) of its wholly owned subsidiaries: Another Brown Co., Inc. (formerly W. Brown Co., Inc.), Geoex Drilling Corp., Northmin Mining and Development Corp., Manresa Golf and Country Club and Norphil Properties, Inc.
	A Brown Energy, Inc. changed its corporate name to A Brown Energy and Development Inc. (ABERDI) and amended its primary purpose to manufacturing and trading of goods such as crude oil and petroleum products.

2006	Investment in Monte Oro Resources and Energy, Inc. (“**MORE**”).
	Teakwood Hills Phase 1 in Cagayan de Oro City was launched
	ABERDI completion of crude palm oil in Impasug-ong, Bukidnon
2010	ABCI subscribed to shares of PTCHC and Panay Consolidated Land Holdings Corp. (“**PCLHC**”) representing 95% and 100% shareholdings of the companies.
	PTCHC acquired 100% of the outstanding capital stock of DMCI Concepcion Power Corporation (now Palm Concepcion Power Corporation). PCLHC acquired thirty (30) hectares of land from DMCI Power Corporation with the intention of using it as the site for a coal-fired power plant project.
2011	ABCI and.HLPC entered into a series of transactions to acquire 100% ownership of HLPC.
2012	PTCHC entered into various agreements and deeds which decreased its shareholdings in PCPC from 100% to 30%.
	PTCHC acquired a 30% equity stake in PCLHC.
2013	PTCHC acquired an additional 40% interest in PCPC and PCLHC, increasing PTCHC interest in the coal-fired project to 70%. A new investor also invested in PCPC and PTCHC which resulted in the following ownership structure: PTCHC (39.54%); Jin Navitas Resource Inc. (30%) and Oriental Knight Ltd. (30.46%). PTCHC’s interest in PCLHC remained at 70%.
	ABCI caused the incorporation of PEI, the holding company that ventured on projects designed to generate peaking energy in Mindanao using brand new bunker-fired engines.
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 of PCPC. The merger and the capital increase resulted in the 30% equity interest of the Company in PCPC.
	Commercial operations of Peakpower San Francisco (PSFI) Diesel Power Plant
	ABCI sold its shares in MORE to Apex Mining Company, Inc. (“**APEX**”). ABCI subscribed the same number of shares of APEX.
2015	The SEC approved PCPC’s increase in its authorized capital stock. Palm Thermal’s shareholdings were reduced from 30% to 20% due to non-subscription from the increase of PCPC’s authorized capital stock.
	Commercial Operations of Peakpower Soccsargen (PSI) Diesel Power Plant
	Commercial operations of ABERDI’s 50 MT/day physical refinery in Impasug-ong, Bukidnon
2016	Commercial Operations of PCPC Unit 1

2018	Commercial Operations of Peakpower Bukidnon (PBI) Diesel Power Plant
2020	ABCI acquired 99.995% of the outstanding capital of Vires Energy Corporation (“**VEC**”) from Argo Group Pte. Ltd.
2021	ABCI caused incorporation of Irradiation Solutions Inc. (“**ISI**)

Awards and Recognition

On September 2017, the Pag-Ibig Fund awarded ABCI as achieving the highest performing loans ratio among Mindanao developers.

On October 2017, the Social Security System awarded ABERDI as Top Employer for the Medium Account Category for Northern Mindanao Division.

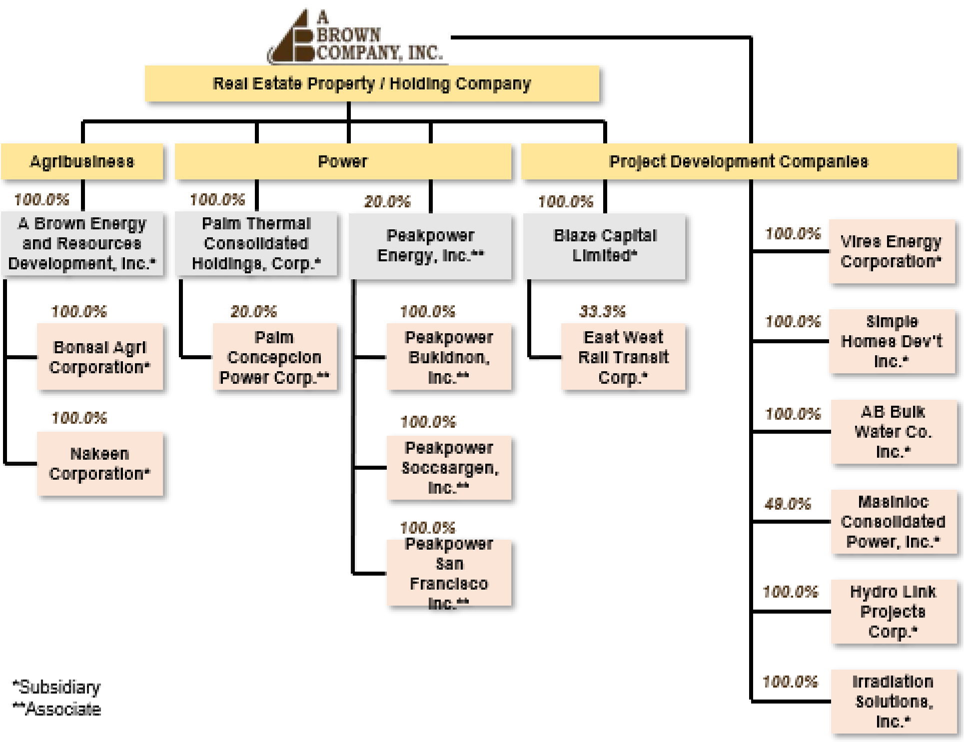
On October 2019, the Philippine Red Cross awarded ABCI a Scroll of Honor for its continuous participation in providing Red Cross services designated to improve the wellbeing of humanity.

On February 2020, the Department of Labor and Employment (DOLE) Region 10 recognized ABCI for its Labor-Management Cooperation Program and institutionalizing LMC Covergence Committees in Productivity Improvement, Safety & Health, Family Welfare, Prolem Solving and Grievance and Labor Compliance.

BPI Family Savings Bank has awarded ABCI as the Top Real Estate Developer Partner for 2019.

GROUP STRUCTURE, SUBSIDIARIES AND ASSOCIATES

The chart below provides an overview of the ownership structure of the Company and its major operating subsidiaries and associates as of June 30, 2021.



Associates are entities wherein the Company holds 20% to less than 51% of the voting power (directly or through the Company’s subsidiaries).

BUSINESSES OF ABCI

THE REAL ESTATE DEVELOPMENT BUSINESS

Real estate is the core business of ABCI. Its prime real estate development property is Xavier Estates in Cagayan de Oro City. All real estate developments follow the concept of a mixed-use, nature-themed, master-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 Cristi School, a grade and high school, non-sectarian institution run by lay Christians is also minutes away from Xavier Estates.

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.

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.

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 Mediterranean-type clubhouse sprawled on the northern part of the estate. The total land area for the development was 10 hectares with a total development area of 5.397 hectares with an average lot cut of 250 sqm. Phase 1 of the project comprised 82 lots, 42 saleable lots in Cluster A with an area of 2.5 hectares and 40 saleable lots in Cluster B with an area of 2.9 hectares.

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.

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.

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.

Economic Housing

Xavier Estates Ventura Residences (Phase V-A) is the first venture of the Company 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.

Ventura Lane is located beside Ventura Residences with lot cuts of 250 sq.m. while Cluster B & C have lots cut at 110sq.m.

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.

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.

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.

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.

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.

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.

Distribution Methods of Products and Services

In 2020, ABCI affirmed its pioneering edge in real estate selling in Mindanao by asserting a pro-active stance with new ideas. ABCI opened the sellers’ market by expanding from five (5) partner realties to 32 accredited realties selling ABCI properties in Cagayan de Oro; Initao, Misamis Oriental; Butuan City; and in Bukidnon.

On top of the regular commissions, ABCI grants sellers cash incentives, travel perks, and branded bags, watches or jackets. Sellers also receive mugs and wine with personal messages from the Company’s President.

ABCI also instituted Brokers’ Care and Engagement Programs which significantly increased the brokers’ attention for ABCI projects and make its projects top-of-mind when selling. Aside from the personal chat and exchange with the individual brokers, company activities such as health and wellness programs and the women’s talk have also been open to brokers. Regular personal exchanges between ABCI heads and sellers also foster loyalty among the Company’s brokers.

With the COVID-19 pandemic in 2020, much of the interaction between sellers and buyers were done online. There was an intensified presence in social media platforms. Videos of the projects were enhanced, walk-throughs of model houses were created, and announcements were converted into online posters.

Under the Chief Executive Officer of the Company, 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.

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 similar to the Company under the economic housing category.

ABCI’s Teakwood Hills competes with Ayala Land’s Alegria Hills and Cebu Land Masters’ Velmiro Heights and Velmiro Uptown.

In Valencia City, the Company's Mountain Breeze is the project competing with Camella Homes.

For Butuan City, the Company is in competition with Camella, Filinvest and VCDU projects in the economic segment while Ayala Land, Johndorf Ventures Inc., and Camella are competitors in the socialized housing.

For the lot only market in Cagayan de Oro, ABCI competes with Pueblo de Oro Development Corporation (mixed use development) and Robinsons Land.

For a discussion on the Company's market share and its major competitors, please refer to page 155 on the Industry Overview section of the Prospectus.

The Company believes that it will be able to effective compete in its market segments because most buyers of ABCI real estate projects regard its value appreciation potential as highly attractive, In addition, the dynamism of the Company's marketing group together with the Company's sales agents/brokers allow the Company to remain competitive. The Company believes that its commitment to offer affordable lot and house and lot packages for a well-planned project focused on family oriented and nature-themed environments allow it to be responsive to the demands of the market. ABCI ensures that its projects have security, good location and accessibility to basic locations (supermarkets, churches, public utilities, etc.).

Contractors, Suppliers and Availability of Raw Materials

All of the raw materials used by the Company are sourced from domestic Philippine suppliers. Suppliers are chosen based on a number of criteria, including assessment of company background, accreditations, quality of materials, list of finished projects and past customers.

The Company primarily sources construction materials for its projects in the localities. The Company is not dependent on any single supplier.

Construction and housing projects are done in-house with supervision and quality control overseen by the Company's Construction and Engineering group. Specialty work such as roofing and glazing is contracted directly to the supplier or fabricator. Suppliers are subject to internal accreditation procedures.

Customer Profile

For the projects offered in 2020, buyers of the Company's housing units consists of 70% businessmen and professionals from Northern Mindanao and the Caraga region; 19% OFWs particularly nurses, doctors, seafarers, engineers and retirees; and 9% are Filipino's married to foreigners. Buyers for the period on average had a minimum gross monthly income of Php100,000.

The following table summarizes the demographics of the Company's customers:

Demographic	Description	%
Age:	20 – 35 Years Old	5%
	36 to 45 Years Old	51%
	46 + Years Old	44%
Education:	College Graduates and Licensed Professionals	93%
Employment:	Businessmen	35%
	Professionals	35%
	OFWs	19%
	Government Employees	2%
Other:	Married to Foreigner	9%

Summary of Projects

Completed Projects

The following table lists the Company's completed real estate developments, as of June 30, 2021. All real estate developments follow the concept of a mixed-use, nature-themed, master-planned integrated community.

Project	Location	Area (sqm)	No. of units	Type	Year Completed
Xavier Estates - Phase 1	Cagayan de Oro City	445,697	838	Horizontal; high-end	1998
Xavier Estates - Phase 2	Cagayan de Oro City	321,318	569	Horizontal; high-end	2004
Xavier Estates - Phase 3	Cagayan de Oro City	86.984	115	Horizontal; high-end	2004
Xavier Estates - Phase 4	Cagayan de Oro City	407,097	1,111	Horizontal; high-end	2011
Teakwood Hills – Phase 2	Cagayan de Oro City	52,675	59	Horizontal; high-end	2013
Valencia Estates	Valencia City	117,244	411	Horizontal; high-end	2010
Xavierville Homes	Cagayan de Oro City	48,396	131	Horizontal; Economic	2008
Saint Therese Subdivision	Cagayan de Oro City	16,720	155	Vertical; Socialized	2013
Ventura Lane	Cagayan de Oro City	8,898	30	Horizontal; Economic	2013
Ventura Residences	Cagayan de Oro City	90,957	121	Vertical; Economic	2011
West Highlands Phase 1	Butuan City	259,325	167	Horizontal; high-end	2015
Mountain View Homes - Phase 1	Cagayan de Oro City	23,180	216	Vertical; Socialized	2015
Coral Resort Estates Phase 1A	Initao, Miasamis Oriental	25,300	42	Horizontal; high-end	2016
Coral Resort Estates Phase 1B	Initao, Miasamis Oriental	28,780	40	Horizontal; high-end	2016
Ventura B&C	Cagayan de Oro City	86,663	139	Horizontal; Economic	2017

Ongoing Projects

As of June 30, 2021, ABCI has a total of eight ongoing projects, composed of both high-end and socialized / economic units. Despite logistical challenges brought about by the ongoing pandemic, ABCI was able to meet construction timetables as of June 30, 2021, with majority of projects are more than 80% completed.

Project	Location	Area	No. of units	Sold units as of June 30, 2021	Type	Date Started	Percentage Completion as of June 30, 2021
Teakwood Hills – Phase 1	Cagayan de Oro City	400,036	484	460	Horizontal; High-end	Nov 2006	81%
West Highlands – Phase 2	Butuan City	84,698	156	142	Horizontal/Vertical;	Oct. 2017	99%
Mountain View Homes – Phase 2	Cagayan de Oro City	12,875	83	83	Vertical; Socialized/Economic	May 2017	100%
Adelaida Park Residences	Cagayan de Oro City	43,672	215	212	Vertical; Socialized/Economic	June 2016	100%
Mangoville	Cagayan de Oro City	35,834	235	233	Vertical; Socialized/Economic	Feb. 2018	99%

Terraces	Cagayan de Oro City	9,618	47	39	Horizontal; High-end	June 2018	52%
Ventura Residences II (Xavier Estate Phase 5B)	Cagayan de Oro City	20,852	74	74	Horizontal/Vertical; High End	March 2018	100%
Ignatius Enclave	Cagayan de Oro City	90,573	250	249	Horizontal/Vertical; High End	March 2018	100%

Pipeline Projects

As of June 30, 2021, ABCI has a total of 17 projects in the pipeline, consisting of high-end and economic/socialized units, memorial garden, and farm estates.

Project	Location	Type	Area (sqm)	Project Cost (Php Mn)	Start Date	Est. Completion Date
Ignatius Enclave Phase 2	Cagayan de Oro City	High-end	59,388	44	2021	Dec-21
Coral Resort Phase 2	Initao, Misamis Oriental	High-end	42,215	35	2021	Dec-21
Teakwood Hills Phase 3	Cagayan de Oro City	High-end	29,829	17	2021	Dec-21
Mountain Pines Farm Phase 2	Manolo Fortich, Bukidnon	Farm Lot Estate	200,737	51	2021	Dec-22
Shoppe Houses	Cagayan de Oro City	Commercial Residential	5,807	117	2021	Dec 23
West Highlands 2B	Butuan City	High-end	90,879	215	2021	Dec 23
Adelaida Butuan	Butuan City	High-end	89,772	742	Oct-21	Jan-25
Coral Estates Condo	Misamis Oriental	High-end	5,200	868	Mar-22	Jan-27
Coral Estates Phase 3	Misamis Oriental	Economic	40,000	95	Jan-21	Jan-25
Uptown CDO Rovency Condo	Cagayan de Oro City	High-end	6,000	2,253	Mar-22	Jan-26
Uptown Metropolis	Cagayan de Oro City	High-end Commercial	110,000	251	Mar-22	Jan-26
Uptown Memorial Garden	Cagayan de Oro City	Memorial	24,000	42	Mar-22	Sep-23
Adelaida Homes Tanay	Rizal	Socialized	15,000	54	Oct-21	Sep-22
Adelaida Residences Tanay	Rizal	Economic	110,000	192	Jun-22	Jan-23
Epic Tanay	Rizal	Master-planned community; Farm Estate	1,100,000	1,426	Apr-22	Jan-30
Mountain Pines Agri Tourism and Golf	Manolo Fortich, Bukidnon	Golf and retirement estate	900,000	1,341	Jan-22	Jan-27
Palm Estates Dalirig	Dalirig, Bukidnon	Farm Estate	1,600,000	1,266	Jun-22	Jan-27
		Total	**4,428,827**	**9,009**		

Ignatius Enclave Phase 2, Coral Resort Phase 2, Teakwood Hills Phase 3, Mountain Pines Farm Phase 2, Shoppe Houses, West Highlands 2B, West Highlands 2C have started on initial phases of development pending issuance of HLURB License to Sell.

Reservation vs. Booked Sales

Amounts in Php Mn	**2019**	**2020**	**2Q2021**
Reservations	1,056	1,588	669
Booked Sales	942	761	259

The Company recorded reservation sales of Php669 million during the first half of 2021 vis a vis 2020's Php853 million. The Company believes that on-track progress in the pipeline projects as well as a healthy inventory level would help convert these reservations into duly recognized sales.

Average turnaround towards full income recognition is about 27 months. Reservations are converted to booked sales upon reaching 10% based on project completion.

THE POWER AND UTILITIES BUSINESS

Power Generation

Palm Concepcion Power Corporation ("PCPC") is operating the first unit of the 2 x 135MW coal-fired power plant in Concepcion, Iloilo with the second unit already in the initial stage of pre-construction activities. The plant was developed as a new base load power plant in Panay Island to address the requirements of the grid. The Project is located in Sitio Puntales, Barangay Nipa, Municipality of Concepcion, Iloilo Province in the Island of Panay. The town of Concepcion, which lies along the northeast shoreline of the province, is 103 km from Iloilo City by road.

Full commercial operations began on August 16, 2016, generating electricity for Panay, Negros, Cebu, and Leyte islands.

Peakpower Energy, Inc. ("PEI") was set up to address the lack of base load power in the Mindanao electric and in the future to allow the partner electric cooperatives to meet their demand for peaking power. PEI's focus is on putting up peaking plants in partnership with credit-worthy electric cooperatives to address power shortage in Mindanao. These plants are under build-operate-transfer arrangements, ownership of which will be transferred to each off-taker at the end of the 15-year cooperation period at no extra cost. PEI has three wholly-owned subsidiaries with a total peaking installed capacity of 55MW: (1) Peakpower Soccsargen, Inc.; (2) Peakpower San Francisco, Inc.; and (3) Peakpower Bukidnon, Inc.

Vires Energy Corporation ("VEC") is the proponent for an Integrated Floating LNG Storage and Regasification Terminal and a 506MW Floating Natural Gas-Fired Power Plant Project located in Barangay Simlong, Batangas City.

Hydro Link Projects Corporation ("HLPC") is a wholly-owned subsidiary of ABCI focused on renewable energy development. HLPC is a registered renewable energy developer with the Department of Energy. HLPC will be ABCI's vehicle to pursue renewable energy projects. HLPC remains on the lookout for opportunities at any stage of development from greenfield opportunities to acquisition of operating power projects.

Utilities

AB Bulk Water Company, Inc. ("ABWCI") is in the business of bulk water supply and other business activities related to water development. ABWCI is pursuing bulk water supply projects for the Municipality of Opol in Misamis Oriental and the expanding water needs of adjacent Cagayan de Oro City. Other potential service areas include the neighboring municipalities of Opol – the city of El Salvador, and the municipalities of Alubijid, Laguindingan, and Gitagum.

THE AGRIBUSINESS

Palm Oil

A Brown Energy and Resources Development, Inc. ("ABERDI") is engaged in the business of manufacturing and trading goods such as crude oil and petroleum products on wholesale/retail basis.

Crude Palm Oil ("CPO") Mill – Being in the palm oil business, its primary activity is the extraction process of fresh fruit bunches ("**FFB**") to CPO in its mill plant situated at Malubong, Impasug-ong, Bukidnon with a capacity of 10 tons per hour producing an average of 100 tons of CPO per day for ten hour operation. This product is a raw material for manufacturers that process both food and non-food commodities (ex. Household cooking oil, biodiesel, soap, cosmetics, pharmaceuticals, noodles and pasta, non-dairy creamers, etc.) The sources of the FFBs are subsidiaries of ABERDI and various independent growers of oil palm. The oil extraction ratio of crude palm oil ranges from 15% to 18% while palm kernel recovery ranges from 2% to 5% respectively. Other products are sludge oil, fiber, and shell, empty bunch, sludge cake as non-food uses.

*Refined, Bleached and Dedorized ("**RBD**") Physical Refinery with Franctionation* – The company started the construction of the 50 tonner/day palm oil physical refinery with fractionation last December 2012 and became operational on September 2015. The refinery is projected to produce 1,000 metric tons of palm olein per month.

Oil Palm Plantation – With the merger of its wholly-owned subsidiary, Nakeen Corporation, A Brown Energy and Resources Development, Inc. is now operating a 1,350-hectare oil palm plantation located in the areas of Kalabugao, Impasug-ong, Bukidnon and Tingalan, Opol, Misamis Oriental. It imports germinated oil palm seeds from Thailand, Papua New Guinea and Costa Rica for its nursery.

Competition

For the Oil Palm Mill, the Company's competitors are Filipinas Palm Oil Plantation, Inc., Kenram Industrial & Development, Inc., Agumil Philippines, Inc., Univanich Palm Oil Inc., and Palm Asia Milling Corp.

The Company believes it is able to compete in the Agribusiness by leveraging on the Company's visionary leadership and its extensive business experience in project development and in other competitive industries.

Sources and Availability of Raw Materials

The Company sources fresh fruit bunch suppliers from nearby towns of Bukidnon, Misamis Oriental, Cagayan de Oro City, Cotabato City, Agusan del Sur, Sultan Kudarat, and North Cotabato.

Customer Profile

Buyers for Crude Palm Oil ("**CPO**") are from Davao, Bukidnon, Butuan, Cagayan De Oro, Iligan City. The Company also has bulk sales for processed palm oil products like palm olein and palm stearin with.

The Company's Golden Belle brand of cooking oil is distributed within Northern Mindanao. While other processed palm oil by products like Palm Fatty Acid and Palm Acid Oil are sold to export buyers.

Commercial Irradiation

Irradiation Solutions Inc. ("ISI") is a 100% subsidiary of A Brown Co., Inc. (ABCI) is developing a network of irradiation facilities in the Philippines. The Tanay Multipurpose Irradiation Facility Project is envisioned to be the first Commercial E-Beam Irradiation Facility to be built in the Philippines.

The Irradiation Facility will provide commercial irradiation services to improve the quality of agricultural and fishery products. This will enable local products, fruits, and seafood to be of export quality and gain wider access to international markets. The services offered will also include sterilization of medical masks, dressings, syringes and surgical staplers will also be addressed. The E-Beam technology is used in more than 60 countries and is considered the most economical alternative among available commercial sterilization methods.

MATERIAL PERMITS AND LICENSES

The Company holds various permits and licenses for permits for the opening and continued operations of its real estate business, and power and utilities business holding companies, and its agri-business. These material permits include but are not limited to, the following:

- Certificate of Incorporation issued by the SEC together with the Certificate of Filing Amended Articles of Incorporation.
- Business permits of ABCI and its subsidiaries.
- DHSUD/HLURB Certifications
- License to Sell
- Environmental Compliance Certificates
- License to Operate as Food Manufacturer

The following table is a summary of the material permits and licenses of the Group:

General Permits

A Brown Company Inc. (ABCI)

Permits / License	Issuing Agency	Permit No.	Issue Date	Expiry Date
Amended Certificate of Incorporation	SEC	31168	Jan. 21 2017	Perpetual
Certificate of Registration	BIR	8RC0000033661	1/1/1997	Perpetual
Business Permit (2021)	LGU-CDOC	2021-06727	1/19/2021	12/31/2021
Employer Data Form	HDMF	0390130114	01/1996	Perpetual
Certificate of Registration	Social Security System	0809366990	02/2002	Perpetual
Certificate of Registration	Philippine Health Insurance Corporation	200543300471	10/2000	Perpetual

A Brown Energy and Development Inc. (ABERDI)

Permits / License	Issuing Agency	Permit No.	Issue Date	Expiry Date
Amended Certificate of Incorporation	SEC	A200102288	Mar 23, 2016	Perpetual
Certificate of Registration	BIR	210-128-113-000	Mar 2001	-
Business Permit (2021)	Office of the Municipal Mayor – Impasug-ong	BP-2021-00207-0	Jan 2021	Dec 2021
Employer Data Form	HDMF	20-241082000-5	Feb 2001	-
Certificate of Registration	Social Security System	03-9140547-9	Mar 2002	-
Certificate of Registration	Philippine Health Insurance Corporation	23-037400012-9	Feb 1999	-

Material Permits and Licenses for the Real Estate Business

Project	Permits / License / Certification	Issuing Agency	Issue Date	Expiry Date	Status
Xavier Estates	ECC	DENR	Jan 31, 2000	-	

Xavier Estates	ECC	DENR	Dec 15, 2009	-	
Teakwood Hills	ECC	DENR	Dec 15, 2009	-	
Teakwood Hills – Phase 2	ECC	DENR	Dec 15, 2009	-	
Xavierville	ECC	DENR	May 16, 2005	-	
Valencia Estates	ECC	DENR	Jan 22, 2010	-	
St Therese	ECC	DENR	Jan 12, 2010	-	
Coral Resorts Estates	ECC	DENR	Feb 18, 2010	-	
Ventura Residences	ECC	DENR	Dec 15, 2009	-	
Ventura Lane	ECC	DENR	Dec 15, 2009	-	
West Highlands	ECC	DENR	May 2, 2012	-	
West Highlands – Phase 2A	ECC	DENR	May 2, 2012	-	
Mountain View Homes	ECC	DENR	Sep 1, 2014	-	
Mountain View Homes – Phase 2	ECC	DENR	Dec 15, 2009	-	
Adelaida Park Residences	ECC	DENR	Dec 15, 2009	-	
Ignatius Enclave	ECC	DENR	Dec 15, 2009	-	
Ignatius Enclave – Phase 2	ECC	DENR	Jul 24, 2020	-	
Mangoville	ECC	DENR	Dec 15, 2009	-	
Terraces	ECC	DENR	Dec 15, 2009	-	
Ventura Residences II (Xavier Estates Phase 5B)	ECC	DENR	May 9, 2018	-	
Teakwood Hills	License to Sell*	HLURB	Sep 30, 2015	Jan. 2, 2016	Extended Development - Nov. 16, 2021 (w/ approved APTTCD)
Teakwood Hills – Phase 2	License to Sell*	HLURB	Jan 25, 2012	Jan. 24, 2013	Completed - Oct. 18, 2013 (w/ Certificate of Completion)
Xavierville	License to Sell*	HLURB	Oct 2, 2007	Oct. 2008	Completed - April 30, 2012 (w/ Certificate of Completion)
Valencia Estates	License to Sell*	HLURB	Sept 12, 2008 Jul 29, 2011	Sept. 11, 2010	Completed - July 5, 2013 (w/ Certificate of Completion)
St Therese	License to Sell*	HLURB	Oct 28, 2011	Oct. 27, 2012	Completed - Dec. 19, 2013 (w/ Certificate of Completion)
Coral Resorts	License to Sell*	HLURB	Oct 7, 2013	June 6, 2015	Applied for

Estates			Jan 3, 2014 Jun 1, 2015	June 6, 2015 June 2016	Certificate of Completion
Ventura Residences	License to Sell*	HLURB	Jul 10, 2015 Apr 17, 2012	Nov. 26, 2016 July 12, 2014	Applied for Certificate of Completion
Ventura Lane	License to Sell*	HLURB	May 30, 2015	May 30, 2016	Applied for Certificate of Completion
West Highlands	License to Sell*	HLURB	Feb 28, 2014 Jun 1, 2015	Nov. 23, 2015 Nov. 23, 2015	Applied for Certificate of Completion
West Highlands – Phase 2A	License to Sell*	HLURB	Oct 2017	Oct. 2020	For Certificate of Completion Application
Mountain View Homes	License to Sell*	HLURB	Feb 25, 2015	Feb. 26, 2016	Applied for Certificate of Completion
Mountain View Homes – Phase 2	License to Sell*	HLURB	Sep. 28, 2016	Sept. 30, 2017	Applied for Certificate of Completion
Adelaida Park Residences	License to Sell*	HLURB	Sep 29, 2016 Oct 30, 2017	May 30, 2018	Applied for Certificate of Completion
Ignatius Enclave	License to Sell*	HLURB	Jun 26, 2018	June 26, 2020	Extended Development - Mar 29, 2022 (w/ approved APTTCD)
Mangoville	License to Sell*	HLURB	Feb 8, 2018	Aug. 8, 2019	For Certificate of Completion Application
Terraces	License to Sell*	HLURB	Jun 22, 2018	June 21, 2020	For Extension of Time to Develop Application
Ventura Residences II (Xavier Estates Phase 5B)	License to Sell*	HLURB	Jun 26, 2018	Dec. 26, 2019	For Certificate of Completion Application
Teakwood Hills	Certificate of Registration	HLURB	Sep 30, 2015	-	
Teakwood Hills – Phase 2	Certificate of Registration	HLURB	Jan 25, 2012	-	
Xavierville	Certificate of Registration	HLURB	Oct 2, 2007	-	
Valencia Estates	Certificate of Registration	HLURB	Sep 12, 2008 Jul 29, 2011	-	
St Therese	Certificate of Registration	HLURB	Oct 28, 2011	-	
Coral Resorts Estates	Certificate of Registration	HLURB	Oct 7, 2013	-	
Ventura Residences	Certificate of Registration	HLURB	Apr 17, 2012	-	
Ventura Lane	Certificate of Registration	HLURB	May 30, 2015	-	
West Highlands	Certificate of Registration	HLURB	Feb 28, 2014	-	

West Highlands – Phase 2A	Certificate of Registration	HLURB	Oct 2017	-	
Mountain View Homes	Certificate of Registration	HLURB	Feb 25, 2015	-	
Mountain View Homes – Phase 2	Certificate of Registration	HLURB	Sep 28, 2016	-	
Adelaida Park Residences	Certificate of Registration	HLURB	Sep 29, 2016	-	
Ignatius Enclave	Certificate of Registration	HLURB	Jun 26, 2018	-	
Mangoville	Certificate of Registration	HLURB	Feb 8, 2018	-	
Terraces	Certificate of Registration	HLURB	Jun 22, 2018	-	
Ventura Residences II (Xavier Estates Phase 5B)	Certificate of Registration	HLURB	Jun 26, 2018	-	
Teakwood Hills	Development Permit	CPDO	Sep 11, 2007	-	
Teakwood Hills – Phase 2	Development Permit	CPDO	Jul 6, 2010	-	
Xavierville	Development Permit	CPDO	Mar 20, 2007	-	
Valencia Estates	Development Permit	CPDO	Sep 4, 2007	-	
St Therese	Development Permit	CPDO	May 2, 2011	-	
Coral Resorts Estates	Development Permit	CPDO	Apr 14, 2011	-	
Ventura Residences	Development Permit	CPDO	Nov 16, 2011	-	
Ventura Lane	Development Permit	CPDO	Apr 7, 2014	-	
West Highlands	Development Permit	CPDO	Aug 10, 2012	-	
West Highlands – Phase 2A	Development Permit	CPDO	Jun 29, 2017	-	
Mountain View Homes	Development Permit	CPDO	Aug 14, 2014	-	
Mountain View Homes – Phase 2	Development Permit	CPDO	Jun 13, 2016	-	
Adelaida Park Residences	Development Permit	CPDO	Jun 13, 2016	-	
Ignatius Enclave	Development Permit	CPDO	Mar 19, 2018	-	
Mangoville	Development Permit	CPDO	Sep 18, 2017	-	
Terraces	Development Permit	CPDO	Mar 19, 2018	-	
Ventura Residences II (Xavier Estates Phase 5B)	Development Permit	CPDO	Mar 19, 2018	-	

** For the licenses to sell that have expired, the Company has either completed or is no longer engaged in selling activities for the relevant project. In the event selling activities will be undertaken in* *the future with respect to these projects, the Company will apply for the renewal of their respective license to sell.*

Material Permits and Licenses for the Agri-Business

Permits / License / Certification	Issuing Agency	Issue Date	Expiry Date
ECC – Palm Oil Mill/ Palm Oil Refinery with Fractionation	DENR	Feb 6, 2013	-
ECC – Palm Plantation	DENR	Mar 20, 2007	-
License to Operate as Food Manufacturer	FDA	Jul 1, 2016	July 1, 2023
HALAL Registration	IDCP	Apr 29, 2016	-

The Company believes it has all the applicable and material permits and licenses necessary to operate its business as currently conducted and such permits and licenses are valid, subsisting, or pending renewal.

HEALTH, SAFETY AND ENVIRONMENT

The Company regards occupational health and safety as one of its most important corporate and social responsibilities and as such it is a corporate policy to comply with environmental laws and regulations and consider the promotion of health and safety measures and of appropriate programs as a mutual objective for management and employees at all levels.

The Company regularly reviews policies to do all that is reasonable to prevent personal injury and damage to property and to protect staff and the general public from foreseeable work hazards including environmental nuisances.

The Company adopts & maintains various environmental protection systems and conducts regular trainings on environment, health and safety. For the years 2018, 2019, 2020, and as of March 31, 2021, the Company spent Php 74,860.50, Php 24,166.00, Php 52,452.01, and Php 57,429.10, respectively to comply with environmental laws and regulations. Other than the foregoing, the other costs related to compliance with environmental laws form part of the cost of real estate sales and are capitalized by the Company.

The Company was quick to respond when the COVID-19 pandemic hit the country in 2020. It immediately created the COVID19 Response Team who spearheaded the implementation of the IATF Safety & Health Protocols and workplace COVID19 guidelines. To date, it continues to implement responsive & relevant HSE programs to ensure the safety, health and wellbeing of stakeholders such as but not limited to the following:

- Creation and implementation of COVID19 Workplace Policy
- Daily COVID19 Information Drive
- Monthly Health & Wellness Sessions – Speakers from DOH, CHO & Medical Practitioners
- Monthly Turo ni Nurse COVID19 Webinar Series
- Provision for face-shield, face mask, vitamins & alcohol, shuttle service for employees
- Installation of handwashing areas, thermal scanners & foot bath in all entry points
- Creation of Workplace Contact Tracing Team, COVID19 Marshals, COVID19 Vaccine Ambassadors
- Care Packs for COVID19 Positive & Close Contacts
- Monthly Safety & Health Team Meeting
- Provision for Flexible Work Arrangements

EMPLOYEES

As of June 30, 2021, the Group had 189 employees across its various offices in the Philippines.

The table below sets forth the number of the Group's employees for its various businesses by industry as of June 30, 2021:

Position	Real estate development	Power and utilities	Agribusiness	TOTAL
Officer	5	2	-	**7**
Managers (including AVPs)	18	2	2	**22**
Supervisors	29	1	6	**36**
Rank and file	95	1	33	**129**
TOTAL	147	6	41	**189**

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

Pursuant to Article V of the Company's By-laws, bonuses for the members of the Board of Directors, officers, and employees of the Company will be given upon the recommendation of the Compensation and Remuneration Committee, which amount shall not exceed 10% of the net income of the Company, excluding the unrealized equity in the net earnings of affiliated and subsidiary corporations, before such bonus and taxes of the preceding year or years if in a cumulative basis. 25% of the bonus shall be distributed to the Directors of the Company while the remaining 75% shall be distributed to the officers and employees of the Company in such amounts as may be recommended by the Compensation and Remuneration Committee and subject to the approval of the Board of Directors.

Significant Employees

While the Company values the contribution of each of its employees, the Company believes that there is no employee as of the date of this Prospectus that, the resignation or loss of whom, would have a material adverse impact on our business.

RESEARCH AND DEVELOPMENT

The Company is currently doing market studies for expansion projects related to energy, bulk water, and the irradiation segments. The Company does not expect to conduct any significant product research and development in the foreseeable future other than related to its existing operations and business segments.

INTELLECTUAL PROPERTY

The Company has no material intellectual property assets.

INSURANCE

The Group obtains and maintains adequate and comprehensive insurance coverage on its properties, assets and liability exposures pertaining to its business operations from reputable insurance companies. The Group's insurance coverage includes, but not limited to the following: Fire/Lightning, Earthquake Fire & Earthquake Shock, Typhoon, Robbery/Hold-up, Riot/Strike/Malicious Damage, Spontaneous Combustion, Landslide & Subsidence.

The Group believes that its insurance coverage is in accordance with its business exposure and in line with prevailing industry requirements.

CORPORATE SOCIAL RESPONSIBILITY

COVID 19 Molecular Laboratory in Philippine Red Cross – Cagayan de Oro Chapter – In 2020, the Company contributed to the installation of the 1st COVID19 Molecular Laboratory Facility in the region sometime 4Q 2020 as one of the flagship projects of the PRC – Cagayan de Oro Chapter to help contain the COVID-19 virus. ABCI shouldered the civil works of the lab.

COVID 19 Molecular Laboratory in Xavier University – Maria Reyna Hospital – The Company also made contributions to the installation of a Molecular Laboratory Facility for Xavier University – Maria Reyna Hospital.

ABCI Scholarship Program – Since 2011 the company has been providing scholarship to deserving students from the Higaonon Tribe in Kalabugao, Bukidnon and Opol, Misamis Oriental. The Company currently has 2 scholars attending Opol Community College. Since 2011, the Company's scholarship program has sponsored 18 students of which 7 have graduated and obtained their college degrees in Business Administration and Education.

Blood-Letting Activity – Since 2009, in partnership with Philippine Red Cross, ABCI has organized an annual bloodletting activity dubbed "Dugong ABrown". On its 11th year, the activity was held 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. Since the start of the program, a total of 89,100 cc or almost 598 bags of blood were donated by ABCI employees. The bloodletting program for 2021 is scheduled for the 3Q.

Relief Goods for Agency Workers – As part of Company's assistance to the independent agency workers deployed to the Company during the community quarantine due to the Covid-19 pandemic, the Company distributed relief goods containing food packs and vitamins to 534 agency workers.

Relief Goods for the Communities the Company is Serving – On March 2020, the Company initiated the distribution of 20 sacks of rice to Brgy. Balulang for its residents. ABCI also distributed alcohol and face masks to residents of Brgy Bonbon and Brgy Kinamlutan, Butuan City.

Company supports LGU Zero-Waste Management Program – In May 2021, the company donated 10 steel drums to the LGU of Brgy.Poblacion, Impasug-ong, Bukidnon. The drums are used as garbage containers for the LGU's Zero-waste management program.

Premium Cooking Oil for Locals in COVID Isolation Units – In June 2021, the Company donated premium cooking oil to COVID19 affected locals temporarily housed in the Municipal Isolation Units in Impasug-ong, Bukidnon as part of the company's COVID19 response initiatives.

Tires for Landscaping and Gardening Program of Impasug-ong Central Elementary School – The company donated tires to Impasug-ong Central Elementary School last January 2021 for the school's gardening & landscaping program. The Company is one in continuous improvement of schools situated in Impasug-ong, Bukidnon where its central operation is located.

A Brown Employees Credit Cooperative (ABECCO). The company supports and is instrumental in the creation of A Brown Employees Credit Cooperative (ABECCO). The employees' coop serves as a vehicle of inclusive growth, driving development, encouraging & promoting self-help as an engine for economic growth and poverty alleviation

ABECCO is registered with CDA-10. From the initial 34 cooperators at the inception when organized in June 4, 2019, the membership has grown to 137 as of May 31, 2021. As credit coop, ABECCO promotes thrift and wise use of money and undertakes savings and lending services among its members. It generates a common pool of funds in order to provide financial assistance and other related financial services to its members for productive and provident purposes.

DESCRIPTION OF PROPERTY

LAND BANK

As an integral part of its real estate development business, the Company maintains an adequate land bank for its land development projects. As of June 30, 2021, the Company has acquired 293 hectares of land. The land bank is focused on areas in Rizal, Cagayan de Oro City, Butuan City, and Bukidnon. The Company believes that with its current landbank it will be able to meet the requirements of the real estate business of the Company in the next 5 to 8 years.

Details of the Company's raw land inventory as of June 30, 2021 are set out in the table below:

Location	Area (ha.)	Project	Target year of development	Book Value (Php Mn) as of June 30, 2021
LUZON				
Tanay, Rizal	169.76	Residential	2021	92.27
Binangonan, Rizal	14.90	Residential	2024	28.82
MINDANAO				
Balulang, Cagayan de Oro City	35.03	Commercial / Residential	2021	293.41
Teakwood Hills, Agusan, Cagayan de Oro City	12.54	Residential	2021	
Mambuaya, Cagayan de Oro City	2.85	Memorial	2022	
Bonbon, Butuan City	22.02	Residential	2021	64.29
Pagahan, Initao, Misamis Oriental	11.65	Residential	2021	82.11
Lumbo, Valencia City, Bukidnon	21.13	Residential	2021	40.42
Casisang, Malaybalay City	3.69	Commercial / Residential	2023	17.09
Total	**293.57**			**Php618.41**

OTHER REAL PROPERTY

The following table summarizes the various real estate properties owned by the Company not intended for use as the site of future projects as of June 30, 2021:

Location	Area (sq. m.)	Condition (Encumbrances)	Status (Owned/Leased)
Cugman, Cagayan de Oro City	1,160	Used as a warehouse by the company	Owned
Talakag, Bukidnon	195,046	raw land ; used as quarry and source of aggregates	Owned
Culiat, Quezon City	5,550	Residential property with informal settlers – ongoing litigation	Owned
Total	**201,756**		

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

The following table sets forth the persons who serve as Directors of the Board of the Company as of the date of this Prospectus:

Name	Age	Citizenship	Position
Walter W. Brown	82	Filipino	Chairman
Annabelle P. Brown	79	Filipino	Director
Robertino E. Pizarro	66	Filipino	President/CEO
Elpidio M. Paras	69	Filipino	Independent Director
Thomas G. Aquino	72	Filipino	Independent Director
Antonio S. Soriano	72	Filipino	Director
Joselito H. Sibayan	62	Filipino	Director
Renato N. Migriño	72	Filipino	Director/Treasurer
Jun Hou	50	Chinese	Director

The Directors are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been appointed or elected and qualified.

The following describes the background of the Directors:

WALTER W. BROWN, Director and Chairman

Walter W. Brown, Filipino, 82, is a Director and the Chairman of the Company. 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, 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, Seafront 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, 79. Director of the Company 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, 69, Independent Director since 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 the Association of South East Asian Nations (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 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 former 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 the Company 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, 72, was elected as Director and Treasurer of the Corporation effective January 2. 2019. He is currently also an Independent Director of Mabuhay Vinyl Corporation, a listed company. He was formerly the 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 the Company.

JUN HOU, Director

Mr. Jun Hou, Chinese, 50, was elected as director of the Company on July 4, 2019. He 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.

BOARD COMMITTEES

The Board has the following Committees to aid and support it in the effective performance of its functions.

Executive Committee

Between meetings of the Board, the Executive Committee may exercise all of the powers of the Board (except those powers expressly reserved by applicable law to the Board) in the management and direction of the business and conduct of the affairs of the Company, subject to any specific directions given by the Board.

The Committee shall be composed of three or more Directors, as determined by the Board.

The Executive Committee is chaired by Walter W. Brown with Annabelle P. Brown, Robertino E. Pizarro, Antonio S. Soriano as committee members.

Audit Committee

.
The purpose of the Audit Committee is to enhance the Board's oversight capability over the Company's financial reporting, internal control system, internal and external audit processes and compliance with applicable laws and regulations. The Audit Committee is responsible for overseeing the senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

The Committee shall be appointed by the Board and shall be composed of at least three (3) non-executive members of the Board, the majority of whom, including the Chairman, shall be independent. The Chairman shall not be the Chairman of the Board and of other Board Committees.

The Audit Committee is chaired by Elpidio M. Paras with Thomas G. Aquino and Antonio S. Soriano as committee members.

Risk Oversight Committee

The Risk Oversight Committee is established for the purpose of assisting the Board in overseeing the Company's practices and processes relating to risk assessment and risk management; maintaining an appropriate risk culture, reporting of financial and business risks and associated internal controls. The Risk Oversight Committee will assist the board in providing framework to identify, assess, monitor and manage the risks associated with the Company's business. It helps the Board to adopt practices designed to identify significant areas of business and financial risks and to effectively manage those risks in accordance with Company's risk profile.

The Committee shall be appointed by the Board and shall be composed of at least three (3) members, majority of whom shall be independent directors including the Chairman who is not at the same time the Chairman of the Board or as practicable, of any other Board Committee.

The Risk Oversight Committee is chaired by Thomas G. Aquino with Elpidio M. Paras and Antonio S. Soriano as committee members.

Corporate Governance Committee

The Corporate Governance Committee advises the Board with respect to matters relating to corporate governance and performance of the Chief Executive Officer/President. It develops and recommends to the Board a set of corporate governance principles applicable to the Company, and oversees the evaluation of the Board, the Board Committees and the Senior Management including but not limited to Chief Executive Officer/President.

The Committee shall be composed of at least three members, majority of whom should be independent directors, including the Chairman as determined by the Board.

The Corporate Governance Committee is chaired by Elpidio M. Paras with Thomas G. Aquino, Annabelle P. Brown and Robertino E. Pizarro as committee members.

Related Party Transaction Committee

The Related Party Transactions Committee should be tasked with reviewing all material related party transactions ("**RPT**") of the Company. The RPT Committee should ensure that transactions occur at market prices, at arm's-length basis and under conditions that protect the rights of all shareholders.

The Committee shall be composed of at least three (3) non-executive directors, the majority of whom, including the Chairman, should be independent, as determined by the Board.

The Related Party Transaction Committee is chaired by Thomas G. Aquino with Elpidio M. Paras and and Joselito H. Sibayan as committee members.

COMPANY OFFICERS OF A BROWN COMPANY, INC.

The following table sets forth the members of the Company's senior leadership team as of the date of this Prospectus:

Name	Age	Citizenship	Position
Walter W. Brown	82	Filipino	Chairman
Robertino E. Pizarro	66	Filipino	President/CEO
Renato N. Migriño	72	Filipino	Director/Treasurer
Marie Antonette U. Quinito	44	Filipino	Chief Finance Officer
John L. Batac	52	Filipino	Vice President – Construction & Development/COO
Paul Francis B. Juat	28	Filipino	Vice President
Jason C. Nalupta………	49	Filipino	Corporate Secretary
Daniel Winston C. Tan-Chi	42	Filipino	Assistant Corporate Secretary
Allan Ace Magdaluyo	41	Filipino	Compliance Officer

MARIE ANTONETTE U. QUINITO, Chief Finance Officer

Atty. Marie Antonette U. Quinito, Filipino, 44, joined the the Group 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. BATAC, Vice-President – Construction and Development & Chief Operating Officer

Engr. John L. Batac, 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 the Company (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 the Company 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 since December 2008. 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., Glypthstudios, 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 the Company 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, was appointed as the Compliance Officer of the Company effective October 25, 2017. He started his career in the Company as Investor Relations Officer in June 2010 and promoted as Finance Manager and Senior Finance Manager in 2012. He obtained his BS Accountancy degree at Mindanao State University – Marawi and graduated 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.

CORPORATE GOVERNANCE

The Board of Directors, officers, employees and stockholders of the Company believe that corporate governance is a necessary component of sound strategic business management and will undertake every effort necessary to create awareness within the organization as soon as possible.

On May 31, 2017, the Company's Board of Directors approved the Revised Manual on Corporate Governance pursuant to SEC Memorandum Circular No. 19, Series of 2016.

The Company has adapted implementing policies of the new Manual on Corporate Governance, including, among others, (i) membership of the Company's directors in other corporate boards, (ii) standard of conduct of the Board and senior management and conflict of interest policy; (iii) selection process for directors and senior management; (iv) principles in developing remuneration policies, (v) risk management, (vi) shareholder grievance procedure and (vii) evaluation system for determining and measuring compliance with the Company's new Manual on Corporate Governance.

To ensure adherence to corporate principles and best practices of good corporate governance, the Compliance Officer monitors compliance with the provisions and requirements of the new Manual on Corporate Governance.

Certain Relationships and Related Party Transactions

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.

Aside from the foregoing, there are no other relationships within the fourth degree of consanguinity or affinity between the officers or directors of the Company.

Involvement in Certain Legal Proceedings

The Company is not aware of any one of the incumbent directors and executive officers and persons nominated to become a director and executive officer that has been the subject of a bankruptcy petition or a conviction by final judgment in a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, or has been by final judgment or decree found to have violated securities or commodities law and enjoined from engaging in any business, securities, commodities or banking activities for the past five (5) years until the date of this Prospectus.

EXECUTIVE COMPENSATION

Pursuant to Part IV, Paragraph (B) of Annex C of SRC Rule 12, below is a summary compensation table of the President and Chief Executive Officer and the four (4) most highly compensated officers of the Company:

Summary of Compensation

Name and Position	Year	Salary (PhP)	Per Diem (PhP)	Bonus (PhP)	Total (PhP)
Total compensation of the President and Chief Executive Officer and the four (4) most highly compensated officers of the Company: 1. Walter W. Brown 2. Robertino E,. Pizarro 3. John L. Batac 4. Marie Antonette U. Quinito 5. Paul Francis B. Juat	**2019**	22,771,508	215,000	3,210,024	**26,196,532**
	2020	27,221,162	120,000	4,592,378	**31,933,540**
	2021*	27,222,000	120,000	4,593,000	**31,935,000**
All other officers and directors as a group unnamed	**2019**	21,588,948	608,000	3,210,024	**25,406,972**
	2020	19,281,270	600,000	19,282,000	**39,163,270**
**Estimates*	**2021***	19,282,000	600,000	3,204,000	**23,086,000**

Directors

The regular directors receive Php10,000 while the Chairman of the Board and the independent directors receive Php15,000 as per diem for every board and committee meeting. As provided in the By-Laws, a bonus may be distributed to the members of the Board of Directors, officers and employees upon the recommendation of the Corporate Governance Committee (assuming the function of the Compensation and Remuneration Committee) and shall not exceed 10% 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.

Other Arrangements

The Company has no other arrangements pursuant to which a director is compensated or to be compensated, directly or indirectly.

Officers

The Company adopts a performance-based compensation scheme as incentive to its officers. Bonuses are paid to all senior personnel from manager and up in cash. The total annual compensation of officers include the basic salary and other variable pay (performance bonus and other taxable income).

Employment Contracts

The Company maintains standard employment contracts with executive officers. Executive officers are entitled to receive retirement benefits in accordance with the terms and conditions of the Company's BIR-registered Employees' Retirement Fund.

Options and Warrants

There are no stock, non-cash compensation, warrants or options granted to the officers and directors currently in force over the last three (3) years. There are no other material term or other arrangement, other than the above to which any Director or officer named above was compensated.

There are no outstanding warrants held by the Chief Executive Officer, other officers and directors as a group.

OWNERSHIP AND CAPITALIZATION

Share Capital

As of September 30, 2021, the following is the outstanding capital stock of the Company:

Share Class	Issued	Outstanding	Treasury
Common	2,477,668,925	2,398,912,911	78,756,014
Preferred Shares	-	-	-
TOTAL	**2,477,668,925**	**2,398,912,911**	**78,756,014**

List of Top 20 Stockholders

As of September 30, 2021, the Company had 2,398,912,911 common shares and issued and outstanding. The table below sets forth the Company's top 20 holders of common shares as of September 30, 2021:

Name of Shareholder	Total Shares	Percentage (%)
PCD Nominee Corporation – Filipino ** (Excluding Treasury Shares)	1,983,442,505	82.6809
Brown, Walter W.	176,880,000	7.3733
Jin Natura Resources Corporation	102,000,000	4.2519
PBJ Corporation	74,306,496	3.0975
PCD Nominee Corporation – Non-Filipino	20,616,378	0.8573
Tan, A. Bayani K.	2,033,120	0.0848
Brown, Walter W. or Annabelle P. Brown	1,550,566	0.0646
Tan, Ma. Gracia P.	1,123,089	0.0468
Pizarro, Robertino E.	1,060,613	0.0442
Davila, Regina	938,462	0.0391
Fernandez, Luisito Gandionco, Andrea L.	853,147 853,147	0.0356 0.0356
Lorenzo, Alicia P.	750,769	0.0313
Lagdameo, Jr., Ernesto R.	602,690	0.0251
Kalinangan Youth Foundation, Inc.	561,123	0.0234
King, Josefina B.	557,334	0.0232
Gamilla, Juliana	544,615	0.0227
EBC Securities Corporation	518,221	0.0216
Tan, Joaquin T.Q.	511,885	0.0213
Trifels, Inc.	481,905	0.0201
Ignacio, Edgardo	472,512	0.0197
TOTAL SHARES	**2,370,607,577**	**98.8201%**
*** The following are the clients - beneficial owners (Filipino) of the PCD participants owning 5% or more of the outstanding capital stock:*		
Walter W. Brown (direct and indirect)	323,294,169	13.48%
Annabelle P. Brown (direct and indirect)	131,135,874	5.47%
Brownfield Holdings, Inc.	842,754,901	35.13%

Security Ownership of Directors and Officers

The owners of more than 5% of the Company's voting securities (common shares) as of July 31, 2021 are as follows:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. Of Shares Held	Percent to Total Outstanding Capital Stock
Common	PCD Nominee Corporation (Filipino) ** (adjusted), 37/F Enterprise Bldg, Makati City	Various individuals/ Entities	Filipino	686,257,561	28.6070%
Common	Brown, Walter W., No. 10, Giraffe St., Greenmeadows, QC, Chairman	Direct and Indirect	Filipino	501,727,372	20.9148%
Common	Brown, Annabelle P., No. 10, Giraffe St., Greenmeadows, QC, Director	Direct and Indirect	Filipino	205,444,488	8.5641%
Common	Brownfield Holdings, Inc., 3301-C PSE Tektite West Tower, Exhange Road, Ortigas Center, Pasig City, Stockholder	Direct	Filipino	842,754,901	35.1307%
			TOTAL	**2,236,184,322**	**93.2166%**

** PCD Nominee Corporation has a total shares of 2,016,096,883 or 83.6207% (Filipino - 1,995,480,505 or 82.7656% and Non-Filipino - 20,616,378 or 0.8551%) of the outstanding capital stock including clients - beneficial owners owning 5% or more as enumerated below:
** The following are the PCD participants with shareholdings of 5% or more of the outstanding capital stock:

COL Financial Group, Inc. *2401-B East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City*	898,082,881	37.35%
Campos, Lanuza & Company, Inc. *Unit 2003B East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City*	354,552,556	14.78%
F. Yap Securities, Inc. *17F, Lepanto Building, 8747 Paseo de Roxas, Makati City*	194,297,107	8.10%
Maybank ATR-Kim Eng Securities, Inc. *17F, Tower One & Exchange Plaza,* *Makati City*	146,029,107	6.09%
*** The following are the clients - beneficial owners (Filipino) of the PCD participants owning 5% or more of the OCS:*		
Walter W. Brown (direct and indirect) *No. 10 Giraffe St., Greenmeadows Q. C.*	323,294,169	13.48%
Annabelle P. Brown (direct and indirect) *No. 10 Giraffe St., Greenmeadows Q. C.*	131,135,874	5.47%

Brownfield Holdings, Inc. *3301-C PSE Tektite West Tower,* *Exchange Road, Ortigas Center, Pasig City*	842,754,901	35,13%

The following are the number of shares comprising the Company's capital stock (all of which are voting shares) owned of record by the Chief Executive Officer, the directors, and key officers of the Company, as of July 31, 2021:

Name	**Amount and Nature of Ownership**	**Citizenship**	**Total No. of Shares and Percent to Total Outstanding Capital Stock**
Walter W. Brown	195,617,609 (Direct) 306,109,763 (Indirect)	Filipino	501,727,372 20.9148%
Annabelle P. Brown	1,202,118 (Direct) 204,242,370 (Indirect)	Filipino	205,444,488 8.5641%
Robertino E. Pizarro	1,060,613 (Direct) 2,044,530 (Indirect)	Filipino	3,105,143 0.1294%
Antonio S. Soriano	911,581 (Direct)	Filipino	911,581 0.0380%
Elpidio M. Paras	1,581 (Direct)	Filipino	1,581 0.0001%
Thomas G. Aquino	3,500 (Direct)	Filipino	3,500 0.0001%
Joselito H. Sibayan	146,400 (Direct)	Filipino	146,400 0.0061%
Renato N. Migriño	120 (Direct)	Filipino	120 0.0000%
Jun Hou	100 (Direct)	Chinese	100 0.0000%
Marie Antonette U. Quinito	120 (Direct)	Filipino	120 0.0000%
John L. Batac	-	Filipino	-
Paul Francis B. Juat	5,703,410 (Direct)	Filipino	5,703,410 0.2377%
Jason C. Nalupta	-	Filipino	-
Daniel Winston C. Tan-chi	6,547,600 (Direct)	Filipino	6,547,600 0.2729%
Allan Ace R. Magdaluyo	-	Filipino	-

The aggregate number of shares owned of record by the Chief Executive Officer, Chief Operating Officer, key officers and directors (as a group) of the Company as of September 30, 2021 is 723,591,415 or approximately 30.1633% of the outstanding capital stock of the Company.

Voting Trust of Holders of 5% and more

There is no person holding more than 5% of the Company's voting securities under a voting trust arrangement.

Change in Control

The Company is not aware of any change of control or arrangement that may result in a change in control of the Company since the beginning of its last fiscal year.

MARKET PRICE OF AND DIVIDENDS ON THE EQUITY AND RELATED SHAREHOLDER MATTERS

Market Information

The common shares of ABCI have been listed at the Philippine Stock Exchange (PSE) since February 1994. The Company's common shares are principally traded at the PSE under the symbol "**BRN**". The high and low daily closing prices for the first six months of 2021 are ₱1.18 and ₱0.82, respectively.

The table below shows the high and low sales prices of the Company's shares on the PSE for each quarter within the last three (3) fiscal years, to wit:

Quarter	2018		2019		2020	
	High	Low	High	Low	High	Low
1st	0.82	0.78	0.88	0.76	0.90	0.455
2nd	0.82	0.75	0.85	0.70	0.81	0.50
3rd	0.84	0.79	0.95	0.77	0.88	0.68
4th	0.87	0.70	0.87	0.69	1.13	0.73

The table below shows the high and low sales prices of the Company's shares on the PSE for the first (1st) and second (2nd) quarters of 2021 and July 2021 to wit:

Quarter		2021	
		High	Low
1st	January	1.18	0.83
	February	1.01	0.86
	March	0.99	0.82
2nd	April	1.04	0.84
	May	0.98	0.88
	June	1.05	0.93
3rd	July	0.95	0.83
	August	0.92	0.84
	September	0.96	0.78

On September 30, 2021, ABCI's shares of common stock were traded at a high of ₱0.96 and a low of ₱0.90 at the Philippine Stock Exchange with closing price of ₱0.91. The stocks are not traded in any foreign market.

Dividends and 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 Company currently has not adopted a dividend policy. 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, the covenants (financial or otherwise) in the loans and credit agreements to which the Issuer is a party and the requirements under applicable laws and regulations, there is no other restriction that limits the Company's ability to pay dividends on common equity.

There was no dividend declaration in 2018, 2019 and 2020.

Sale of Unregistered or Exempt Including Securities Constituting an Exempt Transaction

On May 19, 2016, the Board of Directors initially approved the amendment of the Company's Articles of Incorporation to increase its authorized capital stock which was amended later on August 8, 2016 to increase its authorized capital stock from the current Two Billion Pesos (₱2,000,000,000.00) divided into Two Billion (2,000,000,000) Common Shares to up to Five Billion Pesos (₱5,000,000,000.00) 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 (₱1,300,000,000.00), 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 SEC on January 20, 2017. On March 8, 2017, 346,572,301 shares were distributed to stockholders as 20% stock dividend. The issuance of the shares and declaration as stock dividends was made as an exempt transaction pursuant to Section 10.1(d) of the Securities Regulation Code.

On 12 October 2017, the Board approved the conversion of the Company's debt and deposits for future subscription amounting to ₱450,000,000 to equity at ₱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:

	Liability	**Number of Shares**
Debt		
Brownfield Holdings Incorporated	₱250,000,000.00	221,238,938
Deposits for future Subscription		
Valueleases, Inc.	₱100,000,000.00	88,495,575
RMEscalona Consulting, Inc.	₱100,000,000.00	88,495,575
Total	**₱450,000,000.00**	**398,230,088**

The conversion was 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 ABCI 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.

The conversion of the Company's debt and deposits for future subscription was made as an exempt transaction pursuant to Section 10.1(k) of the Securities Regulation Code.

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

CERTAIN RELATIONSHIPS AND RELATED PARTY 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. On October 12, 2017, the Board approved the conversion of the Company's debt amounting to ₱250,000,000 to equity at ₱1.13/share based on the 15-day volume weighted average price for the period ending on October 11, 2017.

Please refer to Note 15 of the accompanying Notes to the Consolidated Financial Statements for the years ended December 31, 2020 for a discussion on other Related Party Transactions.

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

In addition, related party transactions that amount to 10% or higher of the Company's total assets shall be subject to the review of the Related Party Transaction Committee and the approval by at least 2/3 of the Board of Directors, with at least a majority of independent directors voting to approve the transaction.

LEGAL PROCEEDINGS

There are no material pending legal proceeding that could be expected to have a material adverse effect on the issuance of the Offer Shares and on the results of the financials and the operations of the Group. The Company has not been the subject of any bankruptcy petition, insolvency, receivership, or similar proceedings.

SELECTED FINANCIAL INFORMATION AND OTHER DATA

The summary historical consolidated statement of financial position data as of December 31, 2019 and 2020 and summary historical consolidated statement of comprehensive income for the years ended December 31, 2018, 2019 and 2020, set forth below have been derived from, and should be read in conjunction with, the audited consolidated financial statements and, including the notes thereto, included elsewhere in this Prospectus. SyCip Gorres Velayo & Co., a member firm of Ernst & Young Global Limited, has audited the consolidated financial statements in accordance with Philippine Standards on Auditing. The summary historical consolidated statement of financial position data as of June 30, 2021 and summary historical consolidated statement of comprehensive income for the six months ended June 30, 2020 and 2021 have been derived from, and should be read in conjunction with the unaudited interim condensed consolidated financial statements, which SyCip Gorres Velayo & Co. has reviewed in accordance with Philippine Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

The Group's investments in associates in the Power and Utilities segment 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.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of 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 Other Income ('Equity in net earnings of associates').

SUMMARY STATEMENTS OF COMPREHENSIVE INCOME

A BROWN COMPANY, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six Months Ended June 30		December 31		
	2021	**2020**	**2020**	**2019**	**2018**
REVENUE					
Real estate sales	**₱259,936,149**	₱293,988,642	₱761,538,359	₱942,735,766	₱705,185,689
Water service	**17,300,590**	22,052,456	23,417,340	21,349,825	20,441,816
Sale of agricultural goods	**12,148,389**	11,692,532	79,088,786	63,724,600	100,440,355
	289,385,128	327,733,630	864,044,485	1,027,810,191	826,067,860
COSTS OF SALES AND SERVICES					
Cost of real estate sales	**72,087,264**	82,097,882	353,431,663	355,232,138	293,665,861
Cost of water service revenue	**3,998,080**	7,719,333	5,733,021	11,989,512	9,625,079
Cost of agricultural goods sold	**9,890,279**	20,616,547	60,135,511	49,684,623	82,826,053
	85,975,623	110,433,762	419,300,195	416,906,273	386,116,993
GROSS PROFIT	**203,409,505**	217,299,868	444,744,290	610,903,918	439,950,867
GENERAL, ADMINISTRATIVE AND SELLING EXPENSES	**136,122,908**	115,621,691	273,385,676	287,159,196	335,960,636

(Forward)

	Six Months Ended June 30		December 31		
	2021	**2020**	**2020**	**2019**	**2018**
OTHER INCOME (EXPENSES)					
Equity in net earnings of associates	**167,889,840**	145,350,625	175,888,940	380,303,831	252,093,316
Interest expense	**(23,451,033)**	(23,628,513)	(25,245,886)	(23,059,066)	(84,031,327)
Unrealized loss on equity instruments at fair value through profit or loss (EIFVPL)	**-**	3,860,162	-	(43,513,896)	16,672,566
Gain (loss) on sale of EIFVPL	**-**	3,719,671	12,478,111	(32,094,814)	10,099,242
Gain on bargain purchase	**-**	2,659,077	2,659,077	-	-
Impairment loss	**-**	-	-	(21,957,000)	(17,559,508)
Unrealized foreign exchange gain (loss)	**-**	-	1,129	10,668	14,704,981
Other income – net	**12,886,891**	4,157,853	8,784,492	20,993,466	35,300,717
	157,325,698	136,118,875	174,565,863	302,640,189	244,839,495
INCOME BEFORE INCOME TAX	**224,612,295**	237,797,052	345,924,477	626,384,911	348,829,726
PROVISION FOR INCOME TAX					
Current	**1,598,174**	5,554,211	48,954,056	36,749,735	40,240,501
Deferred	**(2,846,844)**	18,610,378	2,866,315	94,841,951	19,833,120
	(1,248,670)	24,164,589	51,820,371	131,591,686	60,073,621
NET INCOME	**₱225,860,965**	**₱ 213,632,463**	**₱294,104,106**	**₱494,793,225**	**₱288,756,105**
OTHER COMPREHENSIVE INCOME (LOSS)					
Item that will be reclassified to profit or loss in subsequent periods:					
Cumulative translation adjustment	**₱2,164,204**	₱2,146,677	₱2,993,975	₱4,111,237	(₱6,584,862)
Items that will not be reclassified to profit or loss in subsequent periods:					
Net change in fair value of EIFVOCI	**46,016,721**	(19,136,525)	8,025,652	(1,086,232)	28,900,000
Remeasurement loss on defined benefit plan – net of tax effect	**(51,814)**	(348,106)	(5,209,889)	(10,048,492)	4,806,470
Equity in other comprehensive loss of associate	**-**	(365,762)	(731,525)	-	-
	48,129,111	(17,703,716)	5,078,213	(7,023,487)	27,121,608

(Forward)

	Six Months Ended June 30		December 31		
	2021	**2020**	**2020**	**2019**	**2018**
TOTAL COMPREHENSIVE INCOME	**₱273,990,076**	**₱195,928,747**	**₱299,182,319**	**₱487,769,738**	**₱315,877,713**
Net Income (Loss) Attributable to:					
Equity holders of the Parent Company	**₱225,867,066**	₱213,664,389	₱294,130,474	₱494,945,733	₱288,774,597
Noncontrolling Interest	**(6,101)**	(31,926)	(26,368)	(152,508)	(18,492)
	₱225,860,965	₱213,632,463	₱294,104,106	₱494,793,225	₱288,756,105
Total Comprehensive Income (Loss) Attributable to:					
Equity holders of the Parent Company	**273,996,177**	195,960,673	299,208,687	487,922,246	315,896,205
Noncontrolling Interest	**(6,101)**	(31,926)	(26,368)	(152,508)	(18,492)
	₱273,990,076	**₱195,928,747**	**₱299,182,319**	**₱487,769,738**	**₱315,877,713**
Basic/Diluted Earnings per Share	**₱0.09**	**₱0.09**	**₱0.12**	**₱0.20**	**₱0.12**

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

SUMMARY STATEMENTS OF FINANCIAL POSITION

A BROWN COMPANY, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)	December 31, 2019 (Audited)	December 31, 2018 (Audited)
ASSETS				
Current Assets				
Cash	**₱109,855,904**	₱231,321,649	₱74,999,881	₱75,730,032
Receivables	**978,066,653**	1,126,804,810	746,447,264	152,796,428
Contract assets	**93,867,686**	76,301,227	128,936,113	233,125,761
Receivables from related parties	**-**	-	114,385,359	86,896,516
Real estate inventories	**1,711,634,066**	1,573,049,067	1,580,964,264	1,596,802,518
Other inventories	**165,912,968**	148,093,928	154,605,096	150,207,088
Equity instruments at fair value through profit or loss (EIFVPL)	**-**	-	63,484,441	233,170,738
Other current assets	**578,886,776**	511,185,498	349,774,970	271,033,265
Total Current Assets	**3,638,224,053**	3,666,756,179	3,213,597,388	2,799,762,346
Noncurrent Assets				
Receivables – net of current portion	**-**	26,338,455	146,248,831	102,432,352
Contract assets – net of current portion	**22,715,407**	20,563,963	6,294,565	77,708,587
Equity instruments at fair value through other comprehensive income (EIFVOCI)	**221,653,826**	175,587,105	167,561,453	168,647,685
Investments in associates	**1,588,449,235**	1,430,559,395	1,430,401,980	1,232,298,149
Investment properties	**117,639,451**	97,133,941	97,133,941	115,269,635
Property, plant and equipment	**907,973,811**	912,510,888	880,355,966	892,143,269
Deferred tax assets	**14,867,357**	16,486,463	13,013,537	12,532,479
Other noncurrent assets	**207,857,034**	156,516,069	140,857,610	65,431,779
Total Noncurrent Assets	**3,081,156,121**	2,835,696,279	2,881,867,883	2,666,463,935
TOTAL ASSETS	**₱6,719,380,174**	**₱6,502,452,458**	**₱6,095,465,271**	**₱5,466,226,281**
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts and other payables	**670,189,040**	628,610,957	₱582,695,156	₱537,796,223
Short-term debt	**329,785,400**	414,177,400	378,100,000	687,048,719
Current portion of long-term debt	**208,299,524**	254,200,759	212,402,746	325,725,830
Contract liabilities	**76,316,426**	168,966,097	139,504,435	68,365,034
Total Current Liabilities	**1,284,590,390**	1,465,955,213	1,312,702,337	1,618,935,806
Noncurrent Liabilities				
Long-term debt – net of current portion	**724,725,244**	566,655,809	609,287,221	272,121,907
Retirement benefit obligation	**65,341,495**	61,169,956	46,378,752	28,619,816
Deferred tax liabilities – net	**152,490,716**	154,238,970	150,611,365	57,832,894
Total Noncurrent Liabilities	**942,557,455**	782,064,735	806,277,338	358,574,617
Total Liabilities	**₱2,227,147,845**	₱2,248,019,948	₱2,118,979,675	₱1,977,510,423

(Forward)

	June 30, 2021	December 31,	December 31,	December 31,

	(Unaudited)	2020 (Audited)	2019	2018
Equity Attributable to Equity Holders of the Parent Company				
Capital stock	**₱2,477,668,925**	₱2,477,668,925	₱2,477,668,925	₱2,477,668,925
Additional paid-in capital	**637,968,859**	637,968,859	637,968,859	637,968,859
Retained earnings	**1,663,090,370**	1,437,223,304	1,143,092,830	648,147,097
Fair value service of EIFVOCI	**(212,466,967)**	(258,483,688)	(266,509,340)	(265,423,108)
Remeasurement loss on retirement benefit obligation – net of tax	**(25,345,623)**	(25,293,809)	(20,084,934)	(10,036,442)
Remeasurement loss on defined benefit plan of an associate	**(731,525)**	(731,525)	-	-
Cumulative translation adjustment	**6,164,764**	4,000,560	1,006,585	(3,104,652)
Treasury Shares	**(57,426,676)**	(21,236,419)	-	-
	4,488,922,127	4,251,116,207	3,973,142,925	3,485,220,679
Noncontrolling interest	**3,310,202**	3,316,303	3,342,671	3,495,179
Total Equity	**4,492,232,329**	4,254,432,510	3,976,485,596	3,488,715,858
TOTAL LIABILITIES AND EQUITY	**₱6,719,380,174**	**₱6,502,452,458**	**₱6,095,465,271**	**₱5,466,226,281**

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

SUMMARY STATEMENTS OF CASH FLOWS INFORMATION

A BROWN COMPANY, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30		December 31		
	2021	**2020(As restated, see Note 20)**	**2020**	**2019**	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES					
Income before income tax	**₱224,612,295**	₱237,797,052	₱345,924,477	₱626,384,911	₱348,829,726
Adjustments for:					
Equity in net earnings of associates	**(167,889,840)**	(145,350,625)	(175,888,940)	(380,303,831)	(252,093,316)
Interest expense	**23,451,033**	23,628,513	25,245,886	23,059,066	84,031,327
Depreciation	**20,885,085**	12,670,411	27,774,186	25,015,142	16,442,595
Impairment loss	**7,563,167**	21,659,023	29,410,454	21,957,000	17,559,508
Net changes in retirement benefit obligation	**4,102,454**	3,589,120	7,348,507	3,403,947	8,676,690
Gain on bargain purchase	**-**	(2,659,077)	(2,659,077)	-	-
Interest income	**(1,169,786)**	(1,168,757)	(2,045,174)	(2,741,357)	(2,281,600)
Loss (gain) on sale of property, plant and equipment	**(288,867)**	184,474	184,474	(3,475,684)	(2,966,668)
Loss (gain) on sale of:					
EIFVPL	**-**	(3,719,671)	(12,478,111)	32,094,814	(10,099,242)
Investment properties	**-**	-	-	(5,138,414)	-
Unrealized loss on EIFVPL	**-**	(3,860,162)	-	43,513,896	(16,672,566)
Unrealized foreign exchange loss (gain)	**-**	-	(1,129)	(10,668)	(14,704,981)
Operating income before working capital changes	**111,265,541**	142,770,301	242,815,553	383,758,822	176,721,473
Decrease (increase) in:					
Receivables	**87,896,612**	121,043,417	(185,230,045)	(535,267,315)	244,102,061
Contract assets	**(19,717,903)**	(172,391,411)	38,365,488	175,603,670	(310,834,348)
Real estate inventories	**(135,471,526)**	(120,784,349)	17,098,300	30,892,534	(108,334,516)
Other inventories	**(17,692,996)**	(20,030,707)	8,993,928	(2,110,671)	(62,687,794)
Other current assets	**(67,701,281)**	(154,655,603)	(159,873,441)	(101,281,070)	10,532,972
Increase in:					
Accounts and other payables	**59,999,771**	35,474,374	7,061,066	51,376,238	47,650,645
Contract liabilities	**(92,649,670)**	62,199,763	29,461,662	71,139,401	11,176,817

(Forward)

	Six Months Ended June 30		December 31		
	2021	**2020**	**2020**	**2019**	**2018**
Net cash used in operations	**(74,071,452)**	(106,374,215)	(1,307,489)	74,111,609	8,327,310
Interest received	**1,169,786**	1,168,757	2,045,174	2,741,357	2,281,599
Net cash used in operating activities	**(72,901,666)**	(105,205,458)	737,685	76,852,966	10,608,909
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends received from associates	**98,000,000**	182,200,000	219,200,000	80,000,000	13,005,420
Additions to:					
Investment properties	**(20,505,510)**	-	-	-	-
Property, plant and equipment	**(28,365,359)**	(6,708,170)	(23,671,005)	(10,717,302)	(22,145,941)
EIFVOCI	**(50,000)**	-	-	-	-
Proceeds from sale of:					
EIFVPL	**-**	4,265,575	25,792,552	94,077,587	122,755,440
Investment properties	**-**	-	-	13,674,108	-
Property, plant and equipment	**350,000**	-	608,038	5,603,815	3,908,516
Decrease (increase) in:					
Receivables from related parties	**-**	-	(3,305,566)	(27,488,843)	76,260,185
Other noncurrent assets	**(51,340,963)**	(4,589,611)	(15,658,459)	(87,223,751)	2,847,530
Cash inflow from acquisition of a subsidiary	**-**	51,507	51,507	-	-
Net cash provided by investing activities	**(1,911,832)**	175,219,301	203,017,067	67,925,614	196,631,150
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from long-term debt	**₱271,171,200**	₱2 ,627,700	₱171,903,700	₱265,676,700	₱108,815,298
Proceeds from short-term debt	**-**	131,252,000	241,252,000	245,805,000	548,653,519
Payments of:					
Long-term debt	**(159,003,000)**	(128,453,469)	(222,737,099)	(410,807,989)	(403,666,597)
Short-term debt	**(84,392,000)**	(21,981,648)	(155,174,600)	(185,780,200)	(406,104,800)
Interest paid	**(40,402,394)**	(30,280,369)	(64,436,684)	(64,524,147)	(81,140,117)
Acquisition of treasury shares	**(36,190,257)**	-	(21,235,405)	-	-
Net cash used in financing activities	**(48,816,451)**	(46,835,786)	(50,428,088)	(149,630,636)	(233,442,697)

(Forward)

	Six Months Ended June 30		December 31		
	2021	**2020**	**2020**	**2019**	**2018**
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**2,164,204**	2,146,677	2,995,104	4,121,905	8,120,118
NET DECREASE IN CASH	**(121,465,745)**	25,324,734	156,321,768	(730,151)	(18,082,520)
CASH AT BEGINNING OF PERIOD	**231,321,649**	74 ,999,881	74,999,881	75,730,032	93,812,552
CASH AT END OF PERIOD	**₱109,855,904**	₱100,324,615	₱231,321,649	₱74,999,881	₱75,730,032

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

SUMMARY OF SELECTED OPERATING AND FINANCIAL INFORMATION

	For the Six Months Ended June 30, 2021					
	Real Estate Development	**Agricultural**	**Power and Utilities**	**Holding**	**Eliminations**	**Consolidated**
Revenue	₱272,085	₱17,301	₱–	₱–	₱–	₱289,386
Costs and expenses	76,085	9,890	–	–	–	85,975
Gross profit	196,000	7,411	–	–	–	203,411
General, administrative and selling expenses	(98,266)	(39,006)	(481)	(62)	1,691	(136,124)
Other income (expenses)	80,874	6	167,947	–	(91,502)	157,325
Income (loss) before income tax	178,608	(31,589)	167,466	(62)	(89,811)	224,612
Provision for (benefit from) income tax	(3,952)	136	(93)	–	2,660	(1,249)
Net income (loss)	**₱182,560**	**(₱31,725)**	**₱167,559**	**(₱62)**	**(₱92,471)**	**₱225,861**
Net income attributable to:						
Owners of the Parent Company	₱182,560	(₱31,725)	₱167,565	(₱62)	(₱92,471)	₱225,867
Non-controlling interests	–	–	(6)	–	–	(6)
	₱182,560	(₱31,725)	₱167,559	(₱62)	(₱92,471)	₱225,861

	As of June 30, 2021					
	Real Estate Development	**Agricultural**	**Power and Utilities**	**Holding**	**Eliminations**	**Consolidated**
Other information						
Segment assets	₱6,564,625	₱1,246,051	₱1,567,765	₱1,039,566	(₱3,713,494)	₱6,704,513
Deferred tax assets	–	7,302	–	–	7,565	14,867
Total Assets	**₱6,564,625**	**₱1,253,353**	**₱1,567,765**	**₱1,039,566**	**(₱3,705,929)**	**₱6,719,380**
Segment liabilities	₱2,023,360	₱1,125,267	₱41,490	₱839,940	(₱1,955,400)	₱2,074,657
Deferred tax liabilities	163,788	–	–	–	(11,297)	152,491
Total Liabilities	**₱2,187,148**	**₱1,125,267**	**₱41,490**	**₱839,940**	**(₱1,966,697)**	**₱2,227,148**

	For the Six Months Ended June 30, 2020 (As restated; see Note 20)					
	Real Estate Development	Agricultural	Power and Utilities	Holding	Eliminations	Consolidated
Revenue	₱305,681	₱22,052	₱–	₱–	₱–	₱327,733
Costs and expenses	89,817	20,617	–	–	–	110,434
Gross profit	215,864	1,435	–	–	–	217,299
General, administrative and selling expenses	(64,653)	(37,522)	(14,786)	(259)	1,599	(115,621)
Other income (expenses)	102,233	(2,524)	145,351	–	(108,942)	136,118
Income (loss) before income tax	253,444	(38,611)	130,565	(259)	(107,343)	237,796
Provision for (benefit from) income tax	41,021	(892)	(3)	–	(15,962)	24,164
Net income (loss)	₱212,423	(₱37,719)	₱130,568	(₱259)	(₱91,381)	₱213,632
Net income attributable to:						
Owners of the Parent Company	₱212,423	(₱37,719)	₱130,600	(₱259)	(₱91,381)	₱213,664
Non-controlling interests	–	–	(32)	–	–	(32)
	₱212,423	(₱37,719)	₱130,568	(₱259)	(₱91,381)	₱213,632

	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	9,214	16,486
Total Assets	₱6,348,797	₱1,249,928	₱1,408,608	₱1,112,897	(₱3,617,778)	₱6,502,452
Segment liabilities	₱1,994,736	₱1,115,177	₱40,727	₱831,735	(₱1,888,593)	₱2,093,782
Deferred tax liabilities	168,919	–	2	–	(14,683)	154,238
Total Liabilities	₱2,163,655	₱1,115,177	₱40,729	₱831,735	(₱1,903,276)	₱2,248,020

NON-PFRS FINANCIAL MEASURES

The following table shows EBITDA as derived from the Group's net income for the period:

	Year ended 31 December			Six months ended 30 June	
	2018 (as restated)	2019 (as restated)	2020	2020	2021
	(in millions of Peso ₱)				
	Audited)			(Unaudited)	
Net income attributable to equity holders of the parent	288.78	494.94	294.15	213.66	225.87
Non-controlling interests	-0.02	-0.15	-0.03	-0.03	-0.01
Provision for income tax	60.07	131.59	51.80	24.16	-1.25
Income before income tax	348.83	626.38	345.92	237.80	224.61
Add (Deduct):					
Depreciation and amortization	16.44	25.02	27.77	12.67	20.89
Interest expenses	84.03	23.06	25.25	23.63	23.45
EBITDA[1]	**449.30**	**674.46**	**398.94**	**274.10**	**268.95**

Notes:

(1) EBITDA is not a uniformly or legally defined financial measure. It generally represents earnings before interest, taxes, depreciation and amortisation. The Group presents EBITDA because it believes it to be an important supplemental measure of its performance and liquidity and believes it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in its industry.

The EBITDA figures are not, however, readily comparable to other companies' EBITDA figures, as they are calculated differently and must be read in conjunction with the related additional explanations. EBITDA has limitations as an analytical tool and potential investors should not consider it in isolation or as a substitute for analysis of its results as reported under PFRS. Some of the limitations concerning EBITDA are:

- *EBITDA does not reflect the Group's cash expenditures or future requirements for capital expenditures or contractual commitments;*
- *EBITDA does not reflect changes in, or cash requirements for, the Group's working capital needs;*
- *EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on the Group's debt;*
- *Although depreciation and amortisation are non-cash charges, the assets being depreciated or amortised will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and*
- *Other companies in the industry may calculate EBITDA differently than the Group does, limiting its usefulness as a comparative measure.*

Because of these limitations, EBITDA should not be considered as a measure of discretionary cash available to the Group to invest in the growth of its business. The Group compensates for these limitations by relying primarily on its PFRS results and using EBITDA only supplementally.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following Management Discussion and Analysis should be read in conjunction with the Unaudited Interim Condensed Consolidated Financial Statements as at June 30, 2021 and for the six months ended June 30, 2021 and 2020 and Audited Consolidated Financial Statements as at December 31, 2020, 2019, and 2018, included elsewhere in this Prospectus.

The accounting policies adopted are consistent with those of the previous financial year

Please refer to Note 2 of the attached Unaudited Interim Condensed Consolidated Financial Statements for the Basis of Preparation, Statement of Compliance, Changes in Accounting Policies and Basis of Consolidation.

Financial Condition – Reviewed Interim Condensed Consolidated Report (June 2021 & 2020)

In Thousand Pesos	Unaudited June 2021	Audited December 2020	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		Unaudited June 2021	Audited December 2020
			Amount	%		
Current Assets	**3,638,224**	3,666,756	(28,532)	-1%	54%	56%
Noncurrent Assets	**3,081,156**	2,835,696	245,460	9%	46%	44%
Total Assets	**6,719,380**	6,502,452	216,928	3%	**100%**	100%
Current Liabilities	**1,284,590**	1,465,955	(181,365)	-12%	19%	23%
Noncurrent Liabilities	**942,558**	782,065	160,493	21%	14%	12%
Equity	**4,492,232**	4,254,432	237,800	6%	67%	65%
Total Liability and Equity	**6,719,380**	6,502,452	216,928	3%	**100%**	100%

A Brown Company, Inc. - CONSOLIDATED
Financial Condition items – June 30, 2021 vs. December 2020

The Group's total assets increased by **3% or ₱216.9 million,** from a balance of ₱6.50 billion as of end of the year 2020 to **₱6.72 billion** as of June 30, 2021.

Current assets decreased by 1% or ₱28.5 million as a result of the net effect of the following:

53% or* ₱121.5M *decrease in Cash – due to the net effect of cash provided by investing activities being lower as compared to the cash used in operations and financing activities. Financing activities include the receipt of the proceeds from long-term debt of **271.2M;** payments made to short-term debt-net and the long-term debt amounted to **84.4M and 159.0M**, respectively. Interest payments amounted to **40.4M** and shares buy-back amounted to **36.2M**. Investing activities include the dividends received from associates amounted to **98.0M,** acquisition of property, plant and equipment at **28.4M;** investment properties at **20.5M** and other non-current assets-planned acquisition of land /lot at **51.3M**. Net cash flow used in operating activities totaled **72.9M.**

13% or* ₱148.7M *decrease in Current Receivable due to the net effect of:

a) **100% or ₱88.0M decrease in dividend receivable** due to collections of dividend receivable account during this current period
b) **28% or ₱5.5M decrease in Trade Receivable** – directly related to collections of trade receivables on the sale of agricultural goods and the collections from water income.
c) **11% or ₱88.1M decrease in installment contract receivable** due to collections of installment receivables
d) **6% or ₱6.7M increase in receivables from related party** due to additional advances made for the related party

e) **43% or ₱1.3M decrease in advances to officers and employees** due to collection from employees on their additional dependents in health care insurance and liquidation of cash advances
f) **1% or ₱1.1M increase in Other receivables -** due to advances made to homeowners' association of one of the projects

23% or ₱17.6M increase in Current Contract assets - pertains to the increase in real estate contracts recognized during the period and increase in percentage of completion (POC) as compared to the reclassification of the account to Installment Contracts receivables (ICR) based on the amortization schedule of payments

9% or* ₱138.6M *increase in Real estate inventories – due to the net effect of the increase in development costs over sales of various projects. The increase is due to the increase in construction and development costs by 11% or **₱149.4M** --- additional construction costs incurred for the period amounting to ₱189.0M, capitalized borrowing cost amounting to ₱18.5M and capitalized depreciation of equipment used in the development amounting to ₱3.1M net of cost of real estate inventory sold amounting to ₱72.1M. Land for sale and development decreased by 6% or **₱10.8M**

12% or* ₱17.8M *increase in Inventories – due to increase in construction materials used in development amounting to ₱11.6M (by 18%); increase in agricultural materials and other supplies amounting to **₱205k** (by 22%) and increase in finished agricultural goods amounting to ₱6.0M (by 7%)

13% or ₱67.7M increase *in prepayments and other current assets* – due to the net effect of:

a) 16% or ₱50.6M increase in deposit for land acquisition – pertains to installment payments made to landowners of land intended for real estate project in the future
b) 14% or ₱9.7M increase in creditable withholding tax – Pertains to the corresponding creditable withholding taxes of booked sales during the period
c) 11% or ₱10.6M increase in prepaid expenses – Due to additional input tax from additional construction costs and materials procured for development during the period
d) 5% or ₱801k decrease in cost to obtain contract – Due to increase in booked sales resulting to recognition of costs
e) 85% or ₱2.4M decrease in miscellaneous –pertains to full availment of the services of with advance payment

Non-Current assets increased by 9% or ₱245.5 million as a result of the net effect of the following:

***100% or* ₱26.3M *decrease in Receivable – net of current* –** Due to due and demandable receivables reclassified as current during the period.

26% or ₱46.1M *increase in Equity instruments at fair value through other comprehensive income (EIFVOCI)* – due to the increase in fair value adjustments of the equity instruments

11% or ₱157.9M *increase in Investment in Associates* – due to the Group's share in the net income of the associates, net of the ₱10M dividend income received during the period

₱4.5M *decrease in Property and Equipment, net* - due to the movements of the following property, plant and equipment.

a) 7% or ₱3.3M net decrease in leasehold improvements – additional depreciation
b) 2% or ₱7.2M net decrease in Bearer plants – the decrease is due to additional impairment loss of ₱7.6M recognized during the period
c) 2% or ₱5.2M net decrease in RBD and fractionation machineries - due to additional depreciation
d) 6% or ₱508k net decrease in building and improvement – additional depreciation
e) 21% or ₱23.8M net decrease in Machineries and Equipment – net of additional machineries and the reclassification to Other equipment those machineries not directly used in Operations as well as additional depreciation

f) 30% or ₱19.5M net increase in Other Equipment – net of additional equipment and reclassification of account from Machineries and Equipment deemed not directly used in Operations against additional depreciation and disposal of some equipment
g) 2% or ₱619k net decrease in right-of-use assets – additional amortization
h) 16% or ₱16.6M net increase in construction in progress – Construction in progress of a newly incorporated subsidiary, ISI and of the acquired company, VEC

10*% or* ₱1.6M *decrease in Deferred Tax Assets -* due to the effect of CREATE Law which decrease the corporate tax rate from 30% to 25% in the current period.

33% or* ₱51.3M *increase in Other Non-current Assets – due to the down payment for planned purchase of land under a contract to sell at ₱50.0M increased by 43% and increase in deferred input VAT by ₱2.5M or 145%

Current liabilities decreased by 12% of ₱181.4 million as a result of the net effect of the following:

7% or* ₱41.6M *increase in Accounts payable and accrued expenses – primarily due to the net effect of the following:

a) 3% or ₱11.9M increase in accounts payable – additional purchases made that increase accounts payable
b) 46% or ₱20.5M increase in accrued expenses – due to expenses incurred but settled in the subsequent month
c) 72% or ₱1.6M increase in accrued interest payable - due to interest accrued for the current period
d) 7% or ₱2.4M increase in retention payable - due to increase in payment to contractors of projects and correspondingly, the retention fee requirement
e) 4% or ₱5.2M increase in Statutory Payables - increase is due to additional output tax recognized on sales of real estate inventory

20% or* ₱84.4M *decrease in Short term Debt – due to settlement of short-term loan

18% or* ₱45.9M *decrease in Current maturities portion of long-term debt – pertains to the part of loan currently due against settlement of principal amount due

55% or* ₱92.6M *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 increased by 21% or* ₱160.5 *million as a result of the net effect of the following:

28% or ₱158.1M *increase in Long-term Debt - net* – due to the additional availment of long-term loans amounting to **₱271.2 *million to finance operations***

***7% or* ₱4.2M *increase in Retirement benefit obligation* –** due to increase in retirement benefit obligation from the current service cost as well as interest expense

1% or* ₱1.7M *decrease in Deferred tax liabilities - due to the effect of CREATE Law which decrease the corporate tax rate from 30% to 25% in the current period

Equity increased by 6% or ₱237.8 million as a result of the net effect of the following:

***16% or* ₱225.9M *increase in the Retained Earnings* –** due to the effect of net income earned during the year period

170% or* ₱36.2M *increase in the Treasury Shares – the increase pertains to the additional acquisition of treasury shares during the period

18% or ₱46.0*M decrease in Fair Value Loss Reserve of EIFVOCI* – due to the increase in market value of equity instruments at fair value through other comprehensive income

51.8k* decr*ease in Cumulative re-measurement loss on retirement benefits, pertains to actuarial loss of the group plan assets

54% or* ₱2.2M *increase in Cumulative translation adjustment – related to the exchange differences in foreign currency translation

Results of Operations – Interim Consolidated (Unaudited)

For the Quarter

In Thousand Pesos	For the Quarter ending		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	Unaudited June 2021	**Unaudited June 2020**	**Amount**	%	**Unaudited June 2021**	**Unaudited June 2020**
Real estate sales	**64,318**	68,225	(3,907)	-6%	**77%**	80%
Sale of agricultural goods	**13,016**	10,785	2,231	21%	**15%**	13%
Water service income	**6,305**	5,843	462	8%	**8%**	7%
REVENUES	**83,639**	84,853	(1,214)	-1%	**100%**	100%
Cost of real estate sales	**31,427**	35,394	(3,967)	-11%	**37%**	42%
Cost of agricultural goods sold	**7,438**	12,046	(4,608)	-38%	**9%**	14%
Cost of water service income	**2,515**	4,031	(1,516)	-38%	**3%**	5%
COST OF SALES AND SERVICES	**41,380**	51,471	(10,091)	-20%	**49%**	61%
GROSS PROFIT	**42,259**	33,382	8,877	27%	**51%**	39%
General, Administrative and Selling Expenses	**66,666**	40,215	26,451	66%	**80%**	47%
Share in net income (loss) of associates	**80,237**	63,623	16,614	26%	**96%**	75%
Gain (loss) on sale of EIFVPL	**-**	3,719	(3,719)	-100%	**0%**	4%
Gain (loss) on bargain purchase	**-**	2,659	(2,659)	-100%	**0%**	3%
Unrealized gain (loss) on EIFVP:	**-**	21,174	(21,174)	-100%	**0%**	25%
Interest expense	**(12,013)**	(5,588)	6,425	115%	**-14%**	-7%
Other income (expense) -net	**5,968**	838	5,130	612%	**7%**	1%
Other Income (Expense)	**74,192**	86,425	(12,233)	-14%	**89%**	102%
Income (Loss) before Income Tax	**49,785**	79,592	(29,807)	-37%	**60%**	94%
Provision for (Benefit from) Income Tax	**(4,099)**	(13,353)	9,254	-69%	**-4%**	-16%
NET INCOME (LOSS)	**53,884**	92,944	(39,060)	-42%	**64%**	110%
Cumulative translation adjustment	**(198)**	811	(1,008)	-124%		
Net change in fair value of EIFVOCI	**27,030**	3,199	23,831	745%		
Remeasurement gain (loss) on defined benefit plan-net of tax	**50**	6	44	721%		
Equity in other comprehensive loss of associate	**-**	(183)	183	-100%		
OTHER COMPREHENSIVE INCOME (LOSS)	**26,882**	3,833	23,050	601%		
TOTAL COMPREHENSIVE INCOME (LOSS)	**80,767**	96,777	(16,010)	-17%		

Year-to-Date

In Thousand Pesos	Year-to-date ending		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	Unaudited June 2021	**Unaudited June 2020**	**Amount**	%	**Unaudited June 2021**	**Unaudited June 2020**
Real estate sales	**259,936**	293,989	(34,053)	-12%	**90%**	90%
Sale of agricultural goods	**17,301**	22,052	(4,751)	-22%	**6%**	7%
Water service	**12,148**	11,693	455	4%	**4%**	4%
REVENUES	**289,385**	327,734	(38,349)	-12%	**100%**	100%
Cost of real estate sales	**72,087**	82,098	(10,011)	-12%	**25%**	25%
Cost of agricultural goods sold	**9,890**	20,617	(10,727)	-52%	**3%**	6%
Cost of water service income	**3,998**	7,719	(3,721)	-48%	**1%**	2%
COST OF SALES AND SERVICES	**85,975**	110,434	(24,459)	-22%	**30%**	34%
GROSS PROFIT	**203,410**	217,300	(13,890)	6%	**70%**	66%
General, Administrative and Selling Expenses	**136,123**	115,622	20,501	18%	**47%**	35%
Share in net income (loss) of associates	**167,890**	145,351	22,539	16%	**58%**	44%
Gain (loss) on sale of EIFVPL	**-**	3,720	(3,720)	-100%	**0%**	1%
Gain (loss) on bargain purchase	**-**	2,659	(2,659)	-100%	**0%**	1%
Unrealized gain (loss) on EIFVP:	**-**	3,860	(3,860)	-100%	**0%**	1%
Interest expense	**(23,451)**	(23,629)	178	1%	**-8%**	-7%
Other income (expense) -net	**12,886**	4,158	8,728	210%	**4%**	1%
Other Income (Expense)	**157,325**	136,119	21,206	16%	**54%**	42%
Income (Loss) before Income Tax	**224,612**	237,797	(13,185)	-6%	**78%**	73%
Provision for (Benefit from) Income Tax	**(1,249)**	24,165	(25,414)	-105%	**0%**	7%
NET INCOME (LOSS)	**225,861**	213,632	12,229	6%	**78%**	65%
Cumulative translation adjustment	**2,164**	2,147	17	1%		
Net change in fair value of EIFVOCI	**46,017**	(19,136)	65,153	-340%		
Remeasurement gain (loss) on defined benefit plan-net of tax	**(52)**	(348)	296	-85%		
Equity in other comprehensive loss of associate	**-**	(366)	366	-100%		
OTHER COMPREHENSIVE INCOME (LOSS)	**48,129**	(17,703)	65,832	-372%		
TOTAL COMPREHENSIVE INCOME (LOSS)	**273,990**	195,929	78,061	40%		

A Brown Company, Inc. - CONSOLIDATED
Results of Operations
For the 2nd Quarter ending June 30, 2021

The consolidated financial statements for the quarter ending June 30, 2021 resulted to a net income after tax of **₱53.9 million** compared to a **₱92.9 million** net income for the same quarter last year with a decrease of 42% or **₱39.1 million** and resulted to a net income after tax of **₱225.9 million** compared to a **₱213.6 million** net income for the same year-to-date period last year with an increase of 6% or **₱12.2 million** due to the net effect of the following:

1% or* ₱1.2M *decrease in Revenue on a QTR and 12% or* ₱38.3M decrease on a YTD *due to:

a) ***Decrease in Real estate Sales by 6% or P3.9M on a QTR and 12% or P34.1M decrease on a YTD*** – the decrease is due to the lower of number of units sold at this quarter as compared to the units sold for same quarter last
b) ***Increase in Sales of agricultural goods by 21% or P2.2M on a QTR and 22% or P4.8M decrease on a YTD*** – due to the higher number of quantity sold and average price/metric ton for palm olein at this quarter as compared to the quantity sold and average price/metric ton for same quarter last year. For the YTD, the number of quantity sold and average price/metric ton for crude palm oil and palm kernel were lower, as compared to the quantity sold and average price/metric ton for same YTD last year. The number of quantity sold for Palm Acid oil and Palm fatty acid distillate were also lower as compared to the same quarter last year.
c) ***Increase in Water services by 8% or P462k on a QTR and 4% or P456k increase on a YTD -*** due to additional buyers moving in to their units thereby increasing water connections for this quarter compared to the water services rendered for the same quarter last year.

20% or P10.1M decrease in Cost of Sales on a QTR and 22% or P24.5M decrease on a YTD due to:

a) ***11% or P4.0M decrease in cost of Real estate on a QTR and 12% or P10.0M decrease on a YTD –*** 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 38% or P4.6M on a QTR and 52% or P10.7M decrease on a YTD*** – due to the lower production costs attributed to the goods sold at this quarter as compared to the production costs of the goods sold for same quarter last year and *due to the lower number of quantity sold for YTD as compared to the quantity sold for same YTD last year following the challenge in transporting Fresh Fruit Bunches from suppliers thereby affecting the production as well as the sale of the agricultural goods*
c) ***Decrease in Water services by 38% or P1.5M on a QTR and 48% or P3.7M decrease on a YTD -*** the decrease is due to lower water service cost for this quarter compared to the water services rendered for the same quarter last year.

66% or P26.5M increase in General, Administrative and Selling Expenses on a QTR and 18% or P20.5M increase on a YTD - due to the following net effect of:

a) ***12% or P1.6M increase in Personnel expenses on a QTR and 25% or P7.2M increase on a YTD*** – Increase of personnel cost incurred in the quarter of the current year as against of last year is due to grant of employees benefits for this year which were deferred due to the start of the pandemic last year.
b) ***315% or P7.9M increase in Marketing expenses on a QTR and 33% or P4.5M increase on a YTD*** – increase is due to marketing expenses incurred to advertise pipeline projects for 2021 as well as increase in amortizing booked sales for the period
c) ***1% or P26k decrease in Impairment Loss on a QTR and 65% or P14.3M decrease on a YTD –*** pertains to the impairment loss on bearer plants for the quarter and year-to-date and the impairment in Construction-in-Progress (CIP) in 2020 while none in 2021.
d) ***45% or P2.9M increase in Taxes and Licenses on a QTR and 48% or P5.3M increase on a YTD –*** pertains to the increase in business taxes for the quarter and year-to-date
d) ***209% or P2.7M increase in Outside Services on a QTR and 144% or P5.3M increase on a YTD –*** pertains to the increase in security services for the quarter and year-to-date due to deployment of security personnel in all existing land banking.
e) ***129% or P7.3M increase in Depreciation and amortization on a QTR and 65% or P8.2M increase on a YTD*** – due to the net effect of higher recorded depreciation expense for the additions in Property, plant and equipment last year and this year
f) ***1103% or P2.6M increase in Rental expense on a QTR and 241% or P2.7M increase on a YTD –*** *due to* increase in rate of the area leased out in CDO office
g) ***135% or P474k decrease in Utilities and supplies on a QTR and 27% or P707k increase on a YTD –*** due to lower consumption of utilities this quarter as compared to last year's 2nd quarter but higher consumption of utilities year-to-date this year as compared to last year

h) ***44% or P292k decrease in Repairs and maintenance on a QTR and 2% or P44k increase on a YTD –*** due to the decrease in cost of repairs and maintenance during the quarter as against the second quarter of 2020 but increased for the year-to-date this year as compared from last year
i) ***78% or P1.6M decrease in Professional fees on a QTR and 30% or P1.2M decrease on a YTD*** – directly related to the lower consultancy services incurred by the group
j) ***187% or P3.4M increase in travel and transportation on a QTR and 61% or P2.4M increase on a YTD*** – directly related to the various site visitation for mill, real estate projects and plantation operations and power group operations which increase this year's 2nd quarter
k) ***69% or P500k decrease in board meeting expenses on a QTR and 69% or P500k decrease on a YTD –*** due to lower materials and other expenses incurred this year's 2nd quarter relative to last year's 2nd quarter related to board meetings and annual reports
l) ***173% or P299k increase in director fees on a QTR and 173% or P299k increase on a YTD –*** higher total per diem paid to directors due to higher number of meetings this quarter as compared to last year's 2nd quarter.
m) ***619% or P703k increase in insurance expense on a QTR and 188% or P551k increase on a YTD –*** includes increase payment in insurance of Company's properties due to additional coverage for new equipment procured
n) ***100% or P2.0M decrease in provision for inventory obsolescence on a YTD –*** due to no provision for obsolescence this quarter as compared to last year's 2nd quarter as well as year-to-date
o) ***5% or P94k increase in others/miscellaneous expenses on a QTR and 32% or P1.1M increase on a YTD –*** incurred due to Company's response to community COVID assistance activities

26% or P16.6M increase in Equity in net gain of an associate on a QTR and 16% or P22.5M increase on a YTD – this pertains to the group's 20% share on the net earnings of PCPC and PEI's operating companies during the 2nd quarter of 2021 and for the year-to-date

100% or P21.2M decrease in Unrealized gain on EIFVPL on a QTR and 100% or P3.9M decrease on a YTD – due to no transaction involving unrealized gain on equity instruments at fair value through profit and loss for this quarter and for the year-to-date as equity instruments were fully sold last year

100% or P3.7M decrease in Gain on EIFVPL on a QTR and 100% or P3.7M decrease on a YTD – due to the sale of equity investments from last year and no transaction involving the sale of equity instruments at fair value through profit and loss for current period

100% or P2.7M decrease in Gain on bargain purchase on a QTR and 100% or P2.7M decrease on a YTD – due to the acquisition of Vires Energy Corporation 2nd quarter of last year with the total fair value of net assets acquired being higher than the acquisition cost.

612% or P5.1M increase in Other income on a QTR and 210% or P8.7M increase on a YTD – due to the increase in tapping fees, transfer fees, income from forfeited deposits.

115% or P6.4M increase in Interest Expense on a QTR and 1% or P177k decrease on a YTD – lower interest payments on bank loans this quarter of this year as compared from last year and higher interest payments on bank loans for the year-to-date this year as compared from last year

69% or P9.3M decrease in Income Tax Expense on a QTR and 105% or P25.4M decrease on a YTD – caused by the decreased income tax rate effected by the CREATE law for the quarter this year as against the regular income tax rate in the same quarter of last year as well as less sales collections for the quarter of this year and year-to-date as against the same period of 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 06/30/2021	Unaudited 06/30/2020	Audited 12/31/2020
Current ratio[1]	2.83:1	2.30:1	2.50:1
Quick ratio[2]	0.85:1	0.59:1	0.93:1
Solvency ratio[3]	0.11:1	0.10:1	0.14:1
Total Debt to Equity ratio[4]	0.50:1	0.54:1	0.53:1
Asset to Equity ratio[5]	1.50:1	1.54:1	1.53:1
Interest coverage ratio[6]	6.66x	9.05x	6.20x
Return on Assets[7]	5.16%	5.07%	7.15%
Return on Equity[8]	3.42%	3.31%	4.67%
Profit Margin ratio[9]	78.05%	65.18%	34.04%

[1]*Current assets/Current liabilities*
[2]*Current assets less contract assets, inventories and prepayments/Current liabilities*
[3]*Net Income plus depreciation (YTD)/Total liabilities*
[4]*Total liabilities/Stockholders' equity*
[5]*Total assets/Stockholders' equity*
[6]*Earnings before income tax, interest, depreciation and amortization (YTD)/Total Interest Payment*
[7]*Net Income (YTD)/ Average Total stockholders' equity*
[8]*Net income (YTD)/Average Total assets*
[9]*Net income (YTD)/Total Revenue (YTD)*

Current Ratio
The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. It tells investors and analysts how a company can maximize the current assets on its balance sheet to satisfy its current debt and other payables.

Acid test Ratio or Quick Ratio
The acid-test, or quick ratio, compares a company's most short-term assets to its most short-term liabilities to see if a company has enough cash to pay its immediate liabilities, such as short-term debt.

Solvency Ratio
Solvency ratio is one of the various ratios used to measure the ability of a company to meet its long-term debts. Moreover, the solvency ratio quantifies the size of a company's after-tax income, not counting non-cash depreciation expenses, as contrasted to the total debt obligations of the firm. Also, it provides an assessment of the likelihood of a company to continue congregating its debt obligations.

Debt-to-equity Ratio
The debt-to-equity (D/E) ratio is used to evaluate a company's financial leverage and is calculated by dividing a company's total liabilities by its shareholder equity. It is a measure of the degree to which a company is financing its operations through debt versus wholly owned funds. More specifically, it reflects the ability of shareholder equity to cover all outstanding debts in the event of a business downturn. The debt-to-equity ratio is a particular type of gearing ratio.

Asset-to-equity Ratio
The asset to equity ratio reveals the proportion of an entity's assets that has been funded by shareholders. A low ratio indicates that a business has been financed in a conservative manner, with a large proportion of investor funding and a small amount of debt. A high asset to equity

ratio can indicate that a business can no longer access additional debt financing, since lenders are unlikely to extend additional credit to an organization in this position.

Interest Coverage Ratio
The interest coverage ratio measures the number of times a company can make interest payments on its debt before interest and taxes (EBIT). In general, the lower the interest coverage ratio is, the higher the company's debt burden, which increases the possibility of bankruptcy.

Return on Assets (ROA)
The Return on Assets (ROA) figure gives investors an idea of how effective the company is in converting the money it invests into net income. The higher the ROA number, the better, because the company is earning more money on less investment.

Return on equity (ROE)
Return on equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity. It is considered a measure of a corporation's profitability in relation to stockholders' equity. Whether ROE is deemed good or bad will depend on what is normal among a stock's peers. A good rule of thumb is to target an ROE that is equal to or just above the average for the peer group.

Net Profit Margin
The net profit margin is a ratio formula that compares a business's profits to its total expenses. The net profit margin allows analysts to gauge how effectively a company operates. The higher the net profit margin, the more money a company keeps.

Financial Condition – Consolidated (Audited) (2020 & 2019)

In Thousand Pesos	**Audited 2020**	**Audited 2019**	**Horizontal Analysis**		**Vertical Analysis**	
			Increase (Decrease)		**Audited 2020**	**Audited 2019**
			Amount	**%**		
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%	
Total Assets	**6,502,452**	6,095,465	406,987	7%	100%	47%
Current Liabilities	**1,465,955**	1,312,702	153,253	12%	23%	22%
Noncurrent Liabilities	**782,065**	806,277	(24,212)	-3%	12%	13%
Equity	**4,254,432**	3,976,486	277,946	7%	65%	65%
Total Liability and Equity	**6,502,452**	6,095,465	406,987	7%	100%	100%

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

a) **24% or ₱44.2M decrease in dividend receivable -** due to collection of previously declared dividend net of the recently declared dividend
b) **71% or ₱200.0M increase in installment contract receivables on sale of real estate** - due to reclassification of contract assets and noncurrent ICRs to current ICRs in 2020

c) **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
d) **126% or ₱1.7M increase in advances to officers and employees** – due to the increase in the advances of employees for liquidation
e) **17% or ₱17.0M decrease in other receivables -** due to the collection of receivable from sale of equity instrument
f.) 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 **₱7.9*****M 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 **₱6.5*****M decrease in Inventories*** – due to higher inventory turn-over of crude palm oil

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

100% or ₱63.5***M 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 **₱161.4*****M 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 ₱26.8M 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 ₱8.0***M 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:
i) 8% or ₱6.5M decrease in Leasehold improvements – net due to depreciation
j) 5% or ₱14.5M decrease in Bearer Plants – net due to depreciation and impairment of bearer plants-trees
k) 4% or ₱10.5M decrease in RBD and Fractionation Machineries - net due to depreciation
l) 1% or ₱124k decrease in Building and Improvements - net due to depreciation and reclassifications

m) 2% or ₱2.9M decrease in Machinery and Equipment- net due to higher depreciation as compared to new additions and disposal
n) 148% or ₱63.8M increase in Construction in Progress - net due to additions of assets acquired from Vires Energy Corporation (VEC)
o) 4% or ₱1.1M decrease in Right-of-Use Assets – net due to amortization
p) 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* ₱29.5*M 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* ₱36.1*M increase in Short term Debt – due to the net effect additional loan availed and payments made by the group during the year

20% or* ₱41.8*M 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* ₱14.8*M increase in Retirement liability – as a result of the actuarial valuation of the retirement benefit obligation of the existing employees

2% or* ₱3.6*M 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 ₱21.2M 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* ₱5.2*M decrease in Cumulative re-measurement loss on retirement benefits, net of tax – related to the actuarial valuation of retirement benefits obligation

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

Results of Operation

In Thousand Pesos	Audited 2020	Audited 2019	Audited 2018	Horizontal Analysis Increase (Decrease) Amount 2020 vs 2019	%	Amount 2019 vs 2018	%	Vertical Analysis 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%			

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* ₱13.8*M decrease in General, Administrative and Selling Expenses - due to the following net effect of:

- **a)** ***10% or* ₱8.4*M 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* ₱11.3*M 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* ₱7.5*M increase in Impairment Loss*** – this pertains to the impairment of bearer plants-trees
- **d)** **3%** or **₱764k 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 **₱4*M increase*** in **Outside Services** - due to the increase in requirement on additional project
- **f)** ***33% or* ₱3.3*M decrease in Professional Fees*** – directly related to the decrease in consultancy services incurred by the group
- **g)** ***11% or* ₱2.8*M increase in Depreciation –*** due to increase wear and tear and usage of PPEs
- **h)** ***36% or* ₱4.8*M 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 ₱323k decrease in Utilities and supplies –*** due to the decrease in usage of utilities and supplies during the year.
- ***j)*** ***75% or P4.9M decrease in Transportation and Travel***– directly related to the various site visitations for real estate projects, plantation operations and power group operations.
- ***k)*** ***44% or* ₱2.2*M increase in Retirement Benefits expense***
- ***l)*** ***22% or ₱992k decrease in Repairs and Maintenance*** – due to the decrease in cost of repairs and maintenance during the year.
- ***m)*** . ***41% or* ₱221k *decrease in Insurance –*** due to reduction of properties and units insured
- **n)** ***61% or* ₱578k *increase in Director Fees –*** directly related to the per diem paid to directors on various directors' meetings conducted during the year.
- **o)** ***16% or* ₱3.1M *decrease in Others –*** pertain to expenses arising from business and research development and software maintenance

54% or* ₱204.4*M 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 **₱176*M versus* ₱380.4*M***, dividends of **₱175*M versus* ₱182.2*M*** and 33.33% share in the net loss of EWRTC

100% or ₱43.5*M 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 ₱44.6*M 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* ₱9.5k *decrease in Unrealized foreign exchange gain (loss) – this pertains to the related to the lower foreign exchange gain translation

9% or* ₱2.2M *increase in Interest Expense – directly related to the group's various loan availment

58% or* ₱12.2*M decrease in Other Income - net – due to the net effect of the following:

- *a.)* ***Increase in Income from forfeited deposits by 86% or* ₱1.1*M*** – 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 ₱5.1M*** – this pertains to sale of investment property in 2019

d.) ***Decrease in Gain on disposal of PPE by 105% or* ₱3.7M** – 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* ₱696k** – 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 Indicators

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%

[1]Current assets/Current liabilities
[2]Current liabilities/Stockholders' equity
[3]Total liabilities/Stockholders' equity
[4]Net income/Average Total assets
[5]Net income/ Average Stockholders' equity

Financial Condition – Consolidated (Audited) (2019 & 2018)

In Thousand Pesos	Audited 2019	Audited 2018	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		Audited 2019	Audited 2018
			Amount	%		
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 Liability and Equity	**6,095,465**	5,466,226	629,239	12%	100%	100%

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* ₱593.7*M increase in Current Portion of Receivables due to the net effect of:

a.) 128% or ₱102.2M increase in dividend receivable – due to the declaration of dividends by an associate

b.) 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
c.) 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
d.) 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* ₱15.8*M 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* ₱4.4*M increase in Inventories – due to lower inventory turn-over of crude palm oil

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

73% or ₱169.7*M 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* ₱78.7*M increase in Other current assets – due to the net effect of:
a.) 23% or ₱62.5M 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.) 54% or ₱1.7M 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* ₱43.8*M 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* ₱18.1*M 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 Machineries - 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 no-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* ₱71.1*M 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* ₱308.9*M 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* ₱113.3*M 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* ₱17.8*M increase in Retirement liability – as a result of the actuarial valuation of the retirement benefit obligation of the existing employees

160% or* ₱92.8*M 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:

a.) ***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

b.) ***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 December 2019	Audited December 2018	Audited December 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%	2197	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%	182,079	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	-	-	265,838	-	0%	-265,838	-100%	0%	0%	48%
Gain (loss) on sale of EIFVPL	(32,095)	10,099	-	(42,194)	-418%	10,099	0%	-3%	6%	0%
Unrealized gain (loss) on EIFVPL	(43,514)	16,672	-	(60,186)	-361%	16,672	0%	0%	0%	1%
Unrealized forex	11	14,705	347	(14,694)	-100%	14,358	4133%	0%	2%	0%
Impairment loss	(21,957)	(17,560)	-	(4,397)	25%	-17,560	0%	-2%	-2%	0%
Interest expense	(23,059)	(84,031)	(85,542)	60,972	-73%	1511	-2%	-2%	-10%	-16%
Other income (expense) -net	20,993	35,300	18,906	(14,307)	-41%	16,394	87%	2%	1%	3%
Other Income (Expense)	280,683	227,278	291,567	53,405	23%	-64,289	-22%	32%	28%	53%
Income (Loss) before Income Tax	626,385	348,828	295,786	277,557	75%	53,042	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	288,754	299,582	206,039	66%	-10,828	0%	48%	36%	54%
Cumulative translation adjustment	4,111	(6,585)	3,480	10,696	-162%	-10,065	-289%			
Net change in fair value of EIFVOCI	(1,086)	28,900	(613,818)	(29,986)	-104%	642,718	-105%			
Remeasurement gain (loss) on defined benefit plan-net of tax	(10,048)	4,806	(1,212)	(14,855)	-309%	6019	-496%			
OTHER COMPREHENSIVE INCOME (LOSS)	(7,023)	27,122	(611,550)	(34,145)	-126%	638,672	-104%			
TOTAL COMPREHENSIVE INCOME (LOSS)	487,770	315,876	(311,968)	171,894	50.0%	627,844	-204%			

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 **₱201.7*****M increase in Revenues due to:***

- ***a.) Increase in Real estate Sales by 34% or*** **₱237.6*****M*** - 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*** **₱29.3*****M –*** 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*** **₱6.5*****M–*** 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 P39,394 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*** **₱3.6*****M–*** 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 P7,958 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*** **₱0.9*****M*** 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*** **₱61.6*****M 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 2018 with relatively lower costs
- ***b.) 40% or*** **₱24.4*****M 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*** **₱5.5*****M--*** 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*** **₱3.4*M*** - *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*** **₱4.7*M 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 **₱8.1*M* 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 **₱15.2*M 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*** **₱8.6*M 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 P3.2M 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*** **₱3.6*M 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 **₱128.2*M 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

418%% or ₱42.2*M 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 **₱14.7*M decrease in Unrealized foreign exchange gain (loss)*** – this pertains to the related to the foreign exchange gain translation

25% or **₱4.4*M 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 P1.1M*** – income from tapping fees due to increase turn-over of units; transfer fees and other water charges

Key Performance Indicators

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%

[1]Current assets/Current liabilities
[2]Current liabilities/Stockholders' equity
[3]Total liabilities/Stockholders' equity
[4]Net income/Average Total assets
[5]Net income/ Average Stockholders' equity

Financial Condition – Consolidated (Audited) (2018 & 2017)

In Thousand Pesos	Audited 2018	Audited 2017 (as restated)	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		Audited 2018	Audited 2017 (as restated)
			Amount	%		
Current Assets	**2,751,435**	2,319,539	431,896	19%	**50%**	45%
Noncurrent Assets	**2,714,791**	2,871,460	(156,669)	-5%	**40%**	55%
Total Assets	**5,466,226**	5,190,999	275,227	5%	**100%**	1005
Current Liabilities	**1,613,834**	1,414,899	198,935	14%	**30%**	27%
Noncurrent Liabilities	**363,676**	598,077	(234,400)	-39%	**7%**	12%
Equity	**3,488,716**	3,178,023	310,693	10%	**64%**	61%
Total Liability and Equity	**5,466,226**	5,190,999	275,227	5%	**100%**	100%

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 ₱431.9 million as a result of the net effect of the following:

19% or ₱18.1M 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 ₱103.2M increase in Current Portion of Receivables and Contract Assets due to the net effect of:

- **a.) ₱310.8M increase in contract assets** – due to classification of land portion of sold inventories
- **b.) ₱80.0M increase in dividend receivable** – due to the declaration of dividends by an associate
- **c.) 87% or ₱290.3M 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 ₱33.8M 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 ₱10.0M increase in other receivables -** various advances to suppliers and contractors

18% or ₱248.7M 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 ₱5.4M decrease in Inventories – due to higher inventory turn-over of crude palm oil

19% or ₱53.5M decrease in Prepayments and other current assets – due to the net effect of:

- **a.)** 8% or ₱8.5M 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 ₱19.3M decrease in creditable withholding taxes – as a result of utilization of creditable withholding taxes.
- **c.)** 56% or ₱28.8M decrease in input VAT - due to utilization of input VAT against output VAT
- **d.)** 3% or ₱0.8M increase in prepaid expenses – directly related to increase in prepaid expenses made by the group during the year
- **e.)** 30% or ₱2.8M increase in prepaid commission – directly related to increase pre-payments of commission to brokers and marketing agents
- **f.)** 7% or ₱0.3M decrease in other refundable deposits

47% or ₱76.3M decrease in Advances to a related party – this pertains to the settlement of related party transactions made during the year

₱233.2M 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 ₱156.7 million as a result of the net effect of the following:

29% or ₱41.0M increase in Non-current portion of receivables-net – due to the sale of four (4) new projects

100% or ₱457.0M decrease in Available-for-sale investments – this pertains to the new classification of equity financial instruments upon adoption of PFRS 9

₱168.6M 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 ₱159.1M 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 ₱66.2M decrease in Investment Properties – due to the effect of the transfer of land held for capitalization to real estate held for sale

2% or ₱*21.8M decrease in Property, Plant and Equipment* - net due to the net effect in:

a.) 5% or ₱4M decrease in Leasehold improvements – net due to depreciation
b.) 5% or ₱18M decrease in Bearer Plants – net due to depreciation and impairment of bearer plants-trees
c.) ₱4k decrease in RBD and Fractionation Machineries - net due to depreciation
d.) 15% or ₱1.7M 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
q) 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 ₱*16.3*M 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 (P288.8M)

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

- ***a.) 32% or ₱4.8M decrease in Cumulative re-measurement loss on retirement benefits*** – related to the actuarial valuation of retirement benefits obligation
- ***b.) 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 December 2018	Audited December 2017	Audited December 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	2197	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%	38,323	21%	**53%**	**47%**	45%
General, Administrative and Selling Expenses	**318,401**	253,654	178,596	64,748	26%	75,057	52%	**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	**0**	265,838	0	-265,838	-100%	265,838	0%	**0%**	**48%**	0%
Gain (loss) on sale of EIFVPL	**50,039**	-	-	50,039	0%	0	0%	**6%**	**0%**	0%
Unrealized gain (loss) on EIFVPL	**-**	-	-	0	0%	0	0%	**0%**	**0%**	1%
Unrealized forex	**14,705**	347	(71)	14,358	4133%	418	-589%	**2%**	**0%**	0%
Impairment loss	**(17,560)**	-	-	-17,560	0%	0	0%	**-2%**	**0%**	0%
Interest expense	**(84,031)**	(85,542)	(102,197)	1511	-2%	16655	-16%	**-10%**	**-16%**	-21%
Other income (expense) -net	**12,033**	18,906	104,847	-6,873	-36%	-85,941	-82%	**1%**	**3%**	22%
Other Income (Expense)	**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%
Cumulative translation adjustment	**(6,585)**	3,480	-	-10,065	-289%	3,480	0%			
Net change in fair value of EIFVOCI	**28,900**	(613,818)	273,458	642,718	-105%	-887,276	-324%			
Remeasurement gain (loss) on defined benefit plan-net of tax	**4,806**	(1,212)	9,669	6,018	125%	(10,881)	-113%			
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	-201.0%	-518,288	-251%			

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 **₱288.8 million** compared to a **₱299.6 million** net income of last year due to the net effect of the following:

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

a.) ***Increase in Real estate Sales by 50% or* ₱234.9*M*** **-** 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* ₱46.1*M* –** 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* ₱2.1*M-* –** 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* ₱2.3*M*–** 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 P40,000 in 2017 to P39,394 per metric ton in 2018

e.) ***Decrease in Palm Olein Sales- net by 52% or* ₱9.2*M* –** 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 **₱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* ₱2.2*M*** 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* ₱58.6*M 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* ₱12.8*M 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 P0.3M 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* ₱3.4*M 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* ₱0.2*M 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 decrease 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* ₱160.1*M 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 P252.1M, 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

₱50.0*M 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* ₱14.4*M increase in Unrealized foreign exchange gain (loss) – this pertains to the related to the foreign exchange translation

₱17.6*M 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 P1.6M – income from tapping fees due to increase turn-over of units; transfer fees and other water charges

Key Performance Indicators

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.
[1]*Current assets/Current liabilities*
[2]*Current liabilities/Stockholders' equity*
[3]*Total liabilities/Stockholders' equity*
[4]*Net income/Average Total assets*
[5]*Net income/ Average Stockholders' equity*

Material Event/s and Uncertainties

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

- Any known trends, demands, commitments, events or uncertainties that will have a material impact on its liquidity.
- Any material commitments for capital expenditures.
- 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.
- Any significant elements of income or loss that did not arise from the issuer's continuing operations.
- Any seasonal aspects that had a material effect on the financial condition or results of operations.
- Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation
- 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.

INDEPENDENT AUDITORS

The consolidated financial statements of the Company as at December 31, 2019 and 2020 and for the years ended December 31, 2018, 2019, and 2020 have been audited by SGV & Co, independent auditors, in accordance with Philippine Standards on Auditing as set forth in their report thereon appearing elsewhere in this Prospectus. The interim consolidated financial statements of the Company as at June 30, 2021 and for the six-month periods ended June 30, 2020 and 2021 have been reviewed by SGV & Co., independent auditors, in accordance with PSRE 2410, as set forth in their report thereon appearing elsewhere in this Prospectus.

The stockholders approve the appointment of the independent auditors of the Company. The Audit Committee reviews the audit scope and coverage, strategy and results for the approval of the Board of Directors and ensures that audit services rendered shall not impair or derogate the independence of the independent auditors or violate SEC regulations. Likewise, the Audit Committee evaluates and determines any non-audit work performed by independent auditors, including the fees therefor, and ensures that such work will not conflict with Independent Auditors' duties as such or threaten its independence.

The audit and audit-related fees cover professional services related to the performance of the audit or review of the Company's annual financial statements by the external auditor. The Audit Committee reviews and approves the audit and non-audit services rendered by the Company's independent auditors to ensure that the Company does not engage the independent auditors for certain non-audit services expressly prohibited by regulations of the SEC to be performed by an external auditor for its audit clients. The proposal of independent auditors for professional services was submitted to, and reviewed by, the Audit Committee which, in turn, is endorsed to the Board of Directors for approval.

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

External Audit Fees and Services

Aggregate fees billed for the calendar years 2020 and 2019 for the audit of financial statements:		
	2020	**2019**
Regular Annual Audit of Financial Statements (inclusive of VAT)	1,360,800	1,248,800
Audit fee of ABCI's ten (10) subsidiaries	920,640	892,640
TOTAL	**2,281,440**	**2,141,440**

The nature of services comprising the fees includes the following: audit in accordance with generally accepted auditing standards; 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; procedures designed to provide reasonable assurance of detecting errors and irregularities that are material to the financial statements; and audit and business advisory.

In 2020, the Company incurred fees for tax advisory on property acquisitions totaling to about ₱418,707.52.

There were no other fees paid to the independent auditors other than for the above-described services.

Changes in and Disagreements with Accountants

The Company has not had any changes in or disagreements with its independent accountants/auditors on any matter relating to financial or accounting disclosures.

No interest in the Company

There is no arrangement that any of the foregoing experts shall receive a direct or indirect interest in the Company or was a promoter, co-manager, voting trustee, director, officer, or employee of the Company.

LEGAL MATTERS

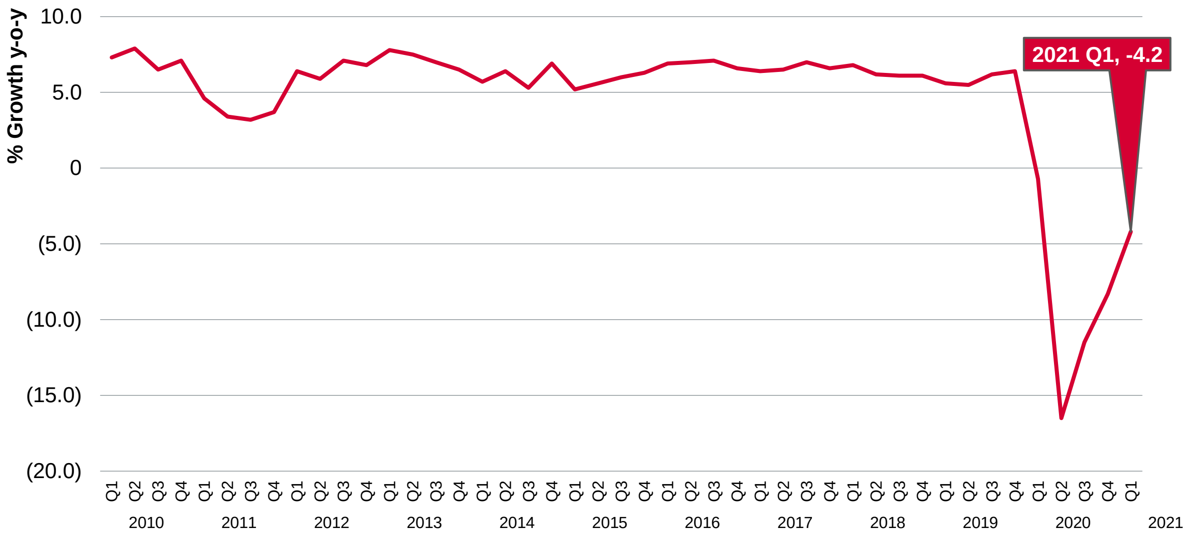
All legal opinions/matters in connection with the issuance of each Offer will be passed upon by Picazo Buyco Tan Fider & Santos ("**Picazo Law**") for the Company and Romulo Mabanta Buenaventura Sayoc & de los Angeles ("**Romulo Law**") for the Underwriters. Picazo Law and Romulo Law have no direct interest in the Company. None of the legal counsels will receive any direct or indirect interest in any of our securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

Picazo Law and Romulo Law may from time to time be engaged to advise in the transactions of the Company and perform legal services on the basis that Picazo Law and Romulo Law can provide such services to its other clients.

REAL ESTATE

Macroeconomic Overview

Figure 1. Philippine GDP Growth Rates

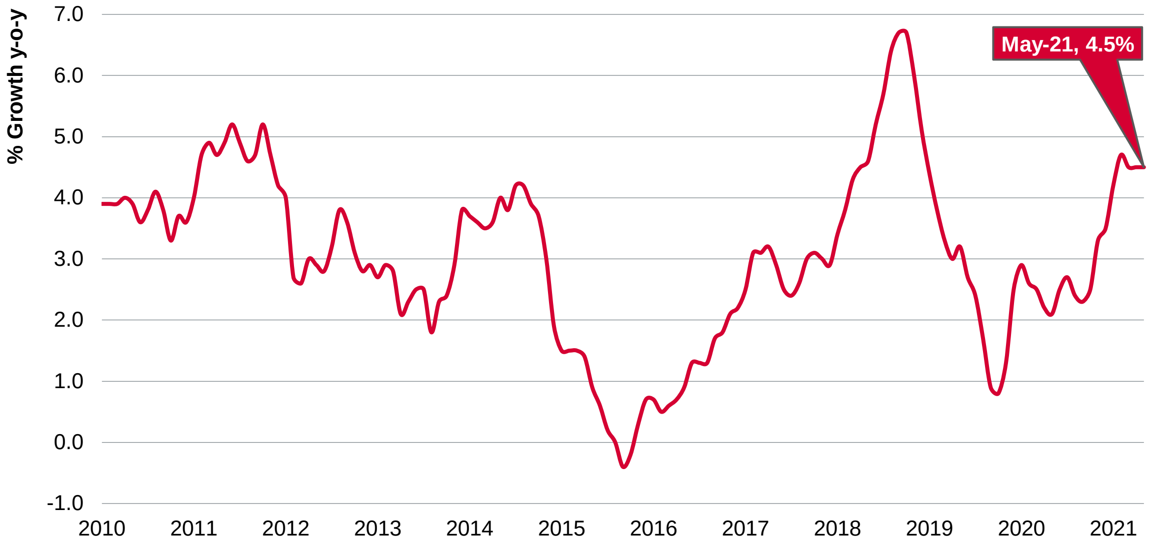


Source: Philippine Statistics Authority

The Philippine Gross Domestic Product (GDP) posted a decline of 4.2% in the first quarter of 2021 as quarantine restrictions and the lingering effects of COVID-19 pandemic continue to dampen the economic activity in the country. The contraction in the economic performance of the country was consistently recorded for five (5) straight quarters, marking the longest contraction since 1983 to 1985. On the other hand, the reported GDP for the first three months of the year appeared to show signs of slow recovery as it improved by 0.3% on a seasonally adjusted basis from fourth quarter of 2020.

The main contributors to the economic contraction were the sluggish performance of the Construction Industry and activities in relation to Real Estate Ownership & Dwellings which contracted by 24.2% and 13.2%, respectively. In addition, the contraction was also attributed to the decline in all major economic sectors of the country as Industry and Services sectors posted negative growth of 4.7% and 4.4% respectively. Meanwhile, Agriculture, Forestry, and Fishing (AFF) sector slightly declined by 1.2% as it was deemed to be the most essential sector due to its role of providing food security to the country amidst the global pandemic. The consumption-driven economy of the country declined due to the slower household spending of Filipinos as they prioritize their purchases on absolute essential needs. The Household Final Consumption Expenditure (HFCE) which accounts to ¾ of the country's GDP contracted at a slower pace of 4.8% in comparison to 7.3% during the fourth quarter of 2020.

Figure 2. Inflation Rate Estimates for the Philippines



Source: Bangko Sentral ng Pilipinas

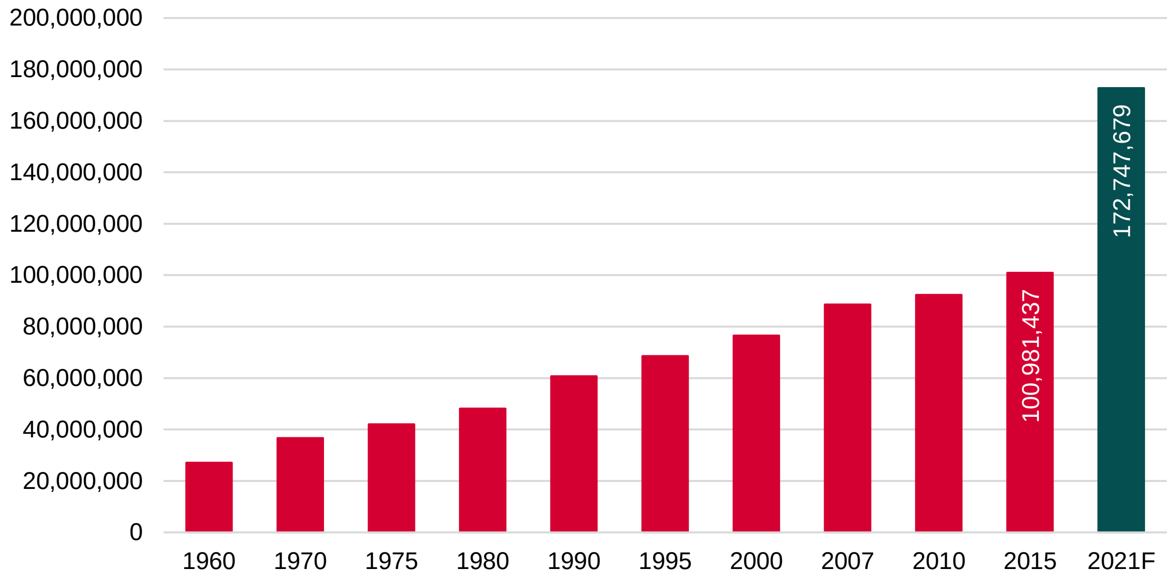
The country's headline inflation in May 2021 remained above the government's target at 4.5%. The recorded headline inflation remained constant for the third straight month since March 2021. In addition, the recorded inflation figure reportedly doubled from May 2020 in which headline inflation was at 2.1%. Overall average inflation from January to May 2021 was also recorded above the ideal target at 4.4%. The government's bid to retain inflation levels within 2% to 4% were not attained due to the increasing prices on meat, oil, and energy prices.

The increase in inflation rate was driven by the increased consumer spending as quarantine guidelines remained less stringent during the period. Consequently, annual growth rates for commodities such as clothing & footwear (1.7%), utilities (1.9%), house maintenance (2.5%), health (3.2%), and restaurants & miscellaneous (3.8%) grew at a faster pace in May 2021.

On the other hand, prices of food and non-alcoholic beverages grew at a slower pace at 4.6% as prices of rice, fruits, and vegetables decelerated due to the onset of harvest season, improved logistics, and arrival of imported rice in the market. However, inflation in the prices of meat remained unchanged at 22.1% due to the lingering effects of African Swine Fever (ASF) that heavily affected hog production in the country.

Inflation for non-food items marginally increased by 3.9% in May driven by the increased prices in petroleum fuel as global oil prices increased due to the pent-up demand for oil as countries reopen their economies. Similarly, housing and utilities also contributed to the increase brought about by the faster pace in rental and electricity payments.

Figure 3. Philippine Population Estimates



Source: Philippine Statistics Authority

According to the latest census released by the PSA, the total population count in 2015 was around 100.98 million. It was about 8.64 million higher than the count in 2010, and 24.47 million compared to2000. This translates to an annual population growth rate of 1.72% from 2010 to 2015.

Among the regions in the country, Region IV-A had the highest population in 2015 with 14.41 million. It was followed by the National Capital Region and Region III with 12.88 million and 11.22 million counts, respectively. On the other hand, the Cordillera Administrative Region had the lowest residents with 1.72 million individuals.

In terms of provinces, Cavite posted the highest population count with 3.68 million in 2015. It was followed by Bulacan, Laguna, Pangasinan, and Cebu with 3.29 million, 3.04 million, 2.96 million, and 2.94 million, respectively.

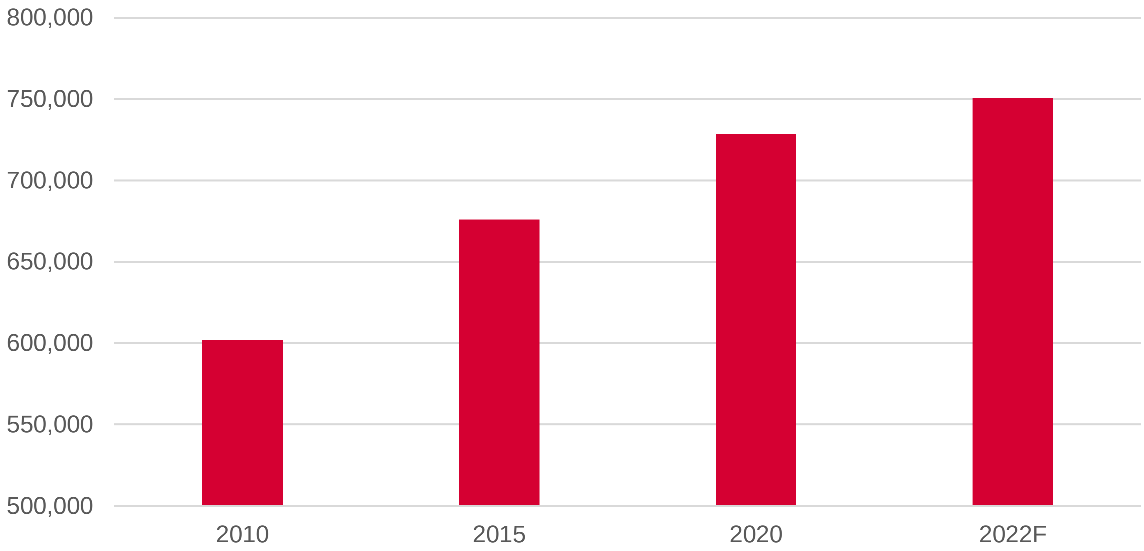
Four (4) highly urbanized cities (HUCs) in the Philippines were recorded to have more than one million population in 2015. These HUCs are the following: Quezon City with 2.94 million, the City of Manila with 1.78 million, Davao City with 1.63 million, and Caloocan City with 1.58 million.

Furthermore, the four (4) most populated municipalities in the country in 2015 are all located in Rizal province. These are the areas of Rodriguez, Cainta, Taytay, and Binangonan with a total population of 369,222, 332,128, 319,104, and 282,474, respectively.

Demographic Profile of CDO

Cagayan de Oro has benefitted from the advantages brought about by its strategic geographic location. The Macajalar Bay has given access sea access to the city, which was been maximized by various stakeholders in the locality. As a result, commercial activity has thrived in the area which was then accompanied by population growth, both organic and in-migration.

Figure 4. Historical Population in Cagayan de Oro



Source: Philippine Statistics Authority

In the previous year, about 728,000 residents were recorded in the locality. This equates to a 1.51% annual growth since 2015 when the population was estimated at 675,000. Assuming that this population trajectory holds in the coming years, then the total residents in the locality is estimated to reach 750,000 by the end of 2022.

Income and Expenditure

The average household income in the Northern Mindanao Region is estimated at about PhP250,000 per annum in 2018. This is on the upper mid-level as compared to other regions in the Mindanao Island. Davao Region is averaging at PhP268,000 per annum while the lowest recorded in the island is for ARMM which is at PhP161,000 per annum.

The income and expenditure levels in Northern Mindanao was seen growing at a stable rate in the recent years. Since 2015, income and expenditure grew registered an annual growth rate of 4.19% and 2.82%, respectively. If this trend holds in the future, then the forecasted levels for both variables would amount to PhP281,000 and PhP196,000 per annum, respectively.

Figure 5. Average Family Income & Expenditure in Northern Mindanao Region

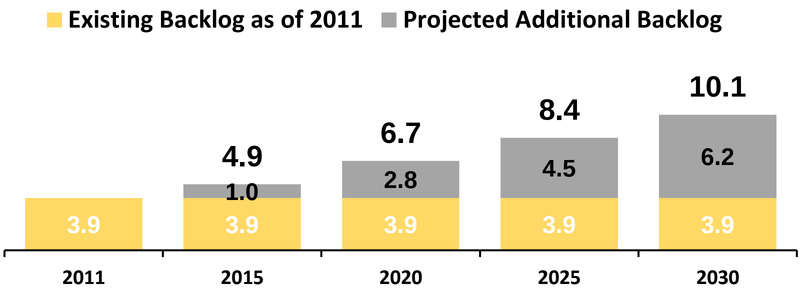
Source: Philippine Statistics Authority

A notable trend in the region is their heightened value of savings. Observably, the differential between income and spending is wide in the area. To be exact, this value is about 30.25%. Hence, the general population in the region is deemed to be thrifty as opposed to their neighboring regions in Mindanao which has an average savings of 25.5% of their average annual income.

REAL ESTATE

Residential Real Estate

Figure 6. Housing backlog in the Philippines (2011 to 2030)



Source: Subdivision & Housing Developers Association, Inc

The above graphical representation indicates that the demand of houses still far exceeds the supply, resulting in an existing backlog of almost four million houses. Further, it is expected that this would only increase as more and more of the population reaches the stage at which they will buy a house such that the total backlog is projected to reach over 10 million by 2030.

Table 1. Housing backlog in the Philippines by region from 2015 to 2018

Region	% Share (2015-2017)	% Share of Region to Total (2018-2022)
National Capital Region (NCR)	1.91%	2.07%
Cordillera Administrative Region (CAR)	1.44%	1.43%
I - Ilocos Region	4.61%	4.65%
II - Cagayan Valley	3.24%	3.31%
III - Central Luzon	6.24%	6.32%
IVA - CALABARZON	7.66%	7.92%
IVB - MIMAROPA	4.33%	4.33%
V - Bicol Region	7.98%	8.03%
VI - Western Visayas	9.11%	9.14%
VII - Central Visayas	9.76%	9.65%
VIII - Eastern Visayas	7.60%	7.36%
IX - Zamboanga Peninsula	6.03%	6.09%
X - Northern Mindanao	7.34%	7.14%
XI - Davao Region	5.19%	5.19%
XII - SOCCSKSARGEN	8.82%	8.52%
XIII - Caraga Region	3.90%	3.85%
BARMM	4.85%	5.01%
PH	100.00%	100.00%

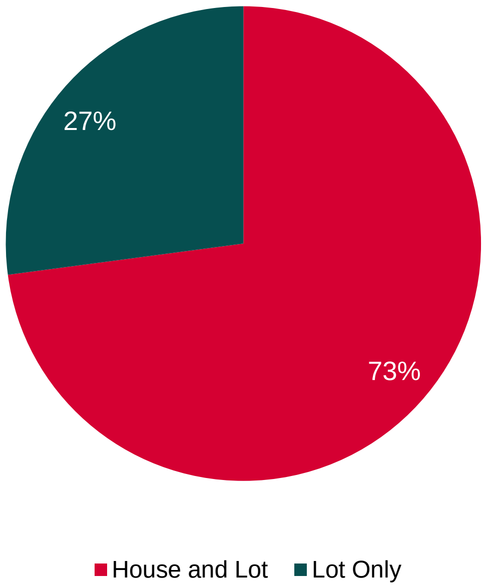
Source: Philippine Statistics Authority as cited by the Habitat for Humanity

Table 1 shows the location of the unserved market. It is apparent that the housing backlog is in the areas outside of the National Capital Region. Central Visayas, Western Visayas, and SOCCSKSARGEN registered the highest percentage share to the total at 9.65%, 9.14%, and 8.52%, respectively.

Residential Market Overview

Overall, there are 22,302 units currently marketing in Cagayan De Oro. Of which, 16,258 (73%) units are offered as House and Lots while the remaining 6,044 (27%) units are offered as Lots Only. Developers tend to earn better returns through the House and Lot projects due to the value added in the construction as well as the steadily rising property values in the area. This also ensures the likelihood that the houses in these projects will be occupied by its buyers. Developers that focus on offering Lot Only units typically have had their property in their landbank early on and have most likely gained from the increase in land values over time.

Figure 7. Supply Share of Subdivisions Per Classification



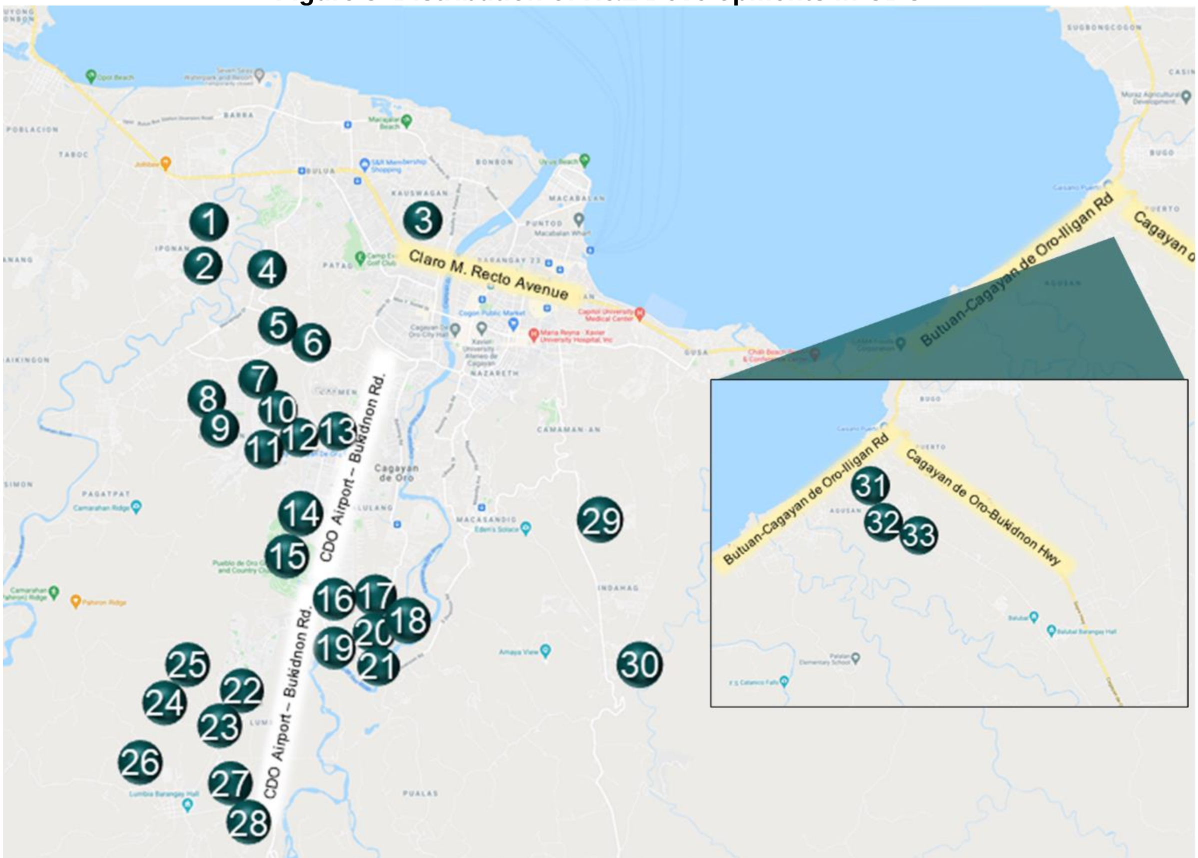
Source: Santos Knight Frank, Inc.

House and Lot Segment

There are 34 house and lot subdivision developments operating in Cagayan De Oro. Majority of which are concentrated around the Lumbia area of Cagayan De Oro including the townships introduced by key players such as Xavier Estates by A Brown Company, Pueblo De Oro, and Gran Europa by Vista Land. Dense developments like these would also consist of several phases within their communities which are launched at different timeframes.

The newest developments are found in Bulua-Canitoan at the northwestern portion of Cagayan De Oro. This particularly pertains to Intalio Estates which is a joint venture between Wee Community Developers Inc., Magnum Group of Companies, and Property Company of Friends, Inc. It was launched in May of 2021. During the same month, Amaia Land introduced an additional phase to its Amaia Scapes Bulua project.

Figure 8. Distribution of H&L Developments in CDO



House & Lot Projects					
1	Cambridge Subdivision	12	The Courtyards	23	Navona Subdivision
2	Bloomindale Subdivision	13	Pontefino Estates	24	Forever Homes
3	Santa Barbara Subdivision	14	Velmiro Uptown CDO	25	Familia Verde
4	Amaia Scapes Bulua	15	Pueblo de Oro Golf Estates	26	Tierra Nava Lumbia
5	Silver Creek	16	Montierra Subdivision	27	Justine Heights
6	Camella Cerritos CDO	17	Xavier Estates	28	Lumbia Heights
7	Bamboo Lane	18	Mountain View Homes	29	Bellavita CDO
8	Intalio Estates	19	Orchard District - Videre	30	Ecoverde Sierra
9	Westwoods Village	20	Adelaida Park Residences	31	Mangoville Subdivision
10	Forest View Homes	21	Saint Therese Subdivision	32	Velmiro Heights Teakwood
11	Bellevue Subdivision	22	Gran Europa	33	Ecoverde Kaiyo

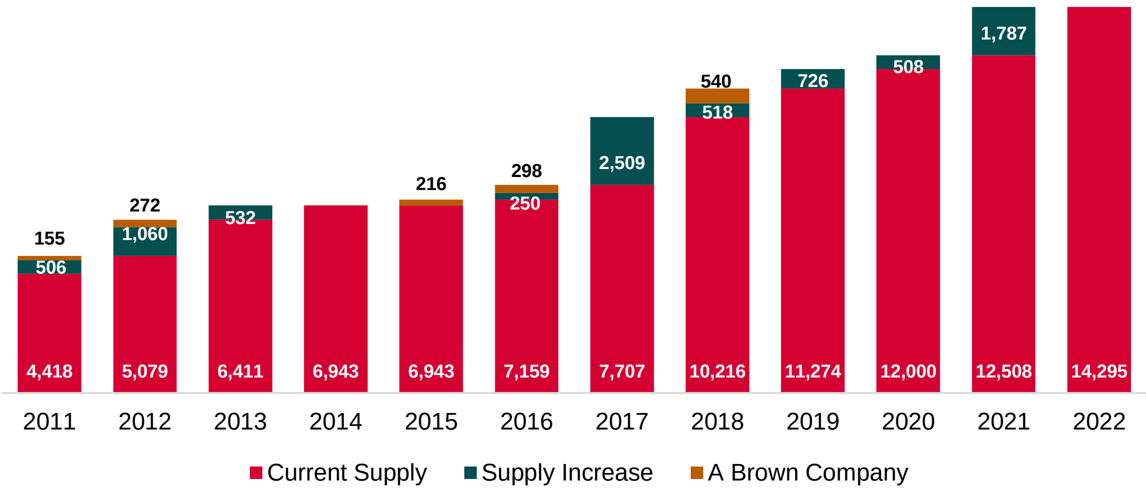
Source: Santos Knight Frank, Inc.

On the eastern portion of Cagayan De Oro, there are three (3) developments established in Barangay Agusan – Mangoville Subdivision, Velmiro Heights Teakwood, and Ecoverde Kaiyo. The latest of which is Velmiro Heights Teakwood from the Visayas-based developer Cebu Landmasters Inc. It launched last March 2021 offering more House and Lot units in the area.

Supply

Surprisingly, the ongoing COVID-19 pandemic has brought significant positive growth to the supply of the House and Lot market in Cagayan De Oro. Although the growth slowed down in 2020 to -30% (508 new units in 2020 from 726 new units in 2019), the market supply exponentially grew by an additional 252% as of July 2021. Some developers may have withheld the launch of their projects during the onset of the pandemic; however, the stable demand may have prompted them to push through by 2021.

Figure 9. Historical Supply Share of House and Lots

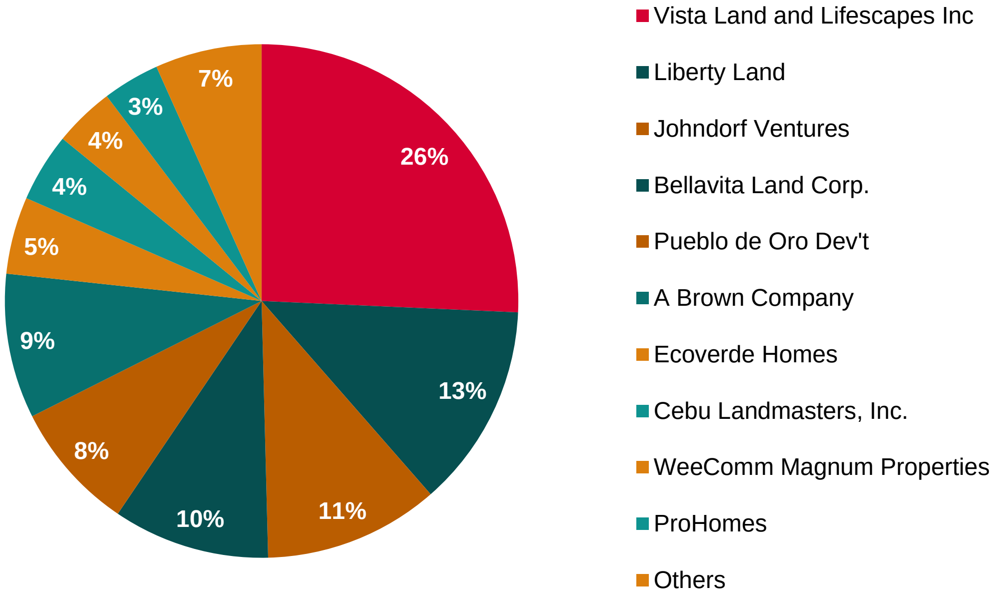


Source: Santos Knight Frank, Inc.

With the series of lockdowns and changing health protocols, the COVID-19 pandemic has altered the dynamics in the various markets and how consumers think. For the residential environments, developers may have observed a shift in market demand towards horizontal developments which have a less dense neighborhood and offers relatively more open spaces compared to vertical developments. The "proper social distancing protocol" has proven to be one of the more effective means of controlling the spread of the COVID-19 virus.

Vista Land and Lifescapes Inc. currently holds a quarter of the market supply with over 4,100 units floated in Cagayan De Oro. Their key project in the area is Gran Europa which is a community composed of numerous Vista Land subdivisions – Montaña Vista, Lessandra Heights, Lessandra Peak, and Bria Homes – just to name a few.

Figure 10. Supply Share of House and Lots Per Developer

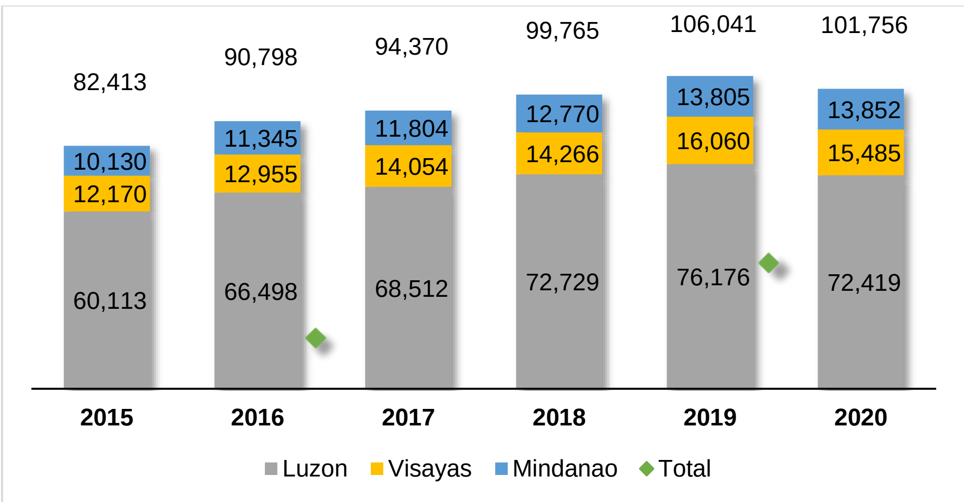


Source: Santos Knight Frank, Inc.

In terms of House and Lots offered, A Brown Company has floated over 1,200 units in Cagayan De Oro. It currently stands as the 6th among developers of house and lots in terms of market supply. Under the House and Lot segment, they have five (5) completed projects which consists of 941 units – Saint Therese Subdivision (155 units), Mountain View Homes Phase 1 (216 units), and 2 (83 units), Adelaida Park Residences (215 units) and Xavier Estates Ventura Residences (272 units). On the other hand, their ongoing developments consist of 540 units - Mangoville (235 units), Xavier Estates Ventura Residences 2 (55 units), and Ignatius Enclave (250 units). As earlier stated, this developer is already an established player in Cagayan De Oro with a massive land bank. Its primary focus is the Lot Only segment; however, they still have several projects in the pipeline which will further increase their market share in the house and lot segment.

ENERGY

Figure 11. Power Generation by Grid (in GWh)

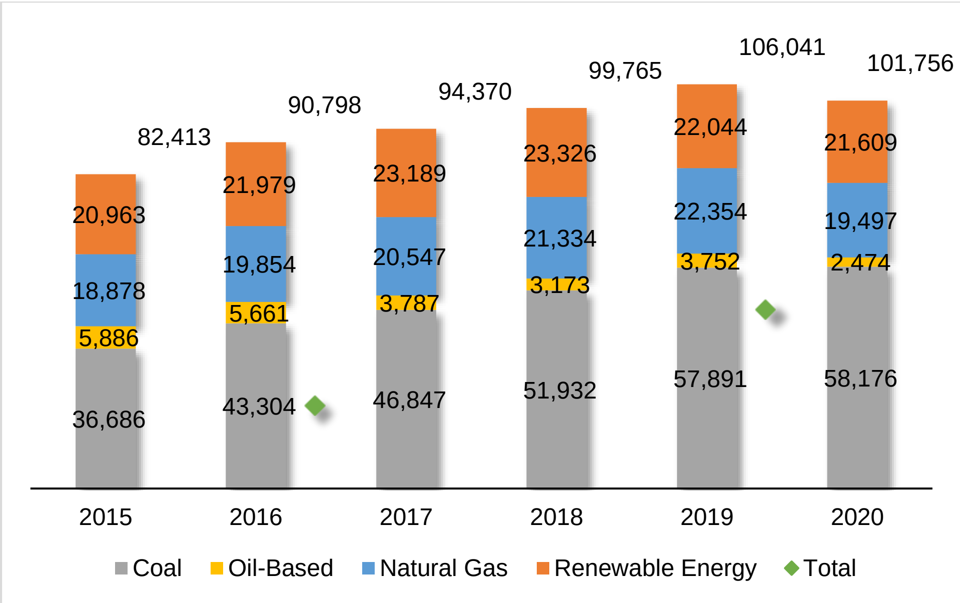


Source: Department of Energy

Since 2015, Luzon has taken up more than 70% of total power consumption in the country. According to Fitch Solutions, it expects power demand in the Philippines to continue increasing given the macroeconomic growth in the coming years. Also, the state-owned National Electrification Administration steers activity towards the goal of 100% electrification by 2022, primarily by providing loans, subsidies and technical support to cooperatives that serve less developed parts of the country. As of December 2019, the national electrification rate stood at 93%.

Work on the Visayas-Mindanao Interconnection Project was ongoing as of 3Q2020, with French company Nexans in the process of installing two 92-kilometer submarine cables to link the Visayas and Mindanao grids. The 100-million-Euro contract is for the manufacture, delivery, and installation of a 350-KV, high-voltage, direct current, submarine cable, which should bring the project into the final stage. However, this is still pending a decision on the precise location of the Mindanao substation.

Figure 12. Power Generation by Source (in GWh)



Source: Department of Energy

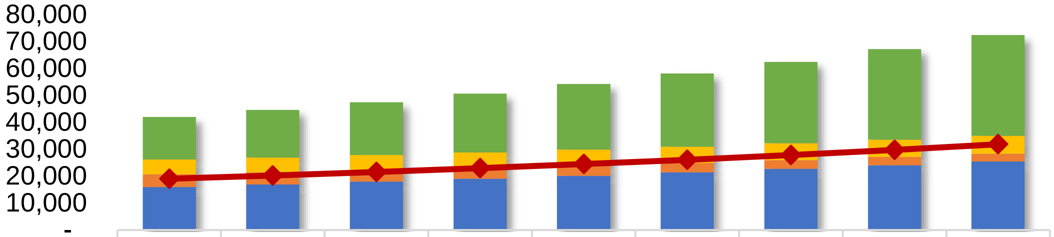
Energy consumption has been increasing until the start of the pandemic. Philippines' power consumption declined in 2020 as a result of slowdown in economic activity, where the country has seen one of the longest and strictest lockdowns. The pandemic is expected to still weigh heavily on the power and renewables sector in the Philippines in the near-term.

The DOE's Philippine Energy Plan 2018-2040 forecasts that energy demand will rise fourfold during this period, representing annual growth of about 5% and requiring 43,736 MW of additional power generation capacity. However, it is yet unclear how that extra power will be generated. It is likely that natural gas, coal and oil-based generation will satisfy most of the new demand, with coal providing the base load and more expensive natural gas bridging the gap during periods of higher use. The government must also strike a balance between fostering renewable energy generation and ensuring that the base load power for industry remains competitively priced.

Under Renewable Portfolio Standard rules promulgated in 2017, electricity producers are mandated to source or produce at least 35% of their electricity requirements through renewable means, in line with the Renewable Energy Act's stipulation that renewables account for 35% of capacity by 2030. The DOE's Green Energy Auction Program, launched in July 2020, sets the framework for independent power producers (IPPs) to acquire supply from renewable energy projects as the Philippines aims to rebalance the energy mix.

While the creation of a renewable energy market is a step in the right direction to sustainably fill demand, oil and gas projects will continue to play a significant role in the country for the foreseeable future.

Figure 13. Philippine Energy Supply and Demand Forecast (in MW)



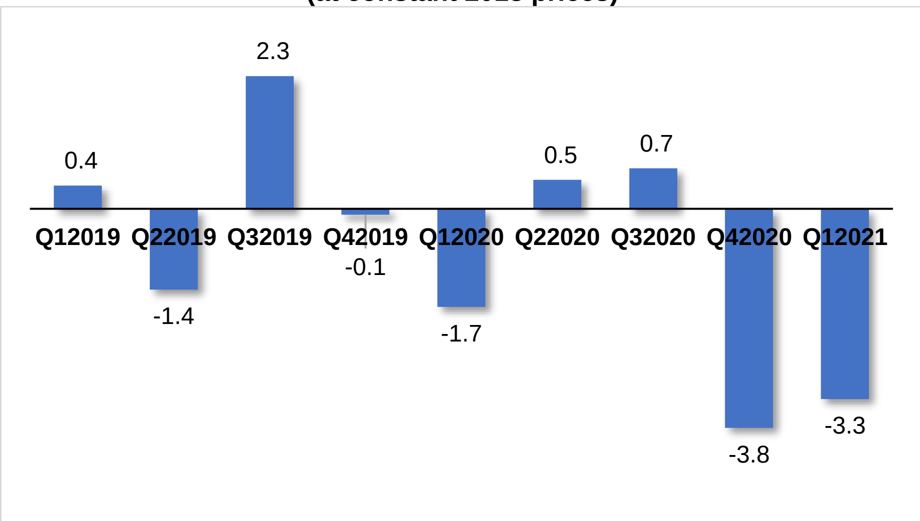
	2022	2023	2024	2025	2026	2027	2028	2029	2030
Renewables	15,870	17,673	19,679	21,913	24,400	27,170	30,254	33,689	37,513
Natural Gas	5,436	5,569	5,706	5,846	5,990	6,137	6,287	6,441	6,600
Oil Based	4,749	4,454	4,179	3,920	3,677	3,449	3,236	3,036	2,847
Coal	15,967	16,929	17,949	19,031	20,179	21,394	22,683	24,050	25,500
Peak Demand	19,044	20,247	21,548	22,951	24,467	26,106	27,874	29,784	31,851

Source: Department of Energy

Figure 13 shows the supply and demand forecast until 2030. The country's peak demand increased by almost twice from 42,021 MW in 2022 to 72,460 MW in 2030. While it is projected that coal will still have major contribution in the succeeding years, it can be noted that supply for renewables shall eventually take up most of the supply. This, and other sources of power that includes oil based and natural gas, will complement the increasing peak demand in the coming years.

AGRIBUSINESS

Figure 14. Y-o-y quarterly growth rate of the Philippine Production in Agriculture (at constant 2018 prices)



Source: Philippine Statistics Authority

Since the outbreak of COVID-19 pandemic last year, the Philippines has produced fewer livestock and poultry since the fourth quarter of 2020, after being the bright spot as of 3Q2020. Philippine agricultural output fell as the sector battles ASF and COVID-19 pandemic, in addition to the series of typhoons happened in the last quarter of 2020. The DA has expected the poor performance of the hog industry, which is the major contributor for livestock, as efforts to contain the ASF and repopulate ASF-free areas are yet to bear fruits.

According to DA Secretary William Dar, they will continue to implement the Plant, Plant, Plant program that is mainly focused on increasing the country's basic food commodities like rice, corn, vegetables, livestock, poultry, and fisheries.

Moreover, he added that the DA aims for a 2.5% growth in 2021, and they are confident of achieving this target for the year as it moves to fund programs for much needed sectors such as rice paddy harvesting, hog, and poultry raising.

REGULATIONS

The statements herein are based on the laws in force as of the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the regulatory and environmental considerations that may be relevant to the Company or the Offer.

GENERAL BUSINESS REGULATORY FRAMEWORK

Revised Corporation Code

Republic Act No. 11232, also known as the Revised Corporation Code, was signed into law on February 20, 2019 and took effect on February 23, 2019. Among the salient features of the Revised Corporation Code are as follows:

- Corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Revised Corporation Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the Philippine SEC that it elects to retain its specific corporate term under its current Articles of Incorporation.

- A corporation vested with public interest must submit to its shareholders and to the Philippine SEC an annual report of the total compensation of each of its directors or trustees, and a director or trustee appraisal or performance report and the standards or criteria used to assess each director, or trustee.

- Banks, quasi-banks, pawnshops, non-stock savings and loan associations, and corporations engaged in money service business, preneed trust and insurance companies, and other financial required, must have at least 20% independent directors in the Board, in accordance with the Securities and Regulation Code The Philippines is party to the United Nations Convention on Recognition and Enforcement of Foreign Arbitral Awards, though it is not party to any international treaty relating to the recognition or enforcement of foreign judgments. Nevertheless, a judgment or final order of a foreign court is, through the institution of an independent action brought in accordance with the relevant procedures set forth in the Rules of Court of the Philippines to enforce such judgment. This requirement also applies to other corporations engaged in businesses imbued with public interest, as may be determined by the Philippine SEC.

- The Revised Corporation Code allows the creation of a “One Person Corporation”. However, it expressly prohibits banks and quasi-banks, preneed, trust, insurance, public and publicly-listed companies, among others, from being incorporated as such. This restriction also applies with respect incorporations as Close Corporation.

- Material contracts between the Corporation and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least two-thirds (2/3) of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same.

- The right of stockholders to vote in the election of directors or trustees, or in shareholders meetings, may now be done through remote communication or in absentia if authorized by the corporate by-laws. However, as to corporations vested with public interest, these votes are deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or in absentia are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or in absentia, the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option.

- As to the filing of the by-laws and any amendments made to the by-laws of any bank, banking institution, building and loan association, trust company, insurance company, public utility, and other corporations governed by special laws, the Revised Corporation Code requires that a prior certificate of the appropriate government agency to the effect that such bylaws or amendments are in accordance with law, must be submitted.

- A favourable recommendation by the appropriate government agency is likewise required for banks or banking institutions, building and loan associations, trust companies, insurance companies, public utilities, and other corporations governed by special laws, before the Philippine SEC approves any merger or consolidation; or any voluntary dissolution.

- In case of transfer of shares of listed companies, the Philippine SEC may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the Philippine SEC.

The Revised Corporation Code refers to the Philippine Competition Act in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring creating or increasing bonded indebtedness; or mergers or consolidations covered by the Philippine Competition Act thresholds.

The Philippine Competition Act

Republic Act No. 10667, otherwise known as the Philippine Competition Act, was signed into law on July 21, 2015 and took effect on August 8, 2015. This Act aims to codify anti-trust laws in the Philippines and it provides the competition framework in the country. The Philippine Competition Act was enacted to provide free and fair competition in trade, industry, and all commercial economic activities.

To implement its objectives, the Philippine Competition Act provides for the creation of a Philippine Competition Commission ("**PCC**"), an independent quasi-judicial agency to be composed of five commissioners. Among the PCC's powers are to: conduct investigations, issue subpoenas, conduct administrative proceedings, and impose administrative fines and penalties. To conduct a search and seizure, the PCC must apply for a warrant with the relevant court.

The Philippine Competition Act prohibits anti-competitive agreements between or among competitions, and mergers and acquisitions which have the object or effect of substantially preventing, restricting, or lessening competition. It also prohibits practices which involve abuse of dominant position, such as selling goods or services below cost to drive out competition, imposing barriers to entry or prevent competitors from growing, and setting prices or terms that discriminate unreasonably between customers or sellers or the same goods, subject to exceptions.

The Philippine Competition Act also introduces the pre-notification regime for mergers and acquisitions, which requires covered transactions to be notified to the PCC for its approval.

On June 3, 2016, the PCC issued the implementing rules and regulations of the Philippine Competition Act ("**IRR**"). Under the IRR, as a general rule, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of the acquiring or the acquired entities exceed ₱1.0 billion; (Size of Party) and (b) the value of the transaction exceeds ₱1.0 billion, as determined in the IRR (Size of Transaction); while Parties to a joint venture transaction shall also be subject to the notification requirement if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱1.0 billion, or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱1.0 billion.

The PCC also has released its "Guidelines on the Computation of Merger Notification Thresholds", providing the method for calculation of the aggregate value of assets and gross revenues from sales for the purposes of determining whether a proposed merger or acquisition is notifiable to the PCC.

On March 1, 2018, the PCC issued Memorandum Circular No. 18-001, which adjusted the thresholds for the compulsory notification of mergers and acquisitions from ₱1 billion for both the Size of Person and Size of Transaction tests to ₱5 billion for the Size of Person and ₱2 billion for the Size of Transaction as defined in the Implementing Rules and Regulations. In addition, parties to a joint venture transaction shall be subject to the notification requirement if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2 billion; or (b) the gross revenues generated in the Philippines by the assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2 billion.

The same memorandum circular also provided that unless otherwise modified or repealed by the Commission, the thresholds set out in Rule 4, Section 3 of the Implementing Rules and Regulations, as amended, shall be automatically adjusted commencing on March 1, 2019 and on March 1st of every succeeding year, using as index the Philippine Statistics Authority's official estimate of the nominal Gross Domestic Product ("**GDP**") growth of the previous calendar year rounded up to the nearest hundred millions. The annual nominal GDP from 2017 to 2018 grew by 10.2%.

Based on the nominal GDP growth, in a PCC resolution issued on February 11, 2020 the PCC adjusted the notification thresholds as follows:

Adjusted Thresholds to be Implemented		
Test	**Old Threshold (2019)**	**New Threshold (effective March 1, 2020)**
Size of Person Test	₱5.6 billion	₱6 billion
Size of Transaction Test	₱2.2 billion	₱2.4 billion

This means that the value of the assets or revenues of the Ultimate Parent Entity ("**UPE**") of at least one of the parties must exceed ₱6 billion instead of ₱5.6 billion. The UPE is the entity that, directly or indirectly, controls a party to the transaction, and is not controlled by any other entity. In addition, the value of the assets or revenues of the acquired entity must exceed ₱2.4 billion instead of ₱2.2 billion. Both thresholds must be breached in order for the compulsory notification requirement to apply. As to joint venture transactions, notification is mandatory if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2.4 billion; or (b) the gross revenues generated in the Philippines by the assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2.4 billion. The new thresholds will not apply to (a) transactions already pending review with the PCC, (b) notifiable transactions consummated before March 1, 2020, and (c) transactions already decided by the PCC.

Violations of the Philippine Competition Act and its IRR carry administrative and criminal penalties. A transaction that meets the thresholds and does not comply with the notification requirements and waiting periods shall be considered void and will subject the parties to an administrative fine of 1 to 5% of the value of the transaction. Criminal penalties for entities that enter into these defined anti-competitive agreements include: (i) a fine of not less than ₱50.0 million but not more than ₱250.0 million; and (ii) imprisonment for two to seven years for directors and management personnel who knowingly and wilfully participate in such criminal offenses. Administrative fines of ₱100.0 million to ₱250.0 million may be imposed on entities found violating prohibitions against anti-competitive agreements and abuse of dominant position. Treble damages may be imposed by the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

On September 15, 2017, the PCC published the 2017 Rules of Procedure ("**Rules**") which apply to investigations, hearings, and proceedings of the PCC, except to matters involving mergers and acquisitions unless otherwise provided. It prescribes procedures for fact-finding or preliminary inquiry and full administrative investigations by the PCC. The Rules also include non-adversarial remedies such as the issuance of binding rulings, show cause orders, and consent orders.

On September 10, 2019, the Supreme Court of the Philippines approved the Rules on Administrative Search and Inspection under the Philippine Competition Act. The rules govern the application, issuance, and enforcement of inspection orders for administrative investigations of alleged violations of the Philippine Competition Act. Inspection orders will allow the PCC and its deputized agents to enter, search and inspect business premises, offices, land and vehicles to examine, copy, photograph, record or print information in order to prevent their removal, concealment, tampering with or destruction.

On September 11, 2020, in response to the COVID-19 pandemic, President Rodrigo Duterte signed into law Republic Act No. 11494, otherwise known as the “Bayanihan to Recover as One Act” which became effective on September 15, 2020. Under the Bayanihan to Recover as One Act, all mergers and acquisitions entered into within a period of two (2) years from its effectivity, with transaction values below ₱50 billion shall be exempt from compulsory notification under the PCA. In addition, the PCC’s power to review mergers and acquisitions motu proprio shall be suspended for one (1) year from effectivity of the Bayanihan to Recover as One Act. The PCC issued Memorandum Circular No. 20-003 reiterating the foregoing exemptions and clarified that mergers and acquisitions entered into prior to the Bayanihan to Recover as One Act which exceed the following thresholds: (a) Size of Party exceeds ₱6.0 billion; and (b) Size of Transaction exceeds ₱2.4 billion, are still subject to compulsory notification under the PCA, and all mergers and acquisitions entered into prior to the effectivity of the Bayanihan to Recover as One Act may still be subject to the motu proprio review of the PCC. On October 5, 2020, the PCC issued the Rules for the Implementation of Section 4 (eee) of Republic Act No. 11494, Otherwise Known as the “Bayanihan to Recover as One Act”, Relating to the Review of Mergers and Acquisitions.

Data Privacy Act of 2012

Republic Act No. 10173, or the Data Privacy Act, protects all forms of information, be it private, personal, or sensitive. It applies to any natural or juridical persons involved in processing of information (which refers to any operation or any set of operations performed upon personal data including, but not limited to, the collection, recording, organisation, storage, updating or modification, retrieval, consultation, use, consolidation, blocking, erasure or destruction of data), whether in the government or private sector, and whether in or outside the Philippines.

The law defines **personal information** as any information whether recorded in a material form or not, from which the identity of an individual is apparent or can be reasonably and directly ascertained by the entity holding the information, or when put together with other information would directly and certainly identify an individual. On the other hand, sensitive personal information refers to personal information:

(a) About an individual’s race, ethnic origin, marital status, age, colour, and religious, philosophical or political affiliations;

(b) About an individual’s health, education, genetic or sexual life or a person, or to any proceeding for any offence committed or alleged to have been committed by such person, the disposal of such proceedings, or the sentence of any court in such proceedings;

(c) Issued by government agencies peculiar to an individual which includes, but not limited to, social security numbers, previous or current health records, licences or its denials, suspension or revocation, and tax returns; and

(d) Specifically established by an executive order or an act of the Philippine Congress to be kept classified.

In general, the processing of sensitive personal information and privileged information is prohibited except where: (1) the data subject has given his or her consent, specific to the purpose prior to the processing, or in the case of privileged information, all parties to the exchange have given their consent prior to processing; (2) the processing is provided for by existing laws and regulations; (3) the processing is necessary to protect the life and health of the data subject or another person, and the data subject is not able to give consent; (4) the processing is carried out for limited non-commercial purposes by public organisations and their associations; (5) the processing is necessary for purposes of medical treatment, is carried out by a medical practitioner or a medical treatment institution, and an adequate level of protection of personal information is ensured; or (6) the processing is necessary for court proceedings or legal claims, or is provided to the government or a public authority.

Under the Data Privacy Act, the appointment of a Data Protection Officer (**DPO**) is a legal requirement for all personal information controllers (**PICs**) and personal information processors (**PIPs**). The DPO is accountable for ensuring the company's compliance with all data privacy and security laws and regulations.

A PIC may be a natural or juridical person who exercises control over the processing of personal data and furnishes instructions to another person or entity to process personal data on its behalf. A PIP on the other hand, refers to a person or body instructed or outsourced by a PIC to engage in the processing of the personal data of a data subject.
The PIC or PIP that employs fewer than 250 persons shall not be required to register unless the processing it carries out is likely to pose a risk to the rights and freedoms of data subjects, the processing is not occasional, or the processing includes sensitive personal information of at least 1,000 individuals.

REGULATIONS RELATING TO THE REAL ESTATE BUSINESS

Land Ownership Regulations

The Philippine Constitution and related statutes set forth restrictions on foreign ownership of owning land in the Philippines. Article XII, Section 7 of the Philippine Constitution, in relation to Article XII, Section 2 of the Philippine Constitution, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organised under the laws of the Philippines at least 60 per cent of whose capital is owned by such citizens.

Real Estate Development in the Philippines

PD 957, Batas Pambansa Bilang 220 ("**BP 220**"), RA 4726 and RA 7279 are the principal statutes which regulate the development and sale of real property as part of a condominium project or subdivision. PD 957, BP 220, RA 4726 and RA 7279 cover subdivision projects for residential, commercial, industrial or recreational purposes and condominium projects for residential or commercial purposes.

On February 14, 2019, Republic Act No. 11201, otherwise known as "Department of Human Settlements and Urban Development Act" was signed into law by the President. Consequently, the Implementing Rules and Regulations of the Act was approved on July 19, 2019. The Housing and Urban Development Coordinating Council ("**HUDCC**") and the Housing and Land Use Regulatory Board ("**HLURB**") were consolidated to create the Department of Human Settlements and Urban Development ("**DHSUD**"). Simultaneously, the HLURB was reconstituted into the Human Settlement Adjudication Commission ("**HSAC**"). The functions of the HUDCC and the planning and regulatory functions of HLURB were transferred to and consolidated in the DHSUD, while the HSAC shall assume and continue to perform the adjudication functions of HLURB. Now, DHSUD is the administrative agency of the Government which, together with local government units ("**LGUs**"), enforces these decrees and has jurisdiction to regulate the real estate trade and business.

All subdivision and condominium plans for residential, commercial, industrial and other development projects are required to be filed with and approved by the DHSUD and the relevant LGU of the area where the project is situated. Approval of such plans is conditional on, among other things, the developer's financial, technical and administrative capabilities. Alterations of approved plans which affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the relevant government body or agency.

The development of subdivision and condominium projects can commence only after the relevant government body has issued the required development permit. The issuance of a development permit is dependent on, among other things: (i) compliance with required project standards and technical requirements which may differ depending on the nature of the project and (ii) issuance of the barangay clearance, the locational clearance, DENR permits and DAR conversion or exemption orders, as discussed below.

Further, all subdivision plans and condominium project plans are required to be filed with and approved by the DHSUD. Approval of such plans is conditional on, among other things, the developer's financial, technical and administrative capabilities. Alterations of approved plans which affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the DHSUD and the written conformity or consent of the duly organized homeowners' association, or in the absence of the latter, by the majority of the lot buyers in the subdivision. Owners of, or dealers in, real estate projects are required to obtain licenses to sell before making sales or other dispositions of lots or real estate projects. Dealers, brokers and salesmen are also required to register with the DHSUD.

Project permits and licenses to sell may be suspended, cancelled or revoked by the DHSUD, by itself or upon a verified complaint from an interested party, for reasons such as involvement in fraudulent transactions, misrepresentation about the subdivision project or condominium project in any literature which has been distributed to prospective buyer. A license or permit to sell may only be suspended, cancelled or revoked after a notice to the developer has been served and all parties have been given an opportunity to be heard in compliance with the HSAC's rules of procedure and other applicable laws.

Subdivision or condominium units may be sold or offered for sale only after a license to sell has been issued by the DHSUD. The license to sell may be issued only against a performance bond posted to guarantee the completion of the construction and maintenance of the roads, gutters, drainage, sewerage, water system, lighting systems, and full development of the subdivision or condominium project and compliance by the owner or dealer with the applicable laws and regulations.

Real estate dealers, brokers and salesmen are also required to register and secure a certificate of registration with the DHSUD before they can sell lots or units in a registered subdivision or condominium project. The certificate of registration will expire on the first day of December of each year.

There are essentially two (2) different types of residential subdivision developments, which are distinguished by different development standards issued by the DHSUD. The first type of subdivision, aimed at low-cost housing, must comply with BP 220, a Philippine statute regulating the development and sale of real property as part of a condominium project or subdivision, which allows for a higher density of building and relaxes some construction standards. Other subdivisions must comply with PD 957, which sets out standards for lower density developments. Both types of development must comply with standards regarding the suitability of the site, road access, necessary community facilities, open spaces, water supply, the sewage disposal system, electrical supply, lot sizes, the length of the housing blocks and house construction.

Under current regulations, a developer of a residential subdivision, with an area of one hectare or more and covered by P.D. 957, is required to reserve at least 30% of the gross land area of such subdivision, which shall be non- saleable, for open space for common uses, which include roads, parks, playgrounds and recreational facilities.

Further, RA 7279 requires developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least 15% of the total subdivision area or total subdivision project cost, or total subdivision project cost and at least 5% of condominium area or project cost, at the option of the developer, within the same city or municipality, whenever feasible, and in accordance with the standards set by the DHSUD and other existing laws. To comply with this requirement, the developers may choose to develop for socialized housing an area equal to 15% of the total area of the main subdivision project or allocate and invest an amount equal to 15% of the main subdivision total project cost, which shall include the cost of the land and its development as well as the cost of housing structures therein, in development of a new settlement through purchase of socialized housing bonds, participation in a community mortgage programme, the undertaking of joint-venture projects and the building of a large socialized housing project to build a credit balance.

Under the current Investment Priorities Plan issued by the Board of Investments, mass housing projects are eligible for government incentives subject to certain policies and guidelines.

The Company has benefited from providing low-income housing or projects of such types which are financially assisted by the Government. These policies and programs may be modified or discontinued in the future. The Government may also adopt regulations which may have the effect of increasing the cost of doing business for real estate developers. Under current law, income derived by domestic corporations from the development and sale of socialized housing which currently, among other things, must have a basic selling price of no more than ₱400,000.00, is exempt from project related income taxes. Sale of residential lots with a gross selling price of ₱1,919,500 or less, or residential houses lots and other residential dwellings with a gross selling price of ₱3,199,200 or less, where the instrument of sale, transfer, disposition was executed and notarized on or after January 1, 2012 are exempt from VAT. However, for instruments of sales executed and notarized on or after November 1, 2005 but prior to January 1, 2012, the threshold amounts are ₱l.5 million and ₱2.5 million, respectively, and excess thereof is subject to 10% output VAT, and starting February 1, 2006, to 12% output VAT. Sale, transfer or disposal of two (2) or more adjacent residential lots or dwellings by the same seller to the same buyer within a 12-month period, even if covered by separate titles or tax declarations, will be considered as one residential area for purposes of computing the threshold levels for VAT purposes. Under the 2011 and 2012 Investment Priorities Plan issued by the BOI and approved by the President on July 5, 2011 and June 13, 2012, respectively, mass housing projects including development and fabrication of housing components, are eligible for government incentives subject to certain policies and guidelines. In the future, since the sale of socialized housing units comprise a portion of homes sold by the Company, any changes in the tax treatment of income derived from the sale of socialized housing units may affect the effective rate of taxation of the Company.

EO 45 prescribes specific period for a government agency and the LGUs to act on application for certifications, clearances and permits for housing projects. It also provides an option for the applicant-developer where the government agency or LGU refuses or fails to dispose an application for said housing permit, in which case an affidavit may be submitted with supporting technical studies and documents, in lieu of the certification, clearance or permit.

Real Estate Sales on Installments

The provisions of Republic Act No. 6552, or the Maceda Law, apply to all transactions or contracts involving the sale or financing of real estate on instalment payments (including residential condominium units but excluding industrial lots and commercial buildings and sales to tenants under RA 3844). Under the provisions of the Maceda Law, where a buyer of real estate has paid at least two (2) years of instalments, the buyer is entitled to the following rights in case of a default in the payment of succeeding instalments:

- To pay, without additional interest, the unpaid instalments due within the total grace period earned by him, which is fixed at the rate of one month for every one year of instalment payments made. However, this right may be exercised by the buyer only once every five (5) years during the term of the contract and its extensions, if any.

- If the contract is cancelled, the seller shall refund to the buyer the cash surrender value of the payments on the property equivalent to 50% of the total payments made, and in cases where five (5) years of instalments have been paid, an additional 5% every year (but with a total not to exceed 90% of the total payments). However, the actual cancellation of the contract shall take place after thirty (30) days from receipt by the buyer of the notice of cancellation or the demand for rescission of the contract by a notarial act and upon full payment of the cash surrender value to the buyer.

The computation of the total number of installment payments made includes down payments, deposits, or options on the contract.

In the event that the buyer has paid less than two (2) years of installments, the seller shall give the buyer a grace period of not less than 60 days from the date the installment became due. If the buyer fails to pay the installments due at the expiration of the grace period, the seller may cancel the contract after 30 days from receipt by the buyer of the notice of cancellation or the demand for rescission of the contract by a notarial act.

Notably, the buyer has the right to sell or assign his or her rights to another person or to reinstate the contract by updating the account during the grace period and before actual cancellation of the contract. The deed of sale or assignment shall be done by notarial act.

Zoning and Land Use

Land use may be also limited by zoning ordinances enacted by LGUs. Once enacted, land use may be restricted in accordance with a comprehensive land use plan approved by the relevant LGU. Lands may be classified under zoning ordinances as commercial, industrial, residential or agricultural. While a procedure for change of allowed land use is available, this process may be lengthy and cumbersome.

Under the agrarian reform law currently in effect in the Philippines and the regulations issued thereunder by the DAR, land classified for agricultural purposes as of or after June 15, 1988, cannot be converted to non- agricultural use without the prior approval of DAR.

Philippine Financial Reporting Standards

On August 15, 2017, the Commission approved the adoption of the Philippine Financial Reporting Standards (PFRS) No. 15, *Revenue from Contracts with Customers*, effective for annual reporting periods beginning on or after January 1, 2018, as part of its financial reporting rules. PFRS No. 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle is that an entity recognizes revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

On January 31, 2018 and June 27, 2018, respectively, the Philippine Interpretation Committee (PIC) issued PIC Q&A 2018-12-H, *Accounting for Common Usage Area Service (CUSA) Charges,* and PIC Q&A 2018-14, *Accounting for Cancellation of Real Estate Sales*.

PIC Q&A 2018-12-H (Accounting for Common Usage Area Service (CUSA) Charges) discussed as to whether the real estate developer acts as a principal or customer in goods and services that it delivers based on contract of lease with the tenants. Based on the contract of lease, the real estate developer bills and charges the tenant for electricity, water, air conditioning, and common use service area (CUSA) expenses every month. The real estate developer may shut off all utilities to the premises occupied by the tenant/customer at any time if they have failed to pay the outstanding bills due to the real estate developer.

If a contract with a customer includes more than one specified good or service, an entity could be a principal for some specified goods or services and an agent for others. In this case, the real estate developer, being the assigned administrator of the building is the agent who coordinates with utility companies to ensure that tenants have access to utilities. For common use service area (CUSA) expenses and air conditioning charges, the real estate developer is the principal and the party responsible to provide the necessary services to the CUSA and to provide proper ventilation and air conditioning to the leased premises.

On the other hand, PIC Q&A 2018-14 (Accounting for Cancellation of Real Estate Sales) discussed two (2) approaches as to how real estate developers should account for the sales cancellation and repossession of the property. The first approach recognizes the repossessed property at its fair value less cost to repossess. The second approach recognizes the repossessed property at its fair value plus repossession cost.

In a meeting held by the Securities and Exchange Commission *en banc* on February 7, 2019, the Committee decided to provide relief to the real estate industry by deferring the application of the provisions of PIC Q&A Nos. 2018-12 (H) and 2018-14 for a period of three (3) years.

During this period of deferral, land will be allowed to be included in the percentage of completion (POC) calculation only at historical acquisition cost. Uninstalled materials shall be included in the calculation of the POC based on the proportionate work accomplishment of significant building components procured which are specifically and directly identifiable to the project, as long as covered by contracts, purchase orders and partially paid for.

A real estate company may opt not to avail of any of the relief provided above and instead comply in full with the requirements of PIC Q&A Nos. 2018-12-H and 2018-14. Real estate companies which opted for the deferral shall be required to disclose in the Notes to the Financial Statements the accounting policies applied, a discussion of the deferral of the subject implementation issues in the PIC Q&A and a qualitative discussion of the impact in the financial statements had the concerned application guideline in the PIC Q&A been adopted. The above relief shall form part of the PFRS for the purpose of preparing and filing general-purpose financial statements with the Commission.

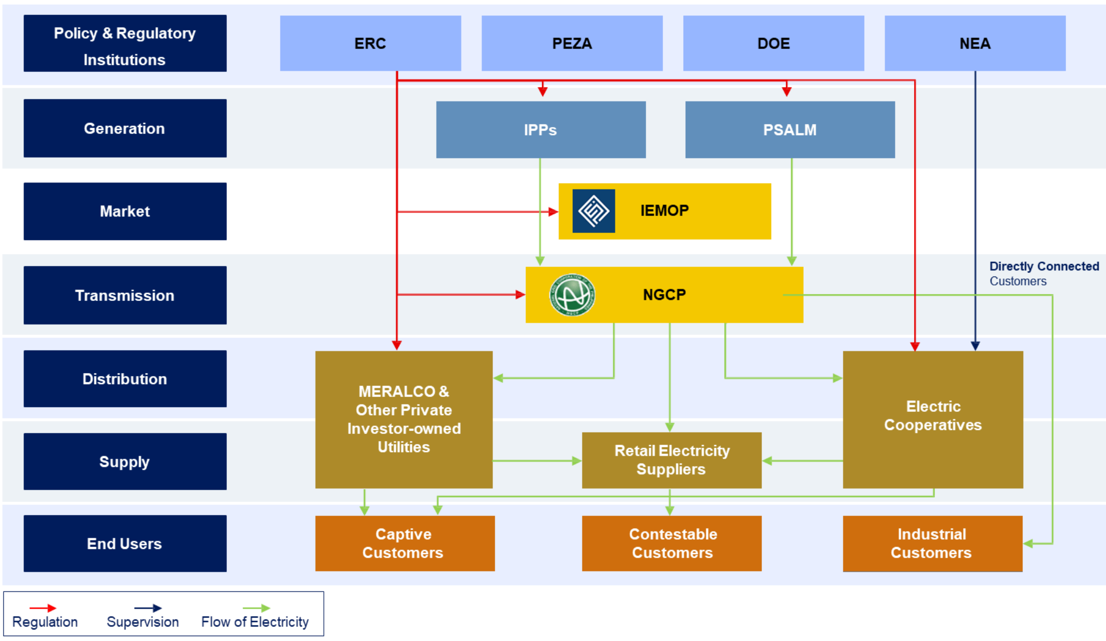
Effective January 1, 2021, real estate companies will adopt the subject pronouncements and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

REGULATIONS RELATING TO POWER AND UTILITIES BUSINESS

Organization and Operation of the Power Industry

Republic Act No. 9136 or the EPIRA established a framework for the organization, operation and restructuring of the electric power industry, with the industry divided into four sectors: generation, transmission, distribution and supply. The following diagram shows the current structure of the electric power industry under the EPIRA.

Below is a diagram of the industry structure under the EPIRA.



Through the EPIRA, the Government instituted major reforms with the goal of fully privatizing all aspects of the power industry. The principal objectives of the EPIRA are:

- to ensure and accelerate the total electrification of the country;
- to ensure the quality, reliability, security and affordability of the supply of electric power;

- to ensure transparent and reasonable prices of electricity in a regime of free and fair competition and full public accountability to achieve greater operational and economic efficiency and enhance the competitiveness of Philippine products in the global market;

- to enhance the inflow of private capital and broaden the ownership base of the power generation, transmission and distribution sectors;

- to ensure fair and non-discriminatory treatment of public and private sector entities in the process of restructuring the electric power industry;

- to protect the public interest as it is affected by the rates and services of electric utilities and other providers of electric power;

- to assure socially and environmentally compatible energy sources and infrastructure;

- to promote the utilization of indigenous and new and renewable energy resources in power generation in order to reduce dependence on imported energy;

- to provide for an orderly and transparent privatization of the assets and liabilities of NPC;

- to establish a strong and purely independent regulatory body and system to ensure consumer protection and enhance the competitive operation of the electricity market; and

- to encourage the efficient use of energy and other modalities of demand side management.

With a view to implementing these objectives, the DOE, in consultation with the relevant Government agencies, electric power industry participants, non-Government organizations and electricity consumers, promulgated the IRR of the EPIRA on February 27, 2002 (subsequently amended in 2007).

The EPIRA IRR governs the relations between, and respective responsibilities of, the different electric power industry participants as well as the particular Governmental authorities involved in implementing the structural reforms in the industry, including, but not limited to, the DOE, NPC, NEA, ERC and PSALM.

Reorganization of the Electric Power Industry

Of the many changes initiated by the EPIRA, of primary importance is the reorganization of the electric power industry by segregating the industry into four sectors: (i) the generation sector; (ii) the transmission sector; (iii) the distribution sector; and (iv) the supply sector. The goal is for the generation and supply sectors to be fully competitive and open, while the transmission sector will be a regulated common electricity carrier business and the distribution sector will be a regulated common carrier business requiring a national franchise, thus both the transmission and distribution sectors will be regulated as public utilities. Prior to the EPIRA, the industry was regulated as a whole, with no clear distinctions between and among the various sectors and/or services.

The Generation Sector

Under the EPIRA, power generation *per se* is not a public utility operation. Thus, generation companies are not required to secure congressional franchises, and there are no restrictions on the ability of non-Filipinos to own and operate generation facilities. However, generation companies must obtain a certificate of compliance from the ERC, as well as health, safety and environmental clearances from appropriate Government agencies under existing laws. Furthermore, PPAs and PSAs between generation companies and distribution utilities are subject to the review and approval of the ERC. Generation companies are also subject to the rules and regulations of the ERC on abuse of market power and anticompetitive behavior. In particular, the ERC has the authority to impose price controls, issue injunctions, require divestment of excess profits and impose fines and penalties for violation of the EPIRA and the IRR policy on market power abuse, cross-ownership and anti-competitive behavior.

The goal of the EPIRA is for the generation sector to be open and competitive, while the private sector is expected to take the lead in introducing additional generation capacity. Generation companies will compete either for bilateral contracts with various RESs, electric cooperatives and private distribution utilities, or through spot sale transactions in the WESM. With the implementation of RCOA in Luzon and Visayas, generation companies are already able to sell electricity to eligible end-users. "Open Access" is defined under the IRR as the system of allowing any qualified person the use of electric power transmission and distribution systems; while "Retail Competition" is defined as the provision of electricity to a contestable market (which, under prevailing regulations, refer to electricity end-users with monthly average peak demand of at least 500 KW) by persons licensed by the ERC to engage in the business of supplying electricity end-users through Open Access.

Recovery by distribution utilities of their purchased power cost is subject to review by the ERC to determine reasonableness of the cost and to ensure that the distribution utilities do not earn any revenue therefrom. With the commencement of the RCOA, generation rates, except those intended for such end-users who may not choose their supplier of electricity (the "**Captive Market**"), ceased to be regulated.

The generation sector converts fuel and other forms of energy into electricity. It consists of the following: (i) NPC-owned-and-operated generation facilities; (ii) NPC-owned plants, which consist of plants operated by IPPs, as well as IPP-owned-and-operated plants, all of which supply electricity to NPC; and (iii) IPP-owned-and-operated plants that supply electricity to customers other than NPC.

Under the EPIRA, generation companies are allowed to sell electricity to distribution utilities or to RESs through either bilateral contracts or the WESM as described below. With the implementation of RCOA on December 26, 2013, as supplemented by DOE Department Circular No. DC2015-06-0010, generation companies may likewise sell electricity to eligible end-users with an average monthly peak demand of 750 KW and certified by the ERC to be contestable customers. In 2016, the ERC issued the implementing rules governing the issuance and renewal of licenses to RESs and the rules governing contestability of qualified end-users (collectively, the "**ERC RES Rules**"). However, in February 2017, the Philippine Supreme Court, acting on the petition filed by certain entities, issued a temporary restraining order enjoining the DOE and the ERC from implementing the rules and regulations implementing the RCOA, including the ERC RES Rules.

As of the date of this Prospectus, the temporary restraining order has not been lifted. In response to the temporary restraining order, and to provide guidance to relevant power industry players, the DOE issued DC2017-12-0013 and DC2017-12-0014 encouraging eligible contestable customers to voluntarily participate in RCOA.

Subsequently, the DOE issued DC 2019-07-11 (Amending Various Issuances on the Implementation of the RCOA), which provides that contestable customers may voluntarily register as a trading participant in the WESM and that it shall source its electricity supply requirements from ERC-licensed/authorized suppliers.

The generation sector must observe the Market Share Limitations set in the EPIRA which states that no generation company or related group is allowed to own more than 30% of the installed generating capacity of the Luzon, Visayas or Mindanao Grids and/or 25% of the national installed generating capacity. Also, no generation company associated with a distribution utility may supply more than 50% of the distribution utility's total demand under bilateral contracts, without prejudice to the bilateral contracts entered into prior to the effectivity of the said Act.

Historically, the generation sector has been dominated by NPC. To introduce and foster competition in the sector, and, more importantly, to lessen the debt of NPC, the EPIRA mandates the total privatization of the generation assets and IPP contracts of NPC, which exclude the assets devoted to missionary electrification through the small power utilities group of NPC. NPC is directed to transfer ownership of all the assets for privatization to a separate entity, PSALM, which is specially tasked to manage the privatization. Beginning early 2004, PSALM has been conducting public bidding for the generation facilities owned by NPC.

Based on latest available data from PSALM, PSALM has privatized 23 operating/generating power facilities and four decommissioned power facilities, with a total gross capacity of 4,601.43 MW. Moreover, additional seven power plants with total gross capacity of over 3,600 MW were privatized through IPPA contracts. Major generation assets sold include the 748 MW Tiwi-Makban geothermal power plant, the 600 MW Batangas (Calaca) coal-fired thermal power plant, the 600 MW Masinloc coal fired power plant, the 620 MW Limay combined cycle power plant, 360 MW Magat hydroelectric power plant, and the 305 MW Palinpinon-Tongonan geothermal power plant. Among the capacities privatized through IPPA Agreements include the 92.52 MW Mindanao I and II (Mt. Apo 1 and 2) geothermal power plants, 1,000 MW Sual coal-fired power plant, the 700 MW Pagbilao coal-fired power plant, the 345 MW of the San Roque Power Plant, the 70 MW Bakun hydroelectric power plant, the 200 MW Unified Leyte Geothermal Power Plant, and the 1,200 MW Ilijan combined-cycle gas-fired power plant. In 2018, PSALM also commenced the privatization of the 650 MW Malaya thermal power plant in Rizal and the 210 MW Mindanao coal-fired plant in Misamis Oriental.

Section 47(j) of the EPIRA prohibits NPC from incurring any new obligations to purchase power through bilateral contracts with generation companies or other suppliers. Also, NPC is only allowed to generate and sell electricity from generating assets and IPP contracts that have not been disposed of by PSALM.

Generation companies which are not publicly listed are required to offer and sell to the public a portion of not less than 15% of their common shares of stock. Under prevailing regulations, any offer of common shares of stock for sale to the public through any of the following modes shall be deemed as public offering:

- listing in the PSE;
- a public offering undertaken in accordance with the Securities Regulation Code and its implementing rules and regulations; and
- listing in any accredited stock exchange or direct offer of a portion of registered enterprises' capital stock to the public and/or their employees, when deemed feasible and desirable by the BOI.

The Supply Sector

The supply of electricity refers to the sale of electricity directly to end-users. The supply function used to be undertaken largely by franchised distribution utilities. However, with the commencement of the RCOA, the supply function has become competitive. The retail supply business is not considered a public utility operation and suppliers are not required to obtain franchises. However, the supply of electricity to a market of end-users who have a choice on their supplier of electricity is considered a business affected with public interest. As such, the EPIRA requires all RESs to obtain a license from the ERC and they are subject to the rules and regulations of the ERC on the abuse of market power and other anti-competitive or discriminatory behavior.

A RES may only sell up to 50% of its total capacity to all of its end-user affiliates.

With the RCOA already implemented, a RES license will allow a generation company to enter into retail electricity supply agreements with contestable customers. This will encourage competition at the retail level and it is planned that retail competition will gradually increase over time, provided that supply companies are sufficiently creditworthy to be suitable offtakers for generation companies.

The following table summarizes the power supply and demand highlights in the Philippines for 2018 based on data from the DOE:

Grid	Installed capacity (MW)	Dependable capacity (MW)	Available capacity (MW)	Peak demand (MW)
Luzon	16,549	14,973	11,444	10,876
Visayas	3,450	3,000	2,411	2,053
Mindanao	3,815	3,269	2,373	1,853

Grid	Installed capacity (MW)	Dependa ble capacity (MW)	Available capacity (MW)	Peak demand (MW)
Philippines	23,815	21,241	16,601	14,782

Role of the ERC

The ERC is the independent, quasi-judicial regulatory body created under the EPIRA that replaced the Energy Regulatory Board. The ERC plays a significant role in the restructured industry environment, consisting of, among others, promoting competition, encouraging market development, ensuring consumer choice and penalizing abuse of market power by industry participants.

Among the primary powers and functions of the ERC are:

- to determine, fix and approve, after conducting public hearings, transmission and distribution wheeling charges and retail rates and to fix and regulate the rates and charges to be imposed by distribution utilities on their captive end-users, as well as the universal charge to be imposed on all electricity end-users, including self-generating entities;

- to grant, revoke, review or modify the certificates of compliance required of generation companies and the licenses required of suppliers of electricity in the contestable market;

- to enforce the Grid Code and Distribution Code, which shall include performance standards, the minimum financial capability standards, and other terms and conditions for access to and use of transmission and distribution facilities;

- to enforce the rules and regulations governing the operations of the WESM and the activities of the WESM operator and other WESM participants to ensure a greater supply and rational pricing of electricity;

- to ensure that the electric power industry participants and NPC functionally and structurally unbundled their respective business activities and rates and to determine the levels of cross-subsidies in the existing and retail rates until the same is removed in accordance with the different sectors;

- to set a lifeline rate for marginalized end-users;

- to promulgate rules and regulations prescribing the qualifications of suppliers which shall include, among others, their technical and financial capability and creditworthiness;

- to determine the electricity end-users comprising the contestable and Captive Markets;

- to fix user fees to be charged by TransCo/NGCP for ancillary services to all electric power industry participants or self-generating entities connected to the grid;

- to monitor and adopt measures to discourage or penalize abuse of market power, cartelization and any anticompetitive or discriminatory behavior by any electric power industry participant;

- to review and approve the terms and conditions of service of TransCo/NGCP and any distribution utility or any changes therein;

- to perform such other regulatory functions as are appropriate and necessary in order to ensure the successful restructuring and modernization of the electric power industry; and

- to have original and exclusive jurisdiction over all cases that involve the contesting of rates, fees, fines and penalties imposed in the exercise of its powers, functions and responsibilities and over all cases involving disputes between and among participants or players in the energy industry relating to the foregoing powers, functions and responsibilities except cases which involve abuse of market power, cartelization and any anticompetitive or discriminatory behavior by any electric power industry participant.

Role of the DOE

In accordance with its mandate to supervise the restructuring of the electric power industry, the DOE exercises, among others, the following functions:

- preparation and annual updating of the Philippine Energy Plan and the Philippine Power Development Program, and thereafter integrate the latter into the former;

- ensuring the reliability, quality and security of the supply of electric power;

- exercise of supervision and control over all Government activities pertaining to energy projects;

- encouragement of private investment in the power industry and promotion of the development of indigenous and renewable energy sources for power generation;

- facilitation of reforms in the structure and operation of distribution utilities for greater efficiency and lower costs;

- promotion of a system of incentives to encourage industry participants, including new generating companies and end-users, to provide adequate and reliable electric supply;

- education of the public (in coordination with NPC, ERC, NEA and the Philippine Information Agency) on the restructuring of the industry and the privatization of NPC assets; and

- establishment of the WESM in cooperation with electric power industry participants, and formulating rules governing its operations.

Role of the Joint Congressional Power Commission

The Joint Congressional Power Commission created pursuant to the EPIRA consists of 14 members selected from the members of the Philippine senate and house of representatives. Its responsibilities and functions include, among others, the following:

- monitoring and ensuring the proper implementation of the EPIRA;

- endorsement of the initial privatization plan of PSALM for approval by the President of the Philippines;

- ensuring transparency in the public bidding procedures adopted for the privatization of the generation and transmission assets of NPC;

- evaluation of the adherence of industry participants to the objectives and timelines under the EPIRA; and

- determination of inherent weaknesses in the EPIRA and recommend necessary remedial legislation or executive measures.

Competitive Selection Process

Under prevailing regulations, DUs and ECs are mandated to undertake a CSP in the procurement of PSAs to ensure the security and certainty of electricity prices of electric power in the long-term.

On February 1, 2018, the DOE issued the DOE CSP Policy, which sets forth the department’s policy on the conduct of CSP in the procurement by DUs and ECs. Under the DOE CSP Policy, all PSAs are required to be procured through the CSP, except in the following instances: (i) generation project owned by the DU funded by grants or donations; (ii) negotiated procurement of emergency power supply with a cooperation period not exceeding one year; (iii) provision of power supply by any mandated government owned and controlled corporations for off-grid areas prior to, and until the entry of new power providers in the area; and (iv) provision of power supply by PSALM through bilateral contracts. In the event the CSP fails twice, and there is no outstanding dispute on the conducted CSP, the DU or EC may use direct negotiation for purposes of procuring the relevant PSA. While the DOE CSP Policy effectively revoked the authority of the ERC to issue supplemental guidelines and procedures relating to implement the CSP, the DOE directed the ERC to: (i) establish and impose existing fines and/or penalties for non-compliance with the DOE CSP Policy, (ii) review compliance with the requirements of CSP, (iii) develop a template PSA to be used with electric power industry participants, and (iv) develop rules and procedures to address disputes arising from the conduct of the CSP.

Government Approval Process

As set forth in the EPIRA, power generation is not considered a public utility operation. Thus, an entity engaged or intending to engage in the generation of electricity is not required to secure a national franchise. However, no person or entity may engage in the generation of electricity unless such person or entity has complied with the standards, requirements and other terms and conditions set by the ERC and has received a certificate of compliance from the ERC to operate facilities used in the generation of electricity. A certificate of compliance is valid for a period of five years from the date of issuance.

In addition to the certificate of compliance requirement, a generation company must comply with government-prescribed technical, financial capability, health, safety and environmental standards. A generation company must ensure that all its facilities connected to the grid meet the technical design and operational criteria of the Grid Code and Distribution Code promulgated by the ERC. In this connection, the ERC has issued guidelines setting the minimum financial capability standards for generation companies. Under the guidelines, a generation company is required to meet a minimum annual interest cover ratio or debt service capability ratio (which measures the ability of the power generation company to service its debts) of 1.5x throughout the period covered by its certificate of compliance. For certificate of compliance applications and renewals, the guidelines require the submission to the ERC of, among other things, a schedule of liabilities, and a five-year financial plan. For the duration of the certificate of compliance, the guidelines also require a generation company to submit audited financial statements and forecast financial statements to the ERC for the next two financial years, as well as other documents. The failure by a generation company to submit the requirements prescribed by the guidelines may be grounds for the imposition of fines and penalties.

With the introduction of RCOA, the rates charged by a generation company are no longer regulated by the ERC, except rates for Captive Markets (as determined by the ERC). In addition, since the establishment of the WESM, generation companies are now required to comply with the membership criteria and appropriate dispatch scheduling as prescribed under the WESM Rules.

In the course of developing a power plant, other permits, approvals and consents must also be obtained from relevant national, provincial and local Government authorities, relating to, among others, site acquisition, construction and operation, including environmental-related licenses and permits.

REGULATIONS RELATING TO THE AGRIBUSINESS

Role of the DA

The Department of Agriculture ("**DA**") is the government agency responsible for the promotion of agricultural development by providing the policy framework, public investments, and support services needed for domestic and export-oriented business enterprises. To accomplish its mandate, the DA shall have the following powers and functions:

- It shall provide integrated services to farmers/fishermen and other food produces on production, utilization, conservation and disposition of agricultural and fishery resources;

- It shall be responsible for the planning, policy, formulation, regulation, execution, monitoring and/or programs/activities relating to agriculture/ food production and supply;

- It shall promulgate and enforce all laws, rules, and regulations governing the conservation and proper utilization of agricultural and fishery resources;

- It shall establish central and regional information systems to serve the production, marketing and financing data requirements of the farmers as well as domestic and foreign investors in agribusiness ventures;

- It shall provide comprehensive and effective extension services and training to farmers and other agricultural entrepreneurs on the production, marketing and financing aspects of agricultural enterprises;

- It shall conduct, coordinate and disseminate research studies and appropriate technologies for the improvement/development of agricultural crops, fisheries and other allied commodities;

- It shall provide the mechanism for the participation of farmers/fishermen and entrepreneurs at all levels of policy making and plan/programs formulation;

- It shall coordinate with and/or call upon other public and private agencies for cooperation and assistance on matters affecting Ministry plans, policies and programs.

Health Regulations

The Food and Drug Administration (the "**FDA"**) administers and enforces the law, and issues any circular, on safety and good quality supply of food, drug and cosmetic to consumers. It also regulates the production, sale, and traffic of the same to protect the health of the people.

Consistent with the mandate to adopt and establish mechanisms and initiatives that are aimed to protect and promote the right to health of every Filipino, the FDA issued the Rules and Regulations on the Licensing of Food Establishments and Registration of Processed Food, which require all food establishments obtain a licence to operate ("**LTO"**) from the FDA before they can validly engage in the manufacture, importation, exportation, sale, offer for sale, distribution, and transfer of food products in the Philippine market. Such rules cover processed food and food products and exclude fresh or raw food derived from plant, animal, fisheries and aquaculture products or foods in the primary production and post-harvest stages of the supply chain. An initial LTO is valid for a period of two years, while a renewed licence is valid for five years.

In addition to an LTO, the FDA also requires a Certificate of Product Registration ("**CPR"**) for processed food products, including food additives, food supplements and bottled water, before said products are distributed, supplied, sold or offered for sale or use in the market. A CPR covering a particular health product constitutes *prima facie* evidence of the registrant's marketing authority for said health product in connection with the activities permitted pursuant to the registrant's LTO. In case of initial registration, a CPR is valid for a minimum period of two years to a maximum period of five years. Any renewal thereafter is valid for five years.

The operation of a food business without the proper authorisation from the FDA is prohibited and punishable with a fine. The closure of the establishment may also be imposed as a penalty upon a finding of a commission of a prohibited act.

The DOH is the Government agency tasked to implement the Consumer Act with respect to food products. The DOH also prescribes the Guidelines on Current Good Manufacturing Practice in Manufacturing, Packaging, Repacking, or Holding Food or food manufacturers. Under the Consumer Act, the DOH also has the authority to order the recall, ban or seizure from public sale or distribution of food products found to be injurious, unsafe or dangerous to the general public.

LABOUR AND EMPLOYMENT

Labour Code of the Philippines

The Department of Labour and Employment ("**DOLE"**) is the Government agency mandated to formulate policies, implement programmes and services, and serves as the policy-coordinating arm of the executive branch of the Government in the field of labour and employment. The DOLE has exclusive authority in the administration and enforcement of labour and employment laws such as the Labour Code of the Philippines (the Labour Code) and the Occupational Safety and Health Standards, as amended, and such other laws as specifically assigned to it or to the Secretary of the DOLE.

On 15 March 2017, Department Order No. 174 (2017) ("**D.O. 174"**) was issued by the DOLE providing for the guidelines on contracting and subcontracting, as provided for under the Labour Code. It has reiterated the policy that labour-only contracting is absolutely prohibited where: (1) (a) the contractor or subcontractor does not have substantial capital, or does not have investments in the form of tools, equipment, machineries, supervision, work premises, among others; and (b) the contractor's or subcontractor's employees recruited and placed are performing activities which are directly related to the main business operation of the principal; or (2) the contractor or subcontractor does not exercise the right to control over the performance of the work of the employee. Subsequently, DOLE issued Department Circular No. 1 (2017) clarifying that the prohibition under D.O. 174 does not apply to business process outsourcing, knowledge process outsourcing, legal process outsourcing, information technology infrastructure outsourcing, application development, hardware and/or software support, medical transcription, animation services and back office operations or support.

Occupational Safety and Health Standards Law

On 17 August 2018, Republic Act No. 11058 or the Occupational Safety and Health Standards Law was signed into law. It mandates employers, contractors or subcontractors and any person who manages, controls or supervises the work, to furnish the workers a place of employment free from hazardous conditions that are causing or are likely to cause death, illness or physical harm to the workers. It also requires employers, contractors or subcontractors to give complete job safety instructions or orientation and to inform the workers of all hazards associated with their work, health risks involved or to which they are exposed, preventive measures to eliminate or minimise the risks and steps to be taken in cases of emergency.

An employer, contractor or subcontractor who wilfully fails or refuses to comply with the Occupational Safety and Health Standards Law shall be administratively liable for a fine. Further, the liability of the employer, project owner, general contractor, contractor or subcontractor, if any, and any person who manages, controls or supervises the work, shall be solidary.

Social Security System, PhilHealth and the Pag-IBIG Fund

An employer or any person who uses the services of another person in business, trade, industry or any undertaking is required under Republic Act No. 11199, otherwise known as the Social Security Act of 2018, to ensure coverage of employees following procedures set out by the law and the Social Security System ("**SSS**"). Under the said law, social security coverage is compulsory for all employees not over 60 years of age. An employer must deduct and withhold from its compulsorily covered employees their monthly contributions based on a given schedule, pay its share of contribution and remit these to the SSS within a period set by law and/or SSS regulations.

Employers are likewise required to ensure enrolment of its employees in a National Health Programme administered by the Philippine Health Insurance Corporation, a Government corporation attached to the Department of Health ("**DOH"**) tasked with ensuring sustainable, affordable and progressive social health insurance pursuant to the provisions of the National Health Insurance Act of 1995, as amended by the Republic Act No. 11223, otherwise known as the Universal Health Care Act. The registration, accurate and timely deductions and remittance of contributions to the Philippine Health Insurance Corporation is mandatory as long as there is employer-employee relationship.

Under Republic Act No. 9679 or the Home Development Mutual Fund Law of 2009, all employees who are covered by the Social Security System must also be registered with and covered by the Home Development Mutual Fund, more commonly referred to as the Pag-IBIG Fund. It is a national savings programme as well as a fund to provide affordable shelter financing to Filipino employees. The employer is likewise mandated to deduct and withhold, pay and remit to the Pag-IBIG Fund the respective contributions of the employees under the prescribed schedule.

Labour Code Provision on Retirement Pay

The Philippine Labour Code provides that, in the absence of a retirement plan provided by their employers, private sector employees who have reached 60 years of age or more, but not beyond 65 years of age, the compulsory retirement age for private-sector employees without a retirement plan, and who have rendered at least five years of service in an establishment, may retire and receive a minimum retirement pay equivalent to one-half month's salary for every year of service, with a fraction of at least six months being considered as one whole year.

For the purpose of computing the retirement pay, "one-half month's salary" shall include all of the following: 15 days salary based on the latest salary rate; in addition, 1/12 of the thirteenth month pay and the cash equivalent of five days of service incentive leave pay. Other benefits may be included in the computation of the retirement pay upon agreement of the employer and the employee or if provided in a collective bargaining agreement.

DOLE Mandated Work-Related Programmes

Under the Comprehensive Dangerous Drugs Act, a national drug abuse prevention programme implemented by the DOLE must be adopted by private companies with ten or more employees. For this purpose, employers must adopt and establish company policies and programmes against drug use in the workplace in close consultation and coordination with the DOLE, labour and employer organisations, human resource development managers and other such private sector organisations. DOLE Department Order No. 053-03 sets out the guidelines for the implementation of Drug-Free Workplace policies and programmes for the private sector.

The employer or the head of the work-related, educational or training environment or institution also has the duty to prevent or deter the commission of acts of sexual harassment and to provide the procedures for the resolution, settlement or prosecution of such cases. Under the Anti-Sexual Harassment Act, the employer will be solidarily liable for damages arising from the acts of sexual harassment committed in the workplace if the employer is informed of such acts by the offended party and no immediate action is taken. Notwithstanding this, the victim of sexual harassment is not precluded from instituting a separate and independent action for damages and other affirmative relief. Any person who violates the provisions of this law shall, upon conviction, be penalised by imprisonment of not less than one month nor more than six months, or a fine of not less than ₱10,000 nor more than ₱20,000, or both such fine and imprisonment, at the discretion of the court. Any action arising from the violation of the provisions of this law shall prescribe in three years.

Moreover, the Philippines AIDS Prevention and Control Act and its implementing rules and regulations require all private workplaces to have a policy on HIV and AIDS and to implement a workplace programmes in accordance with the Philippines AIDS Prevention and Control Act. The workplace policies aim to manage sensitive issues, such as confidentiality of medical information and continuation of employment for HIV-positive staff, and to avoid the discrimination of any employee due to HIV/AIDS. Any HIV/AIDS-related information of workers should be kept strictly confidential and kept only on medical files, whereby access to it is strictly limited to medical personnel.

All private workplaces are also required to establish policies and programmes on solo parenting, Hepatitis B, and tuberculosis prevention and control.

ENVIRONMENTAL MATTERS

The operations of the businesses of the Company are subject to various laws, rules and regulations that have been promulgated for the protection of the environment.

Philippine Environmental Impact Statement System

The Philippine Environmental Impact Statement System ("**EISS Law**") established under Presidential Decree No. 1586, which is implemented by the DENR, is the general regulatory framework for any project or undertaking that is either (i) classified as environmentally critical or (ii) is situated in an environmentally critical area. The DENR, through its regional offices or through the Environmental Management Bureau ("**EMB**"), determines whether a project is environmentally critical or located in an environmentally critical area and processes all applications for an Environmental Compliance Certificate ("**ECC**").

The law requires an entity that will undertake any such declared environmentally critical project or operate in any such declared environmentally critical area to submit an Environmental Impact Statement ("**EIS**") which is a comprehensive study of the significant impacts of a project on the environment. The EIS serves as an application for the issuance of an ECC, if the proposed project is environmentally critical or situated in an environmentally critical area; or for the issuance of a Certificate of Non-Coverage, if otherwise. An ECC is a Government certification that, among others: (i) the proposed project or undertaking will not cause significant negative environmental impact; (ii) the proponent has complied with all the requirements of the EISS Law in connection with the project; and (iii) the proponent is committed to implement its approved Environmental Management Plan ("**EMP**") in the EIS. The EMP details the prevention, mitigation, compensation, contingency and monitoring measures to enhance positive impacts and minimize negative impacts and risks of a proposed project or undertaking.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The Environmental Guarantee Fund is intended to meet any damage caused by such a project as well as any rehabilitation and restoration measures. Project proponents are also required to establish an Environmental Monitoring Fund ("**EMF**") when an ECC is eventually issued. The EMF is to support the activities of the team monitoring the project proponent's compliance with ECC conditions, EMP and applicable laws, rules and regulations.

The Clean Water Act

Republic Act No. 9275 or the Clean Water Act and its implementing rules and regulations provide for water quality standards and regulations for the prevention, control, and abatement of pollution of the water resources of the country. The Clean Water Act requires owners or operators of facilities that discharge regulated effluents (such as wastewater from manufacturing plants or other commercial facilities) to secure a discharge permit from the DENR which authorizes the owners and operators to discharge waste and/or pollutants of specified concentration and volumes from their facilities into a body of water or land resource for a specified period of time. The discharge permit specifies the quantity and quality of effluents that the holder of the permit is allowed to discharge as well as the validity of the permit. The discharge permit is valid for a maximum period of five years from the date of its issuance, renewable for five-year periods thereafter. The Department may, however, renew the discharge permit and keep it valid for a longer period if the applicant has adopted waste minimization and waste treatment technologies, consistent with incentives currently provided, and has been paying the permit fees on time. The DENR, together with other Government agencies and the different local Government units, is tasked with implementing the Clean Water Act and with identifying existing sources of water pollutants, as well as strictly monitoring pollution sources which are not in compliance with the effluent standards provided in the law.

The Water Code

Presidential Decree No. 1067, or "The Water Code of the Philippines," requires a water permit for the appropriation or use of natural bodies of water. Use or appropriation of water includes, among others, the utilization of water in factories, industrial plants and mines, including the use of water as an ingredient of a finished product. Appropriation of water without a water permit, when one is required, is subject to the imposition of the corresponding penalties imposed by the Water Code and its implementing rules and regulations.

The Clean Air Act

Pursuant to Republic Act No. 8749 or the Clean Air Act of 1999 and its implementing rules and regulations, enterprises that operate or utilize air pollution sources are required to obtain a Permit to Operate from the DENR with respect to the construction or the use of air pollutants. Said permit shall cover emission limitations for the regulated air pollutants to help maintain and attain the ambient air quality standards. A permit duly issued shall be valid for the period specified therein but not beyond one year from the date of issuance unless sooner suspended or revoked. It may be renewed by filing an application for renewal at least thirty days before the expiration date and upon payment of the required fees and compliance with requirements. The issuance of the permit does not, however, relieve the permittee from complying with the requirements of the Clean Air Act and its implementing rules and regulations.

Other Environmental Laws

Other regulatory environmental laws and regulations applicable to the businesses of the Company include the following:

- Republic Act No. 6969 or the Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990, which regulates, restricts or prohibits the (i) importation, manufacture, processing, handling, storage, transportation, sale, distribution, use and disposal of chemical substances and mixtures that present unreasonable risk or injury to health or the environment, and (ii) entry as well as transit into the Philippines, or the keeping or storage and disposal of hazardous wastes which include by-products, side-products, process residue, contaminated plant or equipment or other substances from manufacturing operations. Under this law, before any new chemical substance or mixture can be manufactured, processed or imported for the first time, the manufacturer, processor, or importer shall first submit information pertaining to the: (i) name of chemical substance or mixture; (ii) its chemical identity and molecular structure; (iii) proposed categories of use; (iv) estimate of the amount to be manufactured, processed or imported; (v) processing and disposal thereof; and (vi) any test date related to health and environmental effects which the manufacturer, processor or importer has. The said law is implemented by the DENR.

- Republic Act No. 9003 or the Ecological Solid Waste Management Act of 2000, which provides for the proper management of solid waste which includes discarded commercial waste and non-hazardous institutional and industrial waste. The said law prohibits, among others, the transporting and dumping of collected solid wastes in areas other than prescribed centers and facilities. The National Solid Waste Management Commission, together with other Government agencies and the different local Government units, are responsible for the implementation and enforcement of the said law.

- Presidential Decree No. 856 or the Code on Sanitation of the Philippines (the Sanitation Code), which provides for sanitary and structural requirements in connection with the operation of certain establishments such as industrial and food establishments. Food establishment is defined as any establishment where food or drinks are manufactured, processed stored, sold, or served. Under the Sanitation Code, which is implemented by the Philippine Department of Health, no person, firm, corporation, or entity shall operate a food establishment without first obtaining a sanitary permit. The permit shall be valid for one year, and shall be renewed every year.

PROPERTY REGISTRATION

The Philippines has adopted a system of land registration which conclusively confirms land ownership which is binding on all persons, including the Government. Once registered, title to registered land can no longer be challenged except with respect to claims noted on the certificate of title. Title to registered lands cannot be lost through adverse possession or prescription. Presidential Decree No.

1529, as amended, codified the laws relative to land registration and is based on the generally accepted principles underlying the Torrens System.

After proper surveying, application, publication and service of notice and hearing, unregistered land may be brought under the system by virtue of judicial or administrative proceedings. In a judicial proceeding, the Regional Trial Court within whose jurisdiction the land is situated confirms title to the land. Persons opposing the registration may appeal the judgment within 15 days to the Court of Appeals or the Supreme Court. After the lapse of the period of appeal, the Register of Deeds may issue an Original Certificate of Title. The decree of registration may be annulled on the ground of actual fraud within one year from the date of entry of the decree of registration. Similarly, in an administrative proceeding, the land is granted to the applicant by the DENR by issuance of a patent and the patent becomes the basis for issuance of the Original Certificate of Title by the Register of Deeds. All land patents such as homestead, sales and free patents, must be registered with the appropriate registry of deeds since the conveyance of the title to the land covered thereby takes effect only upon such registration.

Any subsequent transfer of encumbrance of the land must be registered in the system in order to bind third persons. Subsequent registration and a new Transfer Certificate of Title in the name of the transferee will be granted upon presentation of certain documents and payment of fees and taxes.

All documents evidencing conveyances of subdivision and condominium units should also be registered with the Register of Deeds. Title to the subdivision or condominium unit must be delivered to the purchaser upon full payment of the purchase price. Any mortgage existing thereon must be released within six months from the delivery of title. To evidence ownership of condominium units, a Condominium Certificate of Title is issued by the Register of Deeds.

NATIONALITY RESTRICTIONS

Republic Act No. 7042, as amended, otherwise known as the Foreign Investments Act of 1991 ("**FIA**"), liberalized the entry of foreign investment into the Philippines. Under the FIA, in domestic market enterprises, foreigners can own as much as 100% equity except in areas specified in the Eleventh Regular Foreign Investment Negative List (the "**Negative List**"). This Negative List enumerates industries and activities which have foreign ownership limitations under the FIA and other existing laws. Nationalized activities include, among others, land ownership, telecommunications, mining and the operation of public utilities.

In connection with the ownership of private land, the Philippine Constitution states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning buildings and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to 40%. A corporation with more than 40% foreign equity may be allowed to lease land for a period of 25 years, renewable for another 25 years.

In addition, under the Philippine Constitution, only citizens of the Philippines or corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens may engage in activities relating to the exploration, development and utilization of natural resources, which covers the utilization of natural resources for the operation of renewable energy power plants.

For the purpose of complying with nationality laws, the term Philippine National is defined under the FIA as any of the following:

- a citizen of the Philippines;
- a domestic partnership or association wholly-owned by citizens of the Philippines;
- a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines;

- a corporation organized abroad and registered to do business in the Philippines under the Revised Corporation Code, of which 100% of the capital stock outstanding and entitled to vote is wholly-owned by Filipinos; or
- a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60% of the fund will accrue to the benefit of Philippine Nationals.

In SEC Memorandum Circular No. 08 dated May 20, 2013, or the Guidelines on Compliance with the Filipino-Foreign Ownership Requirements Prescribed in the Constitution and/or Existing Laws by Corporations Engaged in Nationalized and Partly Nationalized Activities, it is provided that for purposes of determining compliance with the nationality requirement, the required percentage of Filipino ownership shall be applied both to (a) the total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors. A petition for certiorari questioning the constitutionality of SEC Memorandum Circular No. 8 dated May 20, 2013 was filed in June 2013. In *Jose M. Roy III v. Chairperson Teresita Herbosa* (G.R. No. 207246) dated April 18, 2017, the Supreme Court affirmed the validity of SEC Memorandum Circular No. 08 dated May 20, 2013.

In the 2014 case of *Narra Nickel Mining and Development Corporation, et.al vs. Redmont Consolidated Mines Corp* (G.R. No. 195580) and its corresponding motions for reconsideration (the "**Narra Nickel Case**"), the Supreme Court affirmed that the Grandfather Rule, wherein shares owned by corporate shareholders are attributed either as Filipino or foreign equity by determining the nationality not only of such corporate shareholders, but also such corporate shareholders' own shareholders, until the nationality of shareholder individuals is taken into consideration, is to be used jointly and cumulatively with the Control Test, which merely takes into account the nationality of the listed shareholders of the corporation. Such joint and cumulative application shall be observed as follows: (i) if the corporation's Filipino equity falls below 60%, such corporation is deemed foreign-owned, applying the Control Test; (ii) if the corporation passes the Control Test, the corporation will be considered a Filipino corporation only if there is no doubt as to the beneficial ownership and control of the corporation; and (iii) if the corporation passes the Control Test but there is doubt as to the beneficial ownership and control of the corporation, the Grandfather Rule must be applied.

PROPERTY TAXATION

Real property taxes are payable annually to the relevant LGUs based on the property's assessed value. The assessed value of property and improvements vary depending on the location, use and the nature of the property. Land is ordinarily assessed at 20% to 50% of its fair market value; buildings may be assessed at up to 80% of their fair market value; and machinery may be assessed at 40% to 80% of its fair market value. Real property taxes may not exceed 2% of the assessed value in municipalities and cities within Metro Manila or in other chartered cities and 1% in all other areas. An additional special education fund tax of 1% of the assessed value of the property is also levied annually.

PHILIPPINE TAXATION

On January 1, 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion ("**TRAIN**"), took effect. The TRAIN amended various provisions of the Tax Code, including those on ordinary income tax of individuals, capital gains tax on the sale and disposition of shares of stock, estate tax, donor's tax, and documentary stamp tax.

On March 26, 2021, the second package of the Comprehensive Tax Reform program, Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act ("**CREATE**") was signed into law, amending provisions of the Tax Code relating to, among others, corporate income tax, lowering corporate income taxes and modernizing fiscal incentives in a bid to complement the expected incremental revenues from the first package.

Corporate Income Tax

A domestic corporation is subject to a tax of 25%, of its taxable income from all sources within and outside the Philippines beginning July 1, 2020, provided that domestic corporations with net taxable income not exceeding ₱5,000,000.00 and with total assets not exceeding ₱100,000,000.00 (excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed) (referred to as micro, small, and medium enterprises, or MSMEs), shall be taxed at 20%. Taxable net income refers to items of income enumerated under Section 32 (A) of the Philippine Tax Code ("**Tax Code**"), less itemized deductions under Section 34 of the Tax Code or those allowed under special laws, or the optional standard deduction ("**OSD**") equivalent to an amount not exceeding 40% of the corporation's gross income. Passive income of a domestic corporation is taxed as follows: (a) gross interest income from Philippine currency bank deposits and yield from deposit substitutes, trust funds and similar arrangements as well as royalties from sources within the Philippines which are generally taxed at the lower final withholding tax rate of 20% of the gross amount of such income; and (b) interest income from a depository bank under the expanded foreign currency deposit system which is subject to a final tax at the rate of 15% of such income. Beginning July 1, 2020 and until June 30, 2023, a minimum corporate income tax of 1% of the gross income as of the end of the taxable year is imposed on a domestic corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the ordinary corporate income tax, provided that after June 30, 2023, the rate of minimum corporate income tax shall be 2% of the gross income as of the end of the taxable year. Any excess of the minimum corporate income tax, however, over the ordinary corporate income tax shall be carried forward and credited against the latter for the three immediately succeeding taxable years. Likewise, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation which suffers losses (1) on account of a prolonged labor dispute, or (2) because of force majeure, or (3) because of legitimate business reverses.

Taxes on Dividends on the Offer Shares

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or residents of the Philippines are subject to a final withholding tax at the rate of 10%, which shall be withheld by the Company. Cash and property dividends received by non-resident alien individuals engaged in trade or business in the Philippines are subject to a 20% final withholding tax on the gross amount thereof, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines are subject to a final withholding tax at 25% of the gross amount, subject, however, to the applicable preferential tax rates under income tax treaties executed between the Philippines and the country of residence or domicile of such non-resident alien individuals.

Cash and property dividends received from a domestic corporation by another domestic corporation are not subject to income tax.

Cash and property dividends received from a domestic corporation by another domestic corporation or by a resident foreign corporation are not subject to income tax while those received by a non-resident foreign corporation are generally subject to income tax at a final withholding tax rate of 25%, effective January 1, 2021. The 25% income tax rate for dividends paid to a non-resident foreign corporation may be reduced to a lower rate of 15% if tax sparing applies, which is when: (i) the country where the non-resident foreign corporation is domiciled imposes no tax on foreign sourced dividends or (ii) the country of domicile of the non-resident foreign corporation allows at least 10% credit equivalent for taxes deemed to have been paid in the Philippines.

In order to avail of the 15% tax sparing rate, Revenue Memorandum Order No. 46-2020 (Guidelines and Procedures for the Availment of the Reduced Rate of 15% on Intercompany Dividends Paid by a Domestic Corporation to a Non-Resident Foreign Corporation Pursuant to Section 28(B)(5)(B) of the National Internal Revenue Code of 1997, as amended dated December 23, 2020) states the following general requirements that shall accompany the first application for the reduced dividend rate of 15% in a given taxable year:

(1) letter-request which shall provide a background of the transaction, the relief sought and the legal basis;

(2) duly accomplished BIR Form No. 0901-TS;

(3) original copy of the apostilled/duly authenticated Tax Residence Certificate issued by the tax authority of the country of the domicile;

(4) apostilled/duly authenticated copy of the NRFC's articles of incorporation and proof of establishment in its country of residence;

(5) original copy of apostilled/duly authenticated Special Power of Attorney (SPA) issued by the NRFC to its authorized representative;

(6) certified true copy of the Board of Directors' resolution of the domestic corporation approving the issuance of dividends, which shall include the amount of dividends, and dates of declaration, record and payment, among others;

(7) original copy of the sworn statement executed by the corporate secretary of the domestic corporation stating the legal and beneficial owners, if applicable, of all issued and outstanding shares as of record date, their corresponding subscriptions, date/s of acquisition, percentage of ownership and the allocation of dividend;

(8) certified true copy of the General Information Sheet (GIS) of the domestic corporation for the year or period immediately preceding the date of declaration, whichever is more applicable

(9) certified true copy of the Audited Financial Statements (AFS) of the domestic corporation stamped "received" by the BIR and Securities and Exchange Commission, which was used as the basis of such dividend declaration; and

(10) proof of remittance of the dividend payments.

The abovementioned tax rates are without prejudice to applicable preferential tax rates under income tax treaties in force between the Philippines and the country of domicile of the non-resident holder. (Please see discussion on tax treaties below.)

If the regular tax rate is withheld by the Company instead of the reduced rates applicable under an income tax treaty, the non-resident holder of the shares may file a claim for refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue such a refund.

Transfer taxes (*e.g.* documentary stamp tax, local transfer tax) may be payable if the dividends declared are property dividends, depending on the type of property distributed as dividends. Stock dividends distributed *pro rata* to any holder of shares of stock are generally not subject to Philippine income tax. However, the sale, exchange or disposition of shares received as stock dividends by the shareholder is subject to stock transaction tax if the transfer is through a local stock exchange; or if the transfer is made outside of the exchange, capital gains tax; and documentary stamp tax.

Sale, Exchange or Disposition of Shares after the Offer Period

Capital gains tax

The net capital gains realized by a citizen, resident alien, non-resident alien, whether or not engaged in trade or business within the Philippines, or a domestic corporation (other than a dealer in securities)) a resident foreign corporation, or a non-resident foreign corporation during each taxable year from the sale, exchange or disposition of shares of stock outside the facilities of the PSE, are subject to capital gains tax at the rate of 15% of the net capital gains realized during the taxable year.

If an applicable income tax treaty exempts net gains from such sale from capital gains tax, an application for tax treaty relief has to be filed with the BIR in accordance with BIR regulations, and approved by the BIR, to avail of the exemption. (Please see discussion below on tax treaties.) The transfer of shares shall not be recorded in the books of a company, unless the BIR has issued the eCAR.

Taxes on transfer of shares listed and traded at the PSE

Unless an applicable income tax treaty exempts the sale from income and/or percentage tax (please see discussion below on tax treaties), a sale or other disposition of shares of stock through the facilities of the PSE by a resident or a non-resident holder (other than a dealer in securities) is subject to a percentage tax usually referred to as a stock transaction tax at the rate of six-tenths of one percent (6/10 of 1%) of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed, which shall be paid by the seller or transferor. This tax is required to be collected by and paid to the Government by the selling stockbroker on behalf of his client. The stock transaction tax is classified as a percentage tax in lieu of a capital gains tax. Under certain income tax treaties, the exemptions from capital gains tax may not be applicable to stock transaction tax.

In addition, VAT of 12% is imposed on the commission earned by the PSE-registered broker, and is generally passed on to the client, the seller or transferor.

The stock transaction tax will not apply if the shares are sold outside the facilities of the PSE, including during a trading suspension. PSE Memorandum CN-No. 2012-0046 dated August 22, 2012 provides that immediately after December 31, 2012, the Philippine SEC shall impose a trading suspension for a period of not more than six (6) months, on shares of a listed company who has not complied with the Rule on Minimum Public Ownership ("**MPO**") which requires listed companies to maintain a minimum percentage of listed securities held by the public at 10% of the listed companies issued and outstanding shares at all times. The sale of such listed company' shares during the trading suspension may be effected only outside the trading system of the PSE and shall therefore be subject to taxes on the sale of shares that are not listed or traded at the stock exchange (i.e., capital gains tax and documentary stamp tax, and may even include donor's tax).

The stock transaction tax will also not apply if the shares sold are issued by a corporation that does not meet the MPO requirement, even if the sale is done through the facilities of the PSE. Revenue Regulations No. 16-2012 ("**R.R. 16-12**") provides that the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the MPO requirement after December 31, 2012 will be subject to capital gains tax and documentary stamp tax. R.R. 16-12 also requires publicly listed companies to submit public ownership reports to the BIR within 15 days after the end of each quarter.

Preferential Rates under the Income Tax Treaties

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

Country	Dividends	Stock transaction tax on sale or disposition effected through the PSE (%)[9]	Capital Gains Tax Due on Disposition of Shares Outside the PSE
Canada	25[1]	0.6	May be exempt[13]
China	15[2]	Exempt[10]	May be exempt[13]
France	15[3]	Exempt[11]	May be exempt[13]
Germany	15[4]	Exempt[12]	May be exempt[13]
Japan	15[5]	0.6	May be exempt[13]
Singapore	25[6]	0.6	May be exempt[13]
United Kingdom	25[7]	0.6	Exempt[14]
United States	25[8]	0.6	May be exempt[13]

Notes:

(1) 15% if the recipient company which is a resident of Canada controls at least 10% of the voting power of the company paying the dividends; 25% in all other cases.

(2) 10% if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends; 15% in all other cases.

(3) 10% if the recipient company (excluding a partnership) holds directly at least 10% of the voting shares of the company paying the dividends; 15% in all other cases.

(4) 5% if the recipient company (excluding a partnership) holds directly at least 70% of the capital of the company paying the dividends; 10% if the recipient company (excluding a partnership) holds directly at least 25% of the capital of the company paying the dividends.; 15% in all other cases

(5) 10% if the recipient company holds directly at least 10% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six months immediately preceding the date of payment of the dividends; 15% in all other cases.

(6) 15% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting shares of the paying company were owned by the recipient company; 25% in all other cases.

(7) 15% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends; 25% in all other cases.

(8) 20% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year, at least 10% of the outstanding shares of the voting shares of the paying corporation were owned by the recipient corporation; 25% in other cases. Notwithstanding the rates provided under the Convention between the Government of the Republic of the Philippines and the Government of the United States of America with respect to Taxes on Income, corporations which are residents of the United States may avail of the 15% withholding tax rate under the tax-sparing clause of the Philippine Tax Code provided certain conditions are met.

(9) If the stock transaction tax is not expressly included in the tax treaty, the income recipient will be subject to stock transaction tax at the rate of 0.6% of the gross selling price as provided under Section 127 of the Tax Code as amended by the Section 39 of the TRAIN.

(10) Article 2(1)(b) of the Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income was signed on November 18, 1999.

(11) Article 1 of the Protocol to the Tax Convention between the Government of the Republic of the Philippines and the Government of the French Republic Signed on January 9, 1976 was signed in Paris, France on June 26, 1995 signed on June 26, 1995.

(12) Article 2 (3)(a) of Agreement between the Government of the Republic of the Philippines and the Federal Republic of Germany for the Avoidance of Double Taxation with Respect to Taxes on Income and Capital signed on September 9, 2013.

(13) Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.

(14) Under the income tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the shares of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.

When availing of capital gains tax exemption on the sale of shares of stock under an income tax treaty, a tax treaty exemption certification from the BIR shall be necessary in order to completely implement the transfer. For sale of shares made outside the PSE, a Certificate Authorizing Registration ("**CAR**") from the BIR is required before the transfer is registered in the stock and transfer book. The BIR issues the CAR only after verifying that the applicable taxes have been paid. Thus, in lieu of proof of payment of capital gains tax, the tax treaty relief ruling should be submitted to the BIR office processing the CAR.

The requirements for a tax treaty relief application in respect of capital gains tax or the stock transaction tax on the sale of shares are set out in Revenue Memorandum Order No. 14-2021 (Streamlining the Procedures and Documents for the Availment of Treaty Benefits dated March 31, 2021), BIR Form No. 0901-C, and other BIR issuances. These include a Tax Residency Certificate ("**TRC**") for the relevant period, duly issued by the tax authority of the foreign country in which the income recipient is a resident. Non-resident legal person or arrangements are also required to submit an authenticated copy of their Articles/Memorandum of Incorporation/Association, Trust Agreement, or equivalent document confirming its establishment or incorporation, with an English translation thereof if in foreign language.

In availing tax treaty benefits, the withholding agent may rely on the submitted BIR Form No. 0901 (Application Form for Treaty Purposes), TRC, and the relevant provision of the tax treaty on whether to apply the treaty rates. If the withholding agent applied the treaty rates, he shall file with the International Tax Affairs Division ("**ITAD**") a request for confirmation on the correctness of the withholding tax rates applied on the income. The request for confirmation shall be filed any time after the payment of withholding tax but not shall not be later than the last day of the fourth (4^{th}) month following the close of each taxable year.

If the regular rates have been imposed on the income, the non-resident shall file a Tax Treaty Relief Application ("**TTRA**") with ITAD to prove its entitlement to treaty benefits. Failure to prove the same may result in the confirmation of the tax rate previously applied on the income, and in the eventual denial of the TTRA.

If the BIR determines that the withholding tax rate applied is lower than the rate that should have been applied on an item of income pursuant to the treaty, or that the non-resident taxpayer is not entitled to treaty benefits, it will issue a BIR Ruling denying the request for confirmation or TTRA. Consequently, the withholding agent shall pay the deficiency tax plus penalties

On the contrary, if the withholding tax rate applied is proper or higher than the rate that should have been applied, the BIR will issue a certificate confirming the non-resident income recipient's entitlement to treaty benefits. In the latter case, the taxpayer may apply for a refund of excess withholding tax.

With respect to the availment of preferential rates for dividends under an income tax treaty, most tax treaties to which the Philippines is a party provide for a reduced tax rate of 15% in cases where the dividend arises in the Philippines and is paid to a resident of the other contracting state. Most income tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the dividend, who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant dividend-earning interest is effectively connected with such permanent establishment.

Documentary Stamp Taxes on Shares

The original issue of shares is subject to documentary stamp tax of ₱2.00 on each ₱200.00 par value, or fraction thereof, of the shares issued. On the other hand, the transfer of shares is subject to a documentary stamp tax at a rate of ₱1.50 on each ₱200.00, or fractional part thereof, of the par value of the Shares. The documentary stamp tax is imposed on the person making, signing, issuing, accepting or transferring the document and is thus payable either by the vendor or the purchaser of the shares.

However, the sale, barter or exchange of Offer Shares should they be listed and traded through the PSE are exempt from documentary stamp tax.

Estate and Gift Taxes

The transfer of the Offer Shares upon the death of a registered holder to his heirs by way of succession, whether such an individual was a citizen of the Philippines or an alien, regardless of residence, shall be subject to an estate tax which is levied on the net estate of the deceased at a uniform rate of 6%. An Investor shall be subject to donor's tax at a uniform rate of 6% based on the value of the total gift on the transfer of the Commercial Papers by gift in excess of ₱250,000.00 made during a calendar year, regardless of the relation of the donor to the donee.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor. The estate tax and the donor's tax, in respect of the Offer Shares, shall not be collected: (1) if the decedent at the time of his death or the donor at the time of the donation was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character, in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (2) if the laws of the foreign country of which the decedent or donor was a citizen and resident at the time of his death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

In case the Offer Shares are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the Offer Shares exceeded the value of the consideration may be deemed a gift, and donor's taxes may be imposed on the transferor of the Offer Shares, based on Section 100 of the Tax Code, provided that a transfer of property made in the ordinary course of business (a transaction which is a bona fide, at arm's length, and free from any donative intent), will be considered as made for an adequate and full consideration in money or money's worth.

Taxation outside the Philippines

Shares of stock in a domestic corporation are considered under Philippine law to be situated in the Philippines and any gain derived from their sale is entirely from Philippine sources; hence, such gain is subject to Philippine income tax and the transfer of such shares by gift (donation) or succession is subject to the donors' tax or estate tax.

The tax treatment of a non-resident holder in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of its domicile or business activities and such holder's particular situation. This Prospectus does not discuss the tax considerations of non-resident holders of shares of stock under laws other than those of the Philippines.

EACH PROSPECTIVE HOLDER SHOULD CONSULT WITH HIS OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF PURCHASING, OWNING AND DISPOSING OF THE OFFER SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL AND NATIONAL TAX LAWS.

THE PHILIPPINE STOCK EXCHANGE

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Company.

Brief History

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulating, governed by its respective Board of Governors elected annually by its members.

Several steps initiated by the Philippine government resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. The PSE previously maintained two trading floors, one in Makati City and the other in Pasig City, which were linked by an automated trading system that integrated all bid and ask quotations from the bourses. In February 2018, the PSE transferred to its new office located at the PSE Tower, Bonifacio Global City, Taguig City. The PSE Tower houses the PSE corporate offices and a single, unified trading floor.

In June 1998, the Philippine SEC granted the Self-Regulatory Organization status to the PSE, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 8, 2001, the PSE completed its demutualization, converting from a non-stock member- governed institution into a stock corporation in compliance with the requirements of the SRC. The PSE had an authorized capital stock of ₱120 million, of which 61.2 million shares were subscribed and fully paid-up as of June 30, 2018. Each of the 184 member-brokers was granted 50,000 common shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a "Trading Participant Certificate" was immediately conferred on each member broker allowing the use of the PSE's trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the President of the PSE.

On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE's Main Board or the Small, Medium and Emerging Board. Recently, the PSE issued Rules on Exchange Traded Funds ("**ETF**") which provides for the listing of ETFs on an ETF Board separate from the PSE's existing boards.

The PSE has a benchmark index, referred to as the PSEi, which reflects the price movements of the 30 largest and most active stocks at the PSE. The PSEi is a free float market capitalization-weighted index.

With the increasing calls for good corporate governance and the need to consistently provide full, fair, accurate and timely information, the PSE adopted a new online disclosure system to support the provision of material information coming from listed companies and enhance access to such reports by the investing public. In December 2013, the PSE Electronic Disclosure Generation Technology ("**EDGe**"), a new disclosure system co-developed with the Korea Exchange, went live. The EDGe system provided a dedicated portal for listed company disclosures and also offered a free-to download mobile application for easy access by investors.

In June 2015, the PSE shifted to a new trading system, the PSEtrade XTS, which utilizes NASDAQ's X-stream Technology. The PSEtrade XTS, which replaced the NSC trading platform provided by NYSE Euronext Technologies SAS, is equipped to handle large trading volumes. It is also capable of supporting the future requirements of the PSE should more products and services be introduced.

In November 2016, PSE received regulatory approvals to introduce new products in the stock market – the Dollar Denominated Securities and the Listing of PPP Companies.

In June 2018, the PSE received approval from the Philippine SEC to introduce short selling in the equities market.

The PSE launched its Corporate Governance Guidebook in November 2010 as another initiative of the PSE to promote good governance among listed companies. It is composed of 10 guidelines embodying principles of good business practice and based on internationally recognized corporate governance codes and best practices

The table below sets out movements in the composite index as of the last business day of each calendar year from 2006 to 2019, and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Year	PSEi Level at Closing	Number of Listed Companies	Aggregate Market Capitalization (in ₱ billions)	Combined Value of Turnover (in ₱ billions)
2008	1,872.85	246	4,072.16	763.90
2009	3,052.68	248	6,032.22	994.15
2010	4,201.14	253	8,866.11	1,207.38
2011	4,371.96	253	8,696.96	1,422.59
2012	5,812.73	254	10,930.09	1,771.71
2013	5,889.83	257	11,931.29	2,546.18
2014	7,230.57	263	14,251.72	2,130.12
2015	6,952.08	265	13,465.57	2,151.41
2016	6,840.64	265	14,438.77	1,929.50
2017	8,558.42	267	17,583.12	1,958.36
2018	7,466.02	267	16,146.69	1,736.82
2019	7,815.26	270	16,705.35	1,776.15
2020	7,139.71	274	15,888.92	1,770.90

Source: PSE

Trading

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bid or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Equities trading on the PSE starts at 9:30 a.m. and ends at 12:00 p.m. for the morning session, and resumes at 1:30 p.m. and ends at 3:30 p.m. for the afternoon session. Trading days are Monday to Friday, except legal and special holidays and days when the BSP clearing house is closed.

Beginning on March 15, 2020, the PSE, in observance of the Government's implementation of the community quarantine in parts of the country including Metro Manila due to the COVID-19 pandemic, has implemented shortened trading hours starting at 9:30 a.m. and ending at 1:00 p.m. The shortened trading hours are still being implemented as of the date of this Prospectus.

Minimum trading lots range from 5 to 1,000,000 shares depending on the price range and nature of the security traded. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, whenever an order will result in a breach of the trading threshold of a security within a trading day, the trading of that security will be frozen. Orders cannot be posted, modified or cancelled for a security that is frozen. In cases where an order has been partially matched, only the portion of the order that will result in a breach of the trading threshold will be frozen. Where the order results in a breach of the trading threshold, the following procedures shall apply:

- In case the static threshold is breached, the PSE will accept the order, provided the price is within the allowable percentage price difference under the implementing guidelines of the revised trading rules (i.e., 50% of the previous day's reference or closing price, or the last adjusted closing price); otherwise, such order will be rejected. In cases where the order is accepted, the PSE will adjust the static threshold to 60% All orders breaching the 60% static threshold will be rejected by the PSE.

- In case the dynamic threshold is breached, the PSE will accept the order if the price is within the allowable percentage price difference under the existing regulations (i.e., 20% for security cluster A and newly-listed securities, 15% for security cluster B and 10% for security cluster C); otherwise, such order will be rejected by the PSE.

Non-Resident Transactions

When the purchase/sale of Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.

Settlement

The SCCP is a wholly-owned subsidiary of the PSE, and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on January 17, 2002. It is responsible for:

- synchronizing the settlement of funds and the transfer of securities through Delivery versus Payment clearing and settlement of transactions of Clearing Members, who are also Trading Participants of the PSE;

- guaranteeing the settlement of trades in the event of a Trading Participant's default through the implementation of its Fails Management System and administration of the Clearing and Trade Guaranty Fund; and

- performance of Risk Management and Monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a three-day rolling settlement environment, which means that settlement of trades takes place three days after transaction date (T+3). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the book entry system of the PDTC. Each PSE Trading Participant maintains a Cash Settlement Account with one of the nine existing Settlement Banks of SCCP which are BDO Unibank, Inc., Rizal Commercial Banking Corporation, Metropolitan Bank & Trust Company, Deutsche Bank, Union Bank of the Philippines, The Hongkong and Shanghai Banking Corporation Limited, Maybank Philippines, Inc., Asia United Bank, and China Banking Corporation. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its Central Clearing and Central Settlement ("**CCCS**") system on May 29, 2006. CCCS employs multilateral netting, whereby the system automatically offsets "buy" and "sell" transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each clearing member. All cash debits and credits are also netted into a single net cash position for each clearing member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the Central Counterparty to each PSE-eligible trade cleared through it.

Scripless Trading

In 1995, the PDTC (formerly the Philippine Central Depository, Inc.), was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On December 16, 1996, the PDTC was granted a provisional license by the Philippine SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares in favor of the PCD Nominee Corporation ("**PCD Nominee**"), a corporation wholly-owned by the PDTC, whose sole purpose is to act as nominee and legal title holder of all shares lodged in the PDTC. "Immobilization" is the process by which the warrant or share certificates of lodging holders are cancelled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares in the account of the PCD Nominee through the PDTC participant will be recorded in the issuing corporation's registry. This trust arrangement between the participants and PDTC through the PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the Philippine SEC. No consideration is paid for the transfer of legal title to the PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (*e.g.* brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant-custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (T+3) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the SCCP Central Clearing and Central Settlement system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his shareholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under the PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of ownership of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are cancelled and a confirmation advice is issued in the name of PCD Nominee to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of the PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the PCD Nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current "*de facto*" custodianship role.

Amended Rule on Lodgment of Securities

On June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on July 1, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the Philippine SEC, without any jumbo or mother certificate in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III Part A of the Revised Listing Rules.

For listing applications, the amended rule on lodgment of securities is applicable to:

- The offer shares/securities of the applicant company in the case of an initial public offering;
- The shares/securities that are lodged with the PDTC, or any other entity duly authorized by the Philippine SEC in the case of a listing by way of introduction;
- New securities to be offered and applied for listing by an existing listed company; and
- Additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof to wit:

- For a new company to be listed at the PSE as of July 1, 2009, the usual procedure will be observed but the transfer agent of the company shall no longer issue a certificate to PCD Nominee but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the depository participants on the listing date.
- On the other hand, for an existing listed company, the PDTC shall wait for the advice of the transfer agent that it is ready to accept surrender of PCD Nominee jumbo certificates and upon such advice the PDTC shall surrender all PCD Nominee jumbo certificates to the transfer agent for cancellation. The transfer agent shall issue a Registry Confirmation Advice to PDTC evidencing the total number of shares registered in the name of PCD Nominee in the listed company's registry as of confirmation date.

Further, the PSE apprised all listed companies and market participants on May 21, 2010 through Memorandum No. 2010-0246 that the Amended Rule on Lodgement of Securities under Section 16 of Article III, Part A of the Revised Listing Rules of the PSE shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the PSE.

Issuance of Stock Certificates for Certificated Shares

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply with PDTC through his broker or custodian-participant for a withdrawal from the book-entry system and return to the conventional paper-based settlement. If a shareholder wishes to withdraw his stockholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the uplifting of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are on the account of the uplifting shareholder.

Upon the issuance of stock certificates for the shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of the shares into certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent.

Amended Rule on Minimum Public Ownership

Under the PSE Amended Rule on Minimum Public Ownership, listed companies are required, at all times, to maintain a minimum percentage of listed securities held by the public of 10% of the listed companies' total issued and outstanding shares (*i.e.*, exclusive of treasury shares), or at such percentage that may be prescribed by the PSE. For purposes of determining compliance with the MPO, shares held by the following are generally considered "held by the public": (i) individuals (for as long as the shares held are not of a significant size (*i.e.*, less than 10%) and are non-strategic in nature; (ii) trading participants (for as long as the shares held are non-strategic in nature); (iii) investment and mutual funds; (iv) pension funds; (v) PCD nominees if this account constitutes a number of shareholders, none of which has significant holdings (provided that if an owner of shares under the PCD Nominee has a shareholding that is 10% or more of the total issued and outstanding shares, then this shareholder is considered a principal stockholder); and (vi) social security funds.

Listed companies which become non-compliant with the MPO on or after January 1, 2013 will be suspended from trading for a period of not more than six (6) months and will automatically be delisted if it remains non-compliant with the MPO after the lapse of the suspension period. Suspended or delisted shares will not be traded on the exchange. In addition, sale of shares of listed companies that do not maintain the MPO are not considered publicly listed for taxation purposes and should, therefore, be subjected to capital gains tax and documentary stamp tax.

In accordance with the SEC Memorandum Circular No. 13 Series of 2017 issued on December 1, 2017, the MPO requirement on initial public offerings is increased from 10% to 20% For existing publicly listed companies, the existing rules and/or guidelines of an exchange on minimum public float duly approved by the SEC still apply. The PSE rule on MPO requires that listed companies shall, at all times, maintain a minimum percentage of listed securities held by the public of 10% of the listed companies' issued and outstanding shares, exclusive of any treasury shares, or as such percentage that may be prescribed by the PSE. As of date, the SEC is looking at increasing the MPO requirement of existing listed companies to 25%, such proposed rules on MPO is yet to be issued by SEC for comments by the public.

APPENDIX

A. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP AS OF JUNE 30, 2021 AND FOR THE THREE MONTHS ENDED JUNE 30, 2020 AND 2021

- Interim Consolidated Statements of Financial Position
- Interim Consolidated Statements of Comprehensive Income
- Interim Consolidated Statements of Changes in Equity
- Interim Consolidated Statements of Cash Flows
- Notes to Interim Condensed Consolidated Financial Statements

B. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AS OF DECEMBER 31, 2019 and 2020 AND FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 and 2020

- Independent Auditor’s Report
- Consolidated Statements of Financial Position
- Consolidated Statements of Comprehensive Income
- Consolidated Statements of Changes in Equity
- Consolidated Statements of Cash Flows
- Notes to the Consolidated Financial Statements

A Brown Company, Inc. and Subsidiaries

Interim Condensed Consolidated Financial Statements
As of June 30, 2021 and
For the Six-Month Periods Ended
June 30, 2021 and 2020
(with Comparative Audited Consolidated
Statement of Financial Position
as of December 31, 2020)

A BROWN COMPANY, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS		
Current Assets		
Cash (Note 3)	**₱109,855,904**	₱231,321,649
Receivables (Note 4)	**978,066,653**	1,126,804,810
Contract assets (Note 11)	**93,867,686**	76,301,227
Real estate inventories (Note 5)	**1,711,634,066**	1,573,049,067
Other inventories (Note 6)	**165,912,968**	148,093,928
Other current assets (Note 7)	**578,886,776**	511,185,498
Total Current Assets	**3,638,224,053**	3,666,756,179
Noncurrent Assets		
Receivables - net of current portion (Note 4)	**–**	26,338,455
Contract assets - net of current portion (Note 11)	**22,715,407**	20,563,963
Equity instruments at fair value through other comprehensive income (EIFVOCI)	**221,653,826**	175,587,105
Investments in associates (Note 8)	**1,588,449,235**	1,430,559,395
Investment properties (Note 9)	**117,639,451**	97,133,941
Property, plant and equipment (Note 9)	**907,973,811**	912,510,888
Deferred tax assets (Note 15)	**14,867,357**	16,486,463
Other noncurrent assets (Note 7)	**207,857,034**	156,516,069
Total Noncurrent Assets	**3,081,156,121**	2,835,696,279
TOTAL ASSETS	**₱6,719,380,174**	₱6,502,452,458
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 10)	**₱670,189,040**	₱628,610,957
Short-term debt (Note 12)	**329,785,400**	414,177,400
Current portion of long-term debt (Note 12)	**208,299,524**	254,200,759
Contract liabilities (Notes 11)	**76,316,426**	168,966,097
Total Current Liabilities	**1,284,590,390**	1,465,955,213
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 12)	**724,725,244**	566,655,809
Retirement benefit obligation	**65,341,495**	61,169,956
Deferred tax liabilities - net (Note 15)	**152,490,716**	154,238,970
Total Noncurrent Liabilities	**942,557,455**	782,064,735
Total Liabilities	**₱2,227,147,845**	₱2,248,019,948

(Forward)

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 13)	**₱2,477,668,925**	₱2,477,668,925
Additional paid-in capital	**637,968,859**	637,968,859
Retained earnings	**1,663,090,370**	1,437,223,304
Fair value reserve of EIFVOCI	**(212,466,967)**	(258,483,688)
Remeasurement loss on retirement benefit obligation - net of tax	**(25,345,623)**	(25,293,809)
Remeasurement loss on defined benefit plan of an associate (Note 8)	**(731,525)**	(731,525)
Cumulative translation adjustment	**6,164,764**	4,000,560
Treasury shares (Note 13)	**(57,426,676)**	(21,236,419)
	4,488,922,127	4,251,116,207
Noncontrolling interest	**3,310,202**	3,316,303
Total Equity	**4,492,232,329**	4,254,432,510
TOTAL LIABILITIES AND EQUITY	**₱6,719,380,174**	₱6,502,452,458

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Six Months Ended June 30		For the Quarter Ended June 30	
	2021	2020 (As restated; see Note 20)	**2021**	2020 (As restated; see Note 20)
REVENUE (Note 14)				
Real estate sales	**₱259,936,149**	₱293,988,642	**₱64,317,981**	₱68,225,446
Sale of agricultural goods	**17,300,590**	22,052,456	**13,016,044**	10,784,507
Water service	**12,148,389**	11,692,532	**6,304,712**	5,842,730
	289,385,128	327,733,630	**83,638,737**	84,852,683
COSTS OF SALES AND SERVICES				
Cost of real estate sales	**72,087,264**	82,097,882	**31,427,095**	35,394,641
Cost of agricultural goods sold	**9,890,279**	20,616,547	**7,438,393**	12,045,754
Cost of water service revenue	**3,998,080**	7,719,333	**2,514,667**	4,030,803
	85,975,623	110,433,762	**41,380,155**	51,471,198
GROSS PROFIT	**203,409,505**	217,299,868	**42,258,582**	33,381,485
GENERAL, ADMINISTRATIVE AND SELLING EXPENSES	**136,122,908**	115,621,691	**66,665,884**	40,215,486
OTHER INCOME (EXPENSES)				
Equity in net earnings of associates (Note 8)	**167,889,840**	145,350,625	**80,237,037**	63,622,960
Interest expense (Note 12)	**(23,451,033)**	(23,628,513)	**(12,013,387)**	(5,588,188)
Gain on bargain purchase (Note 16)	**–**	2,659,077	**–**	2,659,077
Unrealized gain on equity instruments at fair value through profit or loss (EIFVPL)	**–**	3,860,162	**–**	21,174,100
Gain on sale of EIFVPL	**–**	3,719,671	**–**	3,719,671
Other income - net (Note 11)	**12,886,891**	4,157,853	**5,968,174**	837,787
	157,325,698	136,118,875	**74,191,824**	86,425,407
INCOME BEFORE INCOME TAX	**224,612,295**	237,797,052	**49,784,522**	79,591,406
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 15)				
Current	**1,598,174**	5,554,211	**163,932**	(1,981,855)
Deferred	**(2,846,844)**	18,610,378	**(4,263,536)**	(11,371,112)
	(1,248,670)	24,164,589	**(4,099,604)**	(13,352,967)
NET INCOME	**₱225,860,965**	₱213,632,463	**₱53,884,126**	₱92,944,373

(Forward)

	For the Six Months Ended June 30		For the Quarter Ended June 30	
	2021	2020 (As restated; see Note 20)	**2021**	2020 (As restated; see Note 20)
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will be reclassified to profit or loss in subsequent periods:				
Cumulative translation adjustment	**₱2,164,204**	₱2,146,677	**(₱197,505)**	₱810,795
Items that will not be reclassified to profit or loss in subsequent periods:				
Net change in fair value of EIFVOCI	**46,016,721**	(19,136,525)	**27,030,417**	3,198,840
Remeasurement loss on defined benefit plan - net of tax effect	**(51,814)**	(348,106)	**49,744**	6,059
Equity in other comprehensive loss of associate (Note 8)	**–**	(365,762)	**–**	(182,881)
	48,129,111	(17,703,716)	**26,882,656**	3,832,813
TOTAL COMPREHENSIVE INCOME	**₱273,990,076**	₱195,928,747	**₱80,766,782**	₱96,777,186
Net Income (Loss) Attributable to:				
Equity holders of the Parent Company	**₱225,867,066**	₱213,664,389	**₱53,887,011**	₱92,947,671
Noncontrolling interest	**(6,101)**	(31,926)	**(2,885)**	(3,298)
	₱225,860,965	₱213,632,463	**₱53,884,126**	₱92,944,373
Total Comprehensive Income (Loss) Attributable to:				
Equity holders of the Parent Company	**₱273,996,177**	₱195,960,673	**₱80,769,667**	₱96,780,484
Noncontrolling interest	**(6,101)**	(31,926)	**(2,885)**	(3,298)
	₱273,990,076	₱195,928,747	**₱80,766,782**	₱96,777,186
Basic/Diluted Earnings per Share (Note 13)	**₱0.09**	₱0.09	**₱0.02**	₱0.04

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020

	Total Equity Attributable to Equity Holders of the Parent Company										
	Capital Stock	Additional Paid-in Capital	Retained Earnings	Fair Value Reserve of EIFVOCI	Remeasurement Loss on 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, 2021	**₱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**
Net income	**–**	**–**	**225,867,066**	**–**	**–**	**–**	**–**	**–**	**225,867,066**	**(6,101)**	**225,860,965**
Other comprehensive income (loss)	**–**	**–**	**–**	**46,016,721**	**(51,814)**	**–**	**2,164,204**	**–**	**48,129,111**	**–**	**48,129,111**
Total comprehensive income	**–**	**–**	**225,867,066**	**46,016,721**	**(51,814)**	**–**	**2,164,204**	**–**	**273,996,177**	**(6,101)**	**273,990,076**
Acquisitions of treasury shares (Note 13)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(36,190,257)**	**(36,190,257)**	**–**	**(36,190,257)**
At June 30, 2021	**₱2,477,668,925**	**₱637,968,859**	**₱1,663,090,370**	**(₱212,466,967)**	**(₱25,345,623)**	**(₱731,525)**	**₱6,164,764**	**(₱57,426,676)**	**₱4,488,922,127**	**₱3,310,202**	**₱4,492,232,329**
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 - as restated	–	–	213,664,389	–	–	–	–	–	213,664,389	(31,926)	213,632,463
Other comprehensive income (loss) - as restated	–	–	–	(19,136,525)	(348,106)	(365,762)	2,146,677	–	(17,703,716)	–	(17,703,716)
Total comprehensive income - as restated	–	–	213,664,389	(19,136,525)	(348,106)	(365,762)	2,146,677	–	195,960,673	(31,926)	195,928,747
At June 30, 2020	₱2,477,668,925	₱637,968,859	₱1,356,757,219	(₱285,645,865)	(₱20,432,026)	(₱365,762)	₱3,153,262	(₱1,014)	₱4,169,103,598	₱3,310,745	₱4,172,414,343

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30	
	2021	2020 (As restated; see Note 20)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱224,612,295**	₱237,797,052
Adjustments for:		
Equity in net earnings of associates (Note 8)	**(167,889,840)**	(145,350,625)
Interest expense (Note 12)	**23,451,033**	23,628,513
Depreciation	**20,885,085**	12,670,411
Impairment loss (Note 9)	**7,563,167**	21,659,023
Net changes in retirement benefit obligation	**4,102,454**	3,589,120
Interest income	**(1,169,786)**	(1,168,757)
Loss (gain) on sale of property, plant and equipment	**(288,867)**	184,474
Unrealized gain on EIFVPL shares	**–**	(3,860,162)
Gain on sale of EIFVPL shares	**–**	(3,719,671)
Gain on bargain purchase (Note 16)	**–**	(2,659,077)
Operating income before working capital changes	**111,265,541**	142,770,301
Decrease (increase) in:		
Receivables	**87,896,612**	121,043,417
Contract assets	**(19,717,903)**	(172,391,411)
Real estate inventories	**(135,471,526)**	(120,784,349)
Other inventories	**(17,692,996)**	(20,030,707)
Other current assets	**(67,701,281)**	(154,655,603)
Increase (decrease) in:		
Accounts and other payables	**59,999,771**	35,474,374
Contract liabilities	**(92,649,670)**	62,199,763
Net cash used in operations	**(74,071,452)**	(106,374,215)
Interest received	**1,169,786**	1,168,757
Net cash flows used in operating activities	**(72,901,666)**	(105,205,458)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from associates (Note 8)	**98,000,000**	182,200,000
Additions to:		
Property, plant and equipment (Note 9)	**(28,365,359)**	(6,708,170)
Investment properties (Note 9)	**(20,505,510)**	–
EIFVOCI	**(50,000)**	–
Other noncurrent assets	**(51,340,963)**	(4,589,611)
Proceeds from sale of:		
Property, plant and equipment	**350,000**	–
EIFVPL	**–**	4,265,575
Cash inflow from acquisition of subsidiary	**–**	51,507
Net cash flows from (used in) investing activities	**(₱1,911,832)**	₱175,219,301

(Forward)

	For the Six Months Ended June 30	
	2021	2020 (As restated; see Note 20)
CASH FLOWS FROM FINANCING ACTIVITIES (Note 19)		
Proceeds from:		
Long-term debt	**₱271,171,200**	₱2,627,700
Short-term debt	**–**	131,252,000
Payments of:		
Long-term debt	**(159,003,000)**	(128,453,469)
Short-term debt	**(84,392,000)**	(21,981,648)
Interest paid	**(40,402,394)**	(30,280,369)
Acquisition of treasury shares (Note 13)	**(36,190,257)**	–
Net cash flows used in financing activities	**(48,816,451)**	(46,835,786)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**2,164,204**	2,146,677
NET INCREASE (DECREASE) IN CASH	**(121,465,745)**	25,324,734
CASH AT BEGINNING OF PERIOD	**231,321,649**	74,999,881
CASH AT END OF PERIOD (Note 3)	**₱109,855,904**	₱100,324,615

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED 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.

<u>Group Information</u>
The Parent Company, through its subsidiaries, also ventured into palm oil milling, power generation and holdings of investments. The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries of the Group:

			Effective Percentage of Ownership (%)	
	Nature of Business	Place of Incorporation	**June 30, 2021 (Unaudited)**	December 31, 2020 (Audited)
A Brown Energy and Resources Development, Inc. (ABERDI)	Manufacturing and Agriculture	Philippines	**100**	100
Nakeen Corporation (NC)	Agriculture	Philippines	**100**	100
Bonsai Agri Corporation (BAC)*	Agriculture	Philippines	**100**	100
Palm Thermal Consolidated Holdings Corp. (PTCHC)	Holdings	Philippines	**100**	100
Hydro Link Projects Corp. (HLPC)*	Power	Philippines	**100**	100
AB Bulk Water Company, Inc. (ABWCI)*	Water services	Philippines	**100**	100
Blaze Capital Limited (BCL)*	Infrastructure	British Virgin Islands	**100**	100
Simple Homes Development, Inc. (SHDI)*	Real estate	Philippines	**100**	100
Masinloc Consolidated Power, Inc. (MCPI)**	Power	Philippines	**49**	49
Vires Energy Corporation (VEC)*	Power	Philippines	**100**	100
Irradiation Solutions, Inc. (ISI)*	Irradiation Services	Philippines	**100**	–

** pre-operating subsidiaries*
*** non-operating subsidiary*

On January 4, 2021, the SEC has approved the incorporation of ISI with an authorized share capital of ₱100.0 million divided into 100.0 million shares with a par value of ₱1.0 per share. The Parent Company subscribed to 24,999,995 shares of the total 25,000,000 total shares for subscription and paid ₱6.2 million upon approval of the articles of incorporation.

Approval of Interim Condensed Consolidated Financial Statements
The accompanying interim condensed consolidated financial statements of the Group as of June 30, 2021 and for the six months period ended June 30, 2021 and 2020 were approved and authorized for issue by the Board of Directors (BOD) on August 16, 2021.

2. Basis of Preparation and Changes in Accounting Policies and Disclosures

Basis of Preparation
The accompanying interim condensed consolidated financial statements have been prepared using the historical cost basis, except for EIFVOCI and EIFVPL that are carried at fair value. The interim condensed 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.

The interim condensed consolidated financial statements provide comparative information in respect of the previous period.

The interim condensed consolidated financial statements of the Group have been prepared for inclusion in the offering circular in relation to a planned capital raising activity.

Statement of Compliance
The accompanying interim condensed consolidated financial statements of the Group have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*, as modified by the application of the following reporting reliefs issued and approved by SEC under Memorandum Circular No. 34-2020 in response to the COVID-19 pandemic:

a. Assessing if the transaction price includes a significant financing component discussed in Philippine Interpretations Committee (PIC) Questions and Answers (Q&A) No. 2018-12-D;
b. Treatment of land in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E; and,
c. Application of International Financial Reporting Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost).*

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of December 31, 2020, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which include the availment of reliefs granted by the above SEC Memorandum Circulars (MC) in addition to those under MC Nos. 3-2019 and 14-2018 to defer the implementation of the following accounting pronouncements until December 31, 2020.

a. Treatment of uninstalled materials in the determination of the POC (as amended by PIC Q&A 2020-02);

b. Accounting for Common Usage Service Area (CUSA) charges; and,
c. Deferral of the adoption of PIC Q&A 2018-14: *Accounting for Cancellation of Real Estate Sales* (as amended by PIC Q&A 2020-05).

The details and the impact of the adoption of the above financial reporting reliefs are discussed in the section below under Changes in Accounting Policies and Disclosures.

Changes in Accounting Policies and Disclosures
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, 2021. 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 interim condensed consolidated financial statements of the Group.

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

- 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; and,
  - 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 have no material impact to the Group.

- Adoption of PIC Q&A 2020-02, *Treatment of Uninstalled Materials in the Determination of the POC* (Amendment to PIC Q&A 2018-12-E)

  PIC Q&A 2020-02 was issued by PIC on December 15, 2020 and provides amendment on PIC Q&A 2018-12-E, *On Certain Materials Delivered on Site but not yet Installed*. The latter aims to provide guidance on the treatment of uninstalled materials in measuring the progress of the performance obligation. The PIC has concluded that in recognizing revenue using a cost-based input method, customized materials are to be included in the measurement of the progress of work while materials that are not customized shall be excluded.

  The adoption of the Interpretation has no significant impact in the interim condensed consolidated financial statements of the Group as the POC of the projects are determined based on the accomplishment and physical proportion of work done on the real estate which requires technical determination by the Group's specialist (project engineers).

- Adoption of PIC &A 2018-12-H, *Accounting for CUSA Charges*

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 (PIC Q&A) which provides guidance on some implementation issues of PFRS 15 affecting the real estate industry. The PIC provides guidance on whether a real estate developer is acting as a principal or agent in goods and services that it delivers based on contract of lease with the tenants.

  The Interpretation has no impact in the interim condensed consolidated financial statements of the Group.

- Adoption of PIC Q&A 2020-05, *Accounting for Cancellation of Real Estate Sales* (Amendment to 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 Financial Reporting Standards Council.

  The adoption of the interpretation has no significant impact to the interim condensed consolidated financial statements of the Group as its current accounting for real estate sales cancellation is in accordance with Approach 3. The Group records the repossessed inventory at cost and reverses in the period of cancellation the revenues and related costs previously recognized.

<u>Standards Issued but Not Yet Effective</u>
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 interim condensed consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Deferred effectivity

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

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

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 08, 2019, the SEC issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023.

A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

		Deferral Period
a.	Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023
b.	Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E	Until December 31, 2023

To assist real estate companies to finally adopt the said PIC and IFRIC pronouncements and enable them to fully comply with PFRS 15 and revert to full PFRS, the Commission en banc, in its meeting held on July 8, 2021, approved the amendment to the transitional provisions in the above MCs which would provide real estate companies the accounting policy option of applying either the full retrospective approach or modified retrospective approach when they apply the provisions of the PIC and IFRIC pronouncements.

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 either full retrospective approach and modified retrospective approach and would have resulted in restatement of prior year financial statements if the former approach is applied. 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 and the opening balance of retained earnings depending on the approach applied upon adoption of the reliefs. The Group has yet to assess if the mismatch constitutes a significant financing component for its CTSs.

b. The exclusion of land 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 and the opening balance of retained earnings depending on the approach applied upon adoption of the reliefs.

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.

Significant Accounting Judgment, Estimates and Assumptions
Judgments, key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are consistent with those applied in the most recent annual financial statements which already considered the impact of COVID-19 pandemic.

3. Cash

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash on hand	**₱1,484,980**	₱1,369,916
Cash in banks	**108,370,924**	229,951,733
	₱109,855,904	₱231,321,649

Cash in banks pertain to savings and current accounts that generally earn interest based on prevailing respective bank deposit rates.

4. Receivables

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
ICR	**₱710,565,115**	₱798,623,667
Receivable from related parties	**124,341,162**	117,690,925
Trade receivables	**14,204,710**	19,672,704
Advances to officers and employees	**1,701,524**	2,985,026
Dividend receivable	**–**	88,000,000
Other receivables	**131,515,002**	130,431,803
	982,327,513	1,157,404,125
Less allowance for expected credit losses (ECL)	**4,260,860**	4,260,860
	978,066,653	1,153,143,265
Less noncurrent portion	**–**	26,338,455
	₱978,066,653	₱1,126,804,810

ICR consists of accounts collectible in equal monthly installments with various terms up to a maximum of two years, and bears interest ranging from 10% to 18%. The transfer certificates of title remain in the possession of the Group until full payment has been made by the customers.

Receivable from related parties pertain to cash advances made to the Group's associates, Peakpower Energy, Inc. (PEI) and East West Rail Transit Corporation (EWRTC), which are noninterest-bearing and payable on demand. For the six months period ended June 30, 2021 and year ended December 31, 2020, the Group has provided additional cash advances to EWRTC amounting to ₱6.7 million and ₱3.2 million, respectively, to support the pre-operating costs of the associate.

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, PEI and Palm Concepcion Power Corporation (PCPC), which are 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.

The Group has considered the 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 impact of COVID-19 pandemic did not materially affect the Group's allowance for ECL.

5. Real Estate Inventories

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Land for sale and development	**₱184,730,259**	₱195,500,285
Construction and development costs	**1,526,903,807**	1,377,548,782
	₱1,711,634,066	₱1,573,049,067

The rollforward of this account is as follows:

	June 30, 2021 (Unaudited; Six Months)	December 31, 2020 (Audited; One Year)
Balance at beginning of the period	**₱1,573,049,067**	₱1,580,964,264
Construction costs incurred	**189,047,316**	300,155,667
Borrowing costs capitalized	**18,511,474**	36,177,696
Depreciation expense capitalized	**3,113,473**	9,183,103
Cost of real estate sales	**(72,087,264)**	(353,431,663)
	₱1,711,634,066	₱1,573,049,067

The real estate inventories are carried at cost. No real estate inventories are recorded at amounts lower than cost as of June 30, 2021 and December 31, 2020.

Land for sale and development represents real estate subdivision projects in which the Group has been granted license to sell 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 pertain to the amounts incurred 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 for the six months ended June 30, 2021 and 2020 amounted to ₱18.5 million and ₱17.5 million, respectively. The capitalization rate used to determine the borrowing costs eligible for capitalization in 2021 and 2020 is 3.44% and 3.57%, respectively (see Note 12).

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. As of June 30, 2021 and December 31, 2020, the carrying values of the collateralized real estate inventories amounted to ₱160.6 million and ₱165.5 million, respectively (see Note 12).

6. **Other Inventories -** At Cost

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Finished agricultural goods	**₱88,018,755**	₱82,007,278
Construction materials	**76,750,197**	65,147,876
Agricultural materials and other supplies	**1,144,016**	938,774
	₱165,912,968	₱148,093,928

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.

For the six months ended June 30, 2021 and 2020, expired fertilizers and fertilizer bags no longer usable were written-off amounting to nil and ₱2.0 million recognized in the interim consolidated statements of comprehensive income.

7. **Other Assets**

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Current:		
Deposits for purchased land	**₱369,657,903**	₱319,065,057
Prepaid expenses	**104,994,610**	94,435,158
Creditable withholding taxes	**81,132,255**	71,387,309
Costs to obtain contracts	**15,203,580**	16,005,309
Refundable deposits	**7,471,838**	7,462,263
Miscellaneous	**426,590**	2,830,402
	₱578,886,776	₱511,185,498
Noncurrent:		
Advances to third parties	**₱165,343,590**	₱115,311,840
Refundable deposits - net of current portion	**38,167,908**	39,406,790
Deferred input VAT	**4,302,529**	1,754,432
Goodwill	**43,007**	43,007
	₱207,857,034	₱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 within one year.

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 over the expected construction period using the POC following the pattern of real estate revenue recognition.

Advances to third parties 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. This account also includes the amount of initial payment made to another third party for the planned purchase of land under a contract to sell. Ownership of the land will be transferred to the Group once all the conditions of the contract to sell are met and subsequently settled (see Note 20).

Refundable deposits pertain to deposits for installations of water and electric utility.

Miscellaneous pertains to advances to suppliers and contractors.

8. **Investments in Associates**

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
PCPC	**₱1,165,381,884**	₱1,062,963,914
PEI	**369,454,823**	313,926,796
EWRTC	**53,612,528**	53,668,685
	₱1,588,449,235	₱1,430,559,395

	June 30, 2021 (Unaudited; Six Months)	December 31, 2020 (Audited; One Year)
Acquisition cost, beginning and end of period	**₱1,105,595,917**	₱1,105,595,917
Accumulated equity in net earnings:		
Balances at beginning of period	**324,963,478**	324,806,063
Equity in net earnings	**167,889,840**	175,888,940
Dividends	**(10,000,000)**	(175,000,000)
Equity in other comprehensive loss	**−**	(731,525)
	482,853,318	324,963,478
	₱1,588,449,235	₱1,430,559,395

In 2020, PEI and PCPC declared cash dividends to the Group amounting to ₱95.0 million and ₱80.0 million, respectively. For the six months ended June 30, 2021, PEI declared cash dividends to the Group amounting to ₱10.0 million.

Dividends received from associates amounted to ₱98.0 million and ₱182.2 million for the six months ended June 30, 2021 and 2020, respectively.

The Group's share in net income (loss) of its associates are shown below:

	For the Six Months Ended June 30	
	2021	2020 (As restated; see Note 20)
PCPC	**₱102,417,970**	₱89,018,718
PEI	**65,528,027**	56,407,442
EWRTC	**(56,157)**	(75,535)
	₱167,889,840	₱145,350,625

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 June 30, 2021 and December 31, 2020:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Assets		
Current assets	**₱3,025,414,778**	₱3,171,695,590
Noncurrent assets	**9,288,229,555**	9,583,664,805
Less liabilities		
Current liabilities	**1,008,841,642**	1,952,152,885
Noncurrent liabilities	**5,759,063,346**	5,769,558,012
Equity	**₱5,545,739,345**	₱5,033,649,498
Group's carrying amount of the investment	**₱1,165,381,884**	₱1,062,963,914

	For the Six Months Ended June 30	
	2021	2020 (As restated; see Note 20)
Revenue	**₱2,592,741,022**	₱2,288,683,524
Costs and expenses	**2,080,651,174**	1,843,589,934
Net income	**512,089,848**	445,093,590
Other comprehensive loss	**–**	(1,828,810)
Total comprehensive income	**₱512,089,848**	₱443,264,780

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 June 30, 2021 and December 31, 2020:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Assets		
Current assets	**₱475,617,189**	₱412,429,558
Noncurrent assets	**2,308,263,018**	2,307,160,801
Less liabilities		
Current liabilities	**558,800,761**	773,912,864
Noncurrent liabilities	**432,513,816**	430,751,998
Equity	**₱1,792,565,630**	₱1,514,925,497
Group's carrying amount of the investment	**₱369,454,823**	₱313,926,796

	For the Six Months Ended June 30	
	2021	2020 (As restated; see Note 20)
Revenue	**₱473,682,342**	₱495,621,369
Costs and expenses	**146,042,206**	213,584,157
Net income	**327,640,136**	282,037,212
Other comprehensive income	**–**	–
Total comprehensive income	**₱327,640,136**	₱282,037,212

9. **Investment Properties and Property, Plant and Equipment**

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Investment properties	**₱117,639,451**	₱97,133,941
Property, plant and equipment	**₱907,973,811**	₱912,510,888

Investment Properties
The account includes land held for capital appreciation amounting to ₱116.0 million and ₱95.5 million as of June 30, 2021 and December 31, 2020, respectively, and land and building held for lease amounting to ₱1.6 million as of June 30, 2021 and December 31, 2020.

Total additions to investment properties amounted to ₱20.5 million and nil for the six months ended June 30, 2021 and 2020, respectively.

The fair values of land and building as of June 30, 2021 and December 31, 2020, as determined by an independent appraiser using a combination of Market Data and Income Approach, amounted to ₱421.1 million and ₱400.6 million, respectively . The valuation techniques used are categorized under Level 3 of the fair value hierarchy.

Property, Plant and Equipment
Property, plant and equipment includes land, leasehold improvements, bearer plants, refined bleached deodorized and fractionation machineries, buildings and improvements, machineries and equipment, construction in progress, right of use assets and other equipment.

Total additions to property, plant and equipment amounted to ₱28.4 million and ₱6.7 million for the six months ended June 30, 2021 and 2020, respectively.

For the six months ended June 30, 2020, the Group recognized an impairment loss of ₱14.1 million for specifically identified construction in progress that are no longer recoverable.

As of June 30, 2021 and December 31, 2020, 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. For the six months ended June 30, 2021 and 2020, the Group recognized impairment loss of ₱7.6 million on both periods 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, excluding the specific impairment as of June 30, 2021 and December 31, 2020. The recoverable amount was computed using discounted cash flows approach and considered certain assumptions such as future fresh fruit bunches production, prices, direct costs and using an average discount rate of 9.05% in 2021 and 2020.

The Group's investment properties and property, plant and equipment are not used as collateral to its short-term and long-term debts.

10. Accounts and Other Payables

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade payables	**₱425,596,366**	₱413,701,603
Statutory payables	**140,331,178**	135,112,202
Accrued expenses	**65,076,716**	44,612,446
Retention payables	**35,468,002**	33,028,041
Accrued interest payable	**3,716,778**	2,156,665
	₱670,189,040	₱628,610,957

Trade payables are noninterest-bearing and are generally on a 30 to 60-day credit terms.

Statutory payables pertain to the output tax on the sale of real estate units, dues for remittance to the Social Security System, Philippine Health Insurance Corporation, Home Development Mutual Fund, and Bureau of Internal Revenue. 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 payables 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.

Accrued interest payable is normally settled within 30 days.

11. 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 interim 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 June 30, 2021 and December 31, 2020 are as follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Current portion of contract assets	**₱93,867,686**	₱76,301,227
Noncurrent portion of contract assets	**22,715,407**	20,563,963
Contract assets	**₱116,583,093**	₱96,865,190
Contract liabilities	**₱76,316,426**	₱168,966,097

Revenue recognized from amounts included in contract liabilities amounted to ₱174.5 million and ₱135.3 million for the six months ended June 30, 2021 and 2020, respectively.

Other income recognized from forfeited reservation sales and advances payments amounted to ₱8.9 million and ₱1.0 million for the six months ended June 30, 2021 and 2020, respectively.

12. **Loans Payable**

Short-term debt

	June 30, 2021 (Unaudited)		December 31, 2020 (Audited)	
	Annual Interest Rate	**Amount**	Annual Interest Rate	Amount
DBP	**8.00% - 8.25%**	**₱134,276,000**	8.00% - 8.25%	₱173,668,000
CBC	**8.50% -9.00%**	**85,000,000**	8.50% -9.00%	100,000,000
UBP	**4.50% - 5.75%**	**85,000,000**	4.50% - 5.75%	100,000,000
UCPB	**5.00% 5.50%**	**17,509,400**	5.00% 5.50%	32,509,400
Shareholder loan	**Noninterest-bearing**	**8,000,000**	Noninterest-bearing	8,000,000
		₱329,785,400		₱414,177,400

Interest expense on short-term debt recognized in the interim consolidated statements of comprehensive income amounted to ₱6.1 million and ₱9.7 million for the six months ended June 30, 2021 and 2020, respectively.

Real estate inventories amounting to ₱4.3 million and ₱5.4 million have been collateralized against short-term debt as of June 30, 2021 and December 31, 2020, respectively (see Note 5).

Borrowing costs from short-term loans for the six months ended June 30, 2021 and 2020 amounted to ₱3.6 million and ₱3.0 million, respectively, are capitalized as part of real estate inventories.

Long-term debt

	June 30, 2021 (Unaudited)		December 31, 2020 (Audited)	
	Annual Interest Rate	**Amount**	Annual Interest Rate	Amount
DBP	**5.25%**	**₱260,000,000**	5.25%	₱3,823,984
UBP	**7.50% - 9.10%**	**251,388,889**	7.50% - 9.10%	298,055,556
UCPB	**7.00%**	**61,471,000**	5.25% - 7.00%	87,000,000
CBC	**6.00% - 10.51%**	**31,509,639**	6.00% - 10.51%	23,824,911
MBI	**8.00%**	**26,666,666**	8.00%	40,000,000
BPIF	**5.50%**	**19,683,204**	5.50%	31,475,181
CFSPI	**11.00%**	**4,085,487**	11.00%	4,833,211
PBCOM	**8.00% - 10.75%**	**3,862,871**	8.00% - 10.75%	37,451,484
BRC	**5.25%**	**480,699**	5.25%	947,227
Shareholder loan	**6.00%**	**273,876,313**	6.00%	293,445,014
		933,024,768		820,856,568
Less current portion		**208,299,524**		254,200,759
Noncurrent portion		**₱724,725,244**		₱566,655,809

Interest expense on long-term debt recognized in the interim consolidated statements of comprehensive income amounted to ₱17.3 million and ₱13.9 million for the six months ended June 30, 2021 and 2020, respectively.

Real estate inventories amounting to ₱156.3 million and ₱160.1 million have been collateralized against long-term debt as of June 30, 2021 and December 31, 2020, respectively (see Note 5).

Borrowing costs from long-term loans for the six months ended June 30, 2021 and 2020 amounted to ₱14.9 million and ₱14.5 million, respectively, are capitalized as part of real estate inventories.

The capitalization rate used to determine the borrowing costs eligible for capitalization is 3.44% and 3.57% for the six months ended June 30, 2021 and 2020, respectively (see Note 5).

The Group is not subject to any financial covenants from its short-term and long-term debts.

13. Equity

Common stock

As of June 30, 2021 and December 31, 2020, the Group's common stock consists of:

		Outstanding	
	Authorized Capital Stock	**June 30, 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		**63,970,014**	25,664,014
		2,413,698,911	2,452,004,911

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.

On May 25, 2021, the BOD of the Parent Company has approved the extension of the share buyback program for an additional amount of ₱100.0 million. The program will be effective for a period of one year from the date of the approval of the BOD.

The Parent Company, pursuant to the share buyback program, made the following purchases of its common shares:

Date	Number of shares	Price per share
August 2020	3,120,000	₱0.833
September 2020	8,110,000	0.782
October 2020	6,432,000	0.787
November 2020	2,475,000	0.850
December 2020	5,526,000	0.917
January 2021	8,675,000	0.940
February 2021	7,176,000	0.929
March 2021	6,386,000	0.898
May 2021	10,294,000	0.946
June 2021	5,775,000	1.005
	63,969,000	

The treasury shares are recorded at cost and are not entitled for dividends.

The movement in the Parent Company's treasury shares follows:

	June 30, 2021 (Unaudited; Six Months)		December 31, 2020 (Audited; One Year)	
	Shares	**Amount**	Shares	Amount
At beginning of period	**25,664,014**	**₱21,236,419**	1,014	₱1,014
Additions	**38,306,000**	**36,190,257**	25,663,000	21,235,405
At end of period	**63,970,014**	**₱57,426,676**	25,664,014	₱21,236,419

Earnings per share
Basic and diluted earnings per share amounts attributable to equity holders of the Parent Company are as follows:

	For the Six Months Ended June 30	
	2021	2020 (As restated; see Note 20)
Net income attributable to the owners of the Parent Company	**₱225,867,066**	₱213,664,389
Weighted average number of outstanding shares*	**2,431,876,994**	2,477,667,911
Basic/Diluted earnings per share	**₱0.09**	₱0.09

**Weighted average common shares consider the effect of treasury shares*

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

For the six months ended June 30, 2021 and 2020, there were no issued and outstanding share options that could potentially dilute the Group's earnings per share.

14. Revenue from Contracts with Customers

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:

	For the Six Months Ended June 30	
	2021	2020 (As restated; see Note 20)
Type of product:		
Real estate sales		
Lot-only units	**₱185,531,866**	₱155,590,184
House and lot units	**74,404,283**	138,398,458
Water service	**12,148,389**	11,692,532
Sale of agricultural goods		
Palm olein	**8,368,838**	3,569,767
Crude palm oil	**5,654,870**	12,603,870
Palm stearin	**1,852,856**	1,681,482
Palm fatty acid distillate	**664,741**	2,858,080
Palm acid oil	**538,515**	984,670
Palm kernel cake	**220,770**	354,587
	₱289,385,128	₱327,733,630

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.

15. Income Taxes

The provision for current income tax of the Group pertains to regular corporate income tax (RCIT) and minimum corporate income tax (MCIT) as follows:

	For the Six Months Ended June 30	
	2021	2020 (As restated; see Note 20)
RCIT	**₱1,524,071**	₱5,525,418
MCIT	**74,103**	28,793
	₱1,598,174	₱5,554,211

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

	For the Six Months Ended June 30	
	2021	2020 (As restated; see Note 20)
Income before income tax	**₱224,612,295**	₱237,797,052

(Forward)

	For the Six Months Ended June 30	
	2021	2020 (As restated; see Note 20)
Provision for income tax computed at statutory rate	**₱56,153,074**	₱71,339,116
Adjustments for equity in net earnings of associates	**(41,972,460)**	(43,605,188)
Remeasurements to prior period taxes relating to changes in tax rates:		
Deferred income tax	**(18,310,285)**	–
Current income tax	**(4,029,386)**	–
Nondeductible expenses	**7,044,895**	14,407,400
Change in unrecognized deferred tax assets	**(113,640)**	278,268
Interest income already subjected to final tax	**(20,868)**	(19,451)
Difference between accounting and tax base on assets acquired in business combination	**–**	(15,961,606)
Nontaxable unrealized gains on EIFVPL	**–**	(2,273,950)
	(₱1,248,670)	₱24,164,589

The components of net deferred tax liabilities as of June 30, 2021 and December 31, 2020 are as follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Deferred tax liabilities on:		
Excess of real estate sales based on POC over real estate sales based on tax rules	**(₱177,057,914)**	(₱183,532,768)
Prepaid commission	**(3,800,895)**	(4,801,593)
	(180,858,809)	(188,334,361)
Deferred tax assets on:		
Fair value adjustment arising from business combination	**13,301,338**	15,961,606
Retirement benefit liability	**7,972,553**	8,421,518
Allowance for impairment on receivables	**698,549**	838,259
Unrealized foreign exchange loss	**489**	11,249
Unamortized past service costs	**–**	86,805
	21,972,929	25,319,437
In equity:		
Remeasurement loss on retirement benefit plan	**8,399,698**	10,059,086
Cumulative translation adjustment	**(2,004,534)**	(1,283,132)
	6,395,164	8,775,954
Deferred tax liabilities - net	**(₱152,490,716)**	(₱154,238,970)

The components of deferred tax assets as of June 30, 2021 and December 31, 2020 are as follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Deferred tax assets on:		
Allowance for impairment loss on property, plant and equipment	**₱12,223,329**	₱13,657,132
ROU asset	**1,263,729**	988,401
Retirement benefit obligation	**568,987**	619,379
Allowance for impairment on receivables	**366,666**	439,999
	14,422,711	15,704,911
In equity:		
Remeasurement loss on retirement benefit plan	**444,646**	781,552
Deferred tax assets	**₱14,867,357**	₱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 as of June 30, 2021 and December 31, 2020 since management does not expect these to be realized before expiration, as follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
NOLCO	**₱147,639,564**	₱124,898,125
Excess MCIT	**2,008,439**	1,049,734

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

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

- Effective July 1, 2020, 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; and
- Imposition of improperly accumulated earnings tax is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. Accordingly, current and deferred income taxes as of and for the year ended December 31, 2020 were still 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.

The passage of CREATE Act into law on March 26, 2021 resulted to the measurement of the provision for current and deferred income tax using the revised income tax rate of 25% for the six months ended June 30, 2021. Accordingly, the differences in the amount of current and deferred income tax recognized in the books using the old income tax rate and the amount that should be recorded using the revised income tax rate under CREATE Act as of December 31, 2020 amounting to ₱4.1 million and ₱18.3 million, respectively, were adjusted as reduction in the June 30, 2021 balances of current and deferred income tax.

16. Business Combination

On June 18, 2020, the Parent Company signed a share purchase agreement with Argo Group Pte. Ltd., to acquire its 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 as of acquisition date:

Assets	
Cash	₱51,507
Receivables	1,674,693
Other current assets	1,537,086
Property and equipment	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

The accounting for business combination was determined provisionally in 2020 as allowed by PFRS 3.

As of June 17, 2021, the Group determined that the provisional amounts are final and that no adjustments shall be made in the interim condensed consolidated financial statements.

17. **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, EIFVOCI and refundable deposits. This also includes financial liabilities comprising accounts and other payables (excluding statutory payables), short-term and long-term debts.

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.

The main risks arising from the use of financial instruments are credit risk, liquidity risk, interest rate risk and equity price risk. The Group's BOD reviews and agrees with policies for managing each of these risks. These are summarized below:

Credit Risk
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 ICRs. 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.

With respect to credit risk arising from the other debt financial assets of the Group, which comprise cash and refundable deposits, 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 five (5) years.

For financial assets recognized on the interim consolidated statements of financial position, 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.

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 June 30, 2021 and December 31, 2020:

	June 30, 2021 (Unaudited)						
		Neither Past	Past Due But not Impaired				
	Total	Due nor Impaired	Less than 30 Days	30-60 Days	61-90 Days	More than 90 Days	Impaired
Financial assets							
Cash in banks	**₱108,370,924**	**₱108,370,924**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Receivables	**982,327,513**	**939,895,646**	**19,180,741**	**4,832,351**	**6,909,191**	**7,248,724**	**4,260,860**
Refundable deposits	**45,639,746**	**45,639,746**	**–**	**–**	**–**	**–**	**–**
Contract assets	**116,583,093**	**116,583,093**	**–**	**–**	**–**	**–**	**–**
	₱1,252,921,276	**₱1,210,489,409**	**₱19,180,741**	**₱4,832,351**	**₱6,909,191**	**₱7,248,724**	**₱4,260,860**

	December 31, 2020 (Audited)						
			Past Due But not Impaired				
	Total	Neither Past Due nor Impaired	Less than 30 Days	30-60 Days	61-90 Days	More than 90 Days	Impaired
Financial assets							
Cash in banks	₱229,951,733	₱229,951,733	₱–	₱–	₱–	₱–	₱–
Receivables	1,157,404,125	1,028,672,005	20,846,313	5,012,654	2,975,891	95,636,402	4,260,860
Refundable deposits	46,869,053	46,869,053	–	–	–	–	–
Contract assets	96,865,190	96,865,190	–	–	–	–	–
	₱1,531,090,101	₱1,402,357,981	₱20,846,313	₱5,012,654	₱2,975,891	₱95,636,402	₱4,260,860

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 June 30, 2021 and December 31, 2020 based on contractual undiscounted payments:

	June 30, 2021 (Unaudited)			
	On Demand	One Year and Below	More than One Year	Total
Financial Assets				
Cash	**₱109,855,904**	**₱–**	**₱–**	**₱109,855,904**
Receivables	**253,586,860**	**724,479,793**	**–**	**978,066,653**
EIFVOCI	**–**	**–**	**221,653,826**	**221,653,826**
Refundable deposits	**–**	**7,471,838**	**38,167,908**	**45,639,746**
	363,442,764	**731,951,631**	**259,821,734**	**1,355,216,129**
Contract Assets	**–**	**93,867,686**	**22,715,407**	**116,583,093**
	363,442,764	**825,819,317**	**282,537,141**	**1,471,799,222**

(Forward)

	June 30, 2021 (Unaudited)			
	On Demand	**One Year and Below**	**More than One Year**	**Total**
Financial Liabilities				
Accounts and other payables*	**₱–**	**₱529,857,862**	**₱–**	**₱529,857,862**
Short-term debt				
Principal	–	**329,785,400**	–	**329,785,400**
Interest	–	**20,890,723**	–	**20,890,723**
Long-term debt				
Principal	–	**208,299,524**	**724,725,244**	**933,024,768**
Interest	–	**7,959,318**	**27,692,425**	**35,651,743**
	–	**1,096,792,827**	**752,417,669**	**1,849,210,496**
Net Inflow (Outflow)	**₱363,442,764**	**(₱270,973,510)**	**(₱469,880,528)**	**(₱377,411,274)**

** Excluding statutory payables amounting to ₱140,331,178.*

	December 31, 2020 (Audited)			
	On Demand	One Year and Below	More than One Year	Total
Financial Assets				
Cash	₱231,321,649	₱–	₱–	₱231,321,649
Receivables	334,187,902	792,616,908	26,338,455	1,153,143,265
EIFVOCI	–	–	175,587,105	175,587,105
Refundable deposits	–	7,462,263	39,406,790	46,869,053
	565,509,551	800,079,171	241,332,350	1,606,921,072
Contract Assets	–	76,301,227	20,563,963	96,865,190
	565,509,551	876,380,398	261,896,313	1,703,786,262
Financial Liabilities				
Accounts and other payables*	–	493,498,755	–	493,498,755
Short-term debt				
Principal	–	414,177,400	–	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
	–	1,197,826,814	588,308,254	1,786,135,068
Net Inflow (Outflow)	₱565,509,551	(₱321,446,416)	(₱326,411,941)	(₱82,348,806)

** Excluding statutory payables amounting to ₱135,112,202.*

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:

Increase (decrease) in basis points	**June 30, 2021 (Unaudited)**	December 31, 2021 (Audited)
300	**(₱9,408,891)**	(₱12,725,118)
200	**(6,272,594)**	(8,483,412)
100	**(3,136,297)**	(4,241,706)
(100)	**3,136,297**	4,241,706
(200)	**6,272,594**	8,483,412
(300)	**9,408,891**	12,725,118

Equity Price Risk. The Group's equity investments on golf and club shares, classified as FVOCI, are susceptible to market price risk arising from uncertainties about future values of the investment securities.

As of June 30, 2021 and December 31, 2020, the Group's exposure to equity price risk is minimal.

Fair Value of Financial Instruments

The following table presents a comparison by category of carrying values and estimated fair values of the Group's financial instruments as at June 30, 2021 and December 31, 2020:

	June 30, 2021 (Unaudited)		December 31, 2020 (Audited)	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets				
Cash	**₱109,855,904**	**₱109,855,904**	₱231,321,649	₱231,321,649
Receivables	**978,066,653**	**978,066,653**	1,153,143,265	1,152,728,518
EIFVOCI	**221,653,826**	**221,653,826**	175,587,105	175,587,105
Refundable deposits	**45,639,746**	**45,639,746**	46,869,053	46,869,053
	₱1,355,216,129	**₱1,355,216,129**	₱1,606,921,072	₱1,606,506,325
Financial Liabilities				
Accounts and other payables*	**₱529,857,862**	**₱529,857,862**	₱493,498,755	₱493,498,755
Short-term debt	**329,785,400**	**329,785,400**	414,177,400	414,177,400
Long-term debt	**933,024,768**	**897,857,093**	820,856,568	704,732,713
	₱1,792,668,030	**₱1,757,500,355**	₱1,728,532,723	₱1,612,408,868

** Excluding statutory payables amounting to ₱140,331,178 and ₱135,112,202 as of June 30, 2021 and December 31, 2020, 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, 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.

- *EIFVOCI.* For unquoted equity investments on golf and club shares, the fair values are determined based on latest price per share of the entities with similar or identical assets (Level 2 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 2021 and 2020. 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 June 30, 2021, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
EIFVOCI	₱221,653,826	₱–	₱221,653,826	₱–
Disclosed at fair value:				
Long-term debt	920,352,093	–	–	920,352,093

During the period ended June 30, 2021, 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.

18. 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.
- 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 interim condensed consolidated financial statements.

For the six months ended June 30, 2021 and 2020, 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 Six Months Ended June 30, 2021					
	Real Estate Development	**Agricultural**	**Power and Utilities**	**Holding**	**Eliminations**	**Consolidated**
Revenue	**₱272,085**	**₱17,301**	**₱–**	**₱–**	**₱–**	**₱289,386**
Costs and expenses	**76,085**	**9,890**	**–**	**–**	**–**	**85,975**
Gross profit	**196,000**	**7,411**	**–**	**–**	**–**	**203,411**
General, administrative and selling expenses	**(98,266)**	**(39,006)**	**(481)**	**(62)**	**1,691**	**(136,124)**
Other income (expenses)	**80,874**	**6**	**167,947**	**–**	**(91,502)**	**157,325**
Income (loss) before income tax	**178,608**	**(31,589)**	**167,466**	**(62)**	**(89,811)**	**224,612**
Provision for (benefit from) income tax	**(3,952)**	**136**	**(93)**	**–**	**2,660**	**(1,249)**
Net income (loss)	**₱182,560**	**(₱31,725)**	**₱167,559**	**(₱62)**	**(₱92,471)**	**₱225,861**
Net income attributable to:						
Owners of the Parent Company	**₱182,560**	**(₱31,725)**	**₱167,565**	**(₱62)**	**(₱92,471)**	**₱225,867**
Non-controlling interests	**–**	**–**	**(6)**	**–**	**–**	**(6)**
	₱182,560	**(₱31,725)**	**₱167,559**	**(₱62)**	**(₱92,471)**	**₱225,861**

	As of June 30, 2021					
	Real Estate Development	**Agricultural**	**Power and Utilities**	**Holding**	**Eliminations**	**Consolidated**
Other information						
Segment assets	**₱6,564,625**	**₱1,246,051**	**₱1,567,765**	**₱1,039,566**	**(₱3,713,494)**	**₱6,704,513**
Deferred tax assets	**–**	**7,302**	**–**	**–**	**7,565**	**14,867**
Total Assets	**₱6,564,625**	**₱1,253,353**	**₱1,567,765**	**₱1,039,566**	**(₱3,705,929)**	**₱6,719,380**
Segment liabilities	**₱2,023,360**	**₱1,125,267**	**₱41,490**	**₱839,940**	**(₱1,955,400)**	**₱2,074,657**
Deferred tax liabilities	**163,788**	**–**	**–**	**–**	**(11,297)**	**152,491**
Total Liabilities	**₱2,187,148**	**₱1,125,267**	**₱41,490**	**₱839,940**	**(₱1,966,697)**	**₱2,227,148**

	For the Six Months Ended June 30, 2020 (As restated; see Note 20)					
	Real Estate Development	Agricultural	Power and Utilities	Holding	Eliminations	Consolidated
Revenue	₱305,681	₱22,052	₱–	₱–	₱–	₱327,733
Costs and expenses	89,817	20,617	–	–	–	110,434
Gross profit	215,864	1,435	–	–	–	217,299
General, administrative and selling expenses	(64,653)	(37,522)	(14,786)	(259)	1,599	(115,621)
Other income (expenses)	102,233	(2,524)	145,351	–	(108,942)	136,118
Income (loss) before income tax	253,444	(38,611)	130,565	(259)	(107,343)	237,796
Provision for (benefit from) income tax	41,021	(892)	(3)	–	(15,962)	24,164
Net income (loss)	₱212,423	(₱37,719)	₱130,568	(₱259)	(₱91,381)	₱213,632
Net income attributable to:						
Owners of the Parent Company	₱212,423	(₱37,719)	₱130,600	(₱259)	(₱91,381)	₱213,664
Non-controlling interests	–	–	(32)	–	–	(32)
	₱212,423	(₱37,719)	₱130,568	(₱259)	(₱91,381)	₱213,632

	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	9,214	16,486
Total Assets	₱6,348,797	₱1,249,928	₱1,408,608	₱1,112,897	(₱3,617,778)	₱6,502,452
Segment liabilities	₱1,994,736	₱1,115,177	₱40,727	₱831,735	(₱1,888,593)	₱2,093,782
Deferred tax liabilities	168,919	–	2	–	(14,683)	154,238
Total Liabilities	₱2,163,655	₱1,115,177	₱40,729	₱831,735	(₱1,903,276)	₱2,248,020

19. Notes to Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities

June 30, 2021

	Beginning Balance	Availments	Payments	Others	Ending Balance
Short-term debt	**₱414,177,400**	**₱–**	**(₱84,392,000)**	**₱–**	**₱329,785,400**
Long-term debt	**820,856,568**	**271,171,200**	**(159,003,000)**	**–**	**933,024,768**
Interest	**2,156,665**	**–**	**(40,402,394)**	**41,962,507**	**3,716,778**
	₱1,237,190,633	**₱271,171,200**	**(₱283,797,394)**	**₱41,962,507**	**₱1,266,526,946**

June 30, 2020

	Beginning Balance	Availments	Payments	Others	Ending Balance
Short-term debt	₱378,100,000	₱131,252,000	(₱21,981,648)	₱–	₱487,370,352
Long-term debt	821,689,967	2,627,700	(128,453,469)	–	695,864,198
Interest	4,586,945	–	(30,280,369)	32,672,937	6,979,513
	₱1,204,376,912	₱133,879,700	(₱180,715,486)	₱32,672,937	₱1,190,214,063

Others include interest expense and capitalized borrowing costs.

The Group’s noncash activity pertain to the capitalized borrowing cost on real estate inventories amounting to ₱18.5 million and ₱17.5 million for the six months ended June 30, 2021 and 2020, respectively (see Note 5).

20. Other Matters

a. Seasonality of Interim Operations

The operations of real estate are dependent on market conditions and the timing of project launches depending on several factors such as completion of plans, permits and appropriate timing in terms of market conditions and strategy. Development and construction work follow target completion dates committed at the time of the project launch.

Operations of the power plants are generally affected by the seasonality of the demands for power consumption. As such demand is not consistent within the full year, the Group usually expects high demand during the summer season.

On the other hand, for the operations of its subsidiaries which engages in trading agricultural products, these are generally affected by the climatic seasonality in which the crops needed for the products are dependent on their season of harvest.

Any unexpected change in seasonal aspects will have no material effect on the Group’s financial condition or results of its operations.

b. COVID-19 Pandemic

The declaration of COVID-19 by the World Health Organization (WHO) last 2020 as a pandemic, the declaration of nationwide state of calamity and the implementation of community quarantine measures in various levels throughout the country has caused disruptions in the Group’s business activities.

As the government continues to implement different quarantine measures after the interim report date, the Group has adjusted its operations to adhere with the required safety protocols of the government. Construction and real estate development activities have resumed at various level of activities following safety protocols mandated by the national and local government.

The COVID-19 pandemic has not made any significant impact in the Group's operations due to the adjustments made in the Group's processes in accordance with the government protocols. The Group has an in-placed and extensive business continuity plan on similar risk, including the lay out of the necessary steps that will help address or minimize the Group's business exposures. However, considering the evolving nature of this outbreak, the Group will continue to monitor the situation and unable to quantify the future impact to the financial position and results of operation. The Group will adjust the steps it is currently implementing in subsequent periods as necessary.

c. Amendment of Articles of Incorporation (AOI) - Reclassification of Unissued Common Shares to Preferred Shares

On April 12, 2021 and June 24, 2021, the BOD and shareholders, respectively, approved the proposal to amend the Parent Company's AOI to create preferred shares by reclassifying its authorized capital stock from the from the current Three Billion Three Hundred Million Pesos (₱3,300,000,000.00) divided into Three Billion Three Hundred Million (3,300,000,000) Common Shares to Three Billion Three Hundred Million Pesos (₱3,300,000,000.00) divided into Three Billion Two Hundred Fifty Million Pesos (₱3,250,000,000) divided into Three Billion Two Hundred Fifty Million (3,250,000,000) Common Shares and Fifty Million Pesos (₱50,000,000) divided into Fifty Million (50,000,000) Preferred Shares.

The reclassification of the Unissued Common Shares to create Preferred Shares will provide flexibility for the Group with respect to its prospective capital raising activities.

The Parent Company is currently complying all the pending requirements to facilitate the approval on the application of the amendment of AOI with SEC.

d. Planned Preferred Shares Offering

On May 25, 2021, the BOD approved the offering and issuance of cumulative, non-voting, non-participating, non-convertible, peso-denominated perpetual preferred shares out of the authorized but unissued capital of the Corporation, with an aggregate issue amount of up to One Billion Five Hundred Million Philippine Pesos (₱1,500,000,000.00) to be registered with the Securities and Exchange Commission and listed on the Philippine Stock Exchange, Inc.

The preferred shares offering and issuance is subject to the SEC's approval on the Parent Company's amendment to the AOI approved by the BOD and shareholders on April 12, 2021 and June 24, 2021, respectively, to create preferred shares by reclassifying its authorized capital stock. On July 19, 2021, the Company has filed with SEC the registration statement for the shelf registration of the preferred shares. As of August 16, 2021, the SEC provided its review comments on the filed registration statement and the Parent Company is currently complying on the responses and on gathering the pending documents for resubmission to the SEC.

e. Restatement

The interim consolidated statement of comprehensive income for the six months ended June 30, 2020 was restated due to the adjustments in revenues, costs and general and administrative expenses, equity in net earnings of associates, other income and other comprehensive income. The adjustments resulted to ₱59.9 million decrease in revenues, ₱18.5 million increase in costs and general and administrative expenses, ₱6.1 million increase in equity in net earnings of associates, ₱12.0 million increase in other income, ₱20.2 million decrease in other comprehensive income and consequently a ₱9.2 million decrease in provision for income tax, ₱51.1 million decrease in net income, ₱51.1 million decrease in retained earnings as of June 30, 2020 and ₱0.017 decrease in basic/diluted earnings per share previously reported in the interim consolidated statements of comprehensive income and changes in equity. The adjustments have no impact on the consolidated statement of financial position as of December 31, 2020 presented as comparative period.

Except for the items above, there were no material, non-recurring adjustments made during the period that would require appropriate disclosures.

f. Purchase of Land under a Contract to Sell

On June 9, 2021, the Group entered into a contract to sell with Agri-Industrial Work Station, Inc. for the purchase of land located in Barangay Simlong, Batangas for a consideration of ₱200.1 million (inclusive of VAT and capital gains tax or creditable withholding tax, if any). Under the contract to sell, the buyer must pay a down payment to the seller amounting to 25% of the contract price. As of June 30, 2021, the Group paid the 25% down payment of ₱50.0 million (see Note 7). The Group paid the remaining balance of the contract price on August 2, 2021.

The contract to sell also stipulates that the seller shall extend all reasonable assistance to the buyer to secure a miscellaneous lease agreement for the LNG storage and regasification facility that the seller and the buyer shall jointly develop adjacent to the subject property. This is in connection with the development of the proposed Integrated Natural Gas-Fired Power Plant and LNG Storage and Regasification Terminal Project in the Province of Batangas.

A BROWN COMPANY, INC. AND SUBSIDIARIES

INDEX TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

AS OF JUNE 30, 2021

SCHEDULE A

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS
JUNE 30, 2021

	Number of shares or principal amount of bonds and notes	Amount shown in the interim consolidated statement of financial position	Income received or accrued
Cash	₱–	₱109,855,904	₱82,328
Receivables			
Trade receivable	–	14,204,710	–
ICR	–	710,565,115	1,087,458
Receivable from related parties	–	124,341,162	–
Advances from officers and employees	–	1,701,524	–
Other receivables	–	131,515,002	–
EIFVOCI	29,387,018	221,653,826	–
Refundable deposits	–	45,639,746	–
	₱29,387,018	₱1,359,476,989	₱1,169,786

SCHEDULE B

A BROWN COMPANY, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

JUNE 30, 2021

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
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.						

SCHEDULE C

A BROWN COMPANY, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

JUNE 30, 2021

Intercompany receivable and payable

	Receivable Balance	Payable Balance	Current Portion
ABCI	₱78,586,132	(₱100,512,861)	(₱21,926,729)
ABERDI	31,383,832	(18,548,867)	12,834,965
ABBWCI	–	(15,221,296)	(15,221,296)
SHDI	–	(1,607,848)	(1,607,848)
BAC	–	(1,261,537)	(1,261,537)
NC	19,904,028	(3,387,288)	16,516,740
BCL	–	(24,762,962)	(24,762,962)
VEC	23,670,852	–	23,670,852
ISI	11,757,815	–	11,757,815
Total Eliminated Receivables/Payables	₱165,302,659	(₱165,302,659)	₱–

Deposit for future stock subscription (DFFS) classified as liability

	Receivable Balance	Payable Balance	Current Portion
ABCI	₱1,601,554,296	₱–	₱1,601,554,296
ABERDI	248,037,878	(815,332,913)	(567,295,035)
NC	–	(248,037,603)	(248,037,603)
HLPC	–	(26,084,253)	(26,084,253)
PTCHC	–	(748,027,698)	(748,027,698)
BCL	–	(12,109,707)	(12,109,707)
Total Eliminated DFFS	₱1,849,592,174	(₱1,849,592,174)	₱–

SCHEDULE D

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER ASSETS
JUNE 30, 2021

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
JUNE 30, 2021

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 interim consolidated statement of financial position	Amount shown under caption "long-term debt" in related interim consolidated statement of financial position
Term Loan	₱2,332,974,015	₱208,299,524	₱724,725,244

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
JUNE 30, 2021

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	₱293,445,014	₱273,876,313

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS
JUNE 30, 2021

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 H

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK
JUNE 30, 2021

	Number of shares			Number of shares held by		
Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related interim consolidated statement of financial position caption	Number of shares reserved for options warrants, conversion and other rights	Affiliates	Directors, officers and employees	Others
Capital stock	3,300,000,000	2,413,698,911	–	1,351,556,468	214,789,848	847,352,595

SCHEDULE I

A BROWN COMPANY, INC. AND SUBSIDIARIES
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
JUNE 30, 2021

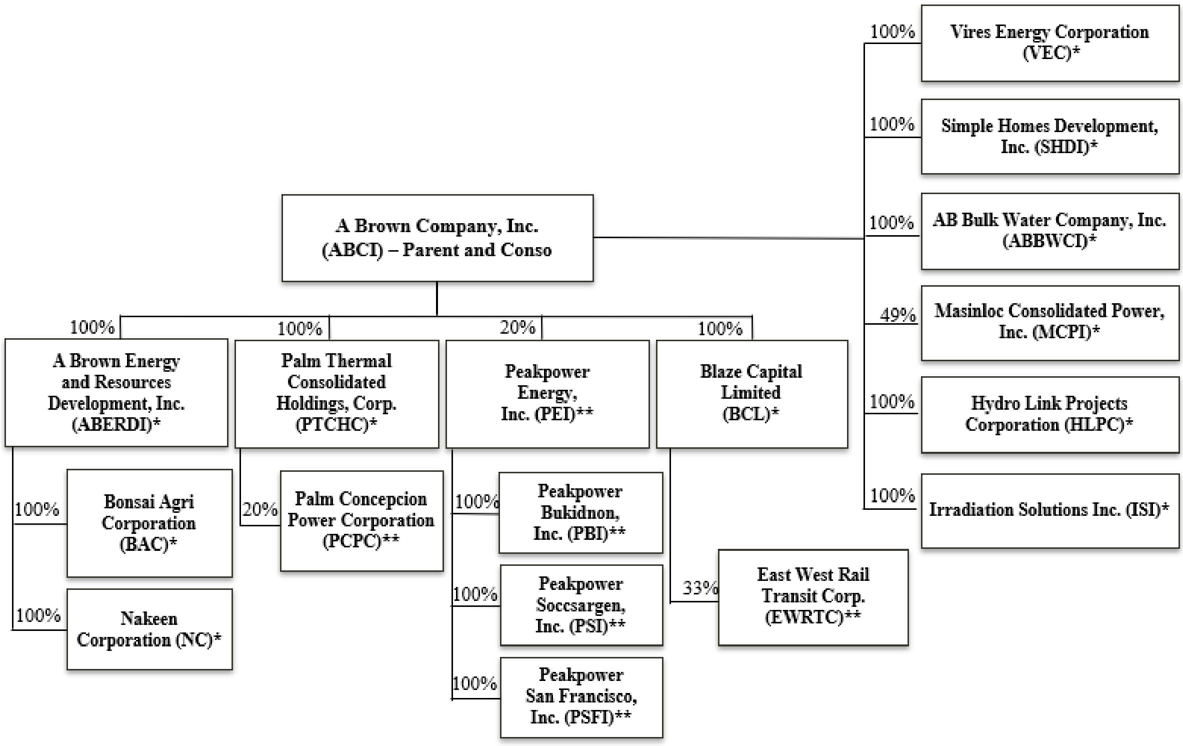
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	₱1,374,121,211
Add: Net income actually earned/realized during the period	
Net income during the period closed to Retained Earnings	182,654,713
Less: Non-actual/unrealized income net of tax	–
Equity in net income of associate/joint venture	–
Add (Less):	
Treasury shares	(57,426,676)
TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION	₱1,499,349,248

A BROWN COMPANY, INC. AND SUBSIDIARIES
FINANCIAL RATIOS
JUNE 30, 2021

Ratios	Formula	June 30, 2021	June 30, 2020
Current ratio	Current assets / Current liabilities	**2.83**	2.30
Acid test ratio	Quick assets / Current liabilities	**0.85**	0.59
Solvency ratio	Net income + Depreciation / Total liabilities	**0.11**	0.10
Debt to equity ratio	Total liabilities / Total equity	**0.50**	0.54
Asset to equity ratio	Total assets / Total equity	**1.50**	1.54
Interest rate coverage ratio	EBITDA / Total interest paid	**6.66**	9.05
Return on equity	Net income / Average total equity	**0.05**	0.05
Return on assets	Net income / Average total assets	**0.03**	0.03
Net profit margin	Net income / Net revenue	**0.78**	0.65

SCHEDULE K

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
JUNE 30, 2021



C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	0	3	1	1	6	8

C O M P A N Y   N A M E

A BROWN COMPANY, INC. AND SUBSIDIARIES

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

XAVIER ESTATES UPTOWN, AIRPORT ROAD, BALULANG, CAGAYAN DE ORO CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	SEC	N/A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
abci_headoffice@abrown.ph	(02) 8633-3135	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,090	Any day of June	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
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.*

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 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)			
Item that will be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustment	**₱2,993,975**	₱4,111,237	(₱6,584,862)
Items that will not be reclassified to profit or loss in subsequent periods:			
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 Loss on 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)**
	–	–	**294,130,474**	**8,025,652**	**(5,209,889)**	**(731,525)**	**2,993,975**	**(21,235,405)**	**277,973,282**	**(26,368)**	**277,946,914**
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.

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.

<u>The Subsidiaries</u>
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
BCL*	**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.

<u>Adoption of New and Amended Accounting Standards and Interpretations</u>
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 COVD-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 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.

<u>Cash</u>
Cash includes cash on hand and in banks.

<u>Financial Instruments - Initial recognition and subsequent measurement</u>
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.

<u>Financial liabilities</u>

(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.

<u>Offsetting Financial Instruments</u>
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.

<u>Impairment of Nonfinancial Assets</u>
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

2020	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	–	–	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	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	₱91,157,334	₱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:

		2020		
Category	**Amount**	**Receivable (Payable)**	**Terms**	**Conditions**
Shareholders				
Short-term debt (see Note 16):				
Shareholder Loan - B	**₱–**	**(₱8,000,000)**	**On demand; non-interest bearing**	**Unsecured; no collateral**
Long-term debt (see Note 16):				
Shareholder Loan - A				
Principal and interest payments	**(24,200,000)**	**–**	**12-year, 6.00% interest-bearing**	**Unsecured; no collateral**
Current	**–**	**(32,558,172)**		
Noncurrent	**–**	**(260,886,842)**		
BRC				
Proceeds	**1,400,000**	**–**	**2-year, 6.00% interest-bearing**	**Unsecured; no collateral**
Principal payments	**(452,773)**	**–**		
Interest payments	**(36,373)**	**–**		
Current	**–**	**(947,227)**		
	(23,289,146)	**(294,392,241)**		
Associates				
Advances to*:				
PEI	**–**	**80,642,965**	**On demand; non-interest bearing**	**Unsecured; no impairment**
EWRTC	**3,206,362**	**37,047,960**		
	3,206,362	**117,690,925**		

* *Presented as "Receivables from related parties" in the consolidated statements of financial position.*

Category	Amount	2019 Receivable (Payable)	Terms	Conditions
Shareholders				
Short-term debt (see Note 16):				
Shareholder Loan - A:				
Reclassification to long-term debt	₱368,973,519	₱–	On demand; non-	Unsecured;
Shareholder Loan - B	–	(8,000,000)	interest bearing	no collateral
	368,973,519	(8,000,000)		
Long-term debt (see Note 16):				
Shareholder Loan - A:				
Reclassification from short-term debt	(368,973,519)	–		
Principal and interest payments	51,328,506	–	12-year, 6.00%	Unsecured;
Current	–	(6,018,818)	interest bearing	no collateral
Noncurrent	–	(311,626,195)		
	317,645,013	317,645,013		
Associates				
Advances to*:				
PEI	–	80,543,761	On demand; non-	Unsecured;
EWRTC	33,841,598	33,841,598	interest bearing	no impairment
	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	Outstanding 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	**₱4,551,380**	₱2,576,138	₱7,195,622
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	**₱7,348,507**	₱5,103,421	₱8,676,690

The components of remeasurements of retirement benefit costs recognized in OCI are as follows:

	2020	2019	2018
Actuarial loss (gain) on defined benefit obligation	**₱7,372,807**	₱9,986,687	(₱7,302,949)
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	**₱5,209,889**	₱10,048,492	(₱4,806,470)

Remeasurement loss on defined benefit obligation recognized in the balance sheets are as follows:

	2020	2019
At January 1	**₱20,083,920**	₱10,035,428
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	**₱25,293,809**	₱20,083,920

The breakdown of the retirement benefit obligation recognized in the consolidated statements of financial position follow:

	2020	2019
Present value of defined benefit obligation	**₱64,512,392**	₱49,784,641
Fair value of plan assets	**(3,342,436)**	(3,405,889)
Retirement benefit obligation	**₱61,169,956**	₱46,378,752

Changes in the present value of the defined benefit obligation follow:

	2020	2019
Balance at beginning of year	**₱49,784,641**	₱35,838,192
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	**₱64,512,392**	₱49,784,641

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						
		Neither Past	**Past Due But not Impaired**				
	Total	**Due nor Impaired**	**Less than 30 Days**	**30-60 Days**	**61-90 Days**	**More than 90 Days**	**Impaired**
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						
		Neither Past	Past Due But not Impaired				
	Total	Due nor Impaired	Less than 30 Days	30-60 Days	61-90 Days	More than 90 Days	Impaired
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**	**Overdue and**	
	High	**Medium**	**Low**	**Not Impaired**	**Impaired**	**Total**
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	Overdue and	
	High	Medium	Low	Not Impaired	Impaired	Total
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	₱74,999,881	₱–	₱–	₱74,999,881
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
	₱467,805,453	₱537,036,344	₱349,855,623	₱1,354,697,420
Financial Liabilities				
Accounts and other payables**	₱574,697,130	₱–	₱–	₱574,697,130
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)	(₱114,891,677)	(₱104,119,742)	(₱373,714,027)	(₱592,725,446)

* *Excluding advances to officers and employees amounting to ₱1,318,906.*
** *Excluding statutory payables amounting to ₱7,998,026.*

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	**(₱12,725,118)**	300	(₱10,684,467)
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.

	Effect on net income		Effect on equity	
Change in index	**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
Type of product:			
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.

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

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

SUPPLEMENTARY SCHEDULES

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
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.						

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	₱78,586,132	(₱66,029,159)	₱12,556,973
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	₱128,508,292	(₱128,508,292)	₱–

Deposit for future stock subscription (DFFS) classified as liability

	Receivable Balance	Payable Balance	Current Portion
ABCI	₱1,549,431,333	₱–	₱–
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	₱1,797,469,211	(₱1,797,469,211)	₱–

SCHEDULE I - D

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		

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK
DECEMBER 31, 2020

	Number of shares			Number of shares held by		
Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related consolidated statement of financial position caption	Number of shares reserved for options warrants, conversion and other rights	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

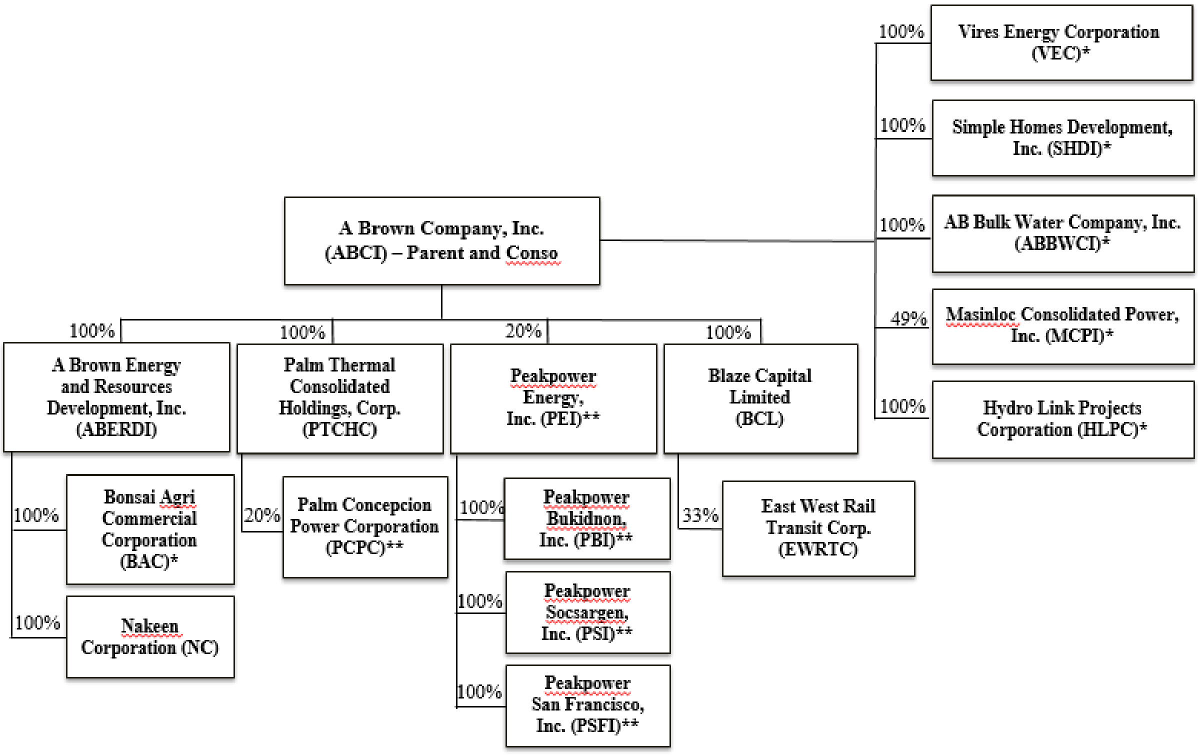
A BROWN COMPANY, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2020

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	Current assets / Current liabilities	**2.50**	2.45	1.73
Acid test ratio	Quick assets / Current liabilities	**0.93**	0.76	0.34
Solvency ratio	Net income + Depreciation / Total liabilities	**0.14**	0.25	0.16
Debt to equity ratio	Total liabilities / Total equity	**0.53**	0.53	0.57
Asset to equity ratio	Total assets / Total equity	**1.53**	1.53	1.57
Interest rate coverage ratio	EBITDA / Total interest paid	**6.20**	10.45	5.54
Return on equity	Net income / Average total equity	**0.07**	0.13	0.09
Return on assets	Net income / Average total assets	**0.05**	0.09	0.05
Net profit margin	Net income / Net revenue	**0.34**	0.48	0.35

SCHEDULE IV

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*