

# COVER SHEET

SEC Registration Number

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**COMPANY NAME**

[illegible]

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

[illegible]

Form Type

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Department requiring the report

<b>M</b>	<b>S</b>	<b>R</b>	<b>D</b>
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Secondary License Type, If Applicable

	N/A
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## COMPANY INFORMATION

Company's Email Address

ci\_rg@cityland.net

Company's Telephone Number

**8-893-6060**

Mobile Number

**0968-545-1452**

No. of Stockholders

**27**  
**(As of March 31, 2021)**

Annual Meeting (Month / Day)

**3<sup>rd</sup> Tuesday of June**

Fiscal Year (Month / Day)

**December 31**

### CONTACT PERSON INFORMATION

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

Name of Contact Person

**RUDY GO**

Email Address

**cdc\_rg@cityland.net**

Telephone Number/s

**8-893-6060**

Mobile Number

**0968-545-1452**

**CONTACT PERSON'S ADDRESS**

**3/F Floor Cityland Condominium 10, Tower II, 154 H.V. dela Costa Street, Makati 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-out. 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.**

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17- Q

QUARTERLY REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **March 31, 2021**
2. SEC Identification Number **86188**
3. BIR Tax Identification No. **000-662-829**
4. **CITYLAND, INC.**  
Exact name of issuer as specified in its charter
5. **Makati City, Philippines**  
Province, country or other jurisdiction  
of incorporation
6.  (SEC Use Only)  
Industry Classification Code
7. **3/F Cityland Condominium 10 Tower I,**  
**156 H.V. Dela Costa Street, Makati City**  
Address of Principal Office
- 1226**  
Postal Code
8. **(632)-8-893-6060**  
Issuer's telephone number, including area code
9. Former name, former address and former fiscal year, if changed since last report **N/A**
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class  
**Unclassified Common Shares**

Number of Shares of Common Stock Outstanding  
**142,118,616**  
**(net of 587,123 treasury shares)**

11. Are any or all of these securities listed on a Stock Exchange.

Yes [ ] No [ **x** ]

12. Check whether the issuer:

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

Yes [ **x** ] No [ ]

- (b) Has been subject to such filing requirements for the past 90 days?

Yes [ **x** ] No [ ]

## **PART I - FINANCIAL INFORMATION**

### **Item 1. Financial Statements**

The financial statements and accompanying notes to the financial statements of Cityland, Inc. and Subsidiaries (the Group) are filed as part of this form (pages 14 to 93).

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

During the Year 2020, the Philippine economy has encountered significant threats due to several unexpected events such as the Taal Volcano eruption and the effects of the COVID-19 pandemic that led to the implementation of community quarantines to mitigate the risk of the pandemic which caused some industries to slow down its operations.

Despite the risks that the economy encountered during the previous year, the Philippine economy showed a positive start in the Year 2021 due to slight increase in the Gross Domestic Product (GDP) posted for the 1<sup>st</sup> quarter. From the 2020 4<sup>th</sup> quarter's -8.3% decline in GDP, the first quarter of 2021 has lessened the contraction to -4.2% which is 49.40% higher compared to that of the previous quarter. In terms of seasonally-adjusted quarter-to-quarter basis, the GDP actually grew by 0.3%. The human health and social work activities are the highest contributors to the growth of the country's GDP. However, the real estate, together with the ownership of dwellings, was ranked third as the main contributors of the GDP's decline.

Regardless of the economic disruptions caused by the COVID-19 pandemic, Cityland, Inc. and its subsidiaries (the Group) believes that long-term prospects remain attractive to the real estate industry. Further, the Development Budget Coordination Committee (DBCC) projected a growth of 6.5% to 7.5% for the Year 2021 which keeps the Group optimistic during this pandemic.

On the other hand, the Philippine Government implemented the "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE" that provides tax deductions to businesses of all sizes as part of the recovery program. Although the scale and duration of the impact of the pandemic remain uncertain as at the report date, the Group is optimistic that the real estate sector will eventually show a healthy position in the market in the succeeding periods. As this global problem evolves, the Group will continually adapt and adjust its business model according to the business environment in the areas where the Group operates, in full cooperation with the national and local government units.

#### **1. Brief Company History**

Cityland, Inc. (the Parent Company or CI) is a domestic corporation which is duly organized and existing under and by virtue of the laws of the Philippines since May 15, 1979 with the primary purpose of engaging in real estate development.

#### **2. Subsidiaries**

The Parent Company has a majority-owned subsidiary, Cityland Development Corporation (CDC), a publicly listed company, and two wholly-owned subsidiaries, Credit & Land Holdings, Inc. (CLHI) and Cityads Incorporated (CAI).

CDC has two majority-owned subsidiaries, City & Land Developers, Incorporated (CLDI), another publicly listed company, and Cityplans, Incorporated (CPI). The primary purpose of CI and its subsidiaries (the Group), which are all domiciled in the Philippines, is to acquire, develop, improve, subdivide, cultivate, lease, sublease, sell, exchange, barter and/or dispose of agricultural, industrial, commercial, residential and other real properties, as well as to construct, improve,

lease, sublease, sell and/or dispose of houses, buildings and other improvements thereon, and to manage and operate subdivisions and housing projects or otherwise engage in the financing and trading of real estate, except for CPI which is engaged in the business of establishing, organizing, developing, maintaining, conducting, operating, marketing, and selling pension plans. The Group's registered office and principal place of business is at 2nd and 3rd Floors, Cityland Condominium 10 Tower I, 156 H.V. Dela Costa Street, Makati City.

CAI was incorporated on February 20, 1980 for the purpose of engaging in general advertising business. Its registered office and principal place of business is at 2F Cityland Condominium 10 Tower I, 156 H.V. Dela Costa Street, Salcedo Village, Makati City.

CLHI was incorporated on July 16, 1980 for the purpose of purchasing, selling or disposing of real and personal property of any kind including shares of stocks and securities. Its registered office and principal place of business is at 2F Cityland Condominium 10 Tower I, 156 H. V. Dela Costa Street, Salcedo Village, Makati City.

The Parent Company, CDC and CLDI are selling the following projects as of March 31, 2021:

## CI

### *One Premier*

One Premier is a 27-storey commercial and residential condominium project located in one of the upmarket addresses in the South - Alabang Premier, Km. 21 Alabang-Zapote Road, Brgy. Almanza Uno, Las Piñas City. It was designed in the style and function of metropolitan living with amenities like swimming pool, gym, playground, multi-purpose function room, viewing deck and 24-hour association security will ensure convenient living.

Estimated Date of Completion: June 2022

### *The Manila Residences II*

The Manila Residences II is a 39-storey office, commercial and residential condominium located along Taft Avenue, Manila. Amenities include swimming pool, mini-gym, and sauna for men and women, function room, viewing deck, children's playground and 24-hour association security.

### *Tagaytay Prime Residences*

Tagaytay Prime Residences is a 21-storey commercial and residential condominium located at Tagaytay Prime Rotunda, Brgy. San Jose, Tagaytay City. Amenities include common viewing balcony for residential floors, swimming pool, multi-purpose area, viewing deck with jogging path and a 24-hour association security.

### *The Manila Residences I*

The Manila Residences I is a 39-storey office, commercial and residential condominium located along Taft Avenue. Amenities include swimming pool, mini-gym, sauna for men and women, function room, viewing deck, children's playground and 24-hour association security.

### *Tagaytay Country Homes 2-B*

Tagaytay Country Homes 2-B is a residential subdivision located at Barangay Neogan, Tagaytay City. Features include multi-purpose hall, swimming pool and 24-hour association security.

## **CDC**

### *Pioneer Heights 1*

Pioneer Heights 1 is a 24-storey residential and commercial condominium to be located in Pioneer St., Mandaluyong City. Its amenities include swimming pool, children's playground, multi-purpose function room, laundry room, information area, administration room and 24-hour association security.

Estimated Date of Completion: December 2023

### *101 Xavierville*

101 Xavierville is a 40-storey residential and commercial condominium to be located along Xavierville Avenue, Loyola Heights, Quezon City. The project is easily accessible to various schools such as Ateneo de Manila University, University of the Philippines and Miriam College; recreational parks and leisure places.

Estimated Date of Completion: February 2024

### *Pines Peak Tower I*

Pines Peak Tower I is a 27-storey residential condominium located at Union corner Pines St., Barangka, Mandaluyong City. Its amenities include swimming pool, viewing deck, multi-purpose function room with movable children play set, gym and 24-hour association security.

### *Pines Peak Tower II*

Pines Peak Tower II is a 27-storey residential condominium conceptualized for the fast-paced Filipino family. It is beside Pines Peak Tower I along Pines St., Brgy. Barangka Ilaya, Mandaluyong City. It is only a block away from the major thoroughfare of EDSA, near Shaw Boulevard, Pioneer and MRT Boni Station. The project is easily accessible to various commercial centers like Shangri-La Mall, Star Mall, Robinson's Place Pioneer, SM Megamall, The Podium, Metrowalk and schools like Lourdes, St. Paul College and University of Asia and the Pacific. This project was completed in May 2019.

### *Grand Central Residences*

Grand Central Residences is a 40-storey office, commercial and residential condominium located at EDSA corner Sultan St., (fronting MRT Shaw), Mandaluyong City. It is in close proximity to schools, churches, malls and hospitals. It is equipped with swimming pool, multi-purpose function room, gym, multi-purpose deck, CCTV and 24-hour association security.

### *Makati Executive Tower IV*

Makati Executive Tower IV is a 29-storey commercial and residential condominium located at Cityland Square, Sen. Gil Puyat Ave., cor. P. Medina St., Makati City. It is in close proximity to schools, malls, hypermarkets and hospitals. Its amenities include swimming pool, gym, playground, function room, roof deck and 24-hour association security.

### *Makati Executive Tower III*

Makati Executive Tower III is a 37-storey commercial, office, and residential condominium located at Cityland Square, Sen. Gil Puyat Avenue, Pio Del Pilar, Makati City. Its amenities include swimming pool, sauna, viewing deck, jogging area, mini-gym, children's playground, function room and 24-hour association security.

CDC is also leasing out the following buildings:

- *CityNet Central*

CityNet Central is a 22-storey commercial and PEZA-registered building located in central business district along Sultan Street, Brgy. Highway Hills, Mandaluyong City with its proximity to MRT station and various transportation hubs.

- *CityNet1*

CityNet1 is a 5-storey premiere business technology hub located along 183 EDSA, Brgy. Wack-Wack, Mandaluyong City. The said building for lease is also registered with PEZA.

### **CLDI**

#### *One Taft Residences*

One Taft Residences is a 40-storey mixed residential, office and commercial condominium which is located at 1939 Taft Avenue, Malate, Manila. It is accessible to various universities (De La Salle University, University of the Philippines – Manila, Philippine Christian University), transportation hubs, shopping centers, businesses, commercial and government offices.

Estimated Date of Completion: September 2022

#### *North Residences*

This 29-storey commercial and residential condominium is located along EDSA (beside Waltermart) corner Lanutan, Brgy. Veterans Village, Quezon City. It is conceptualized for the practical modern families to enjoy suburban city living that is friendly on the budget. The project was turned over in March 2018.

#### *Grand Emerald Tower*

Grand Emerald Tower is a 39-storey commercial, office and residential condominium located along Emerald Avenue Corner Ruby and Garnet Streets, Ortigas Center, Pasig City. Its amenities and facilities include swimming pool, gymnasium, viewing deck, sauna, children's playground, multi-purpose function room, and 24-hour association security. It is proximate to schools, hospitals, shopping malls, banks, restaurants, hotels, churches and other leisure and business establishments.

#### *Pacific Regency*

Pacific Regency is a 38-storey commercial, office and residential condominium located at Pablo Ocampo Sr. Ave. (formerly Vito Cruz Street) in front of Rizal Memorial Sports Complex in Manila. Amenities and facilities include swimming pool, gymnasium, separate sauna for male

and female, function room, children's playground, 24-hour association security, viewing area and jogging areas at the roof deck.

### **Future Projects**

The following are the future projects of the Group:

#### **CI**

##### *Two Premier*

Two Premier is a commercial and residential condominium project to be located at Alabang Zapote Road, Barangay Almanza Uno, Las Piñas City. This project is to be located beside One Premier.

#### **CDC**

##### *Pioneer Heights 2*

Pioneer Heights 2 is an office, residential and commercial condominium to be located at Reliance St., Brgy. Highway Hills, Mandaluyong City.

#### **CLDI**

##### *One Hidalgo*

One Hidalgo is a 39-storey mixed residential, office and commercial condominium to be located at 1730 P. Hidalgo Lim St., corner Gen. Malvar St., Malate, Manila. It is near various universities (De La Salle University, University of the Philippines – Manila, Philippine Christian University), government agencies (Supreme Court, Court of Appeals, Department of Justice) and other leisure establishments.

The Group has also a number of prime lots reserved for future projects. Its land bank is situated in strategic locations ideal for horizontal and vertical developments.

Internal sources come from sales of condominium units and real estate projects, collection of installment contracts receivable, contract assets and rental income from leased properties, maturing short-term and long-term investments and notes receivable and other sources such as interest income and dividend income. External sources come from SEC-registered commercial papers.

The estimated development cost of ₱647.34 million as of March 31, 2021 representing the cost to complete the development of real estate projects sold and the contract payable amounting to approximately ₱1.00 million representing the liabilities from the contracts to purchase land held to future development will be sourced through:

- a. Sales of condominium units and real estate projects;
- b. Collection of installment contracts receivables and contract assets;
- c. Maturing short-term and long-term investments and notes receivable; and
- d. Issuance of SEC-registered commercial papers.

### **Financial Condition (March 31, 2021 vs. December 31, 2020)**

The Group's balance sheet as of March 31, 2021 remained solid with total assets of P16.34 billion, slightly higher by 1.99% as compared to the balance as of December 31, 2020 of P16.02 billion. The increase is substantially attributed to the increase in cash and cash equivalents and real estate properties for sale. Sales of real estate properties, collection of installment contracts receivable, contract assets and other receivables increased the Group's cash and cash equivalents. Funds were generated from sales and lease of condominium units and other real estate projects, while other financial sources came from the issuance of commercial papers with interest rates ranging from 0.69% to 1.25% as of March 31, 2021 and 0.69% to 1.77% as of December 31, 2020.

Majority of funds were used for operations, payment of liabilities and to finance the Group's on-going condominium projects, Pioneer Heights 1, 101 Xavierville, One Premier and One Taft Residences. Excess funds were invested in both short-term and long-term investments to increase interest earnings and maintain liquidity. The financial position remained stable as total cash and cash equivalents and short-term investments stood at ₱3.76 billion and ₱3.57 billion as of March 31, 2021 and December 31, 2020, respectively.

On the liabilities side, total liabilities increased by 2.13% from ₱3.58 billion as of December 31, 2020 to ₱3.66 billion as of March 31, 2021. The increase in total liabilities was due to the accrual of development costs of the Group's ongoing project.

Total equity as of March 31, 2021 stood at ₱12.68 billion from ₱12.44 billion as of December 31, 2020, slightly higher by 1.95%, due to comprehensive income of ₱242.17 million.

As a result of the foregoing, the Group registered a current and acid test ratio of 3.05:1 and 1.49:1, respectively as of March 31, 2021, as compared to 3.14:1 and 1.58:1, respectively as of December 31, 2020. Asset-to-liability and debt-to-equity remained stable at 4.47:1 and 0.20:1, respectively, as of March 31, 2021, as compared to 4.47:1 and 0.21:1, respectively as of December 31, 2020.

### **Results of Operation (March 31, 2021 vs. March 31, 2020)**

Sales of real estate properties reached ₱519.54 million as compared to the same period last year of ₱369.80 million. The 40.49% increase in sales was due to increase in the percentage of completion since some of the Group's on-going projects were still at the initial stages of construction as of March 31, 2020. 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). Moreover, the Group's sales was also partially affected by the quarantine measures imposed in mid-March 2020 due to the COVID-19 pandemic.

As of March 31, 2021, CI contributed 28.41% of total Group's sales amounting to ₱147.59 million. Sales were substantially generated from One Premier, an on-going project which is expected to be completed by June 2022. Additional sales were also generated from the remaining inventory of Brentwood Mansion and Tagaytay Prime Residences.

Sales generated by CDC contributed 46.68% of the total sales of the Group reaching ₱242.52 million as of March 31, 2021. The Group has been applying the percentage of completion in its revenue recognition and therefore aside from the current year's sales, additional revenues from prior years' sales were also recognized based on the percentage of completion. Sales from Pioneer Heights 1 contributed significantly to the sales of CDC as of March 31, 2021 followed by the sales from 101 Xavierville, both on-going projects. Constructions of these projects were in full swing prior to the lockdown in Luzon in mid-March 2020 which consequently increased the percentage of completion.

On the other hand, CLDI contributed 24.91% of the total sales as a result of sales from One Taft Residences and North Residences.

Other sources of income are financial income, rent income and other income. Financial income which is composed of interest income from sale of real estate properties, cash and cash equivalents, short-term and long-term investments and notes receivables contributed 19.07% of total revenues. Likewise, rent income grew by 2.07% from ₱52.64 million as of March 31, 2020 to ₱53.73 million as of March 31, 2021. Rent income significantly came from the lease operations of CityNet Central, CityNet1 and other properties which were held for lease. Other revenue, on the other hand, were primarily derived from adjustment of market value of repossessed units, penalties charged to clients, and other miscellaneous income. Revenue contribution of this account decreased by 24.97%, amounting to ₱22.52 million as of March 31, 2021 from ₱30.01 million for the quarter ended March 31, 2020.

On the cost side, cost of real estate sales increased due to increase in percentage of completion as this moves in tandem with sales. On the other hand, operating expenses decreased due to decline in personnel expenses, taxes and license, brokers' commission and light, power and water. As for the financial expenses, decrease was due to lower interest expense on notes payable and finance charges. Provision for income tax decreased due to the implementation of CREATE Act reducing the corporate income tax rate effective July 1, 2020.

As a result of the foregoing, the Group ended with a net income of ₱239.61 million as of March 31, 2021, higher by 25.52% as compared to the same period last year of ₱190.89 million. This translated to annualized earnings per share and return on equity of ₱5.08 and 8.89% as compared to the same period last year of ₱3.79 and 6.35%, respectively.

### Financial Ratios

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)	March 31, 2020 (Unaudited)
Basic/Diluted earnings per share*	<b>₱5.08</b>	₱3.54	₱3.79
Return on equity (%)*	<b>8.89%</b>	5.77%	6.35%
Return on asset (%)*	<b>5.86%</b>	4.55%	<u>4.92%</u>
Net profit margin	<b>32.56%</b>	32.35%	31.13%
Solvency*	<b>0.28</b>	0.22	0.24
Interest rate coverage	<b>438.66</b>	128.28	75.36
Asset-to-liability	<b>4.47</b>	4.47	4.53
Asset-to-equity	<b>2.02</b>	2.01	2.00
Debt-to-equity	<b>0.20</b>	0.21	0.22
Current	<b>3.05</b>	3.14	2.84
Acid-test ratio	<b>1.49</b>	1.58	1.58

\*Annualized for the period of March 31, 2021 and March 31, 2020.

**Manner of Calculations:**

Basic/ Diluted Earnings per share	=	$\frac{\text{Net income after tax}}{\text{Outstanding number of shares}}$
Return on equity ratio	=	$\frac{\text{Net income after tax}}{\text{Total Equity}}$
Return on asset ratio	=	$\frac{\text{Net income after tax}}{\text{Total Assets}}$
Net profit margin	=	$\frac{\text{Net income after tax}}{\text{Total Revenue}}$
Solvency ratio	=	$\frac{\text{Net income after tax} + \text{Depreciation expense}}{\text{Total Liabilities}}$
Interest rate coverage ratio	=	$\frac{\text{Net income before income tax} + \text{Depreciation expense} + \text{Interest expense}}{\text{Interest expense}}$
Asset-to-liability ratio	=	$\text{Total assets} / \text{Total liabilities}$
Asset-to-equity ratio	=	$\frac{\text{Total assets}}{\text{Total equity (net of net changes in fair value of equity instruments designated at fair value through other comprehensive income and accumulated re-measurement on defined benefit plan)}}$
Debt-to-equity ratio	=	$\frac{\text{Notes and contracts payable}}{\text{Total equity (net of net changes in fair value of equity instruments designated at fair value through other comprehensive income and accumulated re-measurement on defined benefit plan)}}$
Current ratio	=	$\text{Total current assets} / \text{Total current liabilities}$
Acid-test ratio	=	$\frac{\text{Cash and cash equivalents} + \text{Short-term cash investments} + \text{Current portion of installment contracts receivable} + \text{Current portion of contract assets} + \text{Current portion of notes receivable} + \text{Current portion of other receivables}}{\text{Total current liabilities}}$

**1. Any Known Trends, Events or Uncertainties (Material Impact on Liquidity)**

The COVID-19 pandemic brought business disruptions due to the community quarantines implemented over Luzon, where properties of the Group are located. Despite the challenges brought about by the pandemic, the Group's liquidity remained stable as of March 31, 2021.

**2. Internal and External Sources of Liquidity**

Internal sources come from sales of condominiums and real estate projects, collection of installment contracts receivable and contract assets, maturing short-term and long-term investments and notes receivable, and other sources such as rental income, interest income and dividend income. External sources come from issuance of commercial papers.

**3. Any Material Commitments for Capital Expenditures and Expected Sources of Funds of such Expenditures**

The estimated development cost of ₱647.34 million as of March 31, 2021 representing the cost to complete the development of real estate projects sold will be sourced through:

- a. Sales of condominium units and real estate projects
- b. Collection of installment contracts receivable and contract assets
- c. Maturing short-term and long-term investments and notes receivable
- d. Issuance of SEC-registered commercial papers

**4. Any Known Trend or Events or Uncertainties (Material Impact on Net Sales or Revenues or Income)**

On March 16, 2020, Philippine President Rodrigo Duterte declared the entire Luzon area under “enhanced community quarantine” restricting movement of the population in response to the growing pandemic of the Coronavirus disease 2019 (COVID-19) in the country. This has been extended in the National Capital Region and in some other affected areas until May 31, 2020.

Starting June 1, 2020, NCR and other parts of the Philippines were declared to be under general community quarantine (GCQ), until June 15, 2020. The GCQ was further extended until June 30, 2020, then again until July 15, 2020. Afterwards, the GCQ was extended until July 30, 2020.

On August 3, 2020, the President of the Philippines reverted Metro Manila, and the provinces of Laguna, Cavite, Rizal and Bulacan to modified enhanced community quarantine from general community quarantine from August 4, 2020 until August 18, 2020. Starting August 19, 2020, Metro Manila, as well as the provinces of Laguna, Cavite, Rizal, and Bulacan, returned to general community quarantine unless earlier lifted or extended.

As of March 31, 2021, Metro Manila and some nearby provinces were placed under the enhanced community quarantine due to the surge in the number of COVID cases. The quarantine measures were implemented in order to manage the spread of the virus.

The COVID-19 pandemic has caused disruptions in the Group’s business activities. Further, the scale and duration of the impact of the pandemic remain uncertain as at the report date. It is not possible to estimate the overall impact of the outbreak’s near-term and longer effects. The outbreak could have a material impact on the Group’s financial results for the rest of 2021 and even periods thereafter. As this global problem evolves, the Group will continually adapt and adjust its business model according to the business environment in the areas where the Group operates, in full cooperation with the national and local government units.

**5. Any Significant Elements of Income or Loss that did not arise from Registrant’s Continuing Operations.**

There were no significant elements of income or loss that did not arise from continuing operations.

**6. Any Event that Will Trigger Direct or Contingent Financial Obligation that is Material to Company**

There is no event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

## **7. Causes for any Material Changes from Period to Period in One or More Line of the Registrant's Financial Statements**

### **FINANCIAL CONDITION (March 31, 2021 vs December 31, 2020)**

- a. Increase in Cash and Cash Equivalents was due to sales, collection of contract assets, installment contracts receivable and other receivables.
- b. Decrease in Short-term Investments was due to shift to shorter term investments.
- c. Decrease in Installment Contract Receivables was due to collections.
- d. Decrease in Contract Asset was due to collections.
- e. Decrease in Other Receivables was substantially due to collection of advances to customers and retention.
- f. Increase in Real Estate Properties for Sale was primarily due to additional development cost incurred, transfer from real estate properties held for future development and capitalized borrowing costs.
- g. Decrease in Investments in Trust Fund was due to termination and maturity of plans.
- h. Increase in Cost to Obtain Contract was due to recognition of prepaid commission in relation to the sale of ongoing projects.
- i. Increase in Real Estate Properties Held for Future Development was due to additional costs incurred.
- j. Decrease in Investment Properties was due to depreciation recognized on the buildings for lease.
- k. Increase in Property and Equipment was due to recognition of right-of-use assets as a result of long-term lease contracts entered into by CDC and purchase of office equipment.
- l. Decrease in Other Assets was due to utilization of input VAT.
- m. Increase in Accounts Payable and Accrued Expenses was due to accrual development costs.
- n. Decrease in Notes and Contracts Payable was due to partial settlement of matured notes payable.
- o. Increase in Contract Liabilities was due to increase in percentage of completion of on-going projects.
- p. Decrease in Income Tax Payable was due to the impact of lower tax rate effective July 1, 2020 as part of the provisions of CREATE Act.
- q. Decrease in Pre-need and Other Reserves was due to maturities and termination of pension plan.
- r. Decrease in Deferred Income Tax Liabilities - net was significantly due to the remeasurement brought about by the change in tax rates.
- s. Increase in Retained Earnings was due to net income recognized as of March 31, 2021.
- t. Increase in Unrealized Fair Value Changes on Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) was due to increase in market value of financial assets at FVOCI.
- u. Increase in Non-Controlling Interest was due to net income of subsidiaries.

### **RESULTS OF OPERATION (March 31, 2021 vs March 31, 2020)**

- a. Increase in Sales of Real Estate Properties was due to increase in the percentage of completion of the ongoing project. Revenue from the sales of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion).
- b. Decrease in Financial Income was due to lower interest income from installment contracts receivables, contract assets, cash equivalents, short-term and long-term investments and notes receivable.
- c. Increase in Rental Income was due to rentals earned from the buildings for lease, CityNet 1 and CityNet Central, and additional long-term lease contracts entered by the Group.
- d. Decrease in Other Income-net was due to the loss incurred on forfeitures.
- e. Increase in Cost of Real Estate Sales was due to increase in percentage of completion as this also moves in tandem with sales.

- f. Decrease in Operating Expenses was due to lower brokers' commission, personnel expenses, and light, power and water expenses.
- g. Decrease in Financial Expenses was due to lower interest expense on notes payables and finance charges.
- h. Decrease in Provision for Income Tax was due to the implementation of the CREATE Act which includes the lowering of the income tax rate from 30% to 25%.
- i. Increase in Net Income was due to the increase in sales from real estate properties brought about by the increase in percentage of completion.
- j. Increase in Remeasurement Gain due to Change in Tax Rate was due to the impact of CREATE Act wherein deferred income tax assets/liabilities were remeasured using the new tax rate.

**8. Any seasonal aspects that had a material effect on the financial condition and results of operation**

There are no seasonal aspects that had a material effect on the financial condition and results of operation.

**9. Items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidents**

There are no unusual items affecting assets, liabilities, equity, net income or cash flows.

**10. Any changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years that have a material effect in the current interim period**

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

**11. Any issuances, repurchases, and repayments of debt and equity securities**

The Parent Company and CDC issued commercial papers during the period with total outstanding balance of ₱1.64 billion as of March 31, 2021.

**12. Any material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period**

There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

**13. Effect of changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring, and discontinuing operations.**

There are no changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring, and discontinuing operations.

**Compliance to Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting***

The Company's unaudited interim consolidated financial statements is in compliance with Philippine Accounting Standard (PAS) 34, Interim Financial Reporting. The same accounting policies and methods of computation are followed as compared with the most recent annual audited consolidated financial statements. However, the unaudited interim consolidated financial statements as of March 31, 2021 do not include all of the information and disclosures required in the annual audited consolidated financial statements and therefore, should be read in conjunction with the annual audited consolidated financial statements as of and for the year ended December 31, 2020. There are no any events or transactions that are material to an understanding of the current interim period.

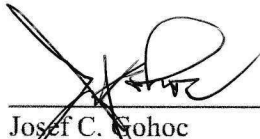
**PART II – OTHER INFORMATION****Disclosures not made under SEC Form 17 – C**

There are no reports that were not made under SEC Form 17 – C.


**SIGNATURES**

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

By: **CITYLAND, INC.**

  
\_\_\_\_\_  
Josef C. Gohoc  
President / Director

Date: May 21, 2021

  
\_\_\_\_\_  
Rudy Go  
Senior Vice President / Compliance Officer

Date: May 21, 2021



## CITYLAND, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of	
	UNAUDITED March 31, 2021	AUDITED December 31, 2020
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	₱3,173,784,401	₱2,538,621,037
Short-term investments (Note 4)	584,229,989	1,036,084,989
Current portion of:		
Installment contracts receivable (Note 6)	30,822,106	40,102,433
Contract assets (Note 6)	230,112,736	338,739,805
Cost to obtain contracts (Note 6)	15,027,565	17,278,383
Other receivables (Note 8)	53,365,687	57,102,863
Investments in trust funds (Note 5)	7,230,888	7,230,888
Real estate properties for sale (Note 9)	4,215,214,754	3,903,875,473
Prepaid tax	2,511,227	—
Other current assets (Note 13)	30,242,016	44,709,430
<b>Total Current Assets</b>	<b>8,342,541,369</b>	<b>7,983,745,301</b>
<b>Noncurrent Assets</b>		
Long-term investments (Note 4)	140,000,000	140,000,000
Installment contracts receivable - net of current portion (Note 6)	24,723,490	26,872,653
Contract assets - net of current portion (Note 6)	2,330,142,875	2,313,468,807
Cost to obtain contracts - net of current portion (Note 6)	17,569,535	20,701,327
Notes receivable - net of current portion (Note 7)	257,150,000	257,150,000
Other receivables - net of current portion (Note 8)	2,001,305	1,983,305
Investments in trust funds - net of current portion (Note 5)	30,229,766	29,273,150
Real estate properties held for future development (Note 10)	1,548,221,240	1,575,313,847
Investment properties (Note 11)	3,495,527,905	3,515,485,355
Property and equipment (Note 12)	67,493,304	71,714,297
Net retirement plan assets (Note 24)	12,842,276	12,842,276
Other noncurrent assets (Note 13)	74,149,890	75,376,760
	<b>8,000,051,586</b>	<b>8,040,181,777</b>
<b>TOTAL ASSETS</b>	<b>₱16,342,592,955</b>	<b>₱16,023,927,078</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses (Note 14)	₱816,809,537	₱584,672,736
Contract liabilities (Note 6)	274,582,131	290,586,790
Notes and contracts payable (Note 15)	1,644,422,350	1,649,337,608
Income tax payable	—	18,092,604
Current portion of pre-need and other reserves (Note 5)	3,716,746	3,716,746
<b>Total Current Liabilities</b>	<b>2,739,530,764</b>	<b>2,546,406,484</b>
<b>Noncurrent Liabilities</b>		
Accounts payable and accrued expenses - net of current portion (Note 14)	192,630,385	218,558,131
Contract liabilities - net of current portion (Note 6)	272,682,834	300,473,677
Pre-need and other reserves - net of current portion (Note 5)	36,732,780	37,762,619
Net retirement benefits liability (Note 24)	10,182,704	10,182,704
Deferred income tax liabilities - net (Note 25)	406,750,244	468,628,785
<b>Total Noncurrent Liabilities</b>	<b>918,978,947</b>	<b>1,035,605,916</b>
<b>Total Liabilities</b>	<b>3,658,509,711</b>	<b>3,582,012,400</b>

	<b>As of</b>	
	<b>UNAUDITED</b>	<b>AUDITED</b>
	<b>March 31, 2021</b>	<b>December 31, 2020</b>
<b>Equity</b>		
Attributable to Equity Holders of the Parent Company		
Capital stock - ₱10 par value (Note 16)		
Authorized - 185,000,000 shares		
Issued - 142,118,616 and 129,198,754 shares (net of 587,123 treasury shares) held by 27 equity holders as of March 31, 2021 and December 31, 2020	<b>₱1,427,057,390</b>	<b>₱1,297,858,770</b>
Stock dividends distributable - 12,919,862 shares	—	129,198,620
Other equity reserves	<b>72,536,291</b>	72,536,291
Unrealized fair value changes on financial assets at FVOCI (Note 13)	<b>574,487</b>	538,326
Accumulated re-measurement loss on defined benefit plan - net of deferred income tax effect (Note 24)	<b>(27,168,707)</b>	(28,928,938)
Retained earnings	<b>6,646,113,384</b>	6,465,675,373
	<b>8,119,112,845</b>	7,936,878,442
Non-controlling interests (Note 17)	<b>4,564,970,399</b>	4,505,036,236
<b>Total Equity</b>	<b>12,684,083,244</b>	12,441,914,678
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱16,342,592,955</b>	<b>₱16,023,927,078</b>

*See accompanying Notes to Consolidated Financial Statements.*

**CITYLAND, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

	<b>For the 3-months ending March 31, 2021</b>	<b>For the 3-months ending March 31, 2020</b>
<b>REVENUE</b>		
Sales of real estate properties (Note 6)	<b>₱519,542,674</b>	₱369,795,829
Financial income (Note 21)	<b>140,344,906</b>	160,843,823
Rent income (Note 11)	<b>53,725,833</b>	52,637,197
Other income - net (Note 23)	<b>22,516,611</b>	30,009,796
	<b>736,130,024</b>	613,286,645
<b>COST AND EXPENSES</b>		
Cost of real estate sales (Note 9)	<b>376,076,015</b>	185,689,733
Operating expenses (Note 18)	<b>168,487,857</b>	180,713,587
Financial expenses (Note 22)	<b>771,519</b>	3,965,888
	<b>545,335,391</b>	370,369,208
<b>INCOME BEFORE INCOME TAX</b>	<b>190,794,633</b>	242,917,437
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)</b>	<b>(48,811,684)</b>	52,028,077
<b>NET INCOME</b>	<b>₱239,606,317</b>	₱190,889,360
Attributable to:		
Equity holders of the parent	<b>₱180,438,011</b>	₱122,458,595
Non-controlling interests (Note 17)	<b>59,168,306</b>	68,430,765
	<b>₱239,606,317</b>	₱190,889,360
<b>BASIC/DILUTED EARNINGS PER SHARE (Note 28)</b>	<b>₱1.27</b>	₱0.87

*See accompanying Notes to Consolidated Financial Statements.*

**CITYLAND, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>For the 3-months ending March 31, 2021</b>	<b>For the 3-months ending March 31, 2020</b>
<b>NET INCOME</b>	<b>₱239,606,317</b>	<b>₱190,889,360</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Not to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of financial assets at FVOCI (Note 13)	<b>65,322</b>	<b>(1,717,181)</b>
Remeasurement gain due to change in tax rate	<b>2,496,927</b>	<b>–</b>
	<b>2,562,249</b>	<b>(1,717,181)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱242,168,566</b>	<b>₱189,172,179</b>
Attributable to:		
Equity holders of the parent	<b>₱182,971,098</b>	<b>₱121,468,440</b>
Non-controlling interests (Note 17)	<b>59,197,468</b>	<b>67,703,739</b>
	<b>₱242,168,566</b>	<b>₱189,172,179</b>

*See accompanying Notes to Consolidated Financial Statements.*

**CITYLAND, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Capital Stock (Note 16)	Stock Dividends Distributable (Note 16)	Other Equity Reserves	Unrealized Fair Value Changes on Financial Assets at FVOCI (Note 13)	Accumulated Re-measurement Loss on Defined Benefit Plan - Net of Deferred Income Tax Effect (Note 24)	Retained Earnings	Subtotal	Non-controlling Interests (Note 17)	Total
<b>BALANCES AT JANUARY 1, 2021</b>	<b>₱1,297,858,770</b>	<b>₱129,198,620</b>	<b>₱72,536,291</b>	<b>₱538,326</b>	<b>(₱28,928,938)</b>	<b>₱6,465,675,373</b>	<b>₱7,936,878,442</b>	<b>₱4,505,036,236</b>	<b>₱12,441,914,678</b>
Net income	—	—	—	—	—	180,438,011	180,438,011	59,168,306	239,606,317
Remeasurement gain due to change in tax rate	—	—	—	—	1,760,231	—	1,760,231	736,696	2,496,927
Other comprehensive income	—	—	—	36,161	—	—	36,161	29,161	65,322
Stock dividends – 10%	129,198,620	129,198,620	—	—	—	—	—	—	—
<b>BALANCES AT MARCH 31, 2021</b>	<b>₱1,427,057,390</b>	<b>—</b>	<b>₱72,536,291</b>	<b>₱574,487</b>	<b>(₱27,168,707)</b>	<b>₱6,646,113,384</b>	<b>₱8,119,112,845</b>	<b>₱4,564,970,399</b>	<b>₱12,684,083,244</b>

	Capital Stock (Note 16)	Other Equity Reserves	Unrealized Fair Value Changes on Financial Assets at FVOCI (Note 13)	Accumulated Re-measurement Loss on Defined Benefit Plan - Net of Deferred Income Tax Effect (Note 24)	Retained Earnings	Subtotal	Non-controlling Interests (Note 17)	Total
<b>BALANCES AT JANUARY 1, 2020</b>	<b>₱1,297,858,770</b>	<b>₱72,536,291</b>	<b>₱1,580,331</b>	<b>(₱32,799,442)</b>	<b>₱6,253,958,807</b>	<b>₱7,593,134,757</b>	<b>₱4,304,775,338</b>	<b>₱11,897,910,095</b>
Net income	—	—	—	—	122,458,595	122,458,595	68,430,765	190,889,360
Other comprehensive loss	—	—	(988,664)	—	—	(988,664)	(728,517)	(1,717,181)
Transfer of deferred income tax liability on deemed cost adjustment of property and equipment absorbed through depreciation	—	—	—	—	1,551	1,551	1,492	3,043
<b>BALANCES AT MARCH 31, 2020</b>	<b>₱1,297,858,770</b>	<b>₱72,536,291</b>	<b>₱591,667</b>	<b>(₱32,799,442)</b>	<b>₱6,376,418,953</b>	<b>₱7,714,606,239</b>	<b>₱4,372,479,078</b>	<b>₱12,087,085,317</b>

## CITYLAND, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS

	UNAUDITED	
	As of March 31, 2021	As of March 31, 2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	₱190,794,633	₱242,917,437
Adjustments for:		
Interest income (Note 21)	(140,344,906)	(160,843,823)
Depreciation (Notes 18 and 20)	16,729,832	16,499,282
Interest expense - net of amounts capitalized (Note 22)	349,994	3,336,102
Interest expense -lease liabilities (Note 22)	124,175	152,686
Trust fund income (Note 23)	(861,835)	(523,425)
Gain on sale of shares of stocks (Note 13)	–	(32,660)
Operating income before working capital changes	66,791,893	101,505,599
Decrease (increase) in:		
Installment contracts receivable (Note 6)	11,429,490	(19,425,666)
Contract assets (Note 6)	91,953,001	80,901,430
Other receivables (Note 8)	3,509,614	2,044,393
Real estate properties for sale (Note 9)	(257,614,553)	(9,314,592)
Real estate properties held for future development (Note 10)	(25,387,040)	(2,842,383)
Cost to obtain contracts (Note 6)	5,382,610	(1,526,098)
Deposits and others (Note 13)	15,665,946	9,680,113
Increase (decrease) in:		
Accounts payable and accrued expenses	207,323,500	(92,502,215)
Contract liabilities (Note 6)	(43,795,502)	69,454,025
Pre-need and other reserves (Note 5)	(1,029,839)	(1,236,242)
Net cash generated from operations	74,229,120	136,738,364
Interest received	140,554,468	164,609,520
Income taxes paid, including creditable and final withholding taxes	(28,772,900)	(39,609,366)
Net cash flows from (used in) operating activities	186,010,688	261,738,518
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from matured short-term investments (Note 4)	451,855,000	(142,449,067)
Additions to:		
Investment properties (Note 11)	3,431,548	(6,787,328)
Property and equipment (Note 12)	–	(6,785,714)
Proceeds from sale of shares of stocks (Note 13)	–	48,644
Net cash flows from (used in) investing activities	455,286,548	(155,973,465)

(Forward)

	<b>UNAUDITED</b>	
	<b>As of March 31, 2021</b>	<b>As of March 31, 2020</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of notes payable (Note 15)	<b>₱2,019,282,237</b>	₱1,932,400,000
Payments of notes payable (Note 15)	<b>(2,023,827,495)</b>	(1,978,150,000)
Interest paid, net of capitalized borrowing costs (Notes 14 and 15)	<b>(399,315)</b>	(3,374,555)
Payment of lease liabilities (Note 14)	<b>(1,189,299)</b>	(989,014)
Net cash flows used in financing activities	<b>(6,133,872)</b>	(50,113,569)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>635,163,364</b>	55,651,484
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>2,538,621,037</b>	2,415,823,464
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)</b>	<b>₱3,173,784,401</b>	₱2,471,474,948

*See accompanying Notes to Consolidated Financial Statements.*

## **CITYLAND, INC. AND SUBSIDIARIES**

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

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#### **1. Corporate Information**

Cityland, Inc. (the Parent Company) was incorporated in the Philippines on May 15, 1979. The Parent Company has a majority owned subsidiary, namely, Cityland Development Corporation (CDC), a publicly listed company, and two wholly owned subsidiaries, namely, Credit & Land Holding, Inc. (CLHI) and Cityads, Incorporated (CAI). CDC has two majority owned subsidiaries, namely, City & Land Developers, Incorporated (CLDI), another publicly listed company, and Cityplans, Incorporated (CPI). The primary purpose of the Parent Company and its subsidiaries (the Group), which are all incorporated and domiciled in the Philippines, is to acquire, develop, improve, subdivide, cultivate, lease, sublease, sell, exchange, barter and/or dispose of agricultural, industrial, commercial, residential and other real properties, as well as to construct, improve, lease, sublease, sell and/or dispose of houses, buildings and other improvements thereon, and to manage and operate subdivisions and housing projects or otherwise engage in the financing and trading of real estate. In addition, CPI is engaged in the business of establishing, organizing, developing, maintaining, conducting, operating, marketing and selling pension plans.

The Group's registered office and principal place of business is 2/F and 3/F, Cityland Condominium 10 Tower I, 156 H.V. de la Costa Street, Makati City.

On May 14, 2021, the Audit and Risk Committee approved and authorized the issuance of the Group's unaudited consolidated financial statements as of and for the period ended March 31, 2021.

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#### **2. Summary of Significant Accounting and Financial Reporting Policies**

##### Basis of Preparation

The consolidated financial statements of the Group have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss, financial assets measured at fair value through other comprehensive income (FVOCI) and investment properties included in the investments in trust funds account. These consolidated financial statements are presented in Philippine peso (Peso), which is the Parent Company's functional currency, and rounded to the nearest Peso except when otherwise indicated.

The consolidated financial statements have been prepared under the going concern assumption. The Group believes that its businesses would remain relevant despite challenges posed by the COVID-19 pandemic. Despite the adverse impact of the COVID-19 pandemic on short-term business results, long-term prospects remain attractive.

##### Statement of Compliance

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs) which include the availment of reliefs granted by the SEC under Memorandum Circular No. 14, Series of 2018 and Memorandum Circular No. 3, Series of 2019, to defer the implementation of the following accounting pronouncements until December 31, 2020. These accounting pronouncements address the issues of PFRS 15, *Revenue from Contracts with Customers*, affecting the real estate industry.

- *Deferral of the following provisions of Philippine Interpretations Committee (PIC) Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry*
  - a. Assessing if the transaction price includes a significant financing component (as amended by PIC Q&A 2020-04);
  - b. Treatment of land in the determination of percentage-of-completion (POC);
  - c. Treatment of uninstalled materials in the determination of POC (as amended by PIC Q&A 2020-02); and,
  - d. Accounting for Common Usage Service Area (CUSA) charges.
- *Deferral of the adoption of PIC Q&A 2018-14: Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05)*

The Company also availed of the relief provided by SEC Memorandum Circular No. 4, Series of 2020, deferring the adoption of *IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under PAS 23, Borrowing Cost*, (the IFRIC Agenda Decision on Borrowing Cost) until December 31, 2020.

In December 2020, the SEC issued Memorandum Circular No. 34, Series of 2020, allowing the further deferral of the adoption of provisions (a) and (b) above of *PIC Q&A 2018-12* and the IFRIC Agenda Decision on Borrowing Cost, for another other three (3) years or until December 31, 2023.

#### Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2021:

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

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

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

The Group shall also disclose information about:

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods. These amendments will affect the Group if it will enter into hedge transaction in the future.

*Effective beginning on or after January 1, 2020*

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

The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. As of March 31, 2021 and December 31, 2020, the Group did not enter into any business combination. These amendments may impact future periods should the Group enter into such transaction.

- 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. These amendments will not affect the Group since it does not have any hedge transaction.

- 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. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

- *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 revisions made to Conceptual Framework had no significant impact on the consolidated financial statements.

- 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.

#### *Group as Lessee*

The Group adopted the amendments beginning January 1, 2020. Adoption of these amendments for rent concessions on office space has no significant impact for the year ended March 31, 2021 and December 31, 2020.

#### *Group as Lessor*

Modifications to operating lease terms and conditions on contracts wherein the Group is the lessor were accounted as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

- *Deferment of PIC Q&A No. 2018-12 and IFRS Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods [PAS 23 - Borrowing Cost] For Real Estate Industry*

#### *PIC Q&A No. 2018-12*

On February 14, 2018, the Philippines Interpretation Committee (PIC) issued PIC Q&A 2018-12 (PIC Q&A) which provides guidance on some implementation issues of PFRS 15 affecting real estate industry. On October 29, 2018 and February 8, 2019, the Philippine Securities and Exchange Commission (SEC) issued SEC Memorandum Circular No. 14 Series of 2018 and SEC Memorandum Circular No. 3 Series of 2019, respectively, providing relief to the real estate industry by deferring the application of the following provisions of the above PIC Q&A for a period of 3 years:

- a. Exclusion of land and uninstalled materials 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. Accounting to Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H

Under the same SEC Memorandum Circular No. 3, Series of 2019, the adoption of PIC Q&A No. 2018-14: PFRS 15 - Accounting for Cancellation of Real Estate Sales was also deferred.

Except for the CUSA charges discussed under PIC Q&A No. 2018-12-H which applies to leasing transactions, the above deferral will only be applicable for real estate sales transactions.

Effective January 1, 2021, real estate companies will adopt PIC Q&A No. 2018-12 and PIC Q&A No. 2018-14 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

However, the Commission en banc, in its meeting held on December 15, 2020, decided to provide relief to the real estate industry by deferring the application of the provisions of the PIC Q&A No. 2018-12 with respect to the accounting for significant financing component and the exclusion of land in the calculation of POC for another period of three years or until 2023. The deferral is to give more than enough time to real estate industry to further evaluate and explore options to resolve the remaining implementing issues and help the industry to mitigate the impact of COVID-19 crisis.

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

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

The Group availed of the deferral of adoption of the above specific provisions of PIC Q&A, specifically on PIC Q&A No. 2018-12-D *Accounting for significant financing component*. Had this provision been adopted, it would have an impact in the financial statements as to the mismatch between the POC of the real estate projects and right to consideration based on the schedule of payments explicit in the contract to sell which constitutes a significant financing component. Interest income would have been recognized for contract assets and interest expense for contract liabilities using effective interest rate method and this would have impacted retained earnings as at January 1, 2021 and the revenue from real estate sales in 2021. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.

Since the Group's current practice is in line with the PIC Q&A No. 2018-12-E, PIC Q&A No. 2018-12-H and PIC Q&A No. 2018-14, the Group does not expect significant impact on its consolidated financial statements upon adoption of these amendments.

*IFRS Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods [PAS 23 - Borrowing Cost] For Real Estate Industry*

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 par. 35(c) of IFRS 15. 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 IAS 23 considering that these inventories are ready for their intended sale in their current condition.

The IFRIC agenda decision would change the Group's current practice of capitalizing borrowing costs on real estate projects with pre-selling activities.

On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4, Series of 2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Effective January 1, 2021, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto

retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

On December 15, 2020, the Commission en banc decided to provide relief to the real estate industry by deferring the application of the provisions of the IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under PAS 23, *Borrowing Cost* for another period of three years or until 2023.

For real estate companies that avail of the deferral, the SEC requires disclosure in the Notes to the Financial Statements of the accounting policies applied, a discussion of the deferral of the subject implementation issues, and a qualitative discussion of the impact in the financial statements had the IFRIC agenda decision been adopted.

The Group opted to avail of the relief as provided by the SEC. Had the Group adopted the IFRIC agenda decision, borrowing costs capitalized to real estate inventories related to projects with pre-selling activities should have been expensed out in the period incurred.

This adjustment should have been applied retrospectively and would have resulted to restatement of prior year financial statements. A restatement would have impacted interest expense, cost of real estate sales, provision for deferred income tax, real estate properties for sale, deferred income tax liability and opening balance of retained earnings.

#### Basis of Consolidation

The consolidated financial statements consist of the financial statements of the Parent Company and its subsidiaries as of the period presented. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

These subsidiaries, and the percentage of ownership of the Parent Company as of March 31, 2021 and December 31, 2020 are as follows:

	Percentage of Ownership	Nature of Activity
Direct:		
CAI	100.00	Advertising
CLHI	100.00	Holding
CDC	50.98	Real estate
Indirect through CDC (including direct ownership of the Parent Company in CLDI of 29.54% and CPI of 9.18%):		
CLDI	54.89	Real Estate
CPI	55.47	Pre-need pension plans

A subsidiary is an entity that is controlled by the Parent Company. Control is achieved when the Parent Company 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
- the ability to use its power over the investee to affect its returns

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee
- rights arising from other contractual arrangements
- the Parent Company's voting rights and potential voting rights

The Parent Company 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 in the consolidated financial statements from the date the Group gains control 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 of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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 a loss of control, is accounted for as an equity transaction. In such circumstances, the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received shall be recognized directly in equity and attributed to the owners of the parent.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill, if any), liabilities, non-controlling interest and other components of equity while any resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

#### Non-controlling Interests

Non-controlling interests represent the interests in the subsidiaries not held by the Parent Company and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within the equity section of the consolidated statement of financial position, separate from the Parent Company's equity.

#### Current versus Noncurrent Classification

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

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within 12 months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as noncurrent.

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

#### Cash and Cash Equivalents

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

#### Short-term and Long-term Investments

Short-term investments are investments with maturities of more than three months but not exceeding one year from dates of acquisition. Long-term investments pertain to bond investments that have maturities of more than one year from the dates of acquisition.

#### Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level 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 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.

### Financial Instruments

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

#### *a. Financial assets*

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, FVOCI, and fair value through profit or loss.

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

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

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

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

##### *Subsequent measurement*

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

##### *Financial assets at amortized cost (debt instruments)*

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met: (a) the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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 solely payments of principal and interest on the principal amount outstanding.

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

The Group's financial assets at amortized cost includes cash and cash equivalents, short-term and long-term investments, installment contracts receivable, contract assets, notes receivables, other receivables and deposits under "Other noncurrent assets".

*Financial assets at FVOCI (debt instruments)*

The Group measures debt instruments at FVOCI if both of the following conditions are met:

- (a) The financial asset is held within a business model with the objective of both holding to collect contractual cash flows; and
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss 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 of March 31, 2021 and December 31 2020, the Group's investment in trust fund has debt instruments at FVOCI.

*Financial assets designated at FVOCI (equity instruments)*

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

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

The Group elected to classify irrevocably its listed equity investments under this category (Note 13).

*Financial assets at fair value through profit or loss*

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

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

The Group's investments in trust fund have financial assets at fair value through profit or loss as of March 31, 2021 and December 31, 2020.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

#### *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 statement 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 either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

#### *Impairment of financial assets*

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

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

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

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

#### *b. Financial liabilities*

##### *Initial recognition and measurement*

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

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

The Group's financial liabilities include accounts payable, accrued expenses, notes and contract payable.

##### *Subsequent measurement*

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

##### *Financial liabilities at fair value through profit or loss*

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

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

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

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

*Loans and borrowings*

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in consolidated statement of income when the liabilities are derecognized as well as through the EIR amortization process.

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

This category generally applies to interest-bearing loans and borrowings.

*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 statement of income.

*c. Offsetting of financial instruments*

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

Investments in Trust Funds

The trust fund assets and liabilities are recognized in accordance with the provisions of the applicable PAS and PFRSs and their interpretations.

Investments in trust funds are restricted to cover the Group's pre-need reserves. These are classified as current assets to the extent of the currently maturing pre-need reserves. The remaining portion is classified as noncurrent assets in the consolidated statement of financial position.

Real Estate Properties for Sale and Real Estate Properties Held for Future Development

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

Cost includes:

- Land cost
- Amounts paid to contractors for construction
- Borrowing costs directly attributable to the acquisition, development and construction of real estate projects
- Planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs to complete and the estimated costs necessary to make the sale. The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known.

Upon commencement of development, the real estate properties held for future development is transferred to real estate properties for sale.

Upon repossession, real estate properties for sale arising from sale cancellations and forfeitures are measured at fair value less estimated costs to make the sale. Any resulting gain or loss is credited or charged to “Other income” or “Other expenses”, respectively, in the consolidated statement of income.

#### Investment Properties

Investment properties, which represent real estate properties for lease and capital appreciation, are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of existing investment properties at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of the property. The carrying values of revalued properties transferred to investment properties on January 1, 2004 were considered as the assets’ deemed cost as of said date.

Subsequent to initial measurement, investment properties, except land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value. Buildings for lease are depreciated over their useful life of 25 years using the straight-line method.

Investment properties are derecognized when either they have been disposed of or when the property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment properties 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 properties 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 properties, owner-occupied property and inventories 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.

Construction in progress is stated at cost. This includes costs of construction and other direct costs related to the investment property being constructed. Construction in progress is not depreciated until such time when the relevant assets are complete and ready for use. When such construction is completed and assets are ready for use, the costs of the said assets are transferred to specific classification under “Investment properties” account.

#### Property and Equipment

Property and equipment, except for office premises, are stated at cost less accumulated depreciation and any impairment in value. Office premises are stated at appraised values (asset’s deemed cost) as determined by SEC-accredited and independent firms of appraisers at the date of transition to PFRSs, less accumulated depreciation and any impairment in value. Subsequent additions to office premises are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment consists of the purchase price and any directly attributable cost of bringing the assets to their working condition and location for their intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and

maintenance costs, are normally charged to the consolidated statement of income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation of an item of property and equipment begins when the asset 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 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, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

Depreciation is computed using the straight-line method over the estimated useful lives of the properties as follows:

	Years
Office premises	25
Building	25
Furniture, fixtures and office equipment	5-15
Transportation and other equipment	5

The assets' useful lives and depreciation method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are sold or retired, the cost and related accumulated depreciation and any impairment in value are removed from the accounts, and any gains or losses from their disposal is included in the consolidated statement of income.

The Group's property and equipment consist of land, building, equipment and right-of-use assets that do not qualify as investment properties.

Property and equipment, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value. The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs.

Effective January 1, 2019, it is the Group's policy to classify right-of-use assets as part of property and equipment. Prior to that date, all of the Group's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the statement of financial position. 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 initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use 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.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject to impairment.

### Impairment of Nonfinancial Assets

The carrying values of investment properties and property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are either written down to their recoverable amount or provided with valuation allowance. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value-in-use. Impairment losses, if any, are recognized in the consolidated statement of income.

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. In determining fair value less costs of disposal, recent market transactions are taken into account.

The Group assesses at each reporting period whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. The Group considers external and internal sources of information in its assessment of the reversal of previously recognized impairment losses. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income. After such a reversal, the depreciation is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### Value-added Tax (VAT)

Revenue, expenses, assets and liabilities are recognized net of the amount of VAT, except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

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

The net amount of VAT recoverable from or payable to, the taxation authority is included as part of "Other current assets" or "Accounts payable and accrued expenses," respectively, in the consolidated statement of financial position.

### Pre-Need Reserves (PNR)

PNR for pension plans are calculated on the basis of the methodology and assumptions set out in Pre-Need Rule 31, as Amended, as follows:

- The amount of provision is the present value of the funding expected to be required to settle the obligation with due consideration of the different probabilities as follows:
  - i. Provision for termination values applying the inactivity and surrender rate experience of CPI.
  - ii. The liability is equivalent to the present value of future maturity benefits reduced by the present value of future trust fund contributions required per Product Model discounted at the

lower of attainable rate or discount rate provided by the IC for SEC-approved plans and the pricing discount rate for IC-approved plans.

- The rates of surrender, cancellation, reinstatement, utilization, and inflation considered the actual experience of CPI in the last three years.
- The computation of the foregoing assumptions has been validated by the internal qualified actuary of CPI.
- Based on CPI's experience, the probability of pre-termination or surrender of fully paid plans is below 5% and therefore considered insignificant. The derecognition of liability shall be recorded at pre-termination date.

In 2020 and 2019, CPI follows IC Circular Letter No. 23-2012 dated November 28, 2012 which sets the guidelines below for the discount rate to be used in the valuation of PNR:

- Discount interest rate for the PNR

The transitory discount interest rate per year shall be used in the valuation of PNR shall not exceed the lower of the attainable rates as certified by the trustee banks and the following rates below:

Year	Discount interest rate
2012 – 2016	8.00%
2017	7.25%
2018	6.50%
2019 and onwards	6.00%

- Transitory PNR (TPNR)

In effecting the transition in the valuation of reserves for old basket of plans, the IC shall prescribe a PNR with a maximum transition period of 10 years.

For each of the pre-need plan categories, the TPNR shall be computed annually on the old basket of plans outstanding at the end of each year from 2012 to 2021 using the discount interest rates provided above. If the actual trust fund balance is higher than or equal to the resulting PNR then the liability setup shall be the PNR.

However, if the resulting PNR is greater than the actual trust fund balance at the end of the year, TPNR shall be computed.

The actual trust fund balance shall be the trust fund balance at the end of the year net of any receivables by CPI from the trustee for the contractual benefits outstanding as of the end of the year.

The TPNR liability shall be recognized each year. As of December 31, 2020 and 2019, CPI's actual trust fund balance is lower than the resulting PNR (see Note 5).

#### *Other reserves*

CPI sets up other provisions in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, to cover obligations such as Insurance Premium Reserves (IPR), pension bonus, and trust fund deficiency.

Unless the IC shall so specifically require, CPI may, at its option, set up other provisions as a prudent measure.

#### Capital Stock

Capital stock is measured at par value for all shares issued and outstanding. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the “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. In case the shares are issued to extinguish or settle the liability of the Group, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

#### Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, dividend distributions, effects of changes in accounting policy and other capital adjustments.

Unappropriated retained earnings represent that portion of retained earnings which can be declared as dividends to stockholders after adjustments for any unrealized items which are considered not available for dividend declaration. Appropriated retained earnings represent that portion of retained earnings which has been restricted and therefore is not available for any dividend declaration.

The retained earnings include deemed cost adjustments on real estate properties for sale, investment properties and property and equipment that arose when the Group transitioned to PFRSs in 2005. The deemed cost adjustment will be realized through depreciation in profit or loss for depreciable assets (property and equipment and investment properties) and through sale for inventories (classified under real estate properties for sale) and land (classified under investment properties). The deferred income tax liability on deemed cost adjustments on investment properties, property and equipment and inventories sold under Income Tax Holiday (ITH) projects is transferred to retained earnings upon realization while the deferred income tax liability on deemed cost adjustments on inventories sold under regular tax regime is transferred to consolidated statement of income upon sale.

#### *Dividend Distributions*

Cash dividends on common shares are deducted from retained earnings upon declaration by the BOD.

Stock dividends are deducted from retained earnings when the BOD's declaration is ratified by the stockholders of the Company and the increase for authorized capital stock is approved by the SEC in cases of stock dividends issued to cover an increase in authorized capital stock. The stock dividend is recorded as “Stock dividends distributable” in the consolidated statement of financial position.

Dividends for the year that are declared after the end of the reporting period but before the approval for issuance of consolidated financial statements are dealt with as an event after the reporting period.

#### Treasury shares

Own equity instruments that 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 Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in the share premium.

## Revenue Recognition

### *Revenue from Contract with Customers*

The Group primarily derives its real estate revenue from the sale of completed real estate projects and undeveloped land. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is acting as a principal in all of its revenue arrangements, except for the provisioning of water, electricity, air-conditioning and common use service area in its office leasing activities, wherein it is acting as agent.

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

### *Sales of real estate properties (CI, CDC and CLDI)*

CI, CDC and CLDI derives its real estate revenue from sale of lots and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date. For CPI, revenue from the sale of these real estate projects are recognized at a point in time when control of the asset is transferred to the buyer, generally when the condominium units are delivered to and accepted by the buyer.

Revenue from sales of completed real estate properties and undeveloped land is accounted for using the full accrual method. Under the full accrual method, revenue is recognized when the risks and rewards of ownership on the properties have been passed to the buyer and the amount of revenue can be measured reliably.

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

In accordance with Philippine Interpretations Committee Q&A 2006-01, *Revenue Recognition for Sales of Property Units under Pre-completion Contracts*, the percentage-of-completion (POC) method is used to recognize income from sales of real estate properties when the Group has material obligations under the sales contract to complete the project after the property is sold. The Group starts recognizing revenue under the POC method when the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished) and the costs incurred or to be incurred can be measured reliably. Under this method, revenue on sale is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

If the criteria of full accrual and POC method are not satisfied and when the license to sell and certificate of registration for a project are not yet issued by the Housing and Land Use Regulatory Board (HLURB), any cash received by the Group is recorded as part of "Customers' deposits"

account which is included under “Accounts payable and accrued expenses” in the consolidated statement of financial position until all the conditions for recognizing the sale are met.

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

Any excess of progress of work over the right to an amount of consideration is recorded either as installment contracts receivable (unconditional) or contract asset (conditional) while the excess of collection over progress of work is recorded as contract liability.

Any excess of collections over the total of recognized installment contracts receivable is included in the “Contract liabilities” account in the liabilities section of the consolidated statement of financial position.

#### *Sales of real estate properties (CPI)*

CPI derives its revenue from sale of condominium units. Revenue from the sale of these real estate projects are recognized at a point in time when control of the asset is transferred to the buyer, generally when the condominium units are delivered to and accepted by the buyer. The payment is collectible in monthly installments for periods ranging from 1 to 10 years.

#### *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 land and 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.

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of real estate properties sold before completion is determined using the POC used for revenue recognition applied on the acquisition cost of the land plus the total estimated development costs of the property.

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

The cost of inventory recognized in profit or loss on disposal (cost of real estate sales) is determined with reference to the specific and allocated costs incurred on the sold property taking into account the POC. The cost of real estate sales also includes the estimated development costs to complete the real estate property, as determined by independent project engineers, and taking into account the POC. The accrued development costs account is presented under “Accounts payable and accrued expenses” in the consolidated statement of financial position.

Any changes in estimated development costs used in the determination of the amount of revenue and expenses are recognized in consolidated statement of income in the period in which the change is made.

#### *Cost recognition (CPI)*

CPI recognizes costs relating to satisfied performance obligations as these are incurred.

### Contract Balances

#### *Receivables*

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

#### *Contract assets*

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

#### *Contract liabilities*

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

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

#### *Costs to obtain contract*

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to 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 as earned. Commission expense is included in the "Operating expenses" account in the consolidated statement of income.

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

#### *Amortization and derecognition of capitalized costs to obtain a contract*

CI, CDC, and CLDI amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within operating expenses.

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.

#### *Sales of pre-need plans*

Premiums from sale of pre-need plans, included under "Other income" account in the consolidated statement of income are recognized as earned when collected.

#### *Cost of contracts issued*

This account pertains to (a) the increase or decrease in PNR as at the current year as compared to the provision for the same period of the previous year; (b) amount of trust funds contributed during the year including any trust fund deficiency; and (c) documentary stamp tax and SEC registration fees.

#### *Interest income*

Interest income from cash in banks, cash equivalents and cash investments, installment contracts receivable, contract assets, guaranty deposits and notes receivable is recognized as the interest accrues taking into account the effective yield on interest.

*Dividend income*

Dividend income is recognized when the Group's right to receive the payment is established.

*Trust fund income*

Trust fund income mainly pertains to rental income on investment properties under the trust fund account, as well as, trading gains and losses from buying and selling and changes in fair value of financial assets and financial liabilities categorized upon initial recognition as at fair value through profit or loss investments under the trust fund account.

*Leases (effective January 1, 2019)*

The Group assesses at contract inception whether a contract is, or contains, a lease. It constitutes that the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and lease of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*Lease liabilities*

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

*Short-term leases and leases of low-value assets*

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

*Leases (applicable until December 31, 2018 prior to the adoption of PFRS 16)*

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- (a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

- (b) a renewal option is exercised or extension granted, unless 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).

#### *Operating leases - Group as a lessor*

Operating leases represent those leases under which substantially all the risks and rewards of ownership of the leased assets remain with the lessors. Rent income from operating leases is recognized as income when earned on a straight-line basis over the term of the lease agreement. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

#### *Lease modification*

Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease e.g., addition or termination of the right to use one or more underlying assets, or the extension or shortening of the contractual lease term.

In case of a lease modification, the lessor shall account for any such modification by recognizing a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. In case of change in lease payments for an operating lease that does not meet the definition of a lease modification, the lessor shall account for any such change as a negative variable lease payment and recognize lower lease income.

#### *Operating expenses*

Operating expenses constitute costs of administering the business. These costs are expensed as incurred.

#### *Financial expenses*

Financial expenses consist of interest incurred on notes and contracts payable. Interest attributable to a qualifying asset is capitalized as part of the cost of the asset while others are expensed as incurred.

Interest costs are capitalized if they are directly attributable to the acquisition, development and construction of real estate projects as part of the cost of such projects. Capitalization of interest cost (1) commences when the activities to prepare the assets for their intended use are in progress and expenditures and interest costs are being incurred, (2) is suspended during extended periods in which active development is interrupted, and (3) ceases when substantially all the activities necessary to prepare the assets for their intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

#### *Other income - net*

Net other income pertains mainly to the gain or loss arising from forfeiture or cancellation of prior years' real estate sales arising from the difference between the outstanding balance of receivables and the original cost of the inventories.

#### Retirement Benefits Cost

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 (if any), adjusted

for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Retirement benefits cost comprises the following:

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by an independent qualified actuary.

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 statement of income.

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in the consolidated statement of comprehensive income in the period in which they arise. Re-measurements are not reclassified to the consolidated statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. 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). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

#### *Employee leave entitlement*

Employee entitlements to annual leave are recognized as a liability when they are earned by the employees. The undiscounted liability for leave expected to be settled within 12 months after the end of the reporting period is recognized for services rendered by employees up to the end of the reporting period. Accumulating leave credits which can be utilized anytime when needed or converted to cash upon employee separation (i.e., resignation or retirement) are presented at its discounted amount as "Accounts payable and accrued expenses - noncurrent portion" in the consolidated statement of financial position.

### Provisions and Contingencies

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, under an insurance contract, 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 statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the effective future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provisions due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

### Income Taxes

#### *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of reporting period. Current income tax for current and prior periods shall, to the extent unpaid, be recognized as a liability under "Income tax payable" account in the consolidated statement of financial position. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset under "Prepaid tax" account in the consolidated statement of financial position.

#### *Deferred income tax*

Deferred income tax is recognized on all temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except (a) where the deferred income tax liability arises from the initial recognition of goodwill or 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; and (b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where 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 income tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized. Deferred income tax assets and deferred income tax liabilities are not recognized when it 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.

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

it has become probable that sufficient future taxable profits will allow the deferred income tax asset to be recovered.

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

Deferred income tax relating to items recognized directly in equity is recognized in equity and those directly in comprehensive income such as re-measurement of defined benefit plan are recognized in the consolidated statement of comprehensive income and not in the consolidated statement of income.

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

#### Other Comprehensive Income

Other comprehensive income comprises items of income and expense that are not recognized in the consolidated statement of income in accordance with PFRS. Other comprehensive income of the Group includes gains and losses on fair value changes of financial assets at FVOCI, re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability).

#### Earnings Per Share

Basic earnings per share is computed by dividing the net income for the year by the weighted average number of ordinary shares issued and outstanding after considering the retrospective effect, if any, of stock dividends declared during the year.

Diluted earnings per share is calculated by dividing the net income for the year by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares and adjusted for the effects of all dilutive potential common shares, if any. In determining both the basic and diluted earnings per share, the effect of stock dividends, if any, is accounted for retrospectively.

#### Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 29 in the consolidated financial statements. The Group's asset-producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

#### Events After the Reporting Period

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

#### Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed on the next page. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to 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, 2022*

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

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively. The amendments will not significantly affect the Group’s consolidated financial statements.

- 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’s consolidated financial statements.

- 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’s consolidated financial statements.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

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

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

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

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

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

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

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

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

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

*Effective beginning on or after January 1, 2023*

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

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

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on its current practice and whether existing loan agreements may require renegotiation.

- PFRS 17, *Insurance Contracts*

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

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

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

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

PFRS 17 will affect the Group if it enters insurance contracts in the future. As of December 31, 2020, the Group did not enter in any insurance contracts.

#### *Deferred effectivity*

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

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

On January 13, 2016, the FRSC 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. The amendments are not expected to affect the Group's consolidated financial statements.

- 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 (PIC Q&A) which provides guidance on some implementation issues of PFRS 15 affecting real estate industry. On October 25, 2018 and February 8, 2019, the Philippine SEC issued SEC Memorandum Circular No. 14, Series of 2018, and SEC Memorandum Circular No. 3, Series of 2019, respectively, providing relief to the real estate industry by deferring the application of the following provisions of the above PIC Q&A for a period of 3 years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC Memorandum Circular No. 34, Series of 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 follows:

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

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

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

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

The Group availed of the option to defer adoption of the above specific provisions except for land exclusion in the determination of POC. Had these provisions been adopted, it would have impacted retained earnings, revenue from real estate sales, cost of real estate sold, other income and real estate inventories.

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

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 recognized over time under paragraph 35(c) of IFRS 15 (PFRS 15). 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, Series of 2020, providing relief to the real estate industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Further, on December 15, 2020, the

Philippine SEC issued SEC MC No. 34, Series of 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. The adoption of the IFRIC Agenda Decision is not expected to have significant impact on the consolidated financial statements.

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

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

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

The Group availed of the SEC relief to defer the adoption of this PIC Q&A until December 31, 2020. The adoption of this PIC Q&A is not expected to have significant impact on the consolidated financial statements.

As prescribed by SEC Memorandum Circular No. 34, Series of 2020, for financial reporting periods beginning on or after January 1, 2021, the availment of the above deferral will impact the Group's financial reporting during the period of deferral.

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

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes.

In the opinion of management, these consolidated financial statements reflect all adjustments necessary to present fairly the results for the periods presented. Actual results could differ from 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 has the most significant effect on the amounts recognized in the consolidated financial statements:

#### *Revenue recognition*

Selecting the appropriate revenue recognition method for a particular real estate transaction requires certain judgments based on the following, among others:

- *Existence of a contract*

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

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

- *Revenue recognition method and measure of progress*

The Group, except for CPI, 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 buyer 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 buyer is contractually obliged to make payments to the developer up to the performance completed to date.

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

- *Identifying performance obligation*

The Group has various contracts to sell covering its sale of condominium units and other real estate properties. The Group concluded that there is one performance obligation in each of these contracts because it has the obligation to deliver the condominium unit duly constructed in a specific lot and fully integrated into the serviced land in accordance with the approved plan. For the sale of real estate properties such as raw land, the Group integrates certain activities to the said property to be able to deliver the guaranteed property based on the contract with the buyer. Included also in this performance obligation is the Group's service is to transfer the title of the real estate unit to the buyer.

- *Principal versus agent considerations*

The contract for the Group's buildings for lease to its tenants includes the right to charge for the electricity usage, water usage, air conditioning charges and CUSA like maintenance, janitorial and security services.

For the electricity and water usage, the Group determined that it is acting as an agent because the commitment of the Group to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility company, and not the real estate developer, is primary responsible for the provisioning of the utilities while the Group administers the leased spaces and coordinates with the utility companies to ensure that tenants have access to

these utilities. The Group does not have the discretion on the pricing of the services provided since the price is based on the actual rate charged by the utility providers.

For the provision of air conditioning and services in the CUSA, the Group acts as a principal. This is because it is the Group who retains the right to direct the service provider of CUSA as it chooses and the party responsible to provide proper ventilation and air conditioning to the leased premises. The right to the services mentioned never transfers to the tenant and the Group has the discretion on how to price the CUSA and air conditioning charges.

*Distinction between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used for administrative purposes.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use for administrative purposes. If these portions cannot be sold separately at the reporting date, the property is accounted for as investment property only if an insignificant portion is held for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Investment properties amounted to ₱3.50 billion and ₱3.52 billion as of March 31, 2021 and December 31, 2020, respectively (see Note 11). Property and equipment amounted to ₱67.49 million and ₱71.71 million as of March 31, 2021 and December 31, 2020, respectively (see Note 12).

*Distinction between real estate properties for sale and investment properties*

The Group determines whether a property is classified as for sale, for lease or for capital appreciation. Real estate properties, which the Group develops and intends to sell on or before completion of construction, are classified as real estate properties for sale. Real estate properties for sale amounted to ₱4.22 billion and ₱3.90 billion as of March 31, 2021 and December 31, 2020, respectively (see Note 9). Real estate properties, 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 capital appreciation are classified as investment properties. Investment properties amounted to ₱3.50 billion and ₱3.52 billion as of March 31, 2021 and December 31, 2020, respectively (see Note 11).

*Distinction between real estate properties for sale and held for future development*

The Group determines whether a property will be classified as real estate properties for sale or held for future development. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (real estate properties for sale) or whether it will be retained as part of the Group's strategic land banking activities for development or sale in the medium or long-term (real estate properties held for future development). Real estate properties for sale amounted to ₱4.22 billion and ₱3.90 billion as of March 31, 2021 and December 31, 2020, respectively (see Note 9). Real estate properties held for future development amounted to ₱1.55 billion and ₱1.58 billion as of March 31, 2021 and December 31, 2020 (see Note 10).

*Lease modification - Group as Lessor*

Throughout the government-imposed community quarantine, the Group waived rentals and offered deferral of payments to certain tenants. Such rental waivers and deferrals are accounted as a lease modification under PFRS 16 since impact of COVID-19 pandemic is not contemplated by the parties upon inception of the lease contracts.

*Determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates*

In accordance with Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period 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:

*Leases - Estimating the incremental borrowing rate (effective January 1, 2019)*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

The Group’s lease liabilities amounted to ₱9.21 million and ₱10.27 million as of March 31, 2021 and December 31, 2020, respectively (see Note 14).

*Revenue recognition - Revenue recognition method and measure of progress*

The measurement of progress for revenue recognition requires management to make use of estimates and assumptions. The Group’s real estate sales is based on the POC method measured principally on the basis of total actual cost of resources consumed such as materials, labor hours expended and actual overhead incurred over the total estimated development cost of the project. Estimated development costs of the project include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. The estimated development costs are prepared by the Group’s project engineers and are independently reviewed by the Group’s third-party independent project engineers. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis and is allocated between costs of sales and real estate inventories.

*Estimation of POC of real estate projects*

The Group estimates the POC of ongoing projects for purposes of accounting for the estimated costs of development as well as revenue to be recognized. Actual costs of development could differ from these estimates. Such estimates will be adjusted accordingly when the effects become reasonably determinable. The POC is based on the technical evaluation of the independent project engineers as well as management’s monitoring of the costs, progress, and improvements of the projects. Sales of real estate properties amounted to ₱519.54 million and ₱369.80 million as of March 31, 2021 and March 31, 2020, respectively. Cost of real estate sales amounted to ₱376.08 million and ₱185.69 million as of March 31, 2021 and March 31, 2020, respectively (Note 9).

*Provision for expected credit losses of installment contract receivables and contract assets*

The Group uses a provision matrix to calculate ECLs for installment contract receivables and contract assets. The provision rates are based on past collection history and other factors, which include, but

are not limited to the length of the Group's relationship with the customer, the customer's payment behavior and known market factors that affect the collectability of the accounts.

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 the inflation rate, gross domestic product, interest rate and unemployment rate. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the real estate sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions such as inflation rate, gross domestic product, interest rate and unemployment rate and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's installment contract receivables and contract assets is disclosed in Note 27. As of March 31, 2021 and December 31, 2020, installment contracts receivable, contract assets, notes receivables and other receivables aggregated to ₱2.93 billion and ₱3.04 billion, respectively. There was no provision for expected credit loss on receivables in March 31, 2021 and December 31, 2020 (see Notes 6, 7 and 8).

*Determination of net realizable value of real estate properties for sale and held for future development*

The Group's estimates of net realizable value of real estate properties for sale and held for future development are based on the most reliable evidence available at the time the estimates are made, or the amount that the real estate properties for sale and held for future development are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made of net realizable value in each subsequent period. When the circumstances that previously caused the real estate properties for sale and held for future development to be written down below cost no longer exist or when there is a clear evidence of an increase in net realizable value because of changes in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised net realizable value. The Group's real estate properties for sale as of March 31, 2021 and December 31, 2020 amounted to ₱4.22 billion and ₱3.90 billion, respectively (see Note 9). On the other hand, the Group's real estate held for future development as of March 31, 2021 and December 31, 2020 amounted to ₱1.55 billion and ₱1.58 billion, respectively (see Note 10).

*Estimation of useful lives of investment properties and property and equipment*

The Group estimates the useful lives of investment properties and property and equipment based on the internal technical evaluation and experience with similar assets. Estimated lives of investment properties and property and equipment are reviewed periodically and updated if expectations differ from previous estimates due to wear and tear, technical and commercial obsolescence, and other limits on the use of the assets. Net book value of depreciable investment properties amounted to ₱1.01 billion and ₱1.03 billion as of March 31, 2021 and December 31, 2020, respectively (see Note 11). On the other hand, the net book value of property and equipment, which are all depreciable, amounted to ₱23.37 million and ₱25.19 million as of March 31, 2021 and December 31, 2020, respectively (see Note 12).

*Impairment of financial assets at FVOCI*

An impairment issue arises when there is an objective evidence of impairment, which involves significant judgment. In making this judgment, the Group evaluates the financial health of the issuer,

among others. The Group treats FVOCI equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment. The Group treats “significant” generally as 20% or more of cost and “prolonged” as greater than 12 months for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

*Determination of the fair value of investment properties*

The Group discloses the fair values of its investment properties in accordance with PAS 40, *Investment Property*. The Group engaged SEC-accredited and independent valuation specialists to determine fair value as of December 31, 2019. The Group’s investment properties consist of land, building and machinery and equipment pertaining to commercial properties. These are valued by reference to sales of similar or substitute properties and other related market data had the investment properties been transacted in the market. The significant unobservable inputs used in determining the fair value are the sales price per square meter of similar or substitute property, location, size, shape of lot and the highest and best use. Another method used in determining the fair value of land properties is based on the market data approach. The value of land is based on sales and listings of comparable property registered within the vicinity. This requires adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator by adjusting the difference between the subject property and those actual sales and listings regarded as comparables. The comparison is premised on the factors of location; size and shape of the lot; time element and others (see Note 27).

*Determination of impairment indication on investment properties and property and equipment*

The Group determines whether its nonfinancial assets such as investment properties and property and equipment are impaired when impairment indicators exist such as significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. When an impairment indicator is noted, the Group makes an estimation of the value-in-use of the cash-generating units to which the assets belong. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose an appropriate discount rate in order to calculate the present value of those cash flows. No impairment indicator was noted as of March 31, 2021 and December 31, 2020. Net book value of investment properties as of March 31, 2021 and December 31, 2020 amounted to ₱3.50 billion and ₱3.52 billion, respectively (see Note 11). On the other hand, the net book value of property and equipment amounted to ₱67.49 million and ₱71.71 million as of March 31, 2021 and December 31, 2020, respectively (see Note 12).

*Estimation of retirement benefits cost*

The cost of the defined benefit plan and the present value of the defined benefit obligation are determined using actuarial valuations which involves making various assumptions that may differ from actual developments in the future. These assumptions include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the various tenors, rates for intermediate durations were interpolated and the rates were then weighted by the expected benefits payments at those durations to arrive at the single weighted average discount rate.

*Estimation of pre-need reserves*

Reserves are set up for all pre-need benefits guaranteed and payable by CPI as defined in the pre-need plan contracts. The determination of CPI's reserves is based on the actuarial formula, methods, and assumptions allowed by applicable SEC and IC circulars.

*Recognition of deferred income tax assets*

The Group reviews the carrying amounts of deferred income tax assets at the end of each reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of deferred income tax assets to be utilized.

As of March 31, 2021 and December 31, 2020, deferred income tax assets amounted to ₱54.87 million and ₱60.87 million, respectively (see Note 25).

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#### 4. Cash and Cash Equivalents and Investments

Cash and cash equivalents consist of:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Cash on hand and in banks	<b>₱31,984,401</b>	₱76,218,365
Cash equivalents	<b>3,141,800,000</b>	2,462,402,672
	<b>₱3,173,784,401</b>	₱2,538,621,037

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective cash investment rates.

Short-term investments consist of:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Short-term cash investments	<b>₱259,229,989</b>	₱711,084,989
Short-term bond investments	<b>325,000,000</b>	325,000,000
	<b>₱584,229,989</b>	₱1,036,084,989

Short-term investments have maturities of more than three months to one year from dates of acquisition and earn interest at the prevailing market interest rates.

Long-term investments pertain to bond investments amounting to ₱140.00 million as of March 31, 2021 and December 31, 2020 pertain to bond investments that have maturities of more than one year from the date of acquisition.

Interest income earned from cash in banks, cash equivalents, and short-term and long-term investments amounted to ₱20.58 million and ₱33.69 million in March 31, 2021 and March 31, 2020, respectively (see Note 21).

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#### 5. Investments in Trust Funds and Pre-need and Other Reserves

*Investments in trust funds*

Pursuant to the provisions of the SEC Memorandum Circular No. 6, *Guidelines on the Management of the Trust Fund of Pre-Need Corporation* (SEC Circular No. 4), the SEC requires, among others,

that companies engaged in the sale of pre-need plans and similar contracts to planholders set up a trust fund to guarantee the delivery of property or performance of service in the future. Withdrawals from these trust funds are limited to, among others, payments of pension plan benefits, bank charges and investment expenses in the operation of the trust funds, termination value payable to plan holders, contributions to the trust funds of cancelled plans and final taxes on investment income of the trust funds.

In accordance with the SEC requirements, CPI has funds deposited with two local trustee banks with net assets aggregating to ₱37.46 million and ₱36.50 million as of March 31, 2021 and December 31, 2020, respectively, which are recorded under “Investments in trust funds” account in the consolidated statements of financial position.

The details of investments in trust funds are as follows:

	March 31, 2021	December 31, 2020
<b>Assets</b>		
Cash and cash equivalents	₱6,094,636	₱5,968,372
Debt and listed equity securities	27,957,108	27,237,704
Investment properties	3,999,490	3,999,490
Others	277,417	275,585
	<b>38,328,651</b>	<b>37,481,151</b>
<b>Liabilities</b>	<b>(867,997)</b>	<b>(977,113)</b>
	<b>37,460,654</b>	<b>36,504,038</b>
Less noncurrent portion	<b>30,229,766</b>	<b>29,273,150</b>
	<b>7,230,888</b>	<b>₱7,230,888</b>

#### *Pre-need and other reserves*

Details of pre-need and other reserves are as follows:

	March 31, 2021	December 31, 2020
Transitory pre-need reserves	₱35,170,435	₱36,164,935
Reserve for trust fund deficiency	4,812,774	4,812,774
Pension bonus reserve	381,459	416,798
Insurance premium reserve	84,858	84,858
	<b>40,449,526</b>	<b>41,479,365</b>
Less noncurrent portion	<b>36,732,780</b>	<b>37,762,619</b>
	<b>₱3,716,746</b>	<b>₱3,716,746</b>

## **6. Revenue from Contracts with Customers**

### *a. Disaggregated Revenue Information*

The Group derives revenue from the real estate sales overtime in different product type and geographical location. The disaggregation of each sources of revenue from contracts with customers are presented below:

Type of Product	March 31, 2021	March 31, 2020
High-rise condominium	<b>₱503,443,125</b>	₱352,534,708
Parking slots	<b>16,099,549</b>	17,261,121
<b>Total</b>	<b>₱519,542,674</b>	<b>₱369,795,829</b>

Geographical Location	March 31, 2021	March 31, 2020
Metro Manila	<b>₱515,762,764</b>	₱369,795,829
Tagaytay	<b>3,779,910</b>	—
<b>Total</b>	<b>₱519,542,674</b>	<b>₱369,795,829</b>

All of the Group's real estate sales, except for CPI, are revenue from contracts with customers recognized over time and are reported under "Sales of real estate properties" segment. For CPI, real estate sales are revenue from contracts with customers recognized at a point in time.

As of March 31, 2021 and December 31, 2020, sales for real estate properties and rental income arose from contracts with external customers. There were no intercompany sales/transactions made on the said years.

#### *Contract Balances*

	March 31, 2021	December 31, 2020
Installment contracts receivable	<b>₱55,545,596</b>	₱66,975,086
Contract asset		
Current	<b>230,112,736</b>	338,739,805
Noncurrent	<b>2,330,142,875</b>	2,313,468,807
Contract liabilities		
Current	<b>274,582,131</b>	290,586,790
Noncurrent	<b>272,682,834</b>	300,473,677

*Installment contracts receivable are as follows:*

	March 31, 2021	December 31, 2020
Installment contracts receivable	<b>₱55,545,596</b>	₱66,975,086
Less: noncurrent portion	<b>24,723,490</b>	26,872,653
<b>Current portion</b>	<b>₱30,822,106</b>	<b>₱40,102,433</b>

Installment contracts receivable arises from sale of real estate properties and is collectible in monthly installments for periods ranging from one to 10 years which bear monthly interest rates of 0.67% to 2.00% as of March 31, 2021 and December 31, 2020 computed on the diminishing balance.

Interest income earned from installment contracts receivable and contract assets amounted to ₱116.15 million and ₱121.99 million as of March 31, 2021 and March 31, 2020 (see Note 21).

The Group entered into contract of guaranty under Retail Guaranty Line with Home Guaranty Corporation (HGC). The amount of installment contracts receivable enrolled and renewed by these companies amounted to ₱1.77 billion and ₱1.93 billion as of March 31, 2021 and December 31, 2020, respectively. These companies paid a guarantee premium of 1.00% based on the outstanding principal balance of the receivables enrolled as of March 31, 2021 and December 31, 2020 (see Note 18).

Contract asset represents the right to consideration that was already delivered by the Group in excess of the amount recognized as installment contracts receivable. This is reclassified as installment contracts receivable when the monthly amortization of the buyer is already due for collection.

Contract liabilities amounting to ₱547.26 million and ₱591.06 million as of March 31, 2021 and December 31, 2020, respectively, 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.

Movement in contract liability was recognized as income based on the percentage of completion of the ongoing projects.

*b. Performance obligations*

Information about the Group's performance obligations are summarized below:

*Real estate sales*

The Group entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

The sale of real estate unit may cover either the lot; and condominium unit and the Group concluded that there is one performance obligation in each of these contracts. The Group, except for CPI, recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction. CPI recognizes revenue from the sale of these real estate projects at a point in time when control of the asset is transferred to the buyer, generally when the condominium units are delivered to and accepted by the buyer.

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 down payment of generally 5% to 10% of the contract price with the remaining balance payable through in-house financing which ranges from one (1) month to ten (10) years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either a contract asset or contract liability.

In order to cope with the current trend in the real estate industry, the Group offered to customers the "installment down payment" scheme starting 2020 wherein certain projects were offered with 18 to 24 months to pay the corresponding down payment. The new scheme introduced by the Group resulted to sales with percentage of collection lower than 10%. The Group records these collections as "Customers' deposits" under "Accounts Payable and Accrued Expenses" account in the consolidated statements of financial position.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) are as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Within one year	<b>₱466,994,533</b>	₱571,869,890
More than one year	<b>527,360,846</b>	658,879,615
	<b>₱994,355,379</b>	<b>₱1,230,749,505</b>

The remaining performance obligations expected to be recognized within one year and in more than one year relate to the continuous development of the Group's real estate projects. The Group condominium units are generally completed within three years to five years from start of construction.

*c. Cost to Obtain Contract*

The balances below pertain to the cost to obtain contracts as of March 31, 2021 and December 31, 2020 as presented in the consolidated statement of financial position:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Balance at the beginning of the year	<b>₱37,979,710</b>	₱47,156,621
Additions	<b>4,705,039</b>	16,937,801
Amortization	<b>(10,087,649)</b>	(26,114,712)
Balance at the end of year	<b>32,597,100</b>	37,979,710
Less: noncurrent portion	<b>17,569,535</b>	20,701,327
Current portion	<b>₱15,027,565</b>	₱17,278,383

## 7. Notes Receivable

Notes receivable pertains to short-term and long-term investments placed by CDC to different financial institutions which earn interest at the prevailing market interest rates ranging from 3.200% to 3.600% as of March 31, 2021 and December 31, 2020.

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Notes receivable	<b>₱257,150,000</b>	₱257,150,000
Less noncurrent portion	<b>257,150,000</b>	257,150,000
Current portion	<b>₱—</b>	₱—

There were no properties offered as collaterals for the notes receivable. Details of notes receivable as of March 31, 2021 and December 31, 2020 are as follows:

<u>Date of Placement</u>	<u>Amount</u>	<u>Maturity Date</u>
May 2018	₱257,150,000	November 2023
April 2017	180,000,000	April 2020
August 2016	20,000,000	August 2020
	<b>₱457,150,000</b>	

The notes receivables already matured in April and August 2020.

Interest income earned from notes receivable amounted to ₱3.62 million and ₱5.17 million in March 31, 2021 and March 31, 2020, respectively (see Note 21).

## 8. Other Receivables

Other receivables consist of:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Rent receivable	<b>₱26,888,914</b>	₱21,493,304
Advances to customers	<b>14,154,635</b>	19,161,827
Accrued interest	<b>8,350,729</b>	8,657,506
Retention	<b>3,729,087</b>	7,915,909
Others	<b>2,243,627</b>	1,857,622
	<b>55,366,992</b>	59,086,168
Less noncurrent portion	<b>2,001,305</b>	1,983,305
Current portion	<b>₱53,365,687</b>	₱57,102,863

Rent receivable arose from the investment properties rented-out under non-cancellable long-term operating lease contracts (see Note 11). Advances to customers are receivables of the Group for the real estate property taxes of sold condominium units initially paid by the Group. Accrued interest pertains to interest income earned but not yet received by the Group. Retention pertains to the amount held on cash sale of real estate properties. Other receivables include employees' advances, advances to condominium corporations which pertains to disbursements which are collectible from condominium corporation and receivables from buyers for expenses initially paid by Group.

## 9. Real Estate Properties for Sale

Real estate properties for sale consist of costs incurred in the development of condominium units and residential lots and housing units for sale. Real estate properties for sale includes deemed cost adjustment amounting to ₱4.30 million and ₱4.28 million as of March 31, 2021 and December 31, 2020, respectively (see Note 16). The deemed cost adjustment arose when the Group transitioned to PFRSs in 2005.

The movements in real estate properties for sale are as follows:

	<b>March 31, 2021</b>	<b>December 21, 2020</b>
Balances at beginning of year	<b>₱3,903,875,473</b>	₱2,949,320,773
Construction/development costs incurred	<b>557,080,620</b>	1,455,825,372
Disposals (Cost of real estate sales)	<b>(376,076,015)</b>	(761,811,378)
Transfer from real estate properties held for future development (Note 10)	<b>52,109,647</b>	50,201,360
Borrowing costs capitalized (Note 22)	<b>5,273,770</b>	21,207,706
Transfer from investment properties (Note 11)	<b>1,615,082</b>	5,450,086
Other adjustments - net	<b>71,336,177</b>	183,681,554
Balances at end of year	<b>₱4,215,214,754</b>	₱3,903,875,473

Real estate properties for sale account includes capitalized borrowing costs incurred during each year in connection with the development of the properties. The average capitalization rates used to determine the amount of borrowing costs eligible for capitalization were 1.34% and 1.64% as of March 31, 2021 and December 31, 2020, respectively.

Other adjustments include realized deemed cost adjustment and the recognition of repossessed real estate properties measured at fair value less cost to sell at the date of repossession.

## 10. Real Estate Properties Held for Future Development

Real estate properties held for future development include land properties reserved by the Group for its future condominium projects.

Movements in real estate properties held for future development are as follows:

	March 31, 2021	December 31, 2020
Balances at beginning of year	₱1,601,661,931	₱1,609,749,983
Additions	25,017,040	42,113,308
Transfer to real estate properties for sale (Note 9)	(52,109,647)	(50,201,360)
	1,574,569,324	1,601,661,931
Less allowance for inventory-write down	26,348,084	26,348,084
	₱1,548,221,240	₱1,575,313,847

In 2019, the Parent Company recognized provision for inventory write-down in its real estate properties held for future development relating to the land improvements in Naic Country Homes amounting to ₱26.35 million. No provision for inventory write-down was recognized in 2021 and 2020.

## 11. Investment Properties

Investment properties consist of:

	March 31, 2021	December 31, 2020
Real estate properties for lease	₱2,380,825,217	₱2,400,782,667
Real estate properties held for capital appreciation	1,114,702,688	1,114,702,688
	₱3,495,527,095	3,515,485,355

Movements in investment properties are as follows:

	March 31, 2021			
	Land	Building	Machinery and Equipment	Total
<b>Cost</b>				
Balances at beginning of period	₱2,488,152,094	₱1,160,483,937	₱213,794,043	₱3,862,430,074
Cost adjustments	(584,345)	(2,847,202)	–	(3,431,547)
Transfer to real estate properties for sale (Note 9)	–	(3,675,021)	–	(3,675,021)
Balances at end of period	2,487,567,749	1,153,961,714	213,794,043	3,855,323,506
<b>Accumulated Depreciation</b>				
Balances at beginning of period	–	271,409,692	75,535,027	346,944,719
Depreciation for the period (Notes 18 and 20)	–	11,628,899	3,281,922	14,910,821
Transfer to real estate properties for sale (Note 9)	–	(2,059,939)	–	(2,059,939)
Balances at end of period	–	280,978,652	78,816,949	359,795,601
<b>Net Book Value</b>	2,487,567,749	872,983,062	134,977,094	3,495,527,905

	December 31, 2020			
	Land	Building	Machinery and Equipment	Total
<b>Cost</b>				
Balances at beginning of year	₱2,480,392,267	₱1,170,680,831	₱213,530,186	₱3,864,603,284
Additions	7,759,827	–	263,857	8,023,684
Transfer to real estate properties for sale (Note 9)	–	(10,196,894)	–	(10,196,894)
Balances at end of year	2,488,152,094	1,160,483,937	213,794,043	3,862,430,074

(Forward)

	December 31, 2020			
	Land	Building	Machinery and Equipment	Total
<b>Accumulated Depreciation</b>				
Balances at beginning of year	₱–	₱229,508,659	₱62,414,897	₱291,923,556
Depreciation for the year (Notes 18 and 20)	–	46,647,841	13,120,130	59,767,971
Transfer to real estate properties for sale (Note 9)	–	(4,746,808)	–	(4,746,808)
Balances at end of year	–	271,409,692	75,535,027	346,944,719
<b>Net Book Value</b>	<b>₱2,488,152,094</b>	<b>₱889,074,245</b>	<b>₱138,259,016</b>	<b>₱3,515,485,355</b>

Investment properties as of March 31, 2021 and December 31, 2020 include the following buildings for lease registered with Philippine Economic Zone Authority (PEZA) which are leased out to third parties:

	PEZA Registration No.	Date Registered
CityNet1	EZ14-04	March 3, 2014
Citynet Central	EZ15-06	February 17, 2015

The net book values of land and building include net deemed cost adjustment amounting to ₱1.39 billion as of March 31, 2021 and December 31, 2020 (see Note 16). The deemed cost adjustment arose when the Group transitioned to PFRSs in 2005.

Based on the appraisal reports by SEC accredited and independent firms of appraisers using market data and sales comparison approach at various dates in 2020 appraised value of these investment properties amounted to ₱8.92 billion as of the dates of appraisal as of December 31, 2020 (see Note 27).

#### *Rental agreements*

The Group entered into lease agreements for its building for lease with the following identified performance obligations: (a) lease of space (b) provisioning of water and electricity (c) provision of air conditioning and CUSA services and (d) administration fee. Revenue from lease of space is recognized on a straight-line basis over the lease term while revenue for the remaining performance obligations are recognized when services are rendered. The tenant is required to issue post-dated checks on the monthly rental payments. In case of delay in payments, a penalty of about 4% per annum is charged for the amount due for the duration of delay. The lease arrangement for the Group's term lease transactions would typically require a tenant to pay advance rental equivalent to three (3) months and a security deposit equivalent to three (3) months rental to cover any breakages after the rental period, with the excess returned to the tenant.

The following are the non-cancellable operating lease contracts entered by the Parent Company as of March 31, 2021:

Commencement Date	Lessees (Third Parties)	Term
2020	Domestic Corporation	3 years
2020	Domestic Corporation	3 years
2020	Bank	3 years
2019	Domestic Corporation	3 years
2018	Coffee Shop	3 years
2018	Shopping Center	12 years
2015	Convenience Store	5 years

CDC and CLDI also entered the following non-cancellable operating lease contracts with various third parties as of March 31, 2021:

Commencement Date	Lessees (Third Parties)	Term
2021	Domestic Corporation	5 years
2021	Domestic Corporation	5 years
2021	Domestic Corporation	3 years
2020	Domestic Corporation	5 years
2020	Domestic Corporation	5 years
2019	Domestic Corporation	3 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	3 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	3 years
2018	BPO	5 years
2018	Domestic Corporation	3 years
2018	Convenience Store	5 years
2018	Domestic Corporation	3 years
2018	Domestic Corporation	3 years
2017	BPO	3 years
2017	Convenience Store	5 years
2017	Fast Food	10 years
2017	Domestic Corporation	5 years
2011	Fast Food	10 years

The lease contracts include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. As a result of the COVID-19 pandemic, certain contracts were pre-terminated in 2020 while some lessees no longer renewed contracts that have ended during the year.

The future minimum lease payments for these lease agreements are as follows:

	March 31, 2021	December 31, 2020
Not later than one year	<b>₱159,324,434</b>	₱163,729,198
Later than one year and not later than five years	<b>405,233,210</b>	422,379,478
Later than five years	<b>34,663,663</b>	39,848,492
	<b>₱599,221,307</b>	₱625,957,168

Rent income from investment properties amounted to ₱53.73 million and ₱52.64 million as of March 31, 2021 and March 31, 2020, respectively. Rent income from investment property is recognized in the parent company statements of income on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the rental income is also spread over the term of the lease.

Other lease agreements with third parties are generally for a one-year term renewable every year.

## 12. Property and Equipment

Property and equipment consist of:

March 31, 2021							
	Land	Building	Office Premises	Furniture, Fixtures and Office Equipment	Transportation and Other Equipment	Right-of-use Asset	Total
<b>At Cost</b>							
Balances at beginning of period	₱46,526,324	₱8,649,376	₱—	₱36,494,008	₱5,051,760	₱14,297,629	₱111,019,097
Cost adjustments	(2,401,982)	—	—	—	—	—	(2,401,982)
Balances at end of period	44,124,342	8,649,376	—	36,494,008	5,051,760	14,297,629	108,617,115
<b>Accumulated Depreciation</b>							
Balances at beginning of period	—	720,781	—	28,635,614	5,047,499	4,901,038	39,304,932
Depreciation for the period (Notes 18 and 20)	—	115,512	—	617,250	—	1,086,249	1,819,011
Balances at end of period	—	836,293	—	29,252,864	5,047,499	5,987,287	41,123,943
<b>Net Book Value</b>	44,124,342	7,813,083	—	7,241,144	4,261	8,310,342	67,493,172
<b>At Deemed Cost</b>	—	—	253,365,628	—	—	—	253,365,628
<b>Accumulated Depreciation</b>							
Balances at beginning of period	—	—	253,365,496	—	—	—	253,365,496
Depreciation for the period (Notes 18 and 20)	—	—	—	—	—	—	—
Balances at end of period	—	—	253,365,496	—	—	—	253,365,496
<b>Net Deemed Cost</b>	—	—	132	—	—	—	132
<b>Total</b>	<b>₱44,124,342</b>	<b>₱7,813,083</b>	<b>₱132</b>	<b>₱7,241,144</b>	<b>₱4,261</b>	<b>₱8,310,342</b>	<b>₱67,493,304</b>

December 31, 2020							
	Land	Building	Office Premises	Furniture, Fixtures and Office Equipment	Transportation and Other Equipment	Right-of-use Assets	Total
<b>At Cost</b>							
Balances at beginning of year	₱46,526,324	₱8,649,376	₱—	₱29,708,294	₱5,051,760	₱8,879,228	₱98,814,982
Additions (Note 14)	—	—	—	6,785,714	—	7,401,935	14,187,649
Disposal	—	—	—	—	—	(1,983,534)	(1,983,534)
Balances at end of year	46,526,324	8,649,376	—	36,494,008	5,051,760	14,297,629	111,019,097
<b>Accumulated Depreciation</b>							
Balances at beginning of year	—	374,806	—	26,276,732	4,872,143	2,557,120	34,080,801
Depreciation for the year (Notes 18 and 20)	—	345,975	—	2,358,882	175,356	4,195,203	7,075,416
Disposal	—	—	—	—	—	(1,851,285)	(1,851,285)
Balances at end of year	—	720,781	—	28,635,614	5,047,499	4,901,038	39,304,932
<b>Net Book Value</b>	46,526,324	7,928,595	—	7,858,394	4,261	9,396,591	71,714,165
<b>At Deemed Cost</b>							
Balances at beginning and end of year	₱—	₱—	₱253,365,628	₱—	₱—	₱—	₱253,365,628
<b>Accumulated Depreciation</b>							
Balances at beginning of year	—	—	253,352,752	—	—	—	253,352,752
Depreciation for the year (Notes 18 and 20)	—	—	12,744	—	—	—	12,744
Balances at end of year	—	—	253,365,496	—	—	—	253,365,496
<b>Net Deemed Cost</b>	—	—	132	—	—	—	132
<b>Total</b>	<b>₱46,526,324</b>	<b>₱7,928,595</b>	<b>₱132</b>	<b>₱7,858,394</b>	<b>₱4,261</b>	<b>₱9,396,591</b>	<b>₱71,714,297</b>

For the office premises, the Group elected to apply the optional exemption under PFRS 1, *First-Time Adoption of PFRS*, to use the revalued amount as deemed cost as at January 1, 2005, the date of transition to PFRS.

The balances of pre-PFRS cost of the office premises are as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Office premises	<b>₱55,775,746</b>	₱55,775,746
Less accumulated depreciation	<b>55,775,612</b>	55,775,612
	<b>₱134</b>	<b>₱134</b>

Difference between the net deemed cost and the net pre-PFRSs cost amounting to nil and ₱0.01 million as of March 31, 2021 and December 31, 2020, respectively, represents the remaining balance of the deemed cost adjustment (see Note 16).

The Group adopted PFRS 16, on January 1, 2019 for its contracts of lease wherein the Group is acting as the lessee. The said leases pertain to lease of office spaces for the period of 2 to 5 years. At the initial recognition, the right-of-use assets were recognized at cost amounting to ₱8.88 million (see Note 2). Subsequently, this is being amortized based on the remaining lease term. The Group recorded as part of “Property and equipment” the right-of-use assets amounting to ₱14.30 million as of March 31, 2021 and December 31, 2020. Depreciation expense related to right-of-use assets amounted to ₱1.09 million and ₱4.20 million as of March 31, 2021 and December 31, 2020, respectively (see Note 12). The additions to the right-of-use asset amounting to nil and ₱7.40 million for March 31, 2021 and December 31, 2020, respectively, is treated by the Group as a noncash investing activity.

Other lease contracts entered by the Group pertain to short-term leases of office space and transportation equipment with rent expense amounting to ₱0.37 million and ₱1.65 million incurred as of March 31, 2021 and December 31, 2020, respectively. The Group does not have any lease contracts pertaining to low value assets. Further, the Group does not have any sublease and leaseback transactions. Thus, there were no income arising from sublease, sale and leaseback transaction.

The cost of fully depreciated property and equipment still used in operations amounted to ₱27.57 million as of March 31, 2021 and December 31, 2020.

### 13. Other Assets

Other current assets amounted to ₱30.24 million and ₱44.71 million as of March 31, 2021 and December 31, 2020, respectively, consist of input VAT, advances to contractors and prepaid real estate taxes.

Other noncurrent assets consist of:

	<b>March 31, 2020</b>	<b>December 31, 20120</b>
Unused input VAT	<b>₱33,437,501</b>	₱33,510,660
Refundable deposits	<b>33,437,432</b>	32,252,567
Advances to contractors	<b>6,200,249</b>	6,870,476
Financial assets at FVOCI	<b>1,074,708</b>	1,104,153
Others	—	1,638,904
	<b>₱74,149,890</b>	<b>₱75,376,760</b>

The unused input VAT arose from the purchase of parcels of land in previous years recorded as part of “Real estate properties held for future development” and “Investment properties” accounts as of March 31, 2021 and December 31, 2020, respectively (see Notes 10 and 11).

Refundable deposits represent payments made by the Group to various utility companies for the installation of electric and water meters for unsold condominium units. Advances to contractors are advances made by the Group for the contractors’ supply requirements. Other noncurrent assets pertain to insurance premium fund and other prepayments made by the Group.

Advances to contractors are advances made by the Group for the contractors’ supply requirements. Refundable deposits represent payments made by the Group to various utility companies for the installation of electric and water meters for unsold condominium units. Other noncurrent assets pertain to insurance premium fund and other prepayments made by the Group.

Financial assets at FVOCI consist of investments in listed equity securities. The fair values of these financial assets were determined based on published prices in an active market.

The Group sold shares of stock with listed corporations resulting to a gain on sale amounting to nil and ₱32,660 as of March 31, 2021 and March 31, 2020, respectively.

The movement in fair value reserve of financial assets at FVOCI presented in the equity section of the consolidated statements of financial position, is as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Balances at beginning of year	<b>₱538,326</b>	<b>₱1,580,331</b>
Mark-to-market gain (loss) attributable to equity holders of the Parent Company	<b>36,161</b>	<b>(1,042,005)</b>
Balances at end of year	<b>₱574,487</b>	<b>₱538,326</b>

Mark-to-market gain (loss) on financial assets at FVOCI pertaining to the non-controlling interests amounted to (₱0.003) million and (₱0.74) million as of March 31, 2021 and December 31, 2020, respectively.

Dividend income from financial assets at FVOCI amounted to nil as of March 31, 2021 and March 31, 2020 (see Note 21).

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#### 14. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Trade payables	<b>₱105,823,681</b>	<b>₱112,227,752</b>
Rental and customers’ deposits	<b>87,506,109</b>	<b>100,797,277</b>
Accrued expenses:		
Development costs	<b>647,341,033</b>	<b>419,948,046</b>
Sick leave (Note 24)	<b>53,791,719</b>	<b>53,849,961</b>
Directors’ fee (Note 26)	<b>17,813,622</b>	<b>12,149,919</b>
Interest	<b>1,789,289</b>	<b>1,838,610</b>
Taxes, premiums and others	<b>3,054,065</b>	<b>938,755</b>
Deferred rent income	<b>47,777,263</b>	<b>48,051,755</b>
Dividends payable	<b>13,062,044</b>	<b>13,055,656</b>
(Forward)		

	March 31, 2021	December 31, 2020
Lease liabilities	<b>₱9,206,710</b>	₱10,271,834
Withholding taxes payable	<b>6,675,515</b>	20,295,945
Others	<b>15,598,872</b>	9,805,357
	<b>1,009,439,922</b>	803,230,867
Less noncurrent portion	<b>192,630,385</b>	218,558,131
Current portion	<b>₱816,809,537</b>	₱584,672,736

Trade payables consist of payables to suppliers, contractors and other counterparties. Customers' deposits consist of rental deposit, buyers' reservations fees, installment down payments and collected deposits for water and electric meters of the sold units. Accrued development costs represent the corresponding accrued expenses for the completed and sold condominium units of the Group.

Lease liabilities pertain to the present value of the lease payments that are not yet paid during the remaining lease period. Interest expense related to the lease liabilities amounted to ₱0.12 million and ₱0.15 million as of March 31, 2021 and December 31, 2020, respectively (see Note 22). There were no expenses relating to variable lease payments that were not included in the measurement of lease liability.

Deferred rent income pertains to rent received from long-term operating lease. Other payables consist substantially of commission payable, unclaimed checks of pension holders and payables due to government agencies.

#### *Group as a lessee*

The Group has lease contracts for various items of plant assets used in its operations. Leases of plant assets generally have lease terms between 2 to 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The following are the amounts recognized in the consolidated statement of income are as follows:

	March 31, 2021	March 31, 2020
Depreciation expense of right-of-use assets included		
in property and equipment (Note 12)	<b>₱1,086,249</b>	₱937,952
Interest expense on lease liabilities (Note 21)	<b>124,175</b>	152,686
Total amount recognized in consolidated statement of income	<b>₱1,210,424</b>	₱1,090,638

The rollforward analysis of lease liabilities are as follows:

	March 31, 2021	December 31, 2020
Balance at beginning of year	<b>₱10,271,834</b>	₱6,815,350
Additions	—	7,401,934
Rent concession	—	(132,249)
Interest expense (Note 22)	<b>124,175</b>	564,957
Payments	<b>(1,189,299)</b>	(4,378,158)
Balance at end of year	<b>₱9,206,710</b>	₱10,271,834

Shown below is the maturity analysis of the undiscounted lease payments as of March 31, 2021 and December 31, 2020:

	March 31, 2021	December 31, 2020
1 year	4,541,794	4,863,069
More than 1 year to 2 years	4,302,080	4,969,009
More than 2 years to 3 years	362,836	1,074,098
More than 3 years	=	—

Other payables consist of deferred credit and payable to employees.

The movements in dividends payable and accrued interest are as follows:

	January 1, 2021	Additions	Payments		March 31, 2021
			Expensed	Capitalized	
Dividends payable (Note 16)	₱13,055,656	₱6,388*	₱—	₱—	₱13,062,044
Accrued interest (Note 15)	1,838,610	5,414,656	(399,315)	(5,064,662)	1,789,289
	₱14,894,266	₱ 5,421,044	(₱399,315)	(₱5,064,662)	₱14,851,333

\*Pertains to dividends declared to stockholders whose checks already staled.

	January 1, 2020	Additions	Payments		December 31, 2020
			Expensed	Capitalized	
Dividends payable (Note 16)	₱12,735,740	₱189,826,330	(₱189,506,414)	₱—	₱13,055,656
Accrued interest (Note 15)	4,232,714	28,658,221	(9,844,619)	(21,207,706)	1,838,610
	₱16,968,454	₱218,484,551	(₱199,351,033)	(₱21,207,706)	₱14,894,266

## 15. Notes and Contracts Payable

The details of notes and contracts payable are as follows:

	March 31, 2021	December 31, 2020
Notes payable	₱1,644,292,350	₱1,648,837,608
Contracts payable	130,000	500,000
	₱1,644,422,350	₱1,649,337,608

The notes payable pertains to commercial papers with varying maturities ranging from 30 to 365 days and annual interest rates ranging from 0.69% to 1.25% % as of March 31, 2021 and December 31, 2020.

On December 23, 2020 and December 12, 2019, the SEC authorized the Company to issue ₱815.00 million worth of commercial papers registered with the SEC, in accordance with the provision of the Securities Regulation Code and its implementing rules and regulations and other applicable laws and orders. Outstanding commercial papers issued by the Parent Company and CDC as of March 31, 2021 and December 31, 2020 aggregated to ₱1.64 billion and ₱1.65 billion, respectively.

The movements in notes payable are as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Beginning balance	<b>₱1,648,837,608</b>	₱1,715,250,000
Availments	<b>2,019,282,237</b>	6,921,022,940
Payment	<b>(2,023,827,495)</b>	(6,987,435,332)
Ending balance	<b>₱1,644,292,350</b>	₱1,648,837,608

Interest expense related to notes payable amounted to ₱5.06 million and ₱9.78 million as of March 31, 2021 and March 31, 2020, respectively. Capitalized borrowing costs amounted to ₱5.27 million and ₱6.75 million in March 31, 2021 and March 31, 2020, respectively (see Notes 9, 11 and 22). Total interest paid amounted to ₱5.46 million and ₱9.72 million in March 31, 2021 and March 31, 2020, respectively (see Note 14).

The Parent Company, CDC, CLDI and CPI (the Cityland Group) have credit lines with financial institutions aggregating to about ₱2.30 billion as of March 31, 2021 and December 31, 2020 which are available for drawing by any of the companies in the Cityland Group. No loans were availed by Cityland Group from the credit line as of March 31, 2021 and December 31, 2020.

As of March 31, 2021 and December 31, 2020, the Parent Company has no specific credit lines, while the credit line of CDC amounted to ₱500.00 million.

The carrying values of CDC's investment properties and real estate properties for sale that will be used as collaterals that will be used for the Group's credit lines as of March 31, 2021 and December 31, 2020 are as follows:

Investment properties	<b>₱146,666,172</b>
Real estate properties for sale	<b>50,476,720</b>
Total	<b>₱197,142,892</b>

Contracts payable amounting approximately to ₱0.13 million and ₱0.50 million of March 31, 2021 and December 31, 2020, respectively represent liability arising from contracts entered into by the Group to purchase parcels of land for future development (see Note 10).

The movements in contracts payable are as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Beginning balance	<b>₱500,000</b>	₱996,191
Payment	<b>(370,000)</b>	(496,191)
Ending balance	<b>₱130,000</b>	₱500,000

## 16. Equity

- The Parent Company has 27 equity holders owning 142,118,616 and 129,198,754 of March 31, 2021 and December 31, 2020, respectively.

The following table summarizes the reconciliation of the issued and outstanding shares of capital stock for each of the following:

	Shares		Amount	
	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
Authorized - ₱10 par value				
Beginning of year	185,000,000	135,000,000	₱1,850,000,000	₱1,350,000,000
Increase in authorized capital stock	—	50,000,000	—	500,000,000
End of the year	185,000,000	185,000,000	₱1,850,000,000	₱1,850,000,000
Issued, Beginning	129,785,877	129,785,877	₱1,291,987,540	₱1,291,987,540
Stock dividend	12,919,862	—	129,198,620	—
Issued, Ending	142,705,739	129,785,877	₱1,421,186,160	₱1,291,987,540
Outstanding	142,118,616	129,198,754	₱1,421,186,160	₱1,291,987,540
Treasury shares (Note 26)	(587,123)	(587,123)	—	—

- b. Dividends declared and issued/paid by the Parent Company in 2020 and 2019 are as follows:

Dividends	BOD Approval Date	Stockholders' Approval Date	Per Share	Stockholders of Record Date	Date Issued/Paid
Cash	December 2, 2020	—	₱0.906	December 12, 2020	December 28, 2020
	October 16, 2019	—	₱1.165	October 28, 2019	November 7, 2019
	June 18, 2018	—	₱1.539	July 12, 2018	August 10, 2018
Stock	October 21, 2019	November 19, 2019	10%	January 4, 2021	February 1, 2021
	May 18, 2018	June 19, 2018	10%	July 19, 2018	August 14, 2018

Fractional shares of stock dividends were paid in cash based on the par value.

On December 17, 2020, the Securities and Exchange Commission approved the following:

- a) Increase its authorized capital stock  
From ₱1,350,000,000 divided into 135,000,000 shares with par value of Ten pesos (₱10.00) to ₱1,850,000,000 divided into 185,000,000 shares with par value of Ten pesos (₱10.00).

That of the increase in authorized capital stock, the amount of ₱129,198,620 has been actually subscribed and of the said subscription, the ₱129,198,620 divided into 12,919,862 shares has been actually paid in stock dividend. The said 10% stock dividend has been approved by the stockholders representing two-thirds (2/3) of the outstanding capital stock during the special stockholders' meeting held on November 19, 2019. The issuance of shares to stockholders of record as of January 4, 2021 is on February 1, 2021. The stock dividend is recorded as "Stock dividends distributable" in the 2020 consolidated statement of financial position.

- b) Amendment of the Seventh provision of the Articles of Incorporation by increasing the authorized capital stock to One Billion Eight Hundred Fifty Million Pesos (₱1,850,000,000.00) divided into One Hundred Eighty Five Million (185,000,000) shares with a par value of Ten Pesos (₱10.00).

On April 30, 2021, the Board of Directors approved the declaration of 5% stock dividend to stockholders of record as of July 15, 2021 which shall come from the unappropriated retained earnings as of December 31, 2020. The said stock dividend declaration shall be presented for the approval of the stockholders on the Annual Stockholders' Meeting to be held on June 15, 2021 and to be distributed on August 10, 2021.

## 17. Material Partly-owned Subsidiary

Below are the summarized financial information of the subsidiaries that have non-controlling interests that are material to the Group. The amounts disclosed are based on those financial information included in the consolidated financial statements before intercompany eliminations.

Proportion of equity interest held by non-controlling interests as of March 31, 2021 and December 31, 2020 are as follows:

	March 31, 2021	December 31, 2020
Direct:		
CDC	49.02%	49.02%
Indirect through CDC (including direct ownership of the Parent Company in CLDI of 29.54% and CPI of 9.18%):		
CLDI	45.11%	45.11%
CPI	44.53%	44.53%

## 18. Operating Expenses

Operating expenses consist of:

	March 31, 2021	March 31, 2020
Personnel (Note 19)	₱54,565,965	₱56,734,201
Taxes and licenses	57,441,103	61,533,246
Depreciation (Note 20)	16,729,832	16,499,282
Professional fees	9,346,101	9,825,137
Light, power and water	7,785,677	9,431,291
Outside services	5,342,259	4,457,458
Repairs and maintenance	4,685,595	4,560,428
Insurance expense (Note 6)	3,614,096	2,495,306
Association dues	2,955,534	2,601,778
Brokers' commission	1,573,327	6,300,658
Postage, telephone and telegraph	854,258	711,174
Advertising and promotions	465,261	996,925
Rent expense	371,609	709,329
Donations and contributions	300,000	300,000
Transportation and travel	223,097	261,105
Others	2,234,143	3,296,269
	<b>₱168,487,857</b>	<b>₱180,713,587</b>

Rent expense pertains to the lease payments on the short-term lease transactions entered into by the Group. Others include representation expense, pre-need expense and plan benefits.

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**19. Personnel Expenses**

Personnel expenses consist of:

	<b>March 31, 2021</b>	March 31, 2020
Salaries and wages	<b>₱29,180,077</b>	₱32,194,904
Commission	<b>686,766</b>	6,580,571
Other benefits	<b>24,699,122</b>	17,958,726
	<b>₱54,565,965</b>	₱56,734,201

Other benefits pertain to incentive and performance bonus.

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**20. Depreciation**

Depreciation consists of:

	<b>March 31, 2021</b>	March 31, 2020
Investment properties (Note 11)	<b>₱14,910,821</b>	₱14,998,176
Property and equipment (Note 12)	<b>1,819,011</b>	1,501,106
	<b>₱16,729,832</b>	₱16,499,282

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**21. Financial Income**

Financial income consists of:

	<b>March 31, 2021</b>	March 31, 2020
Interest income from:		
Installment contracts receivable and contract assets (Note 6)	<b>₱116,148,568</b>	₱121,987,061
Cash equivalents and investments (Note 4)	<b>20,558,492</b>	33,589,276
Notes receivable (Note 7)	<b>3,619,330</b>	5,170,646
Cash in banks (Note 4)	<b>18,516</b>	96,840
	<b>₱140,344,906</b>	₱160,843,823

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**22. Financial Expenses**

Financial expenses consist of:

	<b>March 31, 2021</b>	March 31, 2020
Interest expense on:		
Notes payable (Note 15)	<b>₱5,064,662</b>	₱9,777,229
Less capitalized borrowing costs (Notes 9, 11 and 15)	<b>(5,064,662)</b>	(6,753,111)
	–	3,024,118
Interest expense on security deposits	<b>349,994</b>	311,984
Interest expense on lease liabilities (Note 14)	<b>124,175</b>	152,686
Finance charges	<b>297,350</b>	477,100
	<b>₱771,519</b>	₱3,965,888

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**23. Other Income - Net**

Net other income amounting to Php22.52 million and Php30.01 million as of March 31, 2021 and March 31, 2020, respectively, pertains to trust fund income, penalties for buyers' late payments, sale of scraps, gain on sale of shares of stock and net gains or losses on forfeiture/cancellation of sales.

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**24. Employee Benefits**

Under the existing regulatory framework, Republic Act 7641, *The Philippine Retirement Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employees retirement benefit under the collective bargaining and other agreements shall not be less than provided under the law. The law does not require minimum funding of the plan.

*Retirement benefits cost*

The Group, jointly with affiliated companies, has a funded, noncontributory defined benefit retirement plan, covering all of its permanent employees. This provides for payment of benefits to covered employees upon retirement subject to certain condition which is based on a certain percentage of employee's final monthly salary and the number of years of service.

*Accrued sick leave*

Employees are entitled to paid sick leave of 15 days per year of service after issuance of regular appointment, computed at 1.25 days per month of service, enjoyable only after one year of regular service. Unused sick leaves are cumulative and convertible to cash based on the employee's salary at the time that the employee is leaving the Group. Accrued sick leave, presented under "Accounts payable and accrued expenses - noncurrent portion" account, amounted to ₱53.79 million and ₱54.85 million as of March 31, 2021 and December 31, 2020, respectively (see Note 14).

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**25. Income Taxes**

- a. Provision for (benefit from) income tax consists of:

	March 31, 2021	March 31, 2020
Current	<b>₱5,841,838</b>	₱48,130,029
Deferred	<b>(59,491,980)</b>	(3,591,166)
	<b>(53,650,142)</b>	44,538,863
Final tax on interest income	<b>4,838,458</b>	7,489,214
	<b>(₱48,811,684)</b>	₱52,028,077

- b. The components of the net deferred income tax liabilities are as follows:

	March 31, 2021	December 31, 2020
Deferred income tax assets on:		
Accrued expenses	<b>₱17,863,499</b>	₱21,097,435
Re-measurement loss on defined benefit plan	<b>19,236,650</b>	16,739,723
Unearned rent revenue	<b>7,175,260</b>	9,800,991
Allowance for inventory write-down (Note 10)	<b>6,587,021</b>	7,904,425
Cost to obtain contract (Notes 2 and 5):	<b>1,345,652</b>	2,753,074

	March 31, 2021	December 31, 2020
Difference between tax basis and book basis of accounting for real estate transactions	<b>₱539,406</b>	₱1,369,997
Unamortized past service cost	<b>1,898,763</b>	946,306
Lease liabilities (Note 14)	<b>224,092</b>	262,573
	<b>54,870,343</b>	60,874,524
Deferred income tax liabilities on:		
Deemed cost adjustment in properties (Note 16)	<b>(348,793,645)</b>	(418,546,173)
Unrealized gain on real estate transactions	<b>(3,382,349)</b>	(3,557,753)
Capitalized borrowing costs	<b>(22,087,570)</b>	(25,790,539)
Retirement plan assets	<b>(19,901,539)</b>	(17,537,591)
Rent receivable, net of unearned rent revenue	<b>(4,234,089)</b>	(4,561,913)
Difference between tax basis and book basis of accounting for real estate transactions	<b>(53,726,469)</b>	(45,362,354)
Cost to obtain contract	<b>(9,494,926)</b>	(14,146,986)
	<b>(461,620,587)</b>	(529,503,307)
Net deferred income tax liabilities	<b>(₱406,750,244)</b>	(₱468,628,785)

The breakdown of net deferred income tax liabilities per entity are as follows:

	March 31, 2021	December 31, 2020
Deferred income tax assets - net:		
CLDI	₱—	₱—
Deferred income tax liabilities - net:		
Parent Company	<b>(345,985,716)</b>	(400,469,715)
CDC	<b>(55,442,220)</b>	(62,124,498)
CLDI	<b>(2,128,513)</b>	(2,665,374)
CPI	<b>(3,193,795)</b>	(3,369,198)
	<b>(406,750,244)</b>	(468,628,785)
	<b>(406,750,244)</b>	(₱468,628,785)

- c. On February 3, 2021, the House of Representatives and the Senate have ratified the Bicameral Committee's version of the proposed "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE", reconciling the disagreeing provisions of Senate Bill No. 1357 and House Bill No. 4157.

The said Act aims to:

1. Improve the equity and efficiency of the corporate tax system by lowering the rate, widening the tax base, and reducing tax distortions and leakages;
2. Develop, subject to the provisions of this Act, a more responsive and globally-competitive tax incentives regime that is performance-based, targeted, time-bound, and transparent;
3. Provide support to businesses in their recovery from unforeseen events such as an outbreak of communicable diseases or a global pandemic and strengthen the nation's capability for similar circumstances in the future; and
4. Create a more equitable tax incentive system that will allow for inclusive growth and generation of jobs and opportunities in all the regions of the country and ensure access and ease in the grant of these incentives especially for applicants in least developed areas.

The enrolled bill was submitted to the President on February 24, 2021 for his approval and upon receipt of the bill, the President may do any of the following:

1. Sign the enrolled bill without vetoing any line or item therein;
2. Sign the enrolled bill with line or item veto which veto may be overridden by Congress; or

3. Inaction within 30 days from receipt which would result to the automatic approval of the enrolled bill as it is.

Once signed, the measure is set to take effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation.

Among the salient provisions of the aforementioned Bicameral version is the reduction in the corporate income tax rate as follows:

*Domestic Corporation*

For total assets of a Company of ₱100 million and below:

- 20% - if their net taxable income is ₱5 million and below
- 25% - if their net taxable income is more than ₱5 million

For a company with total assets of more than ₱100 million, corporate income tax rate is 25% based on net taxable income. Total assets are exclusive of the value of the land on which the particular company's office, plant, and equipment are situated.

The target effectivity date is on July 1, 2020.

For the allowable deduction for interest expense reduced by a percentage (currently at 33%) of interest income subjected to final tax, the following rates shall apply:

- 20% interest reduction if the applicable corporate tax rate is 25%
- 0% interest reduction if the applicable corporate tax rate is 20%

Also, a reduction of minimum corporate income tax from 2% to 1% for a period of three years (i.e., July 1, 2020 until June 30, 2023).

The CREATE Act was passed into law on March 26, 2021.

Since CREATE Act was passed into law after the approval date of the 2020 financial statements, the provision for current income tax reflected in the 2020 financial statements pertains to the computed tax using the 30% regular corporate income tax rate. On the other hand, the income tax expense reflected in the 2020 Income Tax Return was computed using the average of 30% and 25%, which is 27.5%.

The provision for current income tax as of March 31, 2021 includes the difference between the income tax per 2020 audited financial statements and the 2020 Income Tax Return. The difference of 2020 provision for current income tax amounted to ₱2.34 million.

Deferred tax assets and liabilities as of March 31, 2021 was remeasured using the new tax rate. The impact of remeasurement is recognized in profit or loss (i.e. provision for/benefit from deferred income tax), unless it can be recognized in other comprehensive income or another equity account. The impact of remeasurement as of March 31, 2021 in the profit or loss and other comprehensive income amounted to ₱75.80 million and ₱2.50 million, respectively.

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**26. Related Party Transactions**

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

The Group discloses the nature of the related party relationship and information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the consolidated financial statements, including, as a minimum, the amount of outstanding balances and its terms and conditions including whether they are secured, and the nature of the consideration to be provided in settlement. The Group, in the normal course of business, has transactions:

	Amount of Transactions		Outstanding balance				Terms and Condition
	March 31, 2021	December 31, 2020	Receivable (Note 8)		Payable (Note 14)		
			March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020	
<b>Subsidiaries</b>							
(CDC, CLDI and CPI)							
Sharing of expenses charged by (to) the Company (Note 26c)*	(P6,856,938)	—	P11,326,876	P4,469,938	P—	P—	30-day, unsecured, non-interest bearing; to be settled in cash
(CAI and CLHI)							
Dividends receivable (Note 26c)	—	—	—	235,000	—	—	Settled in cash
(CDC and CLHI)							
Guaranty deposit (Note 26e)	—	—	327,150,000	327,150,000	—	—	3 to 5-year guaranty deposit
Interest on guaranty deposit (Note 26e)	3,619,330	14,986,125	1,714,340	1,718,203	—	—	Settled in cash
<b>Key management personnel</b>							
Salaries and other compensation			—	—	17,813,622	12,149,919	Settled in cash
			P340,191,216	P333,573,141	P17,813,622	P12,149,919	

\*Outstanding balance is included under "Accounts payable and accrued expenses" account in the parent company statements of financial position.

The transactions of the Parent Company with CDC, CLDI, CPI, CAI and CLHI are eliminated in the consolidated statements of financial position and consolidated statements of income.

The transactions of the Parent Company with CDC, CLDI, CPI, CAI and CLHI are eliminated in the consolidated statement of financial position and consolidated statements of income.

- a. The Parent Company has an existing management contract with CDC, wherein the Parent Company provides management services to CDC. The agreement is for a period of five years renewable automatically for another five years unless either party notifies the other party six months prior to expiration. Management fee is based on a certain percentage of net income of CDC as mutually agreed upon by both parties. The management fees for 2020, 2019 and 2018 were waived by the Parent Company. There are no conditions attached to the waiver of these management fees.
- b. In 2019, the Parent Company entered into a Memorandum of Agreement with CDC whereby the CDC shall assign its parcel of land to the Parent Company in exchange of certain number of condominium units on One Premier, a project that is currently being constructed by the Parent Company. The said land is recorded under “Real Estate Properties Held for Future Development” account.
- c. The Parent Company has various shared expenses with other affiliates pertaining to general and administrative expenses such as salaries, transportation, association dues, professional fees and rent. The Parent Company has dividend receivable pertaining to cash dividend declared by CAI and CLHI.
- d. Shares of stock of the Parent Company held by members of the BOD aggregated to about 95,566,582 shares and 86,878,715 shares equivalent to ₱955.67 million and ₱868.79 million as of March 31, 2021 and December 31, 2020, respectively.
- e. The Parent Company and CDC, through CLHI, issued a cash bond aggregating to ₱327.15 million in favor of HLURB in relation to the construction and development of its ongoing projects which was recorded as part of “Notes receivable” in the consolidated statement of financial position. The said amount was placed by CLHI to financial institutions with a maturity of three (3) to five (5) years. Interest income earned amounted to ₱3.62 million and ₱14.99 million as of March 31, 2021 and December 31, 2020, respectively.

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## 27. Financial Instruments

### Financial Risk Management Objectives and Policies

The Group’s principal financial instruments comprise cash and cash equivalents, short-term and long-term investments and notes and contracts payable. The main purpose of these financial instruments is to finance the Group’s operations. The Group’s other financial instruments consist of financial assets at fair value through profit or loss and available-for-sale financial assets, which are held for investing purposes and investment in trust funds to cover pre-need reserves obligation. The Group has various other financial instruments such as installment contracts receivable, contract assets, notes receivable, other receivables and accounts payable and accrued expenses, which arise directly from its operations.

It is, and has been throughout the year under review, the Group’s policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group’s financial instruments are market risks (i.e., cash flow interest rate and equity price risks), credit risk, and liquidity risk. The BOD reviews and approves policies for managing these risks and they are summarized as follows:

Market riskCash flow interest rate risk

Cash flow interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's short-term notes payable, all with repriced interest rates.

The Group's policy in addressing volatility in interest rates includes maximizing the use of operating cash flows to be able to fulfill principal and interest obligations even in periods of rising interest rates.

The following table demonstrates the sensitivity of the Group's income before income tax to a reasonably possible change in interest rates based on forecasted and average movements of interest rates (with all other variables held constant):

	<b>Change in bps</b>	<b>Effect on income before income tax</b>
<b>March 31, 2021</b>	<b>+/-10 bps</b>	<b>+/-P16,992,117</b>
December 31, 2020	+/-6 bps	+/-P9,973,819

There is no impact on the Group's equity other than those already affecting income before income tax.

Equity price risk

Equity price risk is the risk that the fair values of investments in equity securities will decrease as a result of changes in the market value of individual shares of stock. The Group is exposed to equity price risk because of investments held by the Group classified as available-for-sale financial assets included under "Other noncurrent assets" account in the consolidated statement of financial position. The Group employs the service of a third-party stockbroker to manage its investments in shares of stock.

The following table demonstrates the sensitivity analysis of the Group's equity to a reasonably possible change in equity price based on forecasted and average movements of equity prices (with all other variables held constant):

	<b>Change in equity price</b>	<b>Effect on equity</b>
<b>March 31, 2021</b>	<b>+/-0.17</b>	<b>+/-P170,280</b>
December 31, 2020	+/-0.22	+/-P240,061

Credit risk

Credit risk arises when the Group will incur a loss because its customers, clients or counterparties failed to discharge their obligations. The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis with the objective that the Group's exposure to bad debts is not significant. The risk is further mitigated because the Group holds the title to the real estate properties with outstanding installment contracts receivable balance and the Group can repossess such real estate properties upon default of the customer in paying the outstanding balance. The Group's policy is to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. There are no significant concentrations of credit risk within the Group.

The tables below show the Group's exposure to credit risk for the components of the consolidated statement of financial position. The exposure as of March 31, 2021 is shown at gross, before taking the effect of mitigation through the use of collateral agreements and other credit enhancements, and at net, after taking the effect of mitigation through the use of collateral agreements and other credit enhancements.

March 31, 2021:

	Gross maximum exposure	Fair value of collaterals/credit enhancements	Net exposure	Financial effect of collaterals/credit enhancement
<b>Financial assets</b>				
Investments in trust funds	₱37,460,654	₱–	₱37,460,654	₱–
Cash and cash equivalents, excluding cash on hand*	3,173,550,716	–	3,173,550,716	–
Investments	724,229,989	–	724,229,989	–
Installment contracts receivable	55,545,596	548,171,250	55,545,596	–
Refundable deposits	31,849,054	–	31,849,054	–
Notes receivable	257,150,000	–	257,150,000	–
Other receivables:				
Rent receivable	26,888,914	–	26,888,914	–
Advances to customers	14,154,635	–	14,154,635	–
Accrued interest	8,350,729	–	8,350,729	–
Retention	3,729,087	–	3,729,087	–
Others	2,243,627	–	2,243,627	–
<b>Contract assets</b>	2,560,255,611	6,180,758,041	–	2,560,255,611
<b>Total credit risk exposure</b>	<b>₱6,895,408,612</b>	<b>₱6,728,929,291</b>	<b>₱4,335,153,001</b>	<b>₱2,560,255,611</b>

\*Excluding cash on hand amounting to ₱233,685.

The following tables summarize the aging analysis of receivables and contract assets on which expected credit loss rate was applied:

March 31, 2021:

	Contract asset	Current	Days past due				Total
			Less than 30 days	30-60 days	61-90 days	Over 90 days	
Installment contracts receivable	₱–	₱28,635,565	₱21,737,847	₱379,100	₱4,793,084	₱–	₱55,545,596
Contract assets	2,560,255,611	–	–	–	–	–	2,560,255,611
Notes receivable	–	257,150,000	–	–	–	–	257,150,000
Refundable deposits	–	31,849,054	–	–	–	–	31,849,054
Other receivables:							
Rent receivable	–	26,888,914	–	–	–	–	26,888,914
Advances to customers	–	11,459,079	–	467,320	261,038	1,967,198	14,154,635
Accrued interest	–	8,350,729	–	–	–	–	8,350,729
Retention	–	3,729,087	–	–	–	–	3,729,087
Others	–	2,243,627	–	–	–	–	2,243,627
	<b>₱2,560,255,611</b>	<b>₱370,306,055</b>	<b>₱21,737,847</b>	<b>₱846,420</b>	<b>₱5,054,122</b>	<b>₱1,967,198</b>	<b>₱2,960,167,253</b>

The tables below show the credit quality by class of asset for loan-related statement of financial position lines based on the Group's credit rating system:

March 31, 2021:

	High Grade*	Medium Grade**	Total
<b>Financial assets</b>			
Investments in Trust Funds	₱37,460,654	₱—	₱37,460,654
Cash and cash equivalents, excluding cash on hand***	3,173,550,716	—	3,173,550,716
Investments	724,229,989	—	724,229,989
Refundable deposits	—	31,849,054	31,849,054
Installment contracts receivable	—	55,545,596	55,545,596
Notes receivable	—	257,150,000	257,150,000
Other receivables:			
Rent receivable	—	26,888,914	26,888,914
Advances to customers	—	14,154,635	14,154,635
Accrued interest	—	8,350,729	8,350,729
Retention	—	3,729,087	3,729,087
Others	—	2,243,627	2,243,627
<b>Contract assets</b>	—	2,560,255,611	2,560,255,611
<b>Total</b>	<b>₱3,935,241,359</b>	<b>₱2,960,167,253</b>	<b>₱6,895,408,612</b>

\*High Grade - financial assets with reputable counterparties and which management believes to be reasonably assured to be recoverable.

\*\*Medium Grade - financial assets for which there is low risk of default of counterparties.

\*\*\*Excluding cash on hand amounting to ₱233,685.

### Liquidity risk

Liquidity risk is defined as the risk that the Group would not be able to settle or meet its obligations on time or at a reasonable price.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of commercial papers.

The tables below summarize the maturity analysis of the Group's financial assets held for managing liquidity and financial liabilities based on contractual undiscounted payments:

March 31, 2021:

	Up to One Year	Above One Year	Total
<b>Accounts payable and accrued expenses *</b>	<b>₱806,755,643</b>	<b>₱186,802,054</b>	<b>₱993,557,697</b>
<b>Notes payable**</b>	<b>1,666,406,438</b>	<b>—</b>	<b>1,666,406,438</b>
<b>Lease liabilities</b>	<b>3,378,379</b>	<b>5,828,331</b>	<b>9,206,710</b>
<b>Contracts payable</b>	<b>130,000</b>	<b>—</b>	<b>130,000</b>
	<b>₱2,476,670,460</b>	<b>₱192,630,385</b>	<b>₱2,669,300,845</b>

\* Excludes statutory liabilities amounting to ₱6,675,515.

\*\* Includes interest expense amounting to ₱22,114,088.

### Fair Values

The following tables provide fair value hierarchy of the Group's financial assets, financial liabilities and investment properties, other than those with carrying amounts which are reasonable approximations of fair values:

As of March 31, 2021:

	Fair value		
	Level 1	Level 2	Level 3
<b>Assets measured at fair value</b>			
Investment in trust fund			
Financial assets at FVOCI			
Debt securities	<u>1,107,422</u>	—	—
Equity securities - listed	<u>716,547</u>	—	—
Investment properties	—	—	3,999,490
Financial assets at FVOCI	1,030,752	—	—
<b>Assets for which fair values are disclosed</b>			
Investment properties*	—	—	8,924,205,476

\*Last valuation date is December 31, 2020.

The following method and assumptions were used to estimate the fair value of each class of financial instruments, repossessed real estate properties for sale and investment properties, for which it is practicable to estimate such value.

*Cash and cash equivalents, short-term and long-term investments, notes receivable, installment contracts receivable, other receivables, accounts payable and accrued expense, notes and contracts payable.*

Due to the short-term nature of the transactions, the fair values of cash and cash equivalents, short-term and long-term investments, other receivables, accounts payable and accrued expenses, notes and contracts payable approximate their carrying amounts. The fair values of long-term investments, notes receivable, installment contracts receivable and contract assets approximate their carrying amounts as they carry interest rates that approximate the interest rates for comparable instruments in the market.

### *Financial assets at FVPL and financial assets at FVOCI*

Financial assets at FVPL and financial asset at FVOCI are stated at fair value based on quoted market prices.

### *Investment properties*

The fair value of certain investment properties is determined using sales comparison. Sales comparison approach considers the sales of similar or substitute properties and other related market data had the investment properties been transacted in the market. The significant unobservable inputs used in determining the fair value are the sales price per square meter of similar or substitute property, location, size, shape of lot and the highest and best use.

Another method used in determining the fair value of other land properties is based on the market data approach. The value of land is based on sales and listings of comparable property registered within the vicinity. This requires adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator by adjusting the difference between the subject property and those actual sales and listings regarded as comparables. The comparison is premised on the factors of location; size and shape of the lot; time element and others.

The fair values of the investment properties as of December 31, 2020 approximate and represent the highest and best use of the said properties.

## 28. Basic/Diluted Earnings Per Share

Basic/diluted earnings per share amounts were computed as follows:

	March 31, 2021	March 31, 2020
Net income attributable to equity holders of the parent	<b>₱180,438,011</b>	₱122,458,595
Weighted average number of outstanding shares	<b>142,118,616</b>	142,118,616*
Basic/diluted earnings per share	<b>₱1.27</b>	₱0.87

*\*After the retroactive effect of stock dividend*

The Group has no potential dilutive common shares as of March 31, 2021 and March 31, 2020. Thus, the basic and diluted earnings per share are the same as of those dates.

## 29. Business Segments

The Group derives its revenues primarily from the sale and lease of real estate properties and pension plan operations. These are the operating segments classified as business groups which are consistent with the segments reported to the BOD, its Chief Operating Decision Maker (CODM).

The Group does not have any major customers and all sales and leases of real estate properties and sales of pension plans are made to external customers.

### Segment Revenue and Expenses

	March 31, 2021		March 31, 2020	
Sales of real estate properties*	<b>₱635,691,242</b>	<b>86.36%</b>	₱491,782,890	80.19%
Rental income	<b>53,725,833</b>	<b>7.30%</b>	52,637,197	8.58%
Others	<b>46,712,939</b>	<b>6.34%</b>	68,866,558	11.23%
	<b>₱736,130,024</b>	<b>100.00%</b>	₱613,286,645	100.00%

*\*Includes interest income from installment contracts receivable amounting to ₱116.15 million and ₱121.99 million as of March 31, 2021 and March 31, 2020, respectively (see Note 21).*

Except for expenses directly relating to the leasing and pension plan operations, operating expenses pertain primarily to the real estate sales.

## 30. Contingencies

The Group is contingently liable for certain lawsuits or claims filed by third parties which are either pending decisions by the courts or are under negotiation, the outcomes of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements. Hence, no provision was recognized as of March 31, 2021 and December 31, 2020.

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### 31. Other Matters

#### COVID-19 Outbreak

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020.

On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020 and further extended to May 15, 2020. After which, modified ECQ was implemented in Metro Manila until May 31, 2020.

Starting June 1, 2020, NCR and other parts of the Philippines were declared to be under general community quarantine (GCQ), until June 15, 2020. The GCQ was further extended until June 30, 2020, then again until July 15, 2020. Afterwards, the GCQ was extended until July 30, 2020.

On August 3, 2020, the President of the Philippines reverted Metro Manila, and the provinces of Laguna, Cavite, Rizal and Bulacan to modified enhanced community quarantine from general community quarantine from August 4, 2020 until August 18, 2020. Starting August 19, 2020, Metro Manila, as well as the provinces of Laguna, Cavite, Rizal, and Bulacan, returned to general community quarantine unless earlier lifted or extended.

As of March 31, 2021, Metro Manila and some nearby provinces were placed under the enhanced community quarantine due to the surge in the number of COVID cases. The quarantine measures were implemented in order to manage the spread of the virus.

The COVID-19 pandemic has caused disruptions in the Company's business activities. Further, the scale and duration of the impact of the pandemic remain uncertain as at the report date. It is not possible to estimate the overall impact of the outbreak's near-term and longer effects. The outbreak could have a material impact on the Company's financial results for the rest of 2021 and even periods thereafter. As this global problem evolves, the Company will continually adapt and adjust its business model according to the business environment in the areas where the Company operates, in full cooperation with the national and local government units.

**CITYLAND, INC.****SCHEDULE OF GROSS AND NET PROCEEDS OF COMMERCIAL PAPERS ISSUED  
As of March 31, 2021****SEC-MSRD Order No. 22, Series of 2020 dated December 23, 2020****A. As stated in the Final Prospectus (December 23, 2020 to December 23, 2021)**

<b>Gross Proceeds</b>	<b>₱815,000,000</b>
Less: Expenses	
Documentary Stamps Tax	₱6,112,500
Registration Fees	584,538
Exemptive Relief	50,500
Printing Costs	40,750
Publication Fees	23,900
Legal and Accounting Fees	20,000
	<u>6,832,188</u>
<b>Net Proceeds</b>	<b>₱808,167,812</b>
<b>Use of Proceeds</b>	
Project-related Costs	₱558,900,000
Payment of Maturing Notes	237,985,767
Interest Expense	11,282,045
	<u>₱808,167,812</u>
<b>Total</b>	<b>₱808,167,812</b>

**B. Use of Proceeds (December 23, 2020 to March 31, 2021)**

<b>Total Gross Proceeds as March 31, 2021</b>	<b>₱675,682,237</b>
Less: Expenses	
Documentary Stamps Tax	981,072
Registration Fees	584,538
Exemptive Relief	50,500
Publication Fees	23,900
Legal and Accounting Fees	20,000
Printing Costs	8,950
	<u>1,668,960</u>
<b>Total Net Proceeds</b>	<b>₱674,013,277</b>
Less: Use of Proceeds	
Payment of Maturing Notes	₱596,413,498
Project-related Costs	77,599,779
	<u>674,013,277</u>
<b>Balance of Proceeds as of March 31, 2021</b>	<b>₱-</b>

**C. Outstanding Commercial Papers as of March 31, 2021**

SEC-MSRD Order No. 44, Series of 2019 dated December 12, 2019	₱4,250,000
SEC-MSRD Order No. 22, Series of 2020 dated December 23, 2020	488,092,350
<b>TOTAL</b>	<b>₱492,342,350</b>

**CITYLAND, INC.****SCHEDULE OF GROSS AND NET PROCEEDS OF COMMERCIAL PAPERS ISSUED  
As of December 31, 2020****SEC-MSRD Order No. 22, Series of 2020 dated December 23, 2020****A. As stated in the Final Prospectus (December 23, 2020 to December 23, 2021)**

<b>Gross Proceeds</b>		<b>₱815,000,000</b>
Less: Expenses		
Documentary Stamps Tax	₱6,112,500	
Registration Fees	584,538	
Exemptive Relief	50,500	
Printing Costs	40,750	
Publication Fees	23,900	
Legal and Accounting Fees	20,000	6,832,188
<b>Net Proceeds</b>		<b>808,167,812</b>
<b>Use of Proceeds</b>		
Project-related Costs		558,900,000
Payment of Maturing Notes		237,985,767
Interest Expense		11,282,045
<b>Total</b>		<b>₱808,167,812</b>

**B. Use of Proceeds (December 23, 2020 to December 31, 2020)**

<b>Total Gross Proceeds as December 31, 2020</b>		<b>₱46,150,000</b>
Less: Expenses		
Registration Fees	₱584,538	
Exemptive Relief	50,500	
Documentary Stamps Tax	43,156	
Publication Fees	23,900	
Legal and Accounting Fees	20,000	
Printing Costs	150	722,244
<b>Total Net Proceeds</b>		<b>45,427,756</b>
Less: Use of Proceeds		
Project-related Costs		45,427,756
<b>Balance of Proceeds as of December 31, 2020</b>		<b>₱-</b>

**C. Outstanding Commercial Papers as of December 31, 2020**

SEC-MSRD Order No. 44, Series of 2019 dated December 12, 2019	₱520,187,608
SEC-MSRD Order No. 22, Series of 2020 dated December 23, 2020	46,150,000
<b>TOTAL</b>	<b>₱566,337,608</b>

**CITYLAND DEVELOPMENT CORPORATION**  
**SCHEDULE OF GROSS AND NET PROCEEDS OF COMMERCIAL PAPERS ISSUED**  
**As of March 31, 2021**

**SEC-MSRD Order No. 18, Series of 2020 dated October 28, 2020**

**A. As stated in the Final Prospectus (October 28, 2020 to October 28, 2021)**

<b>Gross Proceeds</b>	<b>₱1,400,000,000</b>
Less: Expenses	
Documentary Stamps Tax	₱10,500,000
Registration Fees	732,250
Printing Costs	70,000
Exemptive Relief	50,500
Publication Fees	22,800
Legal and Accounting Fees	20,000
	<u>11,395,550</u>
<b>Net Proceeds</b>	<b>₱1,388,604,450</b>
<b>Use of Proceeds</b>	
Project-related Costs	₱883,100,000
Payment of Maturing Notes	485,870,850
Interest Expense	19,633,600
<b>Total</b>	<b>₱1,388,604,450</b>

**B. Use of Proceeds (October 28, 2020 to March 31, 2021)**

<b>Total Gross Proceeds as of March 31, 2021</b>	<b>₱2,261,450,000</b>
Less: Expenses	
Documentary Stamps Tax	3,588,258
Registration Fees	732,250
Exemptive Relief	50,500
Printing Costs	28,750
Publication Fees	22,800
Legal and Accounting Fees	20,000
	<u>4,442,558</u>
<b>Total Net Proceeds</b>	<b>₱2,257,007,442</b>
Less: Use of Proceeds	
Payment of Maturing Notes	₱1,895,881,759
Project-related Costs	358,812,867
Interest Expense	2,312,816
	<u>2,257,007,442</u>
<b>Balance of Proceeds as of March 31, 2021</b>	<b>₱—</b>

**C. Outstanding Commercial Papers as of March 31, 2021**

SEC-MSRD Order No. 18, Series of 2020 dated October 28, 2020	<b>₱1,151,950,000</b>
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**CITYLAND DEVELOPMENT CORPORATION****SCHEDULE OF GROSS AND NET PROCEEDS OF COMMERCIAL PAPERS ISSUED  
As of December 31, 2020****SEC-MSRD Order No. 18, Series of 2020 dated October 28, 2020****A. As stated in the Final Prospectus (October 28, 2020 to October 28, 2021)**

<b>Gross Proceeds</b>		<b>₱1,400,000,000</b>
Less: Expenses		
Documentary Stamps Tax	₱10,500,000	
Registration Fees	732,250	
Printing Costs	70,000	
Exemptive Relief	50,500	
Publication Fees	22,800	
Legal and Accounting Fees	20,000	11,395,550
<b>Net Proceeds</b>		<b><u>1,388,604,450</u></b>
<b>Use of Proceeds</b>		
Project-related Costs		₱883,100,000
Payment of Maturing Notes		485,870,850
Interest Expense		19,633,600
<b>Total</b>		<b><u>₱1,388,604,450</u></b>

**B. Use of Proceeds (October 28, 2020 to December 31, 2020)**

<b>Total Gross Proceeds as of December 31, 2020</b>		<b>₱871,700,000</b>
Less: Expenses		
Documentary Stamps Tax	₱1,375,829	
Registration Fees	732,250	
Exemptive Relief	50,500	
Publication Fees	22,800	
Legal and Accounting Fees	20,000	
Printing Costs	10,850	2,212,229
<b>Total Net Proceeds</b>		<b><u>869,487,771</u></b>
Less: Use of Proceeds		
Payment of Maturing Notes	₱628,395,169	
Project-related Costs	238,779,786	
Interest Expense	2,312,816	869,487,771
<b>Balance of Proceeds as of December 31, 2020</b>		<b><u>₱-</u></b>

**C. Outstanding Commercial Papers as of December 31, 2020**

SEC-MSRD Order No. 39, Series of 2019 dated October 23, 2019	₱215,850,000
SEC-MSRD Order No. 18, Series of 2020 dated October 28, 2020	<u>866,650,000</u>
<b>TOTAL</b>	<b><u>₱1,082,500,000</u></b>

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**CITYLAND, INC. AND SUBSIDIARIES**

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**SUPPLEMENTARY SCHEDULE OF**

**FINANCIAL SOUNDNESS INDICATORS**

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**Financial Ratios**

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>
Basic/Diluted earnings per share*	<b>₱5.08</b>	<b>₱3.54</b>	<b>₱3.79</b>
Return on equity (%)*	<b>8.89%</b>	5.77%	6.35%
Return on asset	<b>5.86%</b>	4.55%	4.92%
Net profit margin	<b>32.56%</b>	32.25%	31.13%
Solvency*	<b>0.28</b>	0.22	0.24
Interest rate coverage	<b>438.66</b>	128.28	75.36
Asset-to-liability	<b>4.47</b>	4.47	4.53
Asset-to-equity	<b>2.02</b>	2.01	2.00
Debt-to-equity	<b>0.20</b>	0.21	0.22
Current	<b>3.05</b>	3.14	2.84
Acid-test ratio	<b>1.49</b>	1.58	1.58

\*Annualized for the period of March 31, 2021 and March 31, 2020.

**Manner of Calculation:**

Basic/ Diluted Earnings per share	=	$\frac{\text{Net income after tax}}{\text{Outstanding number of shares}}$
Return on equity ratio	=	$\frac{\text{Net income after tax}}{\text{Total Equity}}$
Return on asset ratio	=	$\frac{\text{Net income after tax}}{\text{Total Assets}}$
Net profit margin	=	$\frac{\text{Net income after tax}}{\text{Total Revenue}}$
Solvency ratio	=	$\frac{\text{Net income after tax} + \text{Depreciation expense}}{\text{Total Liabilities}}$
Interest rate coverage ratio	=	$\frac{\text{Net income before income tax} + \text{Depreciation expense} + \text{Interest expense}}{\text{Interest expense}}$
Asset-to-liability ratio	=	$\text{Total assets} / \text{Total liabilities}$
Asset-to-equity ratio	=	$\frac{\text{Total assets}}{\text{Total equity (net of net changes in fair value of equity instruments designated at fair value through other comprehensive income and accumulated re-measurement on defined benefit plan)}}$
Debt-to-equity ratio	=	$\frac{\text{Notes and contracts payable}}{\text{Total equity (net of net changes in fair value of equity instruments designated at fair value through other comprehensive income and accumulated re-measurement on defined benefit plan)}}$

$$\begin{aligned}\text{Current ratio} &= \text{Total current assets} / \text{Total current liabilities} \\ \text{Acid-test ratio} &= \frac{\text{Cash and cash equivalents} + \text{Short-term cash investments} + \\ &\quad \text{Current portion of installment contracts receivable} + \text{Current portion of} \\ &\quad \text{contract assets} + \text{Current portion of notes receivable} + \text{Current portion of} \\ &\quad \text{other receivables}}{\text{Total current liabilities}}\end{aligned}$$

## CITYLAND, INC.

### MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

