

COVER SHEET

1 3 3 8 2 8

SEC Registration Number

PRIMEX CORPORATION

(Company's Full Name)

G / F RICHBELT TERRACES 19 ANNAPOLIS ST., GREENHILLS, SAN JUAN, MM

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

Atty. Ericson O. Ang

(Contact Person)

722-5417/722-8078

(Company Telephone Number)

1 2 3 1
Month Day
(Fiscal Year)

2 0 - I S
(Form Type)

0 6 2 4
Month Day
(Annual Meeting)

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Amended Articles Number/Section

15

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
[] Preliminary Information Statement
[x] Definitive Information Statement
2. Name of Registrant as specified in its charter: **PRIMEX CORPORATION**
3. **PHILIPPINES**
Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number: **133828**
5. BIR Tax Identification Code: **420-000-188-756**
6. **G/F RICHBELT TERRACES 19 ANNAPOLIS ST., GREENHILLS, SAN JUAN** **1502**
Address of principal office Postal Code
7. Registrant's telephone number, including area code: **(632) 8722-80-78**
8. **June 24, 2022, 11:00 am. 19 Annapolis St., Greenhills, San Juan** Via remote communication
Date, time and place of the meeting of security holders
9. Approximate date on which the Information Statement is first to be sent or given to security holders
May 25, 2022
10. **In case of Proxy Solicitations:**
Name of Person Filing the Statement/Solicitor: **N/A**
Address and Telephone
No.: _____ **N/A**
—
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA
(information on number of shares and amount of debt is applicable only to corporate registrants):
- | Title of Each Class | Number of Shares of Common Stock
Outstanding or Amount of Debt Outstanding |
|---------------------|---|
| COMMON | 2,344,168,472 |
12. Are any or all of registrant's securities listed in a Stock Exchange?
Yes x No _____
If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
COMMON SHARES PHILIPPINE STOCK EXCHANGE

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

INFORMATION REQUIRED IN INFORMATION STATEMENT

Date, Time and Place of Annual Meeting of Security Holders

June 24, 2022, 11:00 a.m.
19 Annapolis St., Greenhills, San Juan Via Remote Communication

Complete Address of Principal Office of Registrant

Ground Floor, Richbelt Terraces
19 Annapolis St., Greenhills
San Juan, Metro Manila

Approximate date on which the Information Statement is first to be sent or given out to security holders

May 25, 2022

Dissenter's Right of Appraisal

With respect to any matter to be acted upon at the annual meeting which may give rise to the right of appraisal, in order that a dissenting stockholder may exercise his appraisal right, such dissenting stockholder shall have voted against a proposed corporate action and shall, within thirty (30) days after the annual meeting at which such stockholder voted against the corporate action, make a written demand on the Registrant for the value of his shares. The procedure to be followed in exercising the appraisal right shall be in accordance with Sections 81 to 86 of the Corporation Code. The Issuer is not aware of any matters to be taken up during the stockholders meeting that will entitle a shareholder to exercise a Right of Appraisal as provided in Title X of the Corporation Code.

Voting Securities and Principal Holders Thereof

The number of shares outstanding and entitled to vote in the stockholders' meeting as of April 30, 2022 is 2,344,168,472 common shares. Foreign ownership in the company's common shares of stock as of April 30, 2022 is 122,163,000 shares or 5.211 % of total issued shares while listed shares at the Philippine Stock Exchange is 1,661,666,665 shares. The record date for purposes of determining stockholders entitled to vote in the meeting is April 30, 2022. Stockholders are entitled to cumulative voting in the election of directors, as provided in the Corporation Code. There are no conditions precedent for the exercise of the cumulative voting rights in the election of directors.

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

Other than election to office, there is no matter to be acted upon in which any director, executive officer, or nominee for election as director, is involved or has a direct, indirect or substantial interest. There is also no incumbent director who has informed the Company in writing that he/she intends to oppose any action to be taken at the Annual Stockholders' Meeting.

Security Ownership of Certain Record and Beneficial Owners

The persons known to the Registrant to be directly or indirectly the record or beneficial owner of more than five percent (5%) of the registrant's voting securities as of April 30, 2022 are as follows:

| Title of Class | Name/Address of Record/ Beneficial Owner | Amount & Nature shareholdings | Citizenship | Percent of Class |
|-----------------------|---|--|--------------------|-----------------------------|
| Common | Ernesto O. Ang 6 Young St. Corinthian Gardens Quezon City | 573,948,330 (Indirect) | Filipino | 24.484 |
| Common | Annetta C. Ang Suite 303, 1109 Narra St., Manila | 137,778,335 (Indirect) | Filipino | 5.877 |
| Common | Emilio O. Ang 51 Flamengo St. Green Meadows Quezon City | 159,895,000 (Indirect) | Filipino | 6.821 |
| Common | Edgard O. Ang Suite 14-A Greenrich Mansion Lourdes St., Pasig | 193,235,000 (Indirect) | Filipino | 8.243 |
| Common | Ericson O. Ang Ph-B Richbelt Terraces Annapolis St. Greenhills, S.J. | 198,618,330 (Indirect) | Filipino | 8.473 |
| Common | Primex Development Corp. | 625,382,207 (Direct) | Filipino | 26.678 |

* Indirect shares of Mr. Ernesto O. Ang are lodged under Highvalue Holdings, Inc., which Mr. Ernesto O. Ang, owns and controls.

* Indirect shares of Atty. Ericson O. Ang are lodged under 5 Calibre Holdings, Inc. , which is owned and controlled by Atty. Ericson O. Ang.

* Indirect shares of Mr. Edgard O. Ang are lodged under Excellar Holdings Inc. which he owns and controls.

* Indirect shares of Mr. Emilio O. Ang are lodged under High Integritas Holdings Inc. which he owns and controls.

* Indirect shares of Ms. Annetta C. Ang are lodged under EA Hok Ki Holdings Corp. which Eduardo O. Ang owns and controls.

* Primex Development Corporation and Primex Corporation shares the same common management and majority shareholders.

Voting Trust Holders of 5% or more

Registrant has no voting trust holders of 5% or more of its total outstanding capital stock.

Security ownership of Management

| Title of class | Name of owner | Position | Amount & nature of ownership | Citizenship | Percentage |
|-----------------------|----------------------|-------------------------|---|--------------------|-------------------|
| Common | Ernesto O. Ang | Chairman/ President | 573,948,330 (Indirect) | Filipino | 24.484 % |
| Common | Annetta C. Ang | Director | 137,778,335 (Indirect) | Filipino | 5.877 % |
| Common | Emilio O. Ang | Exec .VP. & Director | 159,895,000 (Indirect) | Filipino | 6.821 % |

| | | | | | |
|--------|-----------------------|--------------------------|------------------------|----------|---------|
| Common | Edgard O. Ang | Treasurer & Director | 193,235,000 (Indirect) | Filipino | 8.243 % |
| Common | Ericson O. Ang | Vice-Pres. & Director | 198,618,330 (Indirect) | Filipino | 8.473 % |
| Common | Karlvin Ernest L. Ang | Corporate Secretary | 1,737,000 (direct) | Filipino | 0.074 % |
| Common | Kerwyn Ernest L. Ang | Director | 1,000 (direct) | Filipino | 0.000 % |
| Common | Willy G. Ong | Independent Director | 20,000(direct) | Filipino | 0.000 % |
| Common | John Andrew M | Independent Director | 485,000(direct) | Filipino | 0.020 % |

As of April 30, 2022, the total number of common shares owned by all Directors and Officers as a group unnamed is 1,265,717,995 which is equivalent to 53.994 % of the total issued and outstanding number of common shares of the registrant.

Change in Control

Registrant has no knowledge of any arrangement which may result in a change in control of the Registrant.

Directors and Executive Officers

The Directors of the Company are elected to hold office for one (1) year until the next annual meeting or until their respective successors have been elected and qualified. The incumbent directors were elected during the annual stockholders' meeting held last June 25, 2021 wherein all the directors were present. The names of the incumbent directors and executive officers of the company and their respective periods of service, ages, current positions held and business experience during the past five years are as follows:

| Directors | Age | Citizenship | Period served |
|-----------------------|------------|--------------------|----------------------|
| Ernesto O. Ang | 75 | Filipino | 1986 to present |
| Annetta C. Ang | 73 | Filipino | 2021 to present |
| Emilio O. Ang | 69 | Filipino | 1986 to present |
| Edgard O. Ang | 62 | Filipino | 1998 to present |
| Ericson O. Ang | 59 | Filipino | 1998 to present |
| Kerwyn Ernest L. Ang | 36 | Filipino | 2021 to present |
| Karlvin Ernest I. Ang | 41 | Filipino | 2009 to present |
| John Andrew Ma Yam* | 41 | Filipino | 2021 to present |
| Willy G. Ong* | 57 | Filipino | 2014 to present |

* Independent Director

Nomination Committee Members:

Chairman: Ernesto O. Ang
Members: Atty. Ericson O. Ang
Mr. John Andrew Ma Yam

Audit Committee Members:

Chairman: Mr. Willy G. Ong
Members: Ms. Annetta C. Ang
Mr. Emilio O. Ang

Compensation/Remuneration Committee Members:

Chairman: Ernesto O. Ang
Members: Willy G. Ong
Annetta C. Ang

Corporate Governance Committee Members:

Chairman: John Andrew Ma Yam
Members: Annetta C. Ang
Willy G. Ong

Related Party Transactions Committee Members:

Chairman: Annetta C. Ang
Members: Willy G. Ong
John Andrew Ma Yam

Lead Director: Willy G. Ong

| Executive Officers | Age | Citizenship | Position |
|---------------------------|------------|--------------------|-------------------------|
| Ernesto O. Ang | 75 | Filipino | President |
| Emilio O. Ang | 69 | Filipino | Vice-President |
| Edgard O. Ang | 62 | Filipino | Treasurer |
| Ericson O. Ang | 59 | Filipino | Vice-President-Legal |
| Karlvin Ernest L. Ang | 41 | Filipino | EVP/Corporate Secretary |
| Kerwyn Ernest L. Ang | 36 | Filipino | Vice President |

Nominees for Election as Members of the Board of Directors (including Nominees for Independent Directors)

In the approval of nominations for independent directors, the company has a Nomination Committee composed of three (3) members of the Board of Directors, one of whom is an independent director. The committee evaluates the qualifications of all nominees to the Board of Directors, including the independent directors. After the nomination, the committee shall prepare a final list of candidates which shall contain all the information about all the nominees. Only nominees whose names appear in the final list of candidates shall be eligible for election as independent director/s. No other nomination shall be entertained or allowed on the floor during the actual annual stockholders meeting.

The foregoing procedures are essentially based on the guidelines prescribed in SRC Rule 38 covering the Guidelines on Nomination and Election of Independent Directors.

The following nominees for directors have possessed all the qualifications and none of its disqualifications:

Ernesto O. Ang , 75 years old, Filipino, has been the President and Chairman of the Board of the Company since its inception. He is concurrently a Director of the following corporations: Omega Lumber Corporation, Primex Development Corporation, Primex Domains, Inc., Omega Fishfarm Corporation, Primex Realty Corporation, Primex Land, Inc., Meycauyan Market Corporation and Richville Development Ltd.

Emilio O. Ang, 69 years old, Filipino, has been with the company since 1986 as Director and Vice-President. He is the Managing Director of Farmlake Corporation and Omega Fisheries Corporation. He also holds directorship in Omega Lumber Corporation, Primex Development Corporation, Primex Domains, Inc., Primex Realty Corporation and Primex Land, Inc.

Edgard O. Ang , 62 years old, Filipino, is the Treasurer and Chief Financial Officer of the Company. He is also a Director of Primex Domains, Inc., Primex Realty Corporation, Primex Land, Inc., and Primex Development Corporation.

Ericson O. Ang , 59 years old, Filipino, is the Vice-President for Legal Affairs of the company. He is concurrently a Director of Primex Domains, Inc., Primex Realty Corporation, Primex Land, Inc. and Primex Development Corporation.

Kerwyn Ernest L. Ang, 36 years old, Filipino, a Director of the company since 2021. He is the President of Exzzon Corporation and Megainfra Construction Corp. and Citicem Corporation.

Karlvin Ernest L. Ang, 41 years old, Filipino, corporate secretary, he is the Chairman and President of Novelty Specialist, Inc. and Chairman of Head High Venture Holdings Corporation. He is an alumnus of the De la Salle University where he graduated with a Bachelor's Degree in Business Management.

Annetta C. Ang, 73 years old, Filipino, served the unexpired term as director of spouse Eduardo O. Ang (deceased). She has been a shareholder and officer of EA Hok Ki Holdings Corporation. She, likewise, served as a Sales officer of Omega Lumber Corporation for more than 10 years.

The following nominees for independent director have possessed all the qualifications and none of its disqualifications:

Willy G. Ong, 57 years old, Filipino, is concurrently the President of Willex Printing and also the Vice President of Sureprint Packaging Corporation. Mr. Ong holds a Bachelor of Science degree in Industrial Management Engineering from the De La Salle University. He was previously the Production head, Desktop Publishing Division (1988-1992) of Microprint, a large printing company in San Francisco, California, USA. He is nominated for re-election as Independent director by Atty. Ericson O. Ang with whom he has no relations.

John Andrew Ma Yam M.D., 41 years old, Filipino, is a Cardiac Surgeon by profession. He specializes in minimally invasive and beating heart bypass surgery. He received his medical degree from the University of Santo Tomas and finished his cardiac surgery training at the Phil. Heart Center. Underwent training on minimally invasive bypass surgery at the Brussels Heart Center, Belgium and Ichinomiyashi Hospital, Japan. He is a member of the Phil. Assn. of Thoraic and Cardiovascular Surgeons, Inc. and the Phil. Medical Association. Dr. Yam is nominated for re-election as independent director by Mr. Karlvin Ernest L. Ang with whom he has no relations.

Significant Employees

There is no person, other than the executive officers, who is expected by the Registrant to make significant contributions to the business.

Family Relationship

The following directors/executive officers of the Company are siblings: Ernesto O. Ang, Emilio O. Ang, Edgard O. Ang, and Atty. Ericson O. Ang while Ms. Annetta C. Ang is the spouse of deceased director, Eduardo O. Ang. Mr. Karlvin Ernest L. Ang and Mr. Kerwyn Ernest L. Ang are the eldest and youngest sons of company President Ernesto O. Ang, respectively.

Involvement of Directors and Officers in Certain Legal Proceedings

None of the directors and officers were involved during the past five (5) years up to latest date in any bankruptcy proceeding. Neither have they been convicted by final judgement in any criminal proceeding, or been subject to any order, judgement or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or likewise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in action by any court or administrative bodies to have violated a securities or commodities law.

Certain Relationship and Related Transactions

On March 30, 2015, the Company entered into an agreement to purchase Php 140,000,000.00 worth of shares of stock representing a 70 % stake in Primex Realty Corporation, an affiliated company also dealing in real estate development. On January 17, 2018, the Company acquired full ownership and control of Primex Realty Corporation, thereby making it a wholly-owned subsidiary.

Since the date of the last annual meeting of security holders, no director has resigned nor declined to stand for re-election to the Board of Directors because of a disagreement with the company on any matter relating to the company's operations, policies or practices.

Executive Compensation

| SUMMARY COMPENSATION TABLE (in Thousands) | 2022 (Estimated) | | 2021 | | 2020 | |
|--|------------------|-------|------------|-------|------------|-------|
| | Salary/Fee | Bonus | Salary/Fee | Bonus | Salary/Fee | Bonus |
| Directors | 90 | | 90 | | 90 | |
| Officers: | | 236 | | 236 | | 236 |
| ERNESTO O. ANG Chairman & President | | | | | | |
| EMILIO O. ANG Exec. Vice-Pres. | | | | | | |
| EDGARD O. ANG Treasurer & CFO | | | | | | |
| ERICSON O. ANG Vice-President- Legal | | | | | | |
| KARLVIN ERNEST ANG Corporate Secretary | | | | | | |
| Total Officers | P 5,458 | | P 5,458 | | P 5,458 | |
| All other directors / officers as a group unnamed | 5,548 | P 236 | P 5,548 | P 236 | P 5,458 | P 236 |

There are no other annual compensation for the directors and officers of the Corporation.

The Top Five (5) highly compensated executive officers are:

| | |
|-----------------------|-------------------------|
| Ernesto O. Ang | President/CEO |
| Emilio O. Ang | Vice-President |
| Ericson O. Ang | Vice-President-Legal |
| Edgard O. Ang | Treasurer-CFO |
| Karlvin Ernest L. Ang | Corporate Secretary/EVP |
| Kerwyn Ernest L. Ang | Vice President |

There are currently no separate employment contracts between the Registrant and its named executive officers other than the regular employment agreements that all officers are subject to. There are no outstanding warrants or stock options held by the directors or executive officers. Started in the year 2006, it was agreed that each director shall receive a fixed annual per diem of Php 10,000.00 only.

Modification/Exchange of Securities

There are no modification on any outstanding securities of the Company.

Authorization or Issuance of Securities

There are no authorization or issuance of securities other than for exchange.

Financial and Other Information

There are no action to be taken with respect to any matter on Financial and Other Information.

There are no action to be taken with respect to any transaction involving mergers, consolidation, acquisition and similar matters.

Acquisition/Disposition of Property

There are no acquisition nor disposition of any property of the Company.

Restatement of Accounts

There are no restatement on Assets, Capital or Surplus Accounts.

Independent Public Accountant

The accounting firm of Sycip Gorres Velayo & Co. has been the Company's independent Public Accountant since 1995. The same firm is being recommended for appointment by the stockholders on June 25, 2021. There was no event where the company and SGV had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure. Representatives of the said firm are expected to be present at the security holders' meeting to respond to appropriate questions they can shed light on.

In compliance with SRC rule 68, paragraph 3(b)(iv), the external auditors of the financial statements of the Company shall be rotated every five (5) years. The incumbent external auditor of the company is Ms. Wanessa G. Salvador while the Audit Committee of the Company is chaired by independent director Willy G. Ong and has Annetta C. Ang and Emilio O. Ang as members. The Independent Public Accountants are willing to stand for re-election.

Action with Respect to Reports

The Company will submit to the shareholders for approval the following:

1. Minutes of the Regular Stockholders Meeting held on June 25, 2021; The Minutes reflect the following: i) election of members of the Board for 2021-2022; ii) approval of the annual report.
2. 2021 Annual Report with Audited Financial Statements;
3. Ratification of the acts of the Board of Directors and officers of the corporation during the year 2021 including:
 - a. Approval to accept the offer of Primex Development Corp. for the purchase of 342,465,753 common shares at Php 1.46 per share thru Private Placement.
 - b. Approval to apply for Tax Clearance with the Tagaytay City Hall and to apply for Consolidation of Subdivision with the Register of Deeds of Tagaytay City for the following Transfer Certificate of Title nos. 25845, 25846, 78066, 78061, 78062, 78063, 78064 and 78065.
 - c. Approval to register online with the Anti-Money Laundering Council for Real Estate Developers.

- d. Authorized the designation of Abigail Dollison to represent the Corporation and act for it in the submission of reportorial requirements with the Securities Exchange Commission through Online Submission Tool (OST).
- e. To hold Annual Stockholders Meeting for 2021 be held via Remote Communication on June 25, 2021 in light of the COVID pandemic.
- f. To authorize management of the corporation to enter into any agreement with 3rd party corporations or entities that will be beneficial or favorable for the Company.
- g. To secure from the Manila Electric Company, Caloocan Business Center or Meralco Main Office refunds for Cash Advances for electricity service of Tresor Residences.
- h. To approve and authorize the release of the Company's Consolidated Financial Statements for the years 2018, 2019 and 2020 as audited by its External Auditors, the Sycip, Gorres, Velayo (SGV) accounting firm.
- i. To approve the declaration of a cash dividend of P 0.02 /share to all holders of the company's common shares as of Record Date May 28, 2021 and a Date of Payment on June 10, 2021.
- j. To approve to assign ONE (1) share each of the Company's shareholding in Primex Development Corporation to Kerwyn Ernest L. Ang and Roberto dela Cruz;
- k. To approve the declaration of a cash dividend of P 0.0042 /share to all holders of the company's common shares as of Record Date December 02, 2021 and a Date of Payment on December 27, 2021.

These acts are covered by Resolutions of the Board of Directors duly adopted in the normal course of trade and business.

Matters not required to be submitted to a vote by Security Holders

There are no matters that requires submission to a vote by security holders.

Amendments of Charter, By-laws and other documents

The Company has amended its by-laws to incorporate the procedures for the nomination and election of independent directors in accordance with the requirements of SRC Rule 38, including the qualifications and disqualifications of Independent Directors. Also amended is the number of directors which was increased to Nine (9), inclusive of two (2) Independent directors. In a special stockholders meeting held on January 29, 2016, stockholders representing more than two-thirds of the shareholders of the company approved a resolution for the change in par value of the company's common stock from Php 1.00/share to Php 0.20/share. There are no action to be taken on amendments of Charter, By-Laws and other documents.

Voting Procedures

The foregoing matters will require the affirmative vote of a majority of the shares of the Company present or represented and entitled to vote at the Annual Meeting. Likewise, directors shall be elected upon the majority vote of the shares present or represented and entitled to vote at the Annual Meeting. The election is executed through balloting, show of hands or viva voce or by other means approved by the stockholders.

Only stockholders of record at the close of business on April 30, 2022 of the 2,344,168,472 Common shares of the Company may vote at the Stockholders' Meeting. Each share of stock outstanding is entitled to one vote. Cumulative voting shall be allowed in the election of the members of the Board of Directors.

Atty. Ericson O. Ang, Compliance Officer of the Company, shall be authorized to count the votes to be cast. In past meetings of stockholders, considering that the number of nominees is the same as the number of board seats, no actual balloting was undertaken.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is duly signed in the City of San Juan, Metro Manila on May 20, 2022

PRIMEX CORPORATION

By:

A handwritten signature in black ink, appearing to be 'K. Ang', written over a horizontal line.

KARLVIN ERNEST L. ANG

Corporate Secretary

PRIMEX CORPORATION
a PRIME EXPONENT in choice real estate

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

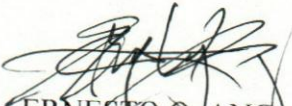
The management of **Primex Corporation** is responsible for the preparation and fair presentation of the financial statements including the schedule attached therein, for the years ended 2019, 2020 and the year ended December 31, 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

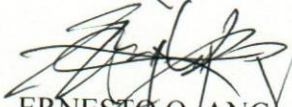
In preparing the financial statements, management is responsible from assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or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

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

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


Sycip, Gorres, Velayo & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.


ERNESTO O. ANG
Chairman of the Board


ERNESTO O. ANG
Chief Executive Officer


EDGARD O. ANG
Chief Financial Officer/Treasurer

SUBSCRIBE AND SWORN TO BEFORE
ME THIS MAY 05 DAY OF _____ AT QUEZON CITY


ATTY. CONCEPCION P. VILLAREÑA
Notary Public for Quezon City
Until December 31, 2022
PTR No. 2442851 / January 3, 2022 Q.C
IBP No. 167802 / November 25, 2021 Q.C
Roll No. 30457 / 05-09-1980
MCLE VI-0030379 / 02-21-2020
ADM. MATTER No. NP-005 (2022-2023)
TIN No. 131-942-754

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BOOK NO. 97
SERIES OF. W

**REPORT ACCOMPANYING INFORMATION STATEMENT
REQUIRED UNDER SEC RULE 17**

Audited Consolidated Financial Statements

The audited consolidated financial statements of the registrant as of December 31, 2021 and the Statement of Management's Responsibility for Financial Statements are attached hereto. There are no changes in and disagreements with accountants on Accounting and Financial Disclosure.

General Nature and Scope of Business

Primex Corporation was incorporated on July 17, 1986 and is primarily engaged in the real estate business in all its aspects, to purchase, lease, or in any manner dispose of or deal with lands and other real properties. The Company listed its common shares in the Philippine Stock Exchange on August 10, 2001. The company has completed two high-end residential projects, namely Goldendale Village in Malabon and The Richdale in Antipolo Cty. The company has real estate held for future development situated in various strategic locations geared for both horizontal and vertical developments. The Company's thrust in real estate development is primarily geared towards consumers belonging to the upper-income brackets.

Management's Discussion and Analysis of Financial Condition and Results of Operation

For the interim period ended March 31, 2022

For the first three months of the year 2022 ended March 31, the Company did not consummate any Real estate sales, the same no reported real estate sales for the same period last year. This resulted in no realized gross profit from sales for the same period for this and last year. Total Expenditures for the 3-month period was down by 8.7 %, from Php 15.967 M of the same period last year to Php 14.543 M for the 1st period this year. No significant changes were reported under Salaries, Bonuses and Employees' Benefits; Taxes and Licenses was down by 35 % over the same period last year, from Php 6.732 M to Php 4.244 M on account of early payment of real estate taxes during the first period last year; Reduced utilization of company heavy equipment was responsible for the 27 % decline in Gas & Oil, from Php 0.144 M to Php 0.104 M; Security service expense, which was Php 0.516 M in the same period last year, dropped to Php 0.354 M; Professional Fees paid for the period was nil as compared with the Php 0.022 M incurred for the same period last year on account of fees paid for public relations services while Repairs and Maintenance was down by 71 %, from Php 0.266 M to Php 0.077 M on account of less maintenance repairs; The 28 % rise under Miscellaneous expense as compared with the same period this year was due to more sales and marketing activities Interest expense dropped from Php 1.412 M to Php 1.238 M as some of the interest expense was capitalized.

Revenues from Other Income sources earned during the 1st quarter amounted to Php 15.112 M, a drop of 21 % from the Php 19.188 M earned during the same period last year. Interest Income decreased by 83 %, from Php 0.610 M to Php 0.122 M on account of maturity of installment sales contracts. Rental Income, which was Php 18.553 M for the same period last year, slid to Php 14.974 M, as some rental were either discounted or partially waived. With no real estate sales earned during the 3-month period and the slight reduction in general expenses, the Company still managed to record an income before tax of Php 0.569 M, as compared with the Php 3,220 M income earned during the same period last year.

Financial Condition

The Company's Balance sheet reflects a 4.5 % rise in Total resources. Total Assets, which stood at Php 4,067.142 M as of yearend 2021, is now pegged at Php 4,248.530 million. Cash on hand, which stood at Php 67.020 M at yearend 2021, was down to Php 48.220 M as of March 31, 2022 due to payment of construction supplies. Contract Receivables decreased by 10 % while Real

Estate held for Sale rose 7 %. Accounts and other payables remained almost unchanged while Total Current Liabilities dropped by 9 %..

There are no material events and uncertainties known to management that would impact or change the reported financial information and condition of the company.

Full Fiscal Years

2021

For the year 2021 ended December 31, the Company had a total of Php 29.622 M in consolidated real estate sales, in which Php 22.66 M are sales from Goldendale and Php 6.961 M are from sales in the Richdale while no sales were reported from Stratosphere. This year's total in real estate sales represents only 5.5 percent of the total real estate sales of the previous year and a 16 % jump over 2019 levels. Total Rental Income for the year amounted to Php 43.286 M, which is 53 % lower than the Php 92.688 M last year and 45 percent less than the Php 78.439 M earned in 2019. Interest earned from real estate sales reached Php 2.13 M for the year, which is 42 % of the Php 5.087 M in 2020 and 5% of the Php 42.988 M earned in 2019. Miscellaneous income contributed Php 1.708 M, as compared with none earned for the past 2 previous years. Cost of real estate sales amounted Php 17.664 M as compared with the Php 324.276 M for the year 2020, and the Php 14.650 M incurred in 2019.

General and administrative expense increased by 26 % from the amounts incurred the previous year which is Php 46.087 M and 18 % more than the Php 49.388 M incurred in 2019.

Taxes and Licenses expense totaled Php 24.849 M, which is 55 % more than the Php 15.965 M last year and 34 % more than the Php 18.551 M of 2019 due to the payment of Documentary Stamp Tax arising from the issuance of additional shares related to the subscription of the Company's common shares thru private placement. Depreciation expense, which was Php 6.985 M for the year 2020, decline by 13 % to Php 6.023 M. and almost a 32 % decrease from the Php 8.834 M of 2019. Salaries, wages and employee benefits, which was almost identical at the Php 8.4 M level for the previous 2 years was up by 10 % on account of increased wages. The Php 4.880 M spent for Light, Water and Dues was 155 % more the Php 1.910 M last year and 43 % more than the Php 3,407 M in 2019 on account of extended operating hours and higher utility rates. Commission paid out dropped to Php 1.534 M as compared with Php 2.110 M and Php 1.789 M, respectively of the past two years due to decreased real estate sales. Insurance expense decreased by 28 %, from Php 0.607 M to Php 0.433 M, as compared with the Php 0.802 M of 2019. Retirement expense remains basically unchanged at the Php 0.618 M level.. The 117 % rise in Gas and Oil expense to Php 0.584 M was due to higher petroleum prices and more utilization of company vehicles to provide transportation to employees. Communication and transportation expense decreased to Php 0.539 M due to reduced marketing and promotional activities for the Primex Tower. Security, Messengerial and Janitorial Expense was unchanged at the Php 2.1 M level for the past two years. Repairs and Maintenance was significantly down to Php 0.572 M due to less repairs and maintenance of heavy equipment on account of less usage.. Training and Development expense was nil for the year because company seminars were conducted via remote communication only. Miscellaneous expense was up to Php 5.009 M, from the Php 2.830 M in 2020 and the Php 4.470 M of 2019 due to the purchase of safety equipment and supplies for the prevention of COVID-19.

The Company's Balance Sheet reflects a 54 % rise as of December 31, 2021. Total Assets, which stood at Php 2,156,069 M as of December 31, 2020 now stands at Php 3,324.891 M. Cash, which was Php 29.196 M as of yearend 2020 increased to Php 67.020 M. Receivables is almost unchanged at the Php 47 M level while Real estate held for sale

rose by 48 %, from Php 1,997,232 M as of yearend 2020 went up to Php 2,954,209 M as of December 31, 2021.

In summation, the more than 94 % drop in Real Estate sales for the year was solely the reason for the drop in Income to only Php 5.112 M in Income before Tax for the year, almost a 98 % decline from the Php 227.630 M earned last year.

2020

For the year 2020 ended December 31, the Company had a total of Php 527.946 M in consolidated real estate sales, in which Php 7.366 M is from real estate sales in Richdale, Php 520.579 M is from Stratosphere sales while no sales were reported in Goldendale Subdivision. This total in real estate sales represents an increase of 20X from sales of the previous year and a 120 % jump over 2018 levels. Total Rental Income for the year amounted to Php 80.284 M, which is 370 % higher than the Php 17.507 M last year and 6 times more than the Php 11.083 M earned in 2018. Interest earned from real estate sales reached Php 5.087 M for the year, which is 880% less than the Php 42.988 M in 2019 and three and 73% less the Php 19.639 M in 2018. Miscellaneous income contributed Php 29.915 M, as compared with the Php 25.903 M of last year and the Php 24.129 M in 2017. Cost of real estate sales amounted to Php 324.276 M for the year 2020, which was 21 times over the Php 14.650 M incurred in 2019 and 150 % over the Php 130.491 M spent in 2018. .

General and administrative expense decreased by 33 % from the amounts incurred the previous year and 19 % from the expenses in 2018. Taxes and Licenses expense totaled Php 15.965 M, which was 14% less from Php 18.551 M last year but 65 % more than the Php 9.637 M of 2018 due to the accrual of unpaid fees. Depreciation expense reached Php 6.985 M for the year, a 20 % decline from the Php 8.834 M. of the previous year and almost a 50 % decrease from the Php 4.615 M of 2018. Salaries, wages and employee benefits was almost identical at the Php 8.4 M level for the year and the previous year but 25 % more than the Php 6.751 M in 2018 on account of increased wages. The Php 1.910 M spent for Light, Water and Dues was 43 % off the Php 3.407 M last year on account of reduced operating hours due to the COVID pandemic lockdowns but is 33 % more than the Php 1.434 M incurred in 2018. Commission paid out rose to Php 2.110 M as compared with Php 1.789 M and Php 5.691 M, respectively of the past two years due to increased real estate sales. Insurance expense decreased by 24 % , from Php 0.802 M to Php 0.607 M, as compared with the Php 0.239 M of 2018. The 10% rise in Retirement expense over the past two years is attributable to additional employees of both parent and wholly owned subsidiary. The decrease in Gas and Oil expense to Php 0.269 M was due to lower petroleum prices and less utilization of company heavy equipment and vehicles. Communication and transportation expense rose to Php 0.952 M due to the additional marketing and promotional activities for the Primex Tower. Security, Messengerial and Janitorial Expense was up to Php 2.124 M on account of additional number of security personnel deployed. Repairs and Maintenance was significantly up to Php 1.455 M due to repairs and maintenance of heavy equipment. Training and Development expense was nil for the year because of no seminars conducted. Miscellaneous expense was down to Php 2.830 M, from the Php 4.470 M in 2019 and the Php 2.937 M of 2018 due to reduced purchase of office uniforms.

The Company's Balance Sheet reflects a 7% rise as of December 31, 2020. Total Assets, which stood at Php 2,716,277,052 M as of December 31, 2019 now stands at Php 2,906.851 M. Cash, which was Php 69.792 M as of yearend 2019 was down to Php 29.196 M. Receivables decreased by 36 %, from Php 74.314 M to Php 47.336 M, solely on account of maturity and payment of receivables. On the other hand, Real estate held for sale was basically unchanged.

In summation, the more than 50 x rise in Real Estate sales for the year was solely the driving reason for the Php 227.630 M in Income before Tax for the year, almost a 7-fold rise over the Php 29.597 M last year.

2019

For the year 2019 ended December 31, the Company had a total of Php 25.029 M in consolidated real estate sales, in which Php 6.067 M is from real estate sales in Richdale, Php 18.962 M is from Stratosphere sales while no sales were reported in Goldendale Subdivision. This total in real estate sales represents a decline of 89% from sales of both the previous year and 2017. Total Rental Income for the year amounted to Php 17.507 M, which is 55% higher than the Php 11.083 M last year and 15 times more than the Php 1.049 M earned in 2017. Interest earned from real estate sales reached Php 42.988 M for the year, which is a little more than double the Php 19.639 M in 2018 and three and a half times over the Php 9.391 M in 2017. Miscellaneous income contributed Php 29.915 M, as compared with the Php 25.903 M of last year and the Php 24.129 M in 2017. Cost of real estate sales was down to Php 14.605 M, from Php 130.491 M the previous year and Php 99.054 M in 2017 on account of significant decline in real estate sales.

General and administrative expense increased by 29% over the amounts incurred for the past two prior years, Php 49.388 M over the Php 38.604 M of 2018 and the Php 38.971 M of 2017. Taxes and Licenses expense doubled to Php 18.551 M from the Php 9.637 M last year and the Php 6.463 M of the previous year due to the accrual of unpaid fees. Depreciation expense reached Php 8.834 M., almost double the Php 4.615 M of last year and the Php 5.604 M of 2017. Salaries, wages and employee benefits climbed to Php 8.435 M, from the Php 6.751 M last year and 2017's Php 5.989 M on account of increased wages. The Php 3.407 M spent for Light, Water and Dues was more than double those incurred for the past prior two years due to system loss of water arising from broken and deteriorated water distribution system in Goldendale and Richdale. Commission paid out dropped to Php 1.789 M as compared with Php 5.691 M and Php 3.783 M, respectively of the past two years due to decreased real estate sales. Insurance expense jumped to Php 0.802 M, as compared with the Php 0.239 M of 2018 and the Php 0.362 M in 2017 due to insurance premiums for the construction of the Primex Tower. The 50% rise in Retirement expense over the past two years is attributable to additional employees of both parent and wholly owned subsidiary. The decrease in Gas and Oil expense to Php 0.383 M was due to lower petroleum prices and less utilization of company heavy equipments and vehicles. Communication and transportation expense rose to Php 0.483 M due to the start of marketing and promotional activities for the Primex Tower. Security, Messengerial and Janitorial Expense was down to Php 0.343 M on account of reduced number of security guards deployed. Repairs and Maintenance was significantly reduced to Php 0.072 M was due to less repairs and maintenance of heavy equipment on account of minimal utilization. Training and Development expense was down to Php 0.045 M because of fewer seminars. Miscellaneous expense rose to Php 4.470 M, up from the Php 2.937 M in 2018 and the Php 4.536 M of 2017 due to higher cost of office supplies and the purchase of new office uniforms.

The Company's Balance Sheet reflects a very significant change as of December 31, 2019. Total Assets, which stood at Php 2,143,373.038 M as of yearend 2018 rose to Php 2,716,277,052 M as of December 31, 2019. Cash, which was Php 42.093 M as of yearend 2018 was up to Php 69.792 M. Receivables decreased by 65 %, from Php 217.447 M to Php 74.314 M, solely on account of maturity and payment of receivables of the affiliate. On the other hand, the 39 % rise in Real estate held for sale was on account of completed units of the Stratosphere.

In summation, although the 50% reduction in cost and expense made a significant contribution to the company's income performance, the almost 90% downturn in real estate sales for the year reflects basically the 76 % decline in Net Income, which was down to Php 19.904 M as compared with the Php 82.387 M the previous year and the Php 89.077 M earned in 2017.

*There are no known Trends, Events or Uncertainties that might have any material impact on the liquidity of the Company.

*There are no known Trends, Events, or Uncertainties that may have a material impact on sales.

*There are no significant elements of income or loss arising from continuing operations.

*There has not been any seasonal aspects that have had a material effect on the financial condition or results of the Company's operations.

*There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

*There are no material commitments for capital expenditures.

*There are no material events and uncertainties known to management that would impact or change the reported financial information and condition of the company.

*There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

The Company's Top key performance indicators:

1.Sales Volume Growth

The Company registered consolidated Real Estate sales of Php 29.622 M as compared with the Php 527,946 M. of the previous year and the Php 25.029 M. for the twelve months of 2019 This translates to a 94 % drop from the previous year and a 16 % rise over 2019 amounts.

2. Revenue Growth

Total revenues for the twelve month period ended December 31, 2021 amounted to Php 90.800 M as compared with the Php 625.722 M in the twelve months period of 2020 and 2019's Php 146.457 M., or 85 % and 38 % decline from 2020 levels and 2019 levels, respectively.

3. Realized Gross Profit on Sales

For its sales efforts, the Company was able to realize Gross Profit on sales of Php 26.852 M as against the Php 203.670 M last year and the Php 10.379 M of 2019. This is the amount of real estate sales less the cost of development.

2. Operating Margin

For the twelve month period of 2021, the Company incurred operating expenses of Php 85.688 M as compared with last year's Php 398.092 M, and the Php 116.860 M spent in 2019. This resulted in an operating income from sales of Php 5.112 M as against the Php 227.630 M in 2020 and the Php 29.597 M in operating income in 2019.

5. Asset Growth

Over the twelve months of 2021, total assets increased from Php 2,906.851 M as of yearend 2020 to Php 4,067.142 M in December 31, 2021.

Plan of Operation for 2022 and Prospects for the future

The Company have resumed marketing and sales activities of its remaining lots at the Goldendale Subdivision after its self-imposed moratorium on real estate sales at Goldendale as the Company feels that real estate prices have now stabilized.

The Company's fully-owned subsidiary, Primex Realty Corporation, is continuing the development of the Primex Tower, a 50-storey world-class office condominium along EDSA and Connecticut st. in upscale Greenhills and expects its completion in late 2023. This development , when operational, will significantly boost the recurring income portfolio of the Company for many years.

Securities and Shareholders

The Company has 15 stockholders as of April 30, 2022. The Company's shares of common stock are traded on the Philippine Stock Exchange. Below is a history of the trading prices of said shares for each quarter of the past three years.

Market Information

The Company's shares of common stock are traded on the Philippine Stock Exchange. Below is a history of the trading prices of said shares for each quarter of the past three years.

| | | | <u>Low</u> | <u>High</u> |
|------|----------------|-----|------------|-------------|
| 2019 | First Quarter | Php | 2.65 | 3.70 |
| | Second Quarter | | 1.89 | 2.89 |
| | Third Quarter | | 1.98 | 2.59 |
| | Fourth Quarter | | 2.00 | 2.15 |
| 2020 | First Quarter | Php | 1.08 | 2.31 |
| | Second Quarter | | 1.32 | 1.77 |
| | Third Quarter | | 1.11 | 1.80 |
| | Fourth Quarter | | 1.08 | 1.76 |
| 2021 | First Quarter | Php | 1.24 | 2.25 |
| | Second Quarter | | 2.08 | 4.02 |
| | Third Quarter | | 1.70 | 3.29 |
| | Fourth Quarter | | 1.16 | 2.42 |
| 2022 | First Quarter | Php | 1.24 | 2.25 |

* The par value of the Company's common stock was changed from Php 1.00 per share to Php 0.20 per share during the 3rd quarter of 2016. The price of the company's common shares that was latest traded on the First board of the Philippine Stock Exchange was transacted at Php 2.63 per share on May 12, 2022.

The Top 20 stockholders of the Company as of April 30, 2022:

| | Name of stockholder | Class | No. of shares | Percentage |
|-----|------------------------------------|-------|---------------|------------|
| 1. | PCD NOMINEE CORP.(FIL) | | 578,086,165 | 24.660 % |
| 2. | PRIMEX DEVELOPMEN CORP. | | 562,501,807 | 23.995 % |
| 3. | HIGHVALUE HOLDINGS, INC. | | 375,782,330 | 16.030 % |
| 4. | 5 CALIBRE HOLDINGS, INC. | | 198,618,330 | 8.472 % |
| 5. | EXCELLAR HOLDINGS INC. | | 193,235,000 | 8.243 % |
| 6. | HIGH INTEGRITAS HOLDINGS INC. | | 159,895,000 | 6.820 % |
| 7. | EA HOK KI HOLDINGS CORP. | | 137,778,335 | 5.877 % |
| 8. | PCD NOMINEE CORP (NON-FILIPINO) | | 122,163,000 | 5.211 % |
| 10. | CHAN, JOSSIE O. | | 6,750,000 | 0.287 % |
| 11. | DY, GONZALO C. | | 3,250,000 | 0.138 % |
| 12. | DY, GLORIA A. | | 3,250,000 | 0.138 % |
| 13. | CO, KATHRYN | | 2,500,000 | 0.106 % |
| 14. | GOCHECO, DORIS | | 325,000 | 0.013 % |
| 15. | BORJA, GEORGE C. | | 20,000 | 0.001 % |
| 16. | GARCIA, LEIGH LAUREN P. | | 13,500 | 0.001 % |
| 17. | GAN, RUBEN M. | | 5 | 0.000 % |

* Highvalue Holdings, Inc. is owned and controlled by Mr. Ernesto O. Ang, President and CEO and Chairman of the Board of the Company.

* 5 Calibre Holdings, Inc. is owned and controlled by Atty. Ericson O. Ang, VP-Legal and Director of the Company.

* Excellar Holdings Inc. is owned and controlled by Edgard O. Ang, CFO and Director of the Company.

* High Integritas Holdings Inc. is owned and controlled by Emilio O. Ang, Vice Pres. And Director of the Company.

* EA Hok Ki Holdings Corp. is owned and controlled by Eduardo O. Ang (deceased), Ex-Director of the Company. His spouse, Annetta C. Ang will serve the unexpired term of Eduardo O. Ang.

* Primex Development Corporation and Primex Corporation shares the same common management and majority shareholders.

*There are no transaction that relates to an acquisition, business combination, or other reorganization that will have an effect on the amount and percentage of present holdings of the registrant's equity owned beneficially by (i) beneficial owner of more than 5% of registrant's common equity; (ii) each director and nominee; (iii) all directors and officers as a group and the registrant's present commitments to such persons with respect to the issuance of shares.

Dividends

A cash dividend of Php 0.055 for every common share of stock was declared in 2018 and Php 0.026 in 2019. This was followed in 2021 with two (2) Cash Dividend declaration totaling Php 0.0242 per share. However, in lieu of cash, the company's Board of Directors have previously approved the payment of the cumulative dividends of its preferred shares in the form of common shares. The same preferred shares have since been converted to common shares.

The company's cumulative dividends of 3 years 2 months on its Preferred shares in the amount of Php 15,833,333.000 were paid out in the form of 6,333,333 common shares at a per share value of Php 2.50. Likewise, the 100,000,000 preferred shares were converted into common shares.

Dividends may be declared from the surplus profits of the corporation at such time/s and in such percentage as the Board of Directors may deem proper. No dividends shall be declared that will impair the capital of the corporation.

Recent Issuance of Securities Constituting an Exempt Transaction

The Board of Directors of the company approved the conversion of its 100,000,000 Preferred shares into common shares at the rate of One (1) common share for every preferred share held, effective December 10, 2003. The Board of Directors also approved the payment of the three years and two months cumulative dividends on the preferred shares in the amount of Fifteen million eight hundred thirty three thousand three hundred thirty three pesos (Php 15,833,333.000) in the form of Common shares with a per share value of Two pesos and fifty centavos (Php 2.50), in lieu of cash. This has resulted in the issuance of 6,333,333 common shares to the preferred shareholders.

On August 15, 2014, the Company issued Seventeen million (17,000,000) shares of common stock of the company at a price of Php 3.50 per share in favor of a private placement investor. The shares have already been issued and listed at the Philippine Stock Exchange.

On October 10, 2016, the Company accepted an offer for private placement of 45,000,000 shares of common stock at Php 4.00/share. These shares are also already listed at the Philippine Stock Exchange.

On August 24, 2020, the Company accepted an offer for private placement of 120,000,000 shares of common stock at Php 1.47/share from Highvalue Holdings Inc. and 220,036,054 shares from affiliate, Primex Development Corporation. These shares are not yet listed at the Philippine Stock Exchange.

On February 05, 2021, the Company accepted an offer for private placement of 342,465,753 shares of common stock at Php 1.46/share from affiliate, Primex Development Corporation. These shares are not yet listed at the Philippine Stock Exchange.

Compliance with leading practice on Corporate Governance

On August 27, 2002, the Company submitted to the Securities and Exchange Commission its Manual of Corporate Governance in accordance with SEC Memorandum Circular no.2, Series of 2002. The company also appointed a Compliance Officer who undertakes quarterly feedback sessions with the Chairman of the Board to discuss governance-related issues.

The Company has formally adopted the leading practices on good governance in its Manual of Corporate Governance and has substantially complied with the rules and principles contained therein. The Manual was revised and adopted on Feb. 15, 2011 and on April 08, 2015 to incorporate added provisions promulgated by the Securities and Exchange Commission.

The Company plans to adopt whatever new principles and practices that may improve its corporate governance. All the directors and officers of the Company have annually attended seminars and training programs to further improve governance within the company. The latest amended Manual on Good Corporate Governance was filed with the Securities and Exchange Commission on May 31, 2017.

An evaluation system is being finalized by the Company to measure or determine the level of compliance of the Board of Directors and top level management with its Manual on Good Corporate Governance. At present, there were no major or significant deviation from the company's Manual of Corporate Governance.

External Audit Fees

The aggregate fees billed for the last two (2) fiscal years for professional services rendered by the Company's external auditors for the audit of its financial statements or for services that are normally provided in connection with statutory and regulatory filings are:

Year 2021 = Php 803,572.00

Year 2020 = Php 803,572.00

There are no other assurance or related services by the external auditor that are reasonably related to the performance of the audit or review of the registrant's financial statements.

Prior to the commencement of audit work, the external auditors present their program and schedule to the Audit Committee which include discussion of issues and concerns regarding the audit work to be done, including policies and procedures involved in the audit..

UNDERTAKING TO PROVIDE ANNUAL REPORT

THE REGISTRANT UNDERTAKES TO PROVIDE WITHOUT CHARGE TO EACH STOCKHOLDER WITH A COPY OF ITS ANNUAL REPORT ON SEC FORM 17-A UPON WRITTEN REQUEST TO THE REGISTRANT ADDRESSED TO:

MR. KARLVIN ERNEST L. ANG
CORPORATE SECRETARY
PRIMEX CORPORATION
Ground Floor, Richbelt Terraces, 19 Annapolis St., Greenhills
San Juan , Metro Manila

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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

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Secondary License Type, If Applicable

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COMPANY INFORMATION

| | | |
|---|---|--|
| Company's Email Address <div style="border: 1px solid black; padding: 2px; font-family: monospace;">primexgroup_pc@yahoo.com</div> | Company's Telephone Number <div style="border: 1px solid black; padding: 2px; text-align: center; font-family: monospace;">8722-5669</div> | Mobile Number <div style="border: 1px solid black; padding: 2px; text-align: center;">-</div> |
| No. of Stockholders <div style="border: 1px solid black; padding: 2px; text-align: center;">16</div> | Annual Meeting (Month / Day) <div style="border: 1px solid black; padding: 2px; text-align: center;">10/23</div> | Fiscal Year (Month / Day) <div style="border: 1px solid black; padding: 2px; text-align: center;">12/31</div> |

CONTACT PERSON INFORMATION

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

| | | | |
|--|---|---|--|
| Name of Contact Person <div style="border: 1px solid black; padding: 2px; font-family: monospace;">Ernesto O. Ang</div> | Email Address <div style="border: 1px solid black; padding: 2px; font-family: monospace;">primexgroup_pc@yahoo.com</div> | Telephone Number/s <div style="border: 1px solid black; padding: 2px; text-align: center; font-family: monospace;">8722-5400</div> | Mobile Number <div style="border: 1px solid black; padding: 2px; text-align: center;">-</div> |
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CONTACT PERSON's ADDRESS

| |
|---|
| G/F Richbelt Terraces, 19 Annapolis St., Greenhills, San Juan |
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NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.
2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Primex Corporation
Ground Floor, Richbelt Terraces
19 Annapolis Street, Greenhills
San Juan, Metro Manila

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Primex Corporation (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2021 and 2020, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements as at December 31, 2021 and 2020, and for the years then ended are prepared in all material respects, in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC), as described in Note 2 to the parent company financial statements.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2 to the parent company financial statements which indicates that the parent company financial statements have been prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs on the 2021 parent company financial statements are discussed in detail in Note 2. Our opinion is not modified in respect of this matter.



Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

Management is responsible for the preparation of these parent company financial statements in accordance with PFRSs, as modified by the application of financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the parent company financial statements, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

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

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

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



obtained up to the date of our auditor's report. However, future events or conditions may cause the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in accordance with PFRSs, as modified by the application of financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations (RR) 34-2020 and 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations (RR) 34-2020 and 15-2010 in Note 27 to the parent company financial statements, respectively, is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Primex Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information required are prepared in all material respects, in accordance with PFRS, as modified by the application of the financial reporting reliefs issued and approved by the SEC.

The engagement partner on the audit resulting in this independent auditor's report is Wanessa G. Salvador.

SYCIP GORRES VELAYO & CO.

Wanessa G. Salvador

Wanessa G. Salvador

Partner

CPA Certificate No. 0118546

Tax Identification No. 248-679-852

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 118546-SEC (Group A)

Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-137-2020, January 31, 2020, valid until January 30, 2023

PTR No. 8854361, January 3, 2022, Makati City

May 13, 2022



PRIMEX CORPORATION**PARENT COMPANY STATEMENTS OF FINANCIAL POSITION**

| | December 31 | |
|--|----------------|----------------|
| | 2021 | 2020 |
| ASSETS | | |
| Current Assets | | |
| Cash (Notes 4 and 23) | ₱4,220,911 | ₱13,999,279 |
| Receivables (Notes 5, 19 and 23) | 27,620,309 | 23,494,740 |
| Real estate held for sale and development (Note 7) | 828,714,726 | 746,224,602 |
| Other current assets (Note 9) | 15,257,955 | 1,231,915 |
| Total Current Assets | 875,813,901 | 784,950,536 |
| Noncurrent Assets | | |
| Receivables - net of current portion (Notes 5 and 23) | 2,353,600 | 2,104,813 |
| Investment in an associate (Note 10) | 214,295,000 | 214,295,000 |
| Investment in subsidiaries (Note 11) | 905,958,000 | 780,958,000 |
| Deposit on future stocks subscription (Note 11) | - | 125,000,000 |
| Investment property (Note 8) | 62,958,916 | 62,958,916 |
| Property and equipment (Note 12) | 1,554,137 | 3,102,879 |
| Deferred tax assets - net (Note 20) | 1,217,156 | 1,081,044 |
| Other noncurrent assets (Note 9) | 143,915 | 143,915 |
| Total Noncurrent Assets | 1,188,480,724 | 1,189,644,567 |
| Total Assets | ₱2,064,294,625 | ₱1,974,595,103 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Loans payable - current portion (Notes 14 and 23) | ₱23,202,720 | ₱23,096,792 |
| Accounts and other payables (Notes 13, 19 and 23) | 13,330,924 | 392,966,869 |
| Contract liabilities (Note 6) | 525,775 | 525,775 |
| Subscription payable (Notes 10, 11, 19 and 23) | 41,958,000 | 41,958,000 |
| Income tax payable | - | 2,610,434 |
| Total Current Liabilities | 79,017,419 | 461,157,870 |
| Noncurrent Liabilities | | |
| Loan payable - net of current portion (Notes 14 and 23) | 149,339,962 | 172,900,519 |
| Refundable deposits (Notes 13, 22 and 23) | 2,289,280 | 2,064,931 |
| Pension liability (Note 16) | 4,573,936 | 4,679,369 |
| Total Noncurrent Liabilities | 156,203,178 | 179,644,819 |
| Total Liabilities | 235,220,597 | 640,802,689 |
| Equity | | |
| Capital stock (Note 15) | 468,833,695 | 400,340,544 |
| Additional paid-in capital (Note 15) | 1,086,352,638 | 654,845,789 |
| Retained earnings (Note 15) | 274,255,989 | 279,092,432 |
| Net actuarial loss on remeasurement of defined benefit obligation - net of tax (Note 16) | (368,294) | (486,351) |
| Total Equity | 1,829,074,028 | 1,333,792,414 |
| Total Liabilities and Equity | ₱2,064,294,625 | ₱1,974,595,103 |

See accompanying Notes to Parent Company Financial Statements.



PRIMEX CORPORATION**PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

| | Years Ended December 31 | |
|---|-------------------------|-------------|
| | 2021 | 2020 |
| REVENUE AND INCOME | | |
| Sales (Note 24) | ₱29,622,054 | ₱7,366,878 |
| Interest income from real estate sale (Note 5) | 1,087,496 | 2,148,127 |
| Rental income (Notes 7, 8 and 22) | 14,329,421 | 14,878,667 |
| Dividend income (Notes 11 and 19) | 40,000,000 | — |
| Miscellaneous (Note 17) | 149,074 | 31,890,471 |
| | 85,188,045 | 56,284,143 |
| COSTS AND EXPENSES | | |
| Cost of real estate sales (Notes 7 and 24) | 2,999,825 | 1,007,927 |
| General and administrative expenses (Note 18) | 27,412,881 | 15,033,311 |
| Interest expense (Notes 13 and 14) | 8,790,691 | 10,910,244 |
| | 39,203,397 | 26,951,482 |
| INCOME BEFORE INCOME TAX | 45,984,648 | 29,332,661 |
| PROVISION FOR INCOME TAX (Note 20) | 941,529 | 8,804,412 |
| NET INCOME | 45,043,119 | 20,528,249 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | |
| <i>Items that will not be reclassified to profit or loss in subsequent years:</i> | | |
| Remeasurement loss on defined benefit obligation (Note 16) | 223,035 | (95,232) |
| Income tax effect (Note 20) | (104,978) | 28,570 |
| | 118,057 | (66,662) |
| TOTAL COMPREHENSIVE INCOME | ₱45,161,176 | ₱20,461,587 |
| Basic/Diluted Earnings Per Share (Note 21) | ₱0.0208 | ₱0.0118 |

See accompanying Notes to Parent Company Financial Statements.



PRIMEX CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

| | Capital Stock (Note 15) | Additional Paid-in Capital (Note 15) | Retained Earnings (Note 15) | Remeasurement gain on defined benefit pension plans (Note 16) | Total |
|---|----------------------------|--|--------------------------------|---|-----------------------|
| For the year ended December 31, 2021 | | | | | |
| At January 1, 2021 | ₱400,340,544 | ₱654,845,789 | ₱279,092,432 | (₱486,351) | ₱1,333,792,414 |
| Net income | – | – | 45,043,119 | – | 45,043,119 |
| Actuarial loss on defined benefit pension plan - net of tax (Note 16) | – | – | – | 118,057 | 118,057 |
| Total comprehensive income | – | – | 45,043,119 | 118,057 | 45,161,176 |
| Issuance of capital stock | 68,493,151 | 431,506,849 | – | – | 500,000,000 |
| Cash dividends | – | – | (49,879,562) | – | (49,879,562) |
| At December 31, 2021 | ₱468,833,695 | ₱1,086,352,638 | ₱274,255,989 | (₱368,294) | ₱1,829,074,028 |
| For the year ended December 31, 2020 | | | | | |
| At January 1, 2020 | ₱332,333,333 | ₱223,000,000 | ₱258,564,183 | (₱419,689) | ₱813,477,827 |
| Net income | – | – | 20,528,249 | – | 20,528,249 |
| Actuarial loss on defined benefit pension plan - net of tax (Note 16) | – | – | – | (66,662) | (66,662) |
| Total comprehensive income | – | – | 20,528,249 | (66,662) | 20,461,587 |
| Cash dividends declared (Note 15) | 68,007,211 | 431,845,789 | – | – | 499,853,000 |
| At December 31, 2020 | ₱400,340,544 | ₱654,845,789 | ₱279,092,432 | (₱486,351) | ₱1,333,792,414 |

See accompanying Notes to Parent Company Financial Statements.



PRIMEX CORPORATION**PARENT COMPANY STATEMENTS OF CASH FLOWS**

| | Years Ended December 31 | |
|---|-------------------------|---------------|
| | 2021 | 2020 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | ₱45,984,648 | ₱29,332,661 |
| Adjustments for: | | |
| Interest expense (Notes 13 and 14) | 8,790,165 | 10,910,244 |
| Depreciation (Notes 12 and 18) | 1,755,606 | 1,804,495 |
| Retirement expense (Notes 16 and 18) | 117,602 | 286,052 |
| Interest income (Notes 4 and 5) | (1,087,496) | 2,150,310 |
| Operating income before changes in working capital | 55,560,525 | 44,483,762 |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in: | | |
| Receivables | (4,574,305) | 4,557,101 |
| Real estate held for sale and development | (82,490,124) | (48,144,103) |
| Other assets | (14,026,040) | 2,481,590 |
| Decrease in accounts and other payables and contract liabilities | (379,364,189) | (61,804) |
| Net cash generated from (used for) operations | (424,894,133) | 3,316,546 |
| Interest received | 1,287,445 | (2,282,233) |
| Income taxes paid, including final and creditable withholding taxes | (3,793,053) | (5,784,556) |
| Net cash used in operating activities | (427,399,741) | (4,750,243) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions to: | | |
| Investment in an associate (Note 10) | – | (139,295,000) |
| Investment in subsidiaries (Note 11) | (125,000,000) | (200,000,000) |
| Deposit on future stock subscription (Note 11) | 125,000,000 | (125,000,000) |
| Property and equipment (Note 12) | (206,864) | (57,098) |
| Net cash used in investing activities | (206,864) | (464,352,098) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from: | | |
| Issuance of capital stock (Note 15) | 500,000,000 | 499,853,000 |
| Refundable deposit (Note 25) | 386,853 | 165,543 |
| Payments of: | | |
| Interest payable (Note 25) | (8,790,165) | (10,357,232) |
| Long-term loans (Note 25) | (23,888,889) | (17,916,667) |
| Cash dividends (Note 15) | (49,879,562) | – |
| Net cash provided by financing activities | 417,828,237 | 471,744,644 |
| NET INCREASE (DECREASE) IN CASH | (9,778,368) | 2,642,303 |
| CASH AT BEGINNING OF YEAR | 13,999,279 | 11,356,976 |
| CASH AT END OF YEAR (Note 4) | ₱4,220,911 | ₱13,999,279 |

See accompanying Notes to Parent Company Financial Statements.



PRIMEX CORPORATION

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Primex Corporation (the Parent Company) is domiciled and was incorporated in the Republic of the Philippines on July 17, 1986. The Parent Company is engaged in the real estate business to purchase, lease, or in any manner dispose of or deal with land and other real property and any interest therein. The Parent Company's shares of stock are listed and are currently traded at the Philippine Stock Exchange.

The registered office address of the Parent Company is at Ground Floor, Richbelt Terraces, 19 Annapolis Street, Greenhills, San Juan, Metro Manila, Philippines.

The Parent Company's financial statements were approved and authorized for issue by the Board of Directors (BOD) on May 13, 2022.

2. Summary of Significant Accounting Policies

Basis of Preparation

The financial statements have been prepared using the historical cost basis and are presented in Philippine Peso (₱), which is the Parent Company's functional currency. All amounts are rounded to the nearest Philippine Peso unit unless otherwise indicated.

Statement of Compliance

The financial statements of the Parent Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the following reporting reliefs issued and approved by the SEC under Memorandum Circular (MC) No. 34-2020 in response to the COVID-19 pandemic.

- a. Assessing if the transaction price includes a significant financing component as discussed in Philippine Interpretations Committee (PIC) Questions and Answers (Q&A) No. 2018-12-D
- b. Application of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*).

PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards (PAS) and Interpretations issued by the Philippine Interpretations Committee (PIC).

The Parent Company also prepares, and issues consolidated financial statements presented in compliance with PFRS. These may be obtained at the Parent Company's registered office address or from the Securities and Exchange Commission (SEC).

Adoption of New and Amended Accounting Standards and Interpretation

The accounting policies adopted in the preparation of the Parent Company's financial statements are consistent with those of the previous financial year except for the adoption of the following new accounting pronouncements which became effective January 1, 2021. Unless otherwise indicated, the Parent Company does not expect that the adoption of the said pronouncements will have a significant impact on its parent company financial statements.



- Amendments to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

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, 2022; 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 April 1, 2021. Early adoption is permitted.

This amendment is not applicable to the Parent Company as there are no rent concessions granted to the Parent Company as a lessee.

- Amendments to PFRS 9, PAS 39, 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 Parent Company shall also disclose information 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

This amendment had no impact on the financial statements of the Parent Company.

- Adoption of Philippine Interpretations Committee Question and Answers (PIC Q&As) 2018-12 on Accounting for Common Usage Service Area (CUSA)

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15, *Revenue from Contracts with Customers* affecting the real estate industry. This includes PIC Q&A No. 2018-12-H which discussed accounting for CUSA charges wherein it was concluded that real estate developers are generally acting as principal for CUSA. On October 25, 2018, the SEC decided to provide relief to the real estate industry by



deferring the application of the provisions of the PIC Q&A 2018-12-H for a period of three years or until December 31, 2020. The deferral will only be applicable for real estate transactions.

The adoption of PIC Q&A 2018-12-H has no impact on the parent company financial statements as the Parent Company does not charge CUSA to tenants.

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

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

On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach (approach 3) where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively from approval date of the Financial Reporting Standards Council which was November 11, 2020.

The adoption of this PIC Q&A as of January 1, 2021 did not impact the parent company financial statements. As the Parent Company has been reporting repossessed inventories as allowed under approach 3, there is no change in accounting upon adoption of the PIC Q&A.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Parent Company does not expect that the future adoption of the said pronouncements will have a significant impact on its parent company financial statements. The Parent Company 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.



- *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 Parent Company.

- *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 Parent Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs 2018-2020 Cycle*
 - *Amendments to PFRS 1, First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

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

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

- *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 Parent Company 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 Parent Company.

○ 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 applicable to the Parent Company.

Effective beginning on or after January 1, 2023

● Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023. The amendments are not expected to have a material impact on the Parent Company.

● Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Parent Company.

● Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and



- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Parent Company.

Effective beginning on or after January 1, 2024

- 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, 2024 and must be applied retrospectively. The Parent Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Effective beginning on or after January 1, 2025

- 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, 2025, with comparative figures required. Early application is permitted.

The new standard is not applicable since the Parent Company does not have activities that are predominantly connected with insurance or issue 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 Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Parent Company is currently assessing the impact of adopting these amendments.

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

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 08, 2019, the Philippine Securities and Exchange Commission (SEC) issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023. A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

| | Deferral Period |
|--|-------------------------|
| a. Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04) | Until December 31, 2023 |
| b. Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E | Until December 31, 2023 |

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 on the financial statements had the concerned application guidelines 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.



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

- PIC Q&A 2020-04, which provides additional guidance on determining whether the transaction price includes a significant financing component
- PIC Q&A 2020-02, which provides additional guidance on determining which uninstalled materials should not be included in calculating the POC
- a. After the deferral period, real estate companies have an accounting policy option of applying either the full retrospective approach or modified retrospective approach as provided under SEC MC 8-2021. The Parent Company availed of the SEC reliefs to defer the above specific provision of PIC Q&A No. 2018-12 on determining whether the transaction price includes significant financing component. Had this provision been adopted, the mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied retrospectively and would have resulted in restatement of prior year financial statements. Depending on the approach of adoption, the adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, contract assets, provision for deferred income tax, deferred tax asset or liability for all years presented (full retrospective approach), and the opening balance of retained earnings (full retrospective approach and modified retrospective approach). The Parent Company has yet to assess if the mismatch constitutes a significant financing component for its contracts to sell. The above would have impacted the cash flows from operations and cash flows from financing activities for all years presented in case of a full retrospective approach. The Parent Company has yet to decide on whether the adoption will be using a full retrospective or modified retrospective approach.
- b. The adoption of PIC Q&A 2018-12-E on the treatment of land in the determination of the POC is not applicable as the Parent Company's policy is already consistent with the PIC Q&A.
- Deferment on Implementation of *IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost)* for the 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 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 Philippine Accounting Standards (PAS) 23, *Borrowing Costs*, considering that these inventories are ready for their intended sale in their current condition.

The IFRIC Agenda Decision would change the Parent Company'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. 4-2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Further, on December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the Real Estate Industry until December 31, 2023.



Effective January 1, 2024, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC Agenda Decision.

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 Parent Company availed the relief under SEC MC No. 4-2020 to defer 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). The adoption of this IFRIC Agenda is not expected to have a material impact on the Parent Company.

Current versus Non-current Classification

The Parent Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

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

Cash

Cash includes cash on hand and in banks. Cash in banks are stated at nominal amount and earn interest at prevailing bank deposit rates.

Financial Instruments - initial recognition and subsequent measurement

Date of recognition

The Parent Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.



a. Financial assets

Initial recognition of financial instruments

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), 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 Parent Company's business model for managing them. The Parent Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables, are measured at the transaction price determined under PFRS 15. Refer to the accounting policies on *Revenue from contracts with customers*.

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 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Parent Company'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 Parent Company 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

As of December 31, 2021 and 2020, the Parent Company's financial assets consist of financial assets at amortized cost.

Financial assets at amortized cost

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are 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 Parent Company's financial assets at amortized cost includes cash and receivables.



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 Parent Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired
- Or
- The Parent Company 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 Parent Company has transferred substantially all the risks and rewards of the asset, or (b) the Parent Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Parent Company 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 Parent Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Parent Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Parent Company 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 Parent Company could be required to repay.

Impairment of Financial Assets

The Parent Company 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 Parent Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

For cash, the Parent Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Parent Company's policy to measure ECLs on such instruments on a 12-month basis.



However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Parent Company uses the ratings from Standard and Poor's (S&P) and Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

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

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

Determining the stage for impairment

At each reporting date, the Parent Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Parent Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

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

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

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 Parent Company's financial liabilities include accounts and other payables, loans payable, advances to affiliates and refundable deposits.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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



Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Parent Company 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 statement of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Parent Company 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 Parent Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

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

This category generally applies to accounts and other payables, loans payable and refundable deposits.

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 statement of comprehensive income.

c. Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the 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.

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 Parent Company.



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 Parent Company 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.

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the 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 financial statements on a recurring basis, the Parent Company 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.

The Parent Company's management determines the policies and procedures for recurring fair value measurement of financial assets.

At each reporting date, the Parent Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Parent Company's accounting policies. For this analysis, the Parent Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Parent Company, in conjunction with its external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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

Real Estate Held for Sale and Development

Real estate held for sale and development consists of property constructed for sale, subdivision land for sale and development and land and improvements. Land and improvements classified under "Real Estate Held for Sale and Development" are properties under development and are expected to be completed within one year.



Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as real estate held for sale and development and is valued at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs to complete and sell.

Cost includes the purchase price of land and costs incurred for the development and improvement of the properties such as amounts paid to contractors for construction, capitalized borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

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

The Parent Company currently recognizes land held for lease as a portion of real estate held for sale and development and is intended for sale. In cases when sale is made during the lease period, the Parent Company shall assume all obligations and will indemnify the lessee for damages suffered.

Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

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

The net amount of tax recoverable from, or payable to, the tax authority is included as part of other current assets or payables in the Parent Company's statement of financial position.

Investment Properties

Investment properties comprise land and improvements that are held to earn rentals and that are not occupied by the companies in the Parent Company.

The Parent Company uses the cost model in measuring investment properties since this represents the historical value of the properties subsequent to initial recognition. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in residual value. Land is carried at cost less any impairment in value.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

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



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

Investments in an Associate and Subsidiaries

The Parent Company's investments in its subsidiaries and an associate are accounted for under the cost method and are carried at cost less accumulated provisions for impairment losses, if any. A subsidiary is an entity over which the Parent Company has control. The Parent Company controls an entity when it is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. An associate is an entity in which the Parent Company has a significant influence and which is neither a subsidiary nor a joint venture.

The Parent Company recognizes income from the investment only to the extent that the Parent Company receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as recovery of investment and are recognized as a reduction of the cost of the investment.

The Parent Company reduces the carrying value of its investment based on average acquisition cost per share (historical cost) when the Parent Company disposes the investment or the investee reacquires its own equity instruments from the Parent Company.

Deposit on Future Stocks Subscription

Deposit on future stocks subscription represent the Parent Company's advance payments made for future acquisition of the shares of a company.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and impairment loss, if any. The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Parent Company and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation commences once the assets are available for use and is computed on a straight-line basis over the following estimated useful lives of the assets:

| | Years |
|--|--|
| Transportation equipment | 5 |
| Office furniture, fixtures and equipment | 10 |
| Leasehold improvements | 5 or term of the lease, whichever is shorter |

The asset's residual values, useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.



When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment loss are removed from the accounts, and any resulting gain or loss is credited to or charged against current operations.

Fully depreciated property and equipment are retained in the accounts while still in use although no further depreciation is credited or charged to current operations.

Impairment of Nonfinancial Assets

The Parent Company assesses at each reporting date whether there is an indication that any item of investment in an associate, property and equipment, investment properties and other noncurrent assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company makes a formal estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its 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 profit or loss unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal the depreciation charge 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.

Equity

Capital stock and additional paid-in capital

The Parent Company records capital stock at par value and additional paid-in capital for the excess of the total contributions received over the aggregate par values of the equity share. Incremental costs incurred which are directly attributable to the issuance of new shares are deducted from additional paid-in capital.

Retained earnings

Retained earnings represent accumulated earnings of the Parent Company less dividends declared, and any adjustments arising from application of new accounting standards, policies on corrections of errors applied retrospectively.



Other Comprehensive Income (OCI)

OCI includes items of income and expense that are not recognized in the profit or loss for the year in accordance with PFRS. The Parent Company's OCI pertains to remeasurement loss arising from defined benefit pension plan which cannot be recycled to profit or loss.

Revenue Recognition

Revenue from Contracts with Customers

The Parent Company primarily derives its real estate revenue from the sale of lots and house and lots. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Parent Company expects to be entitled in exchange for those goods or services. The Parent Company has generally concluded that it is acting as a principal in its revenue arrangements.

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

Real estate sales

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

In measuring the progress of its performance obligation over time, the Parent Company uses the input method. Input method recognizes 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 Parent Company uses the costs accumulated by the accounting department to determine the actual resources used. Input method exclude the effects of any inputs that do not depict the entity's performance in transferring control of goods or services to the customer.

Estimated development costs of the real estate project include costs of land, 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 collections over the total of recognized installment contract receivables is included in the "contract liabilities" account in the liabilities section of the statement of financial position.

Cost recognition

The Parent Company 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.



In addition, the Parent Company 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.

Contract Balances

Receivables

A receivable represents the Parent Company'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 liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Parent Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Parent Company 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 Parent Company performs under the contract.

The contract liabilities also include payments received by the Parent Company 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 Parent Company expects to recover them. The Parent Company 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 "Cost of real estate sales" account in the statement of comprehensive income.

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

Contract fulfillment assets

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

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

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



Amortization, de-recognition and impairment of contract fulfillment assets and capitalized costs to obtain a contract

The Parent Company amortizes contract fulfillment assets and 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 cost of sales.

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

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

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

Rental income

Rental income from noncancellable operating leases is recognized on a straight-line basis over the lease term. Rental income from cancellable operating leases is recognized based on terms of the lease contract.

Interest income

Interest is recognized as it accrues using the effective interest rate which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Miscellaneous income

Forfeiture of collections and penalties for late payments are recognized based on the contractual terms of the agreement.

General and Administrative Expenses

General and administrative expenses constitute costs of administering the business. These expenses are recognized as incurred and measured based on the amounts paid or payable.

Commission Expense

Commissions paid to sales or marketing agents on the sale of 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 under “Cost of real estate sales” in profit or loss.



Leases

The Parent Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Parent Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Parent Company 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 Parent Company 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 Parent Company and payments of penalties for terminating a lease, if the lease term reflects the Parent Company 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 Parent Company 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 Parent Company applies the short-term lease recognition exemption to its short-term leases of machinery and 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). 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.

Parent Company as a lessor

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. In determining significant risks and benefits of ownership, the Parent Company considers, among others, the significance of the lease term as compared with the EUL of the related asset. Rental income is recognized over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which use benefit is derived.

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 (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).

A lessor shall account for a modification to an operating lease 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. If a change in lease payments does not meet the



definition of a lease modification that change would generally be accounted for as a negative variable lease payment. In the case of an operating lease, a lessor recognizes the effect of the rent concession by recognizing lower income from leases.

Borrowing Costs

Borrowing costs incurred during the construction period on borrowings used to finance property development are capitalized as part of development costs (included in “Real estate held for sale and development” account in the statement of financial position). Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

Capitalized borrowing cost is based on applicable weighted average borrowing rate for those coming from general borrowings and the actual borrowing costs eligible for capitalization for funds borrowed specifically.

Pension Expense

The pension liability is the aggregate of the present value of the defined benefit obligation at the end of the reporting period. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning projected salaries.

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

Defined benefit costs comprise the following:

- Service cost
- Net interest on the defined benefit liability
- Remeasurements of defined benefit liability

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

Interest on the defined benefit liability is the change during the period in the defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the defined benefit liability. Interest on the defined benefit liability is recognized as expense in profit or loss.

Remeasurements comprising actuarial gains and losses are recognized immediately in the statements of financial position with a corresponding debit or credit through other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Taxes

Current income tax

Current 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 have been enacted or substantively enacted as at the reporting date.



Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits or unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax, however, is 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 income nor taxable income.

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

Deferred tax assets and liabilities are measured at the tax rate that is 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 as at the reporting date.

Deferred tax relating to items recognized outside of profit or loss is recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the period attributable to common stockholders by the weighted average number of common shares issued and outstanding during the period adjusted for any stock dividends issued. Diluted EPS is computed by dividing net income for the period attributable to common stockholders by the weighted average number of common shares issued and outstanding during the period after giving effect to assumed conversion of potential common shares. Basic and diluted EPS are adjusted to give retroactive effect to any stock dividends declared during the period.

Segment Reporting

The Parent Company's business is organized and managed according to nature of the products and services provided comprising of construction and real estate operations. Financial information on business segment is presented in Note 24.

Provisions

Provisions are recognized when the Parent Company has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Where the Parent Company expects a provision to be reimbursed,



the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period

Post year-end events up to the date the financial statements were authorized for issue that provide additional information about the Parent Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the parent company financial statements requires management to make judgments and estimates that affect the amounts reported in the financial statements and accompanying notes. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

Judgments

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

Revenue recognition

Existence of a contract

The Parent Company's primary document for a contract with a customer is a signed contract to sell. In cases wherein contract to sell are not signed by both parties, the combination of its other signed documentation such as reservation application, official receipts and buyer's computation sheets would contain all the criteria to qualify as contract with customers under PFRS 15. In addition, part of the assessment process of the Parent Company before revenue recognition is to assess the probability that the Parent Company will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history of the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.



Impairment testing of financial assets

Definition of default and credit-impaired financial assets

The Parent Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria – for sales contracts receivable, the customer receives a notice of cancellation and does not continue the payments.

Qualitative criteria

The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:

- a. The customer is experiencing financial difficulty or is insolvent
- b. The customer is in breach of financial covenant(s)
- c. An active market for that financial assets has disappeared because of financial difficulties
- d. Concessions have been granted by the Parent Company, for economic or contractual reasons relating to the customer's financial difficulty
- e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

The criteria above have been applied to the financial instruments held by the Parent Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Parent Company's expected loss calculation.

Incorporation of forward-looking information

The Parent Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Parent Company considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Parent Company's evaluation and assessment and after taking into consideration external actual and forecast information, the Parent Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios.

This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Parent Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Parent Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Parent Company has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Parent Company has also considered the impact of COVID-19 pandemic and it did not have significant impact on the identification of key drivers of credit risk and credit losses of each portfolio of financial instruments.



Distinction between real estate held for sale and development and investment properties

The Parent Company determines whether a property will be classified as real estate inventories or investment properties. In making this judgment, the Parent Company considers whether the property will be sold in the normal operating cycle (real estate held for sale and development). All other properties that are not yet determined to be sold in the normal operating cycle are classified as investment properties.

Impairment of nonfinancial assets

The Parent Company assesses impairment on its nonfinancial assets (i.e., investment in an associate, investment in subsidiaries and investment property) and considers the following important indicators:

- Significant changes in asset usage;
- Significant decline in assets' market value;
- Obsolescence or physical damage of an asset;
- Significant underperformance relative to expected historical or projected future operating results; and,
- Significant negative industry or economic trends.

If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Parent Company is required to make estimates and assumptions that may affect the carrying amount of the assets. The COVID-19 outbreak has no significant impact on the impairment assessment of nonfinancial assets of the Parent Company.

As of December 31, 2021, and 2020, carrying values follow:

| | 2021 | 2020 |
|--------------------------------------|---------------------|--------------|
| Investment in an associate (Note 10) | ₱214,295,000 | ₱214,295,000 |
| Investment in subsidiaries (Note 11) | 905,958,000 | 780,958,000 |
| Investment property (Note 8) | 62,958,916 | 62,958,916 |

Assessment on whether lease concessions granted constitute a lease modification

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Parent Company waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions.

The Parent Company applies judgment when assessing whether the rent concessions granted is considered a lease modification under PFRS 16.

In making this judgment, the Parent Company determines whether the rent concessions granted has changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease, including consideration of general and special laws in the Philippines which may apply. The Parent Company assessed that the lease concessions it granted to lessees do not qualify as lease modifications since the terms and conditions under the corresponding lease contracts have not been modified by the waiver and therefore, is not a lease modification under PFRS 16.



The impact of lease concessions accounted as not lease modification granted by the Parent Company decreased total rental income in 2021 and 2020 by ₱1.26 million and ₱1.48 million, respectively (see Note 22).

Management's Use of Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed as follows:

Provision for expected credit losses of trade receivables

The Parent Company uses vintage analysis approach to calculate ECLs for installment contracts receivables. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

The assessment of the correlation between historical observed default rates, forecasted economic conditions (inflation and interest rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecasted economic conditions. The Parent Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Parent Company has considered the impact of COVID-19 pandemic in determining the macroeconomic variables and loss rates in the computation of ECL. The changes in the gross carrying amount of receivables from sale of real estate during the year and impact of COVID-19 pandemic did not affect the allowance for ECLs.

The information about the ECLs on the Parent Company's receivables is disclosed in Note 5. As of December 31, 2021, and 2020, the carrying value of receivables amounted to ₱29.97 million and ₱25.60 million, respectively (see Note 5).

Evaluation of NRV of real estate held for sale and development

The Parent Company reviews the NRV of real estate inventories, which are recorded under "Real estate held for sale and development" in the statement of financial position, and compares it with the cost, since assets should not be carried in excess of amounts expected to be realized from sale. Real estate held for sale and development are written down below cost when the estimated NRV is found to be lower than the cost.

NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Parent Company in light of recent market transactions and having taken suitable external advice. NRV in respect of inventory under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction. In line with the impact of COVID-19, the Company experienced limited selling activities in 2021 and 2020. In evaluating NRV, recent market conditions and current market prices have been considered.

The Parent Company estimates that the NRV of real estate held for sale and development is greater than its cost. The carrying value of real estate held for sale and development amounted to ₱828.71 million and ₱746.22 million as of December 31, 2021 and 2020, respectively (see Note 7).



Recognition of deferred tax assets

The Parent Company reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Parent Company will generate sufficient taxable profit to allow all or part of deferred tax assets to be utilized. The Parent Company looks at its projected performance in assessing the sufficiency of future taxable income on which deferred tax assets can be applied. The Parent Company recognized deferred tax assets amounting to ₱1.61 million and ₱1.75 million as of December 31, 2021 and 2020, respectively (see Note 20).

Estimating pension cost and obligation

The determination of the Parent Company's obligation and cost for pension is dependent on selection of certain assumptions used by actuaries in calculating such amounts.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The salary increase rate was assumed taking into consideration the prevailing inflation rate and Parent Company policy. The turnover rate was assumed based on the result of the most recent experience study of margins for fluctuations.

Those assumptions are described in Note 16. While the Parent Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect pension obligation. The carrying value of pension liability amounted to ₱4.57 million and ₱4.68 million as of December 31, 2021 and 2020, respectively (see Note 16).

4. Cash

This account consists of the following:

| | 2021 | 2020 |
|--------------|-------------------|-------------|
| Cash on hand | ₱20,000 | ₱20,000 |
| Cash in bank | 4,200,911 | 13,979,279 |
| | ₱4,220,911 | ₱13,999,279 |

Cash in bank earns interest at the respective bank deposit rate of 0.125% to 0.25% in 2021 and 2020.

Interest income derived from cash in banks amounted to ₱526 and ₱2,183 for the years ended December 31, 2021 and 2020, respectively (see Note 17).



5. Receivables

This account consists of:

| | 2021 | 2020 |
|--|--------------------|-------------|
| Installment contracts receivable | ₱5,381,466 | ₱16,018,327 |
| Advances to Homeowners' Associations | 4,400,000 | 4,400,000 |
| Advances to an affiliate (Note 19) | 18,867,570 | 2,567,570 |
| Accrued rent receivable (Note 22) | 449,797 | 1,538,631 |
| Others | 1,500,808 | 1,700,757 |
| | 30,599,641 | 26,225,285 |
| Less: allowance for expected credit loss | 625,732 | 625,732 |
| | 29,973,909 | 25,599,553 |
| Less: noncurrent portion | 2,353,600 | 2,104,813 |
| | ₱27,620,309 | ₱23,494,740 |

Installment contracts receivable are collectible in equal monthly principal installments with various terms up to a maximum of ten (10) years and are secured by the related property sold from real estate held for sale. The receivables bear fixed interest rates ranging from 8.00% to 16.00% per annum computed on the diminishing balance of the principal.

The Parent Company recognized interest income pertaining to its receivables amounting to ₱1.09 million and ₱2.15 million in 2021 and 2020, respectively.

Advances to Homeowners' Association pertain to receivables from Goldendale and The Richdale Village Homeowners' Association to fund its daily expenses. These are unsecured and have no fixed terms in relation to these advances.

Accrued rent receivable pertains to the lease receivable from the rent of the Parent Company's properties and from tenants in Richbelt Terraces.

6. Contract Balances

Contract Liabilities

Contract liabilities consist of collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition and excess of collections over the recognized receivables based on percentage of completion.

Contract liabilities as of December 31, 2021 and 2020 amounted to ₱0.53 million. There is no revenue recognized from the amounts included in contract liabilities as of December 31, 2021 and 2020.

Performance Obligation

Information about the Parent Company's performance obligations are summarized below:

Real estate sales

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



The sale of real estate unit may cover either the (a) lot; and (b) house and lot and the Parent Company concluded that there is one performance obligation in each of these contracts. The Parent Company recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the purchase application form and the consideration is payable in cash or under various financing schemes of up to maximum of 5 years. The financing scheme would include down payment of 20% to 30% of the contract price spread over a certain period (e.g., one to two years) at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from three (3) to five (5) 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.

The performance obligation is satisfied upon delivery of the completed real estate unit. The Parent Company provides one-year warranty to repair minor defects on the delivered house and lot. This is assessed by the Parent Company as a quality assurance warranty and not treated as a separate performance obligation.

7. Real Estate Held for Sale and Development

This account consists of:

| | 2021 | 2020 |
|--|---------------------|---------------------|
| At cost: | | |
| Subdivision land held for sale and development | ₱142,726,209 | ₱145,219,758 |
| Land and improvements | 685,988,517 | 601,004,844 |
| | ₱828,714,726 | ₱746,224,602 |

Subdivision land for sale and development includes properties that are undergoing and have undergone development and are being sold in the normal operating cycle.

Land and improvements pertain to properties held for future development.

The movements in the real estate held for sale and development as of December 31 follow:

2021

| | Subdivision land held for sale and development | Land and improvements | Total |
|---|--|--------------------------|---------------------|
| Balance at beginning of year | ₱145,219,758 | ₱601,004,844 | ₱746,224,602 |
| Development costs incurred | 506,276 | 84,983,673 | 85,489,949 |
| Disposal recognized as cost of sales (Note 24) | (2,999,825) | — | (2,999,825) |
| Balance at end of year | ₱142,726,209 | ₱685,988,517 | ₱828,714,726 |



2020

| | Subdivision land held for sale and development | Land and improvements | Total |
|---|--|--------------------------|--------------|
| Balance at beginning of year | ₱146,015,911 | ₱346,526,469 | ₱492,542,380 |
| Development costs incurred | 211,774 | 254,478,375 | 254,690,149 |
| Disposal recognized as cost of sales (Note 24) | (1,007,927) | – | (1,007,927) |
| Balance at end of year | ₱145,219,758 | ₱601,004,844 | ₱746,224,602 |

In 2020, the construction materials, parts and supplies under other current assets account were used for land development on one of the Parent Company's projects under land and improvements amounting to ₱205.24 million.

The Parent Company has lease agreements with third parties covering its parcels of land under real estate held for sale and development and transactions with an affiliate in which the latter allowed the Parent to temporarily lease out the properties it owns, collect property rentals and assume all expenses and liabilities with regard to the undertaking at no cost to the Parent Company. Rental income earned from this transaction amounted to ₱12.13 million and ₱12.40 million in 2021 and 2020, respectively.

8. Investment Property

Investment property consist of commercial land property in Annapolis that is being leased out. As of December 31, 2021, and 2020, investment property amounted to ₱62.96 million.

Total rental income arising from the investment property amounted to ₱2.19 million and ₱2.48 million in 2021 and 2020, respectively. The fair value of investment property amounted to ₱136.49 million as at December 31, 2021 and 2020. The fair value of investment property has been internally determined by reference to other similar transaction in the market. 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 value of the investment property was arrived at using the Market Data Approach. In this approach, the value of the investment properties is based on sales and listings of comparable property registered in the vicinity which is classified under Level 3 hierarchy. The Parent Company has no restrictions on the realizability of its investment properties.

9. Other Assets

Other current assets

This account consists of:

| | 2021 | 2020 |
|----------------------------|-------------|------------|
| Input VAT | ₱10,342,331 | ₱32,669 |
| Prepayments | 2,429,400 | 864,797 |
| Creditable withholding tax | 2,161,775 | – |
| Advances to employees | 324,449 | 334,449 |
| | ₱15,257,955 | ₱1,231,915 |



Input VAT represents taxes imposed on the Parent Company for the acquisition of lots, purchase of goods from its suppliers and availment of services from its contractors, as required by Philippine taxation laws and regulations. This will be used against future output VAT liabilities or will be claimed as tax credits.

Prepayments consist of advance payments made for insurance, taxes, and licenses.

Creditable withholding taxes are available for offset against income tax payable in future periods.

Advances to employees represent advances for operational purposes and are collected through salary deduction.

Other noncurrent assets

This account consists of:

| | 2021 | 2020 |
|----------|-----------------|----------|
| Deposits | ₱140,575 | ₱140,575 |
| Others | 3,340 | 3,340 |
| | ₱143,915 | ₱143,915 |

Deposits consist of guarantee deposits and amounts paid to utility providers for service application.

10. Investment in an Associate

On February 1, 2019, the Parent Company acquired 42.86% ownership interest in Primex Development Corporation (PDC) through subscription of 375,000,000 shares for a total consideration of ₱75.00 million.

On November 6, 2020, the Parent Company acquired additional subscription of 696,475,000 shares for a total consideration of ₱139.30 million while retaining the 42.86% ownership of the affiliate company as the individual shareholders of PDC decided to proportionally subscribe to the unissued shares of the authorized capital stock.

PDC is a corporation duly organized and existing under laws of the Republic of the Philippines. It is primarily engaged and carry on the business of real estate leasing and selling.

Subscription payable to PDC amounted to ₱41.96 million as of December 31, 2021 and 2020



Below is the summarized financial information of PDC:

| | 2021 | 2020 |
|-------------------------------|-----------------------|--------------|
| Assets | | |
| Current assets | ₱33,179,434 | ₱18,858,015 |
| Noncurrent assets | 1,490,312,739 | 848,589,709 |
| | 1,523,492,173 | ₱867,447,724 |
| Liabilities and Equity | | |
| Current liabilities | ₱990,706,773 | ₱367,459,390 |
| Equity | 532,785,400 | 499,988,334 |
| | ₱1,523,492,173 | ₱867,447,724 |
| Net income | ₱32,797,066 | ₱- |

11. Investments in Subsidiaries

The following are the details of the Parent Company's investments in subsidiaries accounted for under cost method of accounting and the related percentage of ownership:

| | Nature of Business | Percentage of ownership | | Acquisition Costs | |
|----------------------------|--------------------|-------------------------|------|---------------------|--------------|
| | | 2021 | 2020 | 2021 | 2020 |
| Primex Realty Corporation | Real estate | 100% | 100% | ₱864,000,000 | ₱739,000,000 |
| Primex Housing Dev't Corp. | Real estate | 100% | 100% | 41,958,000 | 41,958,000 |
| | | | | ₱905,958,000 | ₱780,958,000 |

On August 24, 2020, the Parent Company's BOD approved the purchase of 1,000,000,000 shares, the remaining unissued authorized capital stock of PRC, with a par value of ₱0.20 per share.

On March 13, 2020 and September 10, 2020, the Parent Company invested cash for future stock subscription of PRC's increase in authorized capital stock amounting to ₱55.00 million and ₱70.00 million. In December 2020, PRC's application for the approval of the proposed increase in authorized capital stock has been filed with the SEC. On March 2, 2021, the SEC approved the increase in authorized capital stock of PRC. The deposit was recorded under noncurrent asset section of the statement of financial position as of December 31, 2020 and subsequently transferred to investment in subsidiary as of December 31, 2021.

Both subsidiaries are domiciled in the Philippines.

Subscription payable amounted to ₱41.96 million as of December 31, 2021 and 2020 (see Note 19). In 2021, the Parent Company received dividend income from PRC amounting to ₱40.00 million (nil in 2020).



12. Property and Equipment

The composition of and movements in this account follows:

| | 2021 | | Total |
|---------------------------------|-----------------------------|--|-------------------|
| | Transportation Equipment | Office Furniture, Fixtures and Equipment | |
| Cost | | | |
| At beginning of year | ₱20,381,448 | ₱15,509,899 | ₱35,891,347 |
| Additions | 60,223 | 146,641 | 206,864 |
| At end of year | 20,441,671 | 15,656,540 | 36,098,211 |
| Accumulated Depreciation | | | |
| At beginning of year | 19,315,850 | 13,472,618 | 32,788,468 |
| Depreciation (Note 18) | 1,090,849 | 664,757 | 1,755,606 |
| At end of year | 20,406,699 | 14,137,375 | 34,544,074 |
| Net Book Value | ₱34,972 | ₱1,519,165 | ₱1,554,137 |
| | | | |
| | 2020 | | |
| | Transportation Equipment | Office Furniture, Fixtures and Equipment | Total |
| Cost | | | |
| At beginning of year | ₱20,336,805 | ₱15,497,444 | ₱35,834,249 |
| Additions | 44,643 | 12,455 | 57,098 |
| At end of year | 20,381,448 | 15,509,899 | 35,891,347 |
| Accumulated Depreciation | | | |
| At beginning of year | 18,179,657 | 12,804,316 | 30,983,973 |
| Depreciation (Note 18) | 1,136,193 | 668,302 | 1,804,495 |
| At end of year | 19,315,850 | 13,472,618 | 32,788,468 |
| Net Book Value | ₱1,065,598 | ₱2,037,281 | ₱3,102,879 |

Depreciation expense charged to operations amounted to ₱1.80 million in 2021 and 2020 (see Note 18). The Parent Company has no restrictions on its property and equipment and none of these have been pledged as security for its obligations.

13. Accounts and Other Payables

This account consists of:

| | 2021 | 2020 |
|---|--------------------|---------------------|
| Refundable deposits | ₱4,991,845 | ₱4,757,037 |
| Accrued expenses | 1,581,629 | 1,473,397 |
| Advance rent (Note 22) | 1,165,031 | 1,235,795 |
| Trade payable (Note 19) | 55,646 | 217,487,562 |
| Advances from related parties (Note 19) | - | 167,382,557 |
| Others | 5,536,773 | 630,521 |
| | ₱13,330,924 | ₱392,966,869 |

Refundable deposits pertain to the sum of money that the lessee agrees to pay upon signing of lease contract which will be refunded at the end of the lease term.



As of December 31, 2021, and 2020, the refundable deposits amounting to ₱4.99 million and ₱4.76 million, respectively, are recorded at fair value, which approximates its carrying amount due to the relatively short-term nature of these transactions.

Noncurrent refundable deposits are initially recorded at fair value, which is obtained by discounting its future cash flows using the applicable rates for similar type of instruments. As of December 31, 2021 and 2020, the present value of the refundable deposits amounted to ₱2.29 million and ₱2.06 million, respectively. Interest expense arising from the accretion of these deposits amounted to ₱0.07 million and ₱0.12 million in 2021 and 2020, respectively.

Accrued expenses and other liabilities include accruals of operating expenses and are normally settled on 15- to 60-day terms.

Advance rent pertains to payments from the lessees for the rental of the Parent Company's properties to be applied in the next period.

Trade payable are amounts due to suppliers and contractors on development costs incurred on its real estate under development. The accounts payable are noninterest bearing and are generally settled on 30- to 60-day term.

Advances from related parties pertains to advances which are non-interest bearing and due and payable upon demand.

Others consist of amounts owed to the government for statutory payments such as Social Security System and Pag-ibig contributions and withholding taxes. These are remitted on a monthly or a quarterly basis.

14. Loans Payable

The composition of this account follows:

| | 2021 | 2020 |
|--|---------------------|--------------|
| Balance at beginning of year | ₱197,083,333 | ₱215,000,000 |
| Payments | (23,888,889) | (17,916,667) |
| Balance at end of year | 173,194,444 | 197,083,333 |
| Unamortized transaction costs | (651,762) | (1,086,022) |
| Carrying amount | 172,542,682 | 195,997,311 |
| Less: Current portion of long-term loans | 23,202,720 | 23,096,792 |
| | ₱149,339,962 | ₱172,900,519 |

The Parent Company entered into loan agreements with local commercial banks as follows:

- a. On March 4, 2019, the Parent Company obtained long-term loan facility from a local bank amounting to ₱95.00 million with fixed interest rate of 6.25% and a term of five years to be used for permanent working capital requirements. The principal amount is payable in 47 equal monthly installments of ₱0.90 million commencing on April 3, 2020 and with a single payment on the remaining loan balance at end of the term. Total principal payments amounted to ₱13.33 million and ₱10.00 million in 2021 and 2020, respectively.



Interest expense incurred amounted to ₱5.24 million and ₱4.50 million in 2021 and 2020, respectively.

- b. On December 11, 2019, the Parent Company entered into a four-year long-term loan agreement with a local bank amounting to ₱120.00 million for permanent working capital requirements. The loan is subject to an interest rate of 5.50% with principal amount payable in 47 equal monthly installments of ₱1.11 million commencing on April 3, 2020 and with a single payment on the remaining loan balance at end of the term. Total principal payments amounted to ₱10.56 million and ₱7.92 million in 2021 and 2020, respectively.

Interest expense incurred amounted to ₱5.89 million and ₱5.57 million in 2021 and 2020, respectively.

Amortization of transaction cost amounted to ₱0.38 million and ₱0.42 million in 2021 and 2020, respectively.

15. Equity

Paid-in Capital

Details of the Parent Company's paid-in capital as of December 31, 2021 and 2020 follow:

| | 2021 | 2020 |
|-------------------------------|---------------|---------------|
| Authorized shares | 4,500,000,000 | 4,500,000,000 |
| Par value per share | ₱0.20 | ₱0.20 |
| Issued and outstanding shares | 2,344,168,472 | 2,001,702,719 |
| Capital stock | ₱468,833,695 | ₱400,340,544 |

Rollforward analysis of the Company's capital stock is as follows:

| | 2021 | | 2020 | |
|--------------------------------------|---------------|--------------|---------------|--------------|
| | Shares | Amount | Shares | Amount |
| Issued and subscribed capital stock | | | | |
| At beginning of year | 2,001,702,719 | ₱400,340,544 | 1,661,666,665 | ₱332,333,333 |
| Issuances | 342,465,753 | 68,493,151 | 340,036,054 | 68,007,211 |
| Issued and outstanding capital stock | 2,344,168,472 | ₱468,833,695 | 2,001,702,719 | ₱400,340,544 |

On August 10, 2001, the Parent Company launched its Initial Public Offering where a total of 200,000,000 common shares were offered at an offering price of ₱2.20 per share. The registration statement was approved on July 17, 2001 by SEC.

On February 5, 2013, an agreement was entered for an additional subscription of 17,000,000 shares of the Parent Company's common stock for a share price of ₱3.50 per share with the excess in par value amounting to ₱42.50 million recognized as additional paid-in capital. The Parent Company's subscription receivable amounting to ₱2.00 million was collected during 2014.

On November 24, 2015, the Parent Company's BOD approved the change in par value of the Parent Company's common shares from ₱1.00 per share to ₱0.20 per share. Following the approval, on November 25, 2015, the Parent Company's BOD approved the amendment of the Articles of Incorporation to reflect the change in par value of the authorized capital stock.



Subsequently, on a special stockholders' meeting held on January 29, 2016, the Parent Company secured the approval of the stockholders on the change in par value of capital stock from ₱1.00 per share to ₱0.20 per share and the amendment of the Articles of Incorporation. The SEC approved the change in par value of the Parent Company's capital stock on August 3, 2016.

On February 21, 2017, a subscription agreement was entered into by the Parent Company and third party corporations and an individual for an additional subscription of 45,000,000 shares of the Parent Company's common stock for a share price of ₱4.00 per share with the excess in par value amounting to ₱171.00 million recognized as additional paid-in capital.

On August 28, 2020, a subscription agreement was entered into by the Parent Company and PDC for an additional subscription of 220,036,054 shares of the Parent Company's common stock for a share price of ₱1.47 per share with the excess in par value amounting to ₱279.45 million recognized as additional paid-in capital.

On November 6, 2020, a subscription agreement was entered into by the Parent Company and a third party for an additional subscription of 120,000,000 shares of the Parent Company's common stock for a share price of ₱1.47 per share with the excess in par value amounting to ₱152.40 million recognized as additional paid-in capital.

On February 11, 2021, a subscription agreement was entered into by the Parent Company and a third party for an additional subscription of 342,465,753 shares of the Parent Company's common stock for a share price of ₱1.46 per share with the excess in par value amounting to ₱431.51 million recognized as additional paid-in capital. The subscribed shares were fully paid.

The Parent Company has 16 stockholders as of December 31, 2021 and 2020.

On June 28, 2019, the Parent Company's BOD approved the declaration of cash dividends amounting to ₱43.20 million with a date of record and payment of June 18, 2019 and August 12, 2019, respectively.

On May 3, 2021, the Parent Company's BOD approved the declaration of cash dividends amounting to ₱40.03 million with a date of record and payment of May 18, 2021 and June 10, 2021, respectively.

On November 17, 2021, the Parent Company's BOD approved the declaration of cash dividends amounting to ₱9.85 million with a date of record and payment of December 2, 2021 and December 27, 2021, respectively.

Capital management

The primary objectives of the Parent Company's capital management policies are to afford the financial flexibility to support its business initiatives and to maximize stakeholders' value.

The Parent Company will manage its capital structure and make adjustments to it, in light of changes in economic condition.

The Parent Company's source of capital is its total equity amounting to ₱1,829.07 million and ₱1,333.79 million as of December 31, 2021 and 2020, respectively.

There were no changes made in the Parent Company's capital management objectives, policies or processes during the years ended December 31, 2021 and 2020. The Parent Company is not subject to externally imposed capital requirements.



16. Retirement Plan

The Parent Company has an unfunded, noncontributory defined benefit type of retirement plan covering substantially all of its employees. The benefits are based on the employees' years of service. The latest actuarial valuation report is as of December 31, 2021.

Republic Act 7641, *The New 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 employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The Parent Company's retirement plan meets the minimum retirement benefit specified by the law.

The components of retirement expense included under operating expenses in the parent company statements of comprehensive income follow:

| | 2021 | 2020 |
|---|-----------------|-----------------|
| Current service cost | ₱100,348 | ₱75,016 |
| Interest cost | 172,669 | 211,036 |
| Total retirement expense (Note 18) | ₱273,017 | ₱286,052 |

The amounts recognized in the Parent Company's statements of financial position for the pension liability represents the present value of defined benefit obligation as of reporting date.

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

| | 2021 | 2020 |
|---------------------------------------|-------------------|-------------------|
| Balance at beginning of year | ₱4,679,369 | ₱4,298,085 |
| Current service cost | 100,348 | 75,016 |
| Interest cost | 172,669 | 211,036 |
| Benefits paid (other than settlement) | (155,415) | - |
| Actuarial loss (gain) arising from: | | |
| Changes in financial assumptions | (85,542) | 99,589 |
| Experience adjustments | (137,493) | (4,357) |
| Balance at end of year | ₱4,573,936 | ₱4,679,369 |

The principal assumptions used to determine retirement benefits for the Parent Company for the years ended December 31 are as follows:

| | 2021 | 2020 |
|----------------------|--------------|-------|
| Discount rate | 4.67% | 3.69% |
| Salary increase rate | 5.00% | 5.00% |

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation (DBO) as of December 31, 2021 and 2020 assuming all other assumptions were held constant:

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.



| | Increase (Decrease) | Effect on DBO | |
|-------------------------|------------------------|------------------|-----------|
| | | 2021 | 2020 |
| Discount rate | 1.00% | (₱70,322) | (₱83,272) |
| | (1.00%) | 120,437 | 147,859 |
| Rate of salary increase | 1.00% | 115,894 | 130,477 |
| | (1.00%) | (72,518) | (81,047) |

The maturity analysis of the undiscounted benefit payments as of December 31 follows:

| | 2021 | 2020 |
|-----------------------------|-------------------|------------|
| More than 1 year to 5 years | ₱4,666,295 | ₱4,855,325 |
| More than 10 years | 5,335,756 | 5,595,196 |

The average duration of the expected benefit payments at the end of the reporting period of 17 years.

17. Miscellaneous income

This account consists of:

| | 2021 | 2020 |
|-------------------------------------|-----------------|-------------|
| Consultation income (Note 19) | ₱— | ₱31,250,000 |
| Interest income from banks (Note 4) | 526 | 2,183 |
| Others | 148,548 | 638,288 |
| | ₱149,074 | ₱31,890,471 |

Consultation income pertains to the consultation service rendered by the Parent Company to one of its subsidiaries, PRC.

Others pertain to income penalties earned from late payments of buyers for the scheduled installment contracts receivable payments as well as income derived from deposits resulting to forfeitures of potential real estate sales.

18. General and Administrative Expenses

This account consists of:

| | 2021 | 2020 |
|--|--------------------|------------|
| Taxes and licenses | ₱13,878,972 | ₱4,453,039 |
| Salaries, wages and employee benefits | 4,617,244 | 4,141,496 |
| Security, messengerial and janitorial services | 2,135,296 | 2,124,543 |
| Depreciation (Note 12) | 1,755,606 | 1,804,495 |
| Brokers fee | 1,248,609 | — |
| Gas and oil | 584,505 | 269,771 |
| Professional fees | 542,198 | 1,240,011 |
| Repairs and maintenance | 366,259 | 89,272 |

(Forward)



| | 2021 | 2020 |
|---|--------------------|--------------------|
| Entertainment, amusement and recreation | ₱331,234 | ₱- |
| Retirement (Note 16) | 273,017 | 286,052 |
| Light, water and dues | 156,274 | 190,607 |
| Communication and transportation | 151,439 | 51,154 |
| Insurance | 43,870 | 22,891 |
| Miscellaneous | 1,328,358 | 359,980 |
| | ₱27,412,881 | ₱15,033,311 |

Miscellaneous pertains to expenses incurred for office supplies, uniforms of employees and out-of-pockets expenses.

19. Related Party Transactions

The Parent Company, in the normal course of business, has transactions within related parties. Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control. Related parties may be individuals or corporate entities.

The summary of transactions with related parties as of and for the years ended December 31, 2021 and 2020 are as follow:

| Category | 2021 | | Terms and Conditions |
|--------------------------------|-------------------|----------------------|--|
| | Amount/ Volume | Receivable (Payable) | |
| <u>Subsidiary</u> | | | |
| Advances to (Note 5) | ₱16,300,000 | ₱18,867,570 | Payable within 1 year; non-interest bearing; unsecured; not impaired |
| Advances from (Note 13) | 80,000,000 | - | Payable within 1 year; non-interest bearing; unsecured |
| Subscription payable (Note 11) | - | (41,958,000) | Payable on demand; non-interest bearing; unsecured |
| <u>Stockholders</u> | | | |
| Advances from (Note 13) | 87,382,557 | - | Payable within 1 year; non-interest bearing; unsecured |
| Accounts payable (Note 13) | - | (56,250,000) | Payable within 1 year; non-interest bearing; unsecured |
| 2020 | | | |
| Category | Amount/ Volume | Receivable (Payable) | Terms and Conditions |
| <u>Associate</u> | | | |
| Subscription payable (Note 10) | ₱56,250,000 | ₱- | Payable within 1 year; non-interest bearing; unsecured |
| <u>Subsidiary</u> | | | |
| Consultation income (Note 17) | 31,250,000 | - | Payable within 1 year; non-interest bearing; unsecured |
| Advances to (Note 5) | - | 2,567,570 | Payable within 1 year; non-interest bearing; unsecured; not impaired |
| Advances from (Note 13) | - | (80,000,000) | Payable within 1 year; non-interest bearing; unsecured |
| Subscription payable (Note 11) | - | (41,958,000) | Payable on demand; non-interest bearing; unsecured |
| <u>Stockholders</u> | | | |
| Advances from (Note 13) | (3,232,557) | (87,382,557) | Payable within 1 year; non-interest bearing; unsecured |
| Accounts payable (Note 13) | (56,250,000) | (56,250,000) | Payable within 1 year; non-interest bearing; unsecured |



Terms and conditions of transactions with related parties

There have been no guarantees provided or received for any related party receivables or payables. These accounts are noninterest-bearing and are generally unsecured. Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash.

There are no agreements between the Parent Company and any of its directors and key officers on providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Parent Company's retirement plan.

Compensation of Key Management Personnel

Salaries and other short-term employee and post-employment benefits of the Parent Company's key management personnel amounted to ₱2.28 million and ₱2.50 million for the years ended December 31, 2021 and 2020, respectively.

20. Income Taxes

Provision for income tax consists of:

| | 2021 | 2020 |
|----------------|-----------------|-------------------|
| Current - RCIT | ₱1,182,514 | ₱8,394,553 |
| Deferred | (241,090) | 409,422 |
| Final | 105 | 437 |
| | ₱941,529 | ₱8,804,412 |

The components of net deferred tax assets follow:

| | 2021 | 2020 |
|---|-------------------|-------------------|
| Presented in profit or loss | | |
| <i>Deferred tax assets on:</i> | | |
| Pension liability | ₱953,148 | ₱1,108,498 |
| Amortization on loans payable | 42,161 | 157,944 |
| Allowance for expected credit loss | 156,432 | 187,719 |
| Unearned rent | 272,209 | - |
| | 1,423,950 | 1,454,161 |
| <i>Deferred tax liabilities on:</i> | | |
| Lease income differential between straight-line and accrual method of accounting for leases | (315,688) | (378,826) |
| Amortization of transaction cost | (65,714) | (78,857) |
| Accretion of interest on receivables | (15,727) | (210,746) |
| | (397,129) | (668,429) |
| | 1,026,821 | 785,732 |
| Presented in OCI | | |
| <i>Deferred tax asset on:</i> | | |
| Remeasurement gain on defined benefit obligation | 190,335 | 295,312 |
| | ₱1,217,156 | ₱1,081,044 |



A reconciliation of the statutory income tax to the effective income tax follows:

| | 2021 | 2020 |
|--|-----------------|-------------------|
| Statutory income tax | ₱11,496,162 | ₱8,799,798 |
| Movement in unrecognized deferred tax assets | (3,477) | 4,615 |
| Nondeductible expenses | 17,461 | 217 |
| Interest income subject to final tax | (26) | (218) |
| Nontaxable income | (10,000,000) | - |
| Impact of CREATE - current | (699,546) | - |
| Impact of CREATE - deferred | 130,955 | - |
| Effective income tax | ₱941,529 | ₱8,804,412 |

As of December 31, 2021 and 2020, the Parent Company did not recognize DTA related on the accretion of interest expense on security deposit amounting to ₱1,540 and ₱15,446, respectively.

Corporate Recovery and Tax Incentive for Enterprise (CREATE) Act

In March 2021, the “Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act” which seeks to reduce the corporate income tax rate and rationalize the current fiscal incentives by making them time-bound, targeted and performance-based has been enacted as a law and is set to take effect 15 days after its complete publication on April 11, 2021.

The key changes of the CREATE law are as follows:

- Effective July 1, 2020, RCIT rate is decreased from 30% to 20% for corporations with total assets of 100.00 million or below and taxable income of 5.0 million and below. All other corporations not meeting the criteria will be subject to lowered RCIT rate of 25% from 30%;
- Effective July 1, 2020 and for a period of 3 years, MCIT rate will lowered from 2% to 1% of gross income; and
- Improperly accumulated earnings tax of 10% will be repealed.

For the years ended December 31, 2021 and 2020, RCIT rate applied by the parent company is 25% and 30%, respectively

21. Earnings Per Share

Earnings per share amounts were computed as follows:

| | 2021 | 2020 |
|---|----------------|----------------|
| a. Net income | ₱59,096,662 | ₱20,528,249 |
| b. Weighted average number of outstanding common shares | 2,172,935,596 | 1,738,339,341 |
| c. Basic/diluted earnings per share (a/b) | ₱0.0272 | ₱0.0118 |

As of December 31, 2021 and 2020, the Parent Company has no potentially dilutive common shares.



22. Lease Commitments

The Parent Company entered into lease agreements covering the lease of building and parcel of land to third parties. The lease is renewable under certain terms and conditions. The terms of the leases range from five (5) to ten (10) years. Total advance rent from the lease amounted to ₱1.17 million and ₱1.24 million as of December 31, 2021 and 2020, respectively (Note 13).

The future minimum lease receivables under noncancellable operating leases follow:

| | 2021 | 2020 |
|---|-------------------|-------------------|
| Within one year | ₱4,150,027 | ₱7,562,446 |
| After one year but not more than five years | – | 909,136 |
| | ₱4,150,027 | ₱8,471,582 |

The Parent Company has transactions with an affiliate in which the latter assigned to the Parent Company its rights and interests to lease out the properties it owns, collect property rentals and assume all expenses and liabilities with regards to the undertaking at no cost to the Parent Company. Rental income earned from this transaction amounted to ₱13.17 million and ₱12.40 million in 2021 and 2020, respectively (Notes 8 and 17). The 2020 presentation were amended to conform with the 2021 presentation in the parent company statement of comprehensive income.

In 2021 and 2020, the Parent Company granted rent concessions to its tenants which were affected by the community quarantine imposed by the government amounting to ₱1.26 million and ₱1.48 million, respectively. These rent concessions did not qualify as a lease modification, thus, were accounted for as variable lease payments and reported as reduction of lease income in 2021 and 2020 (see Note 3).

23. Financial Instruments

Fair Value Information

The fair values of cash, receivables (except installment contracts receivable), accounts and other payables, current portion of loans and subscription payable approximate fair values due to the relatively short-term maturities of these investments.

Installment contracts receivable - The fair values are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. As of December 31, 2021 and 2020, the carrying value approximates the fair value.

Refundable deposits - Due to the unpredictability of timing of payment, fair value of these liabilities cannot be reasonably estimated.

Fair Value Hierarchy

The Parent Company categorized installments contracts receivable under Level 3 as of December 31, 2021 and 2020. The fair value of this financial instrument was determined by discounting future cash flows using the effective interest rates. Increase (decrease) in the discount rate would result in a (lower) higher fair value, respectively.

There have been no reclassifications between levels 1, 2 and 3 categories in 2021 and 2020.



Financial Risk Management Objectives and Policies

The Parent Company has various financial assets and financial liabilities which arise directly from the conduct of its operations. The main risks arising from the Parent Company's financial instruments are credit risk and liquidity risk.

The Parent Company reviews and approves policies for managing risks which are summarized below:

Exposures to credit and liquidity risks arise in the normal course of the Parent Company's business activities. The main objectives of the Parent Company's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Parent Company's credit risk is primarily attributable to its installment contracts receivable and accrued rent receivable. The Parent Company manages its credit risk by conducting credit reviews and analysis of receivables on a continuous basis. The Parent Company also undertakes supplemental credit review procedures for certain payment structures. In addition, the Parent Company's credit risk is minimized since the contract to sell provides the Parent Company the right to rescind the sale, offer the same property to other parties in case of customer's default and the title of the property passes to the buyer only after the full payment of the receivable.

Financial assets comprise cash and receivables. The Parent Company adheres to fixed limits and guidelines in its dealings with counterparty banks and its investments in financial instruments. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. The Parent Company's exposure to credit risk from cash and receivables arise from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Installment contracts receivable are secured by the lot or unit bought, whereas the accrued rent receivable pertains to the deposits paid by the particular lessee from whom the rent receivable is due.

As of December 31, 2021, and 2020, the aging analysis of receivables presented per class, is as follows:

2021

| | Current | Past Due but not Impaired | | | | | Total | ECL | Total |
|--------------------------------------|-------------|---------------------------|------------|------------|-------------|-------------|-------------|----------|-------------|
| | | <30 days | 30-60 days | 60-90 days | 90-120 days | >120 days | | | |
| Installment contracts receivable | ₱- | ₱236,472 | ₱238,568 | ₱240,684 | ₱242,818 | ₱3,797,191 | ₱4,755,733 | ₱625,732 | ₱5,381,465 |
| Accrued interest receivable | 62,910 | - | - | - | - | - | 62,910 | - | 62,910 |
| Advances to Homeowners' Associations | - | - | - | - | - | 4,400,000 | 4,400,000 | - | 4,400,000 |
| Advances to stockholders | 16,000,000 | - | - | - | - | - | 16,000,000 | - | 16,000,000 |
| Advances to affiliates | 300,000 | - | - | - | - | 2,567,570 | 2,867,570 | - | 2,867,570 |
| Accrued rent receivable | - | 437,978 | - | - | - | - | 437,978 | 11,819 | 449,797 |
| Others | - | - | - | - | - | 1,500,808 | 1,500,808 | - | 1,500,808 |
| | ₱16,362,910 | ₱674,450 | ₱238,568 | ₱240,684 | ₱242,818 | ₱12,265,569 | ₱30,024,999 | ₱637,551 | ₱30,662,550 |



2020

| | Current | Past Due but not Impaired | | | | | Total | ECL | Total |
|--------------------------------------|-------------|---------------------------|------------|------------|-------------|-------------|-------------|----------|-------------|
| | | <30 days | 30-60 days | 60-90 days | 90-120 days | >120 days | | | |
| Installment contracts receivable | ₱15,392,595 | ₱- | ₱- | ₱- | ₱- | ₱- | ₱15,392,595 | ₱625,732 | ₱16,018,327 |
| Advances to Homeowners' Associations | - | - | - | - | 4,400,000 | 4,400,000 | - | - | 4,400,000 |
| Advances to affiliate | - | - | - | - | 2,567,570 | 2,567,570 | - | - | 2,567,570 |
| Accrued rent receivable | - | 1,538,631 | - | - | - | 1,538,631 | - | - | 1,538,631 |
| Others | - | 262,859 | - | - | 1,437,898 | 1,700,757 | - | - | 1,700,757 |
| | ₱15,392,595 | ₱1,801,490 | ₱- | ₱- | ₱8,405,468 | ₱25,599,553 | ₱625,732 | ₱- | ₱26,225,285 |

The table below shows the credit quality of the Parent Company's financial assets as of December 31, 2021 and 2020:

2021

| | Current | Past due but not impaired | ECL | Total |
|---|-------------|---------------------------|------------|-------------|
| Financial statements at amortized cost | | | | |
| Cash in banks | ₱4,409,714 | ₱- | ₱- | ₱4,409,714 |
| Receivables: | | | | |
| Installment contracts receivable | - | 4,755,735 | 625,732 | 5,381,467 |
| Accrued interest receivable | 62,909 | - | - | 62,909 |
| Advances to Homeowners' Associations | - | 4,400,000 | - | 4,400,000 |
| Advances to stockholders | 16,000,000 | - | - | 16,000,000 |
| Accrued rent receivable | - | 437,977 | 11,819 | 449,796 |
| Others | - | - | 1,437,898 | 1,437,898 |
| | ₱20,472,623 | ₱9,593,712 | ₱2,075,449 | ₱32,141,784 |

2020

| | Current | Past due but not impaired | ECL | Total |
|---|-------------|---------------------------|----------|-------------|
| Financial statements at amortized cost | | | | |
| Cash in banks | ₱13,979,279 | ₱- | ₱- | ₱13,979,279 |
| Receivables: | | | | |
| Installment contracts receivable | 15,392,595 | - | 625,732 | 16,018,327 |
| Advances to Homeowners' Associations | - | 4,400,000 | - | 4,400,000 |
| Advances to an affiliate | - | 2,567,570 | - | 2,567,570 |
| Accrued rent receivable | - | 1,538,631 | - | 1,538,631 |
| Others | - | 1,700,757 | - | 1,700,757 |
| | ₱29,371,874 | ₱10,206,958 | ₱625,732 | ₱40,204,564 |

The credit quality of the financial assets was determined as follows:

Cash in bank – high grade based on the nature of the counterparty.

Receivables – high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to 3 defaults in payment; and low grade pertains to receivables with more than 3 defaults in payment.



Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated.

Credit line

The Parent Company has a total available credit line up to ₱304.00 million with various local banks as of December 31, 2021 and 2020, respectively.

The Parent Company monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Parent Company maintains a level of cash deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows. In the event that there is a need in meeting its obligations, its stockholders will provide the necessary financial support in the funding requirements of the Parent Company as they fall due.

Overall, the Parent Company's funding arrangements are designed to keep an appropriate balance between equity and debt, to give financing flexibility while continuously enhancing the Parent Company's businesses.

The tables below summarize the maturity profile of the Parent Company's financial assets and liabilities as of December 31 based on the remaining contractual maturities and undiscounted contractual cash flows:

2021

| | <30 days | 30-60 days | 61 days- 1 year | >1 year | Total |
|---|--------------------|-----------------|--------------------|---------------------|---------------------|
| <i>Other financial liabilities:</i> | | | | | |
| Accounts and other payables | | | | | |
| Refundable deposits | ₱- | ₱- | ₱4,991,845 | ₱2,289,280 | ₱7,281,125 |
| Accrued expenses* | 2,439,408 | 847,919 | 7,029,524 | 9,881,789 | 20,198,640 |
| Trade payable | 55,646 | - | - | - | 55,646 |
| Advances from related parties | - | - | - | - | 0 |
| Loans payable | - | - | 23,202,720 | 149,339,962 | 172,542,682 |
| Subscription payable | - | - | - | - | 0 |
| Total other financial liabilities | ₱2,495,054 | ₱847,919 | ₱35,224,089 | ₱161,511,031 | ₱200,078,093 |
| <i>Financial assets at amortized cost:</i> | | | | | |
| Cash | ₱4,409,714 | ₱- | ₱- | ₱- | ₱4,409,714 |
| Receivables: | | | | | |
| Installment contracts receivable | 236,472 | 238,568 | 1,890,396 | 3,016,030 | 5,381,466 |
| Interest receivable | 62,910 | - | - | - | 62,910 |
| Accrued rent receivable | 449,797 | - | - | - | 449,797 |
| Advances to homeowners' association | 4,400,000 | - | - | - | 4,400,000 |
| Advances to stockholders | 16,000,000 | - | - | - | 16,000,000 |
| Others | 1,437,898 | - | - | - | 1,437,898 |
| | ₱26,996,791 | ₱238,568 | ₱1,890,396 | ₱3,016,030 | ₱32,141,785 |

*Accrued expenses include expected future interest payments on long-term loans payable amounting to ₱18.62 million



2020

| | <30 days | 30-60 days | 61 days- 1 year | >1 year | Total |
|--|---------------------|-------------------|---------------------|---------------------|---------------------|
| <i>Other financial liabilities:</i> | | | | | |
| Accounts and other payables | | | | | |
| Refundable deposits | ₱- | ₱- | ₱4,757,037 | ₱2,064,931 | ₱6,821,968 |
| Accrued expenses* | 2,449,490 | 1,830,055 | 8,047,281 | 19,342,163 | 31,668,989 |
| Trade payable | 217,487,562 | - | - | - | 217,487,562 |
| Advances from related parties | - | - | 167,382,557 | - | 167,382,557 |
| Loans payable | - | - | 23,096,792 | 172,900,519 | 195,997,311 |
| Subscription payable | 41,958,000 | - | - | - | 41,958,000 |
| Total other financial liabilities | ₱261,895,052 | ₱1,830,055 | ₱203,283,667 | ₱194,307,613 | ₱661,316,387 |
| <i>Financial assets at amortized cost:</i> | | | | | |
| Cash | ₱13,999,279 | ₱- | ₱- | ₱- | ₱13,999,279 |
| Receivables: | | | | | |
| Installment contracts receivable | 1,050,321 | 2,122,893 | 10,114,568 | 2,104,813 | 15,392,595 |
| Advances to Homeowners' Associations | - | - | 4,400,000 | - | 4,400,000 |
| Advances to an affiliate | - | - | 2,567,570 | - | 2,567,570 |
| Accrued rent receivable | 1,538,631 | - | - | - | 1,538,631 |
| Others | 1,700,757 | - | - | - | 1,700,757 |
| | ₱18,288,988 | ₱2,122,893 | ₱17,082,138 | ₱2,104,813 | ₱39,598,832 |

*Accrued expenses include expected future interest payments on long-term loans payable amounting to ₱30.20 million

Interest rate risk

Interest rate risk is the risk that changes in the market interest rates will reduce the Parent Company's current or future earnings and/or economic value. The Parent Company's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Parent Company's interest-bearing debt obligations with floating interest rates or rates subject to repricing as it can cause a change in the amount of interest payments. The Parent Company has interest-bearing loans with floating interest rate subject to repricing amounting to ₱215.00 million as of December 31, 2021 and 2020.

The table below demonstrates the sensitivity of the Parent Company's profit before tax and equity to a reasonably possible change in interest rates on December 31, 2021 and 2020, with all variables held constant, (through the impact on floating rate borrowings):

| Change in basis points | Effect on income before income tax Increase (decrease) | |
|------------------------|---|-----------------------|
| | + 100 basis points | - 100 basis points |
| 2021 | (₱783,140) | ₱783,140 |
| 2020 | (783,140) | 783,140 |

The assumed change in rate is based on the currently observable market environment. There is no other impact on the Parent Company's equity other than those already affecting the net income.



24. Segment Information

The industry segments where the Parent Company operate are as follow:

Real estate - sale of high-end and upper middle-income residential lots and units.

Rent - income from leasing of the Parent Company's investment property.

The Parent Company only reports revenue line item for this segmentation. Assets and liabilities and cost and expenses are shared together by these two segments and, as such, cannot be reliably separated.

The significant information of the reportable segment is as follows:

| | 2021 | 2020 |
|---|---------------------|--------------|
| REVENUE | | |
| Real estate sales | ₱29,622,054 | ₱7,366,878 |
| Interest income from real estate sale | 1,087,496 | 2,148,127 |
| Rent income | 14,329,421 | 14,878,667 |
| | 45,038,971 | 24,393,672 |
| COSTS AND EXPENSES | | |
| Cost of real estate sales | 2,999,825 | 1,007,927 |
| General and administrative expenses | 27,412,881 | 15,033,311 |
| Interest expense | 8,790,691 | 10,910,244 |
| | 39,203,397 | 26,951,482 |
| Income (loss) before tax | ₱5,835,574 | (₱2,557,810) |
| | 2021 | 2020 |
| SEGMENT ASSETS | | |
| Cash | ₱4,220,911 | ₱13,999,279 |
| Receivables | 29,973,909 | 25,599,553 |
| Real estate held for sale and development | 828,714,726 | 746,224,602 |
| Other current assets | 15,257,955 | 1,231,915 |
| Investment property | 62,958,916 | 62,958,916 |
| | ₱941,126,417 | ₱850,014,265 |
| SEGMENT LIABILITIES | | |
| Accounts and other payables | ₱13,330,924 | ₱392,966,869 |
| Contract liabilities | 525,775 | 525,775 |
| Loans payable | 172,542,682 | 195,997,311 |
| | ₱186,399,381 | ₱589,489,955 |

Segment assets exclude property and equipment, investment in an associate, investments in subsidiaries, deposit on future stock subscription, deferred tax assets and other noncurrent assets.

Segment liabilities exclude refundable deposits, statutory liabilities, subscription payable and pension liability.

All revenues are from individuals and domestic entities incorporated in the Philippines.

There is no revenue from a single external customer that exceeds 10%.



Reconciliation of Assets

| | 2021 | 2020 |
|--------------------------------------|-----------------------|----------------|
| Segment operating assets: | ₱941,126,417 | ₱850,014,265 |
| Investment in subsidiaries | 905,958,000 | 780,958,000 |
| Investment in an associate | 214,295,000 | 214,295,000 |
| Deposit on future stock subscription | – | 125,000,000 |
| Property and equipment | 1,554,137 | 3,102,879 |
| Deferred tax assets | 1,217,156 | 1,081,044 |
| Other noncurrent assets | 143,915 | 143,915 |
| | ₱2,064,294,625 | ₱1,974,595,103 |

Reconciliation of Liabilities

| | 2021 | 2020 |
|--------------------------------|---------------------|--------------|
| Segment operating liabilities: | ₱186,399,381 | ₱589,489,955 |
| Subscription payable | 41,958,000 | 41,958,000 |
| Refundable deposits | 2,289,280 | 2,064,931 |
| Pension liability | 4,573,936 | 4,679,369 |
| Income tax payable | – | 2,610,434 |
| | ₱235,220,597 | ₱640,802,689 |

25. Additional Cash Flow Information

Below is the rollforward of liabilities under financing activities:

2021

| | January 1, 2021 | Cash Flows | Non-cash Changes | December 31, 2021 |
|--------------------|---------------------|----------------------|---------------------|----------------------|
| Loans payable | ₱195,997,311 | (₱23,888,889) | ₱434,260 | ₱172,542,682 |
| Interest payable | 553,012 | (8,790,165) | 8,790,165 | 553,012 |
| Refundable deposit | 6,821,968 | 386,853 | 72,304 | 7,281,125 |
| | ₱203,372,291 | (32,292,201) | 9,296,729 | ₱180,376,819 |

2020

| | January 1, 2020 | Cash Flows | Non-cash Changes | December 31, 2020 |
|--------------------|--------------------|---------------|---------------------|----------------------|
| Loans payable | ₱214,706,075 | (₱17,916,667) | (₱792,097) | ₱195,997,311 |
| Interest payable | – | (10,357,232) | 10,910,244 | 553,012 |
| Refundable deposit | 6,535,772 | 165,543 | 120,653 | 6,821,968 |
| | ₱221,241,847 | (₱28,108,356) | ₱10,238,800 | ₱203,372,291 |

Non-cash changes pertain to amortization of transaction of loans payable and accretion of interest expense of refundable deposits.



26. Events related to COVID 19 Pandemic

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak as a global pandemic. In a move to contain the COVID-19 outbreak, several quarantine measures have been implemented in the National Capital Region (NCR) and other areas with significant number of COVID-19 cases. These quarantine measures have resulted in disruptions in the Company's business and economic activities.

The COVID-19 and the measures taken have caused disruptions to businesses and economic activities, and its impact on business continue to evolve. The events surrounding the outbreak did not have significant impact to the Parent Company's financial position and performance as of and for the year ended December 31, 2021. In addition, there is no significant exposure to liquidity and credit risks of the Parent Company. Nevertheless, the Parent Company will continue to monitor the situation.

27. Supplementary Information Required under Revenue Regulations 34-2020 and 15-2010

RR No. 34-2020

In compliance with RR 34-2020 which prescribes the guidelines and procedures for the submission of BIR Form 1709 (RPT Form), transfer pricing documentation and other supporting documents, the Company is not required to file and submit the RPT Form as enumerated in the regulation.

RR No. 15-2010

The Parent Company also reported and/or paid the following types of taxes in 2021:

Value-added tax (VAT)

The NIRC of 1997 also provides for the imposition of VAT on sales of goods and services. Accordingly, the Parent Company's sales are subject to output VAT while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12%.

- a. The Parent Company is a VAT-registered company with VAT output tax declaration of ₱4.99 million for the year based on its vatable sales or receipts amounting to ₱41.61 million.
- b. Input VAT

| | |
|--|-------------|
| Balance at January 1 | ₱39,200 |
| Current year's domestic purchases/payments for: | |
| Domestic purchases of goods other than capital goods | 10,720,746 |
| Total available input VAT | 10,759,946 |
| Applied output VAT | (4,993,762) |
| Balance at December 31 | ₱5,766,184 |

The Parent Company's VATable real estate sales and rental income are based on actual collections received, hence, may not be the same as amounts accrued in the parent company statement of income. The Parent Company has no import transactions.



Other Taxes and Licenses

In 2021, this includes all other taxes, local and national, including real estate taxes, licenses, documentary stamp tax, and permit fees. Details follow:

| | |
|-----------------------------|--------------------|
| Real estate taxes | ₱2,758,211 |
| License and permit fees | 72,763 |
| Documentary stamp tax | 9,998,530 |
| BIR annual registration fee | 500 |
| Others | 1,048,968 |
| | <u>₱13,878,972</u> |

Withholding Taxes

The amount of withholding taxes paid/accrued for the year amounted to:

| | For the Year | Ending Balance |
|--|-------------------|----------------|
| Withholding taxes on compensation and benefits | ₱306,769 | ₱19,519 |
| Expanded withholding taxes | 1,399,406 | 52,150 |
| | <u>₱1,706,175</u> | <u>₱71,669</u> |

Tax Assessments and Cases

As at December 31, 2021, the Parent Company has no other tax assessments and tax cases, litigation and/or prosecution in tax courts and bodies within and outside the administration of the BIR.

