

COVER SHEET

SEC Registration Number

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COMPANY NAME

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	A		S		U		B		S		D		I		A		R		Y												

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

5	t	h		-		7	t	h		F	l	o	o	r	s		V	e	c	t	o	r		1		B	u	i	l
d	i	n	g	,		N	o	r	t	h	g	a	t	e		C	y	b	e	r	z	o	n	e	,		F	i	l
i	n	v	e	s	t		C	o	r	p	o	r	a	t	e		C	i	t	y	,		A	l	a	b	a	n	g
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Form Type

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Department requiring the report

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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: 5px; text-align: center; margin-top: 5px;">N/A</div>	Company's Telephone Number <div style="border: 1px solid black; padding: 5px; text-align: center; margin-top: 5px;">846-0278</div>	Mobile Number <div style="border: 1px solid black; padding: 5px; text-align: center; margin-top: 5px;">N/A</div>
No. of Stockholders <div style="border: 1px solid black; padding: 5px; text-align: center; margin-top: 5px;">8</div>	Annual Meeting (Month / Day) <div style="border: 1px solid black; padding: 5px; text-align: center; margin-top: 5px;">5/30</div>	Fiscal Year (Month / Day) <div style="border: 1px solid black; padding: 5px; text-align: center; margin-top: 5px;">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: 5px; margin-top: 5px;">Ms. Venus A. Mejia</div>	Email Address <div style="border: 1px solid black; padding: 5px; margin-top: 5px;">venus.mejia@filinvestgroup.com</div>	Telephone Number/s <div style="border: 1px solid black; padding: 5px; margin-top: 5px;">846-0278</div>	Mobile Number <div style="border: 1px solid black; padding: 5px; margin-top: 5px;">N/A</div>
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CONTACT PERSON'S ADDRESS

5th-7th Flr. Vector One Bldg. Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City

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

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

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PART 1 – FINANCIAL INFORMATION

CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY

**Unaudited Interim Consolidated
Financial Statements**

As at September 30, 2020

and

For the nine months ended September 30, 2020 and 2019

CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY

Interim Consolidated Statements of Financial Position

As at September 30, 2020

	as at September 30, 2020	as at December 31, 2019	2020 vs. 2019	
ASSETS				
Current Assets				
Cash and cash equivalents	617,996,972	508,857,313	109,139,659	21%
Receivables	1,081,911,992	775,495,889	306,416,103	40%
Other current assets	1,165,577,488	1,025,219,609	140,357,879	14%
Total Current Assets	2,865,486,452	2,309,572,811	555,913,641	24%
Noncurrent Assets				
Investment properties	16,683,863,033	15,993,980,442	689,882,591	4%
Property and equipment	68,833,690	54,950,323	13,883,367	25%
Right-of-use assets	160,497,665	166,534,355	(6,036,690)	-4%
Advances to contractors	390,260,958	436,337,964	(46,077,006)	-11%
Intangible assets	3,024,258,862	2,781,760,147	242,498,715	9%
Other noncurrent assets	471,328,646	449,457,688	21,870,958	5%
Total Noncurrent Assets	20,799,042,855	19,883,020,919	916,021,936	5%
TOTAL ASSETS	23,664,529,307	22,192,593,730	1,471,935,577	7%
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued expenses	1,987,129,764	2,221,444,309	(234,314,545)	-11%
Current portion of:				
Loans payable - current portion	1,365,833,333	1,355,454,545	10,378,788	1%
Lease liabilities	19,164,694	16,258,553	2,906,141	18%
Security and other deposits	128,338,760	245,751,976	(117,413,216)	-48%
Income tax payable	80,249,274	433,493	79,815,781	18412%
Total Current Liabilities	3,580,715,825	3,839,342,876	(258,627,051)	-7%
Noncurrent Liabilities				
Loans payable - net of current portion	2,912,499,997	2,862,916,667	49,583,330	2%
Bonds payable - net	5,970,977,451	5,961,553,269	9,424,182	0%
Lease liabilities	266,842,270	267,169,975	(327,705)	0%
Deferred tax liability - net	424,293,799	384,650,602	39,643,197	10%
Security and other deposits	769,329,031	707,472,003	61,857,028	9%
Other noncurrent liabilities	442,219,951	200,886,745	241,333,206	120%
Total Noncurrent Liabilities	10,786,162,500	10,384,649,261	401,513,239	4%
TOTAL LIABILITIES	14,366,878,325	14,223,992,137	142,886,188	1%
Equity				
Capital stock	1,163,426,668	1,163,426,668	-	0%
Additional paid-in capital	102,900,666	102,900,666	-	0%
Retained earnings	8,030,239,713	6,701,190,324	1,329,049,389	20%
Remeasurement gain/(loss)	1,083,935	1,083,935	-	
TOTAL STOCKHOLDERS' EQUITY	9,297,650,982	7,968,601,593	1,329,049,389	17%
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	23,664,529,307	22,192,593,730	1,471,935,577	7%

CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY**Interim Consolidated Statements of Comprehensive Income
For the Nine Months ended September 30, 2020**

	Nine Months Period Ended September 30	
	2020	2019
	(Unaudited)	(Audited)
REVENUES AND INCOME		
Rental income	2,231,845,379	2,048,542,995
Other income	228,228,232	73,503,953
	2,460,073,611	2,122,046,948
COSTS AND EXPENSES		
Rental expense	242,976,285	230,337,835
Depreciation and Amortization	277,047,185	244,526,067
Advertising and marketing	21,542,541	15,351,759
Taxes and Licenses	29,874,780	34,937,243
Manpower Cost	21,171,769	8,634,812
Service and Management Fees	6,934,587	11,393,886
Pension Expense	21,361	275,857
Others	2,305,456	2,429,462
	601,873,964	547,886,921
FINANCE INCOME (CHARGES)		
Interest income	3,252,794	8,841,389
Interest and other financing charges	(275,070,399)	(114,435,740)
Other financing charges	(22,612,843)	(11,368,281)
	(294,430,448)	(116,962,632)
INCOME BEFORE INCOME TAX	1,563,769,199	1,457,197,395
PROVISION FOR INCOME TAX		
Current	195,076,610	125,999,373
Deferred	39,643,200	67,641,449
	234,719,810	193,640,822
TOTAL COMPREHENSIVE INCOME	1,329,049,389	1,263,556,573

CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY**Interim Consolidated Statements of Comprehensive Income
For the Nine Months ended September 30, 2020**

	Nine Months Period Ended September 30	
	2020	2019
	(Unaudited)	(Audited)
NET INCOME FOR THE PERIOD	1,329,049,389	1,263,556,573
Remeasurement losses on retirement plan, net of tax	-	-
TOTAL COMPREHENSIVE INCOME	1,329,049,389	1,263,556,573
Attributable to:		
Equity holders of the parent	1,329,049,389	1,263,556,573
Noncontrolling interest	-	-
	1,329,049,389	1,263,556,573

CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY

Interim Consolidated Statements of Cash Flow

As at September 30, 2020

	Nine Months Period Ended September 30	
	2020 (Unaudited)	2019 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	1,563,769,199	855,893,601
Adjustment for:		
Depreciation and Amortization	259,407,860	180,251,313
Amortization	73,392,373	6,232,789
Interest expense	275,070,399	161,645,618
Interest income	(3,252,794)	(6,059,222)
Operating income before changes in operating assets and liabilities	2,168,408,398	1,197,964,099
Changes in operating assets and liabilities		
Decrease (increase) in:		
Receivables	(306,416,103)	(101,778,975)
Advances to contractors	46,077,006	(96,847,002)
Other current assets	(179,831,520)	(311,944,810)
Increase (decrease) in:		
Accounts payable and accrued expenses	(341,227,690)	32,329,510
Other current liabilities	(114,507,075)	91,689,245
Other noncurrent liabilities	302,841,166	391,091,842
Net cash generated from operations	1,575,344,182	1,202,503,909
Interest received	3,252,794	6,059,222
Income tax paid	(75,787,188)	(105,572,226)
Net cash provided by operating activities	1,502,809,788	1,102,990,905
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to:		
Investment properties	(779,603,201)	(1,006,667,067)
Property and equipment	(26,865,117)	(24,224,138)
Other non-current assets	(265,614,505)	(55,398,366)
Cash used in investing activities	(1,072,082,823)	(1,086,289,571)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from loans	1,000,000,000	1,000,000,000
Payments of long-term debt	(940,037,882)	(544,621,212)
Interest paid	(381,549,424)	(248,354,903)
Net cash provided by financing activities	(321,587,306)	207,023,885
NET INCREASE IN CASH AND CASH EQUIVALENTS	109,139,659	223,725,219
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	508,857,313	717,533,656
CASH AND CASH EQUIVALENTS AT END OF YEAR	617,996,972	941,258,875

CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY**Interim Consolidated Statements of Changes in Equity****As at September 30, 2020**

	Nine Months Period Ended September 30	
	2020	2019
	(Unaudited)	(Audited)
Capital Stock		
Common shares - P1 par value		
Authorized - 2 billion shares		
Issued - 1,163,426,668 shares		
Outstanding - 1,163,426,668	1,163,426,668	1,163,426,668
Treasury shares	-	-
Additional paid-in capital	102,900,666	102,900,666
Revaluation reserve on financial assets at fair value through other comprehensive income	-	-
Remeasurement losses on retirement plan	1,083,935	1,083,935
Retained earnings		
Balance at beginning of the period	6,701,190,324	5,452,093,336
Net income	1,329,049,389	1,263,556,573
Dividends	-	(348,339,734)
Balance at end of the period	8,030,239,713	6,367,310,175
Equity attributable to equity holders of the parent	9,297,650,982	7,634,721,444
Noncontrolling interest	-	-
Total Equity	9,297,650,982	7,634,721,444

CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Cyberzone Properties, Inc. (the “Parent Company” or “CPI”) was registered with the Securities and Exchange Commission (SEC) on January 14, 2000. Its primary purpose is to acquire by purchase, lease, donate and/or to own, use, improve, develop, subdivide, sell, mortgage, exchange, hold for investment and deal with real estate of all kinds.

The Parent Company is the holding company of ProOffice Works Services, Inc. (ProOffice). On March 18, 2019, ProOffice was incorporated to engage in the business of administration, maintenance, and management of real estate developments and projects.

The registered office address of the Parent Company and ProOffice (collectively referred to as “the Group”) is at 5th - 7th Floors, Vector One Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City.

The Group’s Parent Company is Filinvest Land, Inc. (FLI), a subsidiary of Filinvest Development Corporation (FDC). Both FLI and FDC are publicly listed entities. A.L. Gotianun Inc. (ALG) is the Group’s ultimate Parent Company. FLI, FDC and ALG were all incorporated in the Philippines.

CPI began commercial operations on May 1, 2001. CPI is registered with the PEZA as an Economic Zone Facilities Enterprise, which entitles CPI to certain tax benefits and non-fiscal incentives such as paying a 5% tax on its gross income in lieu of payment of national income taxes. CPI is a qualified enterprise for the purpose of VAT zero-rating of its transaction with its local suppliers of goods, properties and services related to its provision of services to PEZA-registered enterprises. The VAT-zero rating shall not apply to CPI’s facilities at Filinvest Axis Towers One to Four, Vector Three and Filinvest Cyberzone Cebu Towers 1 to 4. CPI owns and operates the IT buildings in Northgate Cyberzone, located in an 18.7-hectare parcel of land within Filinvest City. CPI also leases a parcel of land measuring 2,831 sq. m. along EDSA on which CPI built a 5-storey BPO building with a total GLA of 7,358 sq. m. It also has a BTO agreement with the Cebu Province for a project named Filinvest Cyberzone Cebu occupying a land area of 12,290 square meters which currently has two operational buildings.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements are prepared using the historical cost basis, except for financial asset at fair value through other comprehensive income (FVTOCI) that is measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is also the Parent Company’s presentation and functional currency. All amounts are rounded off to the nearest peso unless otherwise stated.

Statement of Compliance

The consolidated financial statements of the Group are prepared in compliance with Philippine Financial Reporting Standards (PFRS), which include the availment of relief granted by the Securities and Exchange Commission (SEC) under Memorandum Circular No. 3-2019 as discussed in the section below on Changes in Accounting Policies and Disclosures and Significant Accounting Policies. PFRSs include Philippine Financial Reporting Standards, Philippine

Accounting Standards (PAS) and Interpretations issued by the Philippine Interpretations Committee (PIC).

Basis of Consolidation

The consolidated financial statements comprise the amounts of the Parent Company and its subsidiary for the nine months ended September 30, 2020 and December 31, 2019.

The voting rights held by CPI in ProOffice are in proportion to its ownership interest of 60% as of September 30, 2020. ProOffice is incorporated and operating in the Philippines.

The Parent Company's subsidiary was incorporated in the Philippines. The financial statements of the subsidiary are prepared for the same reporting period as the Parent Company using consistent accounting policies.

A subsidiary is an entity which the Group controls. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has: (a) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee); (b) exposure, or rights, to variable returns from its involvement with the investee, and, (c) the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: (a) the contractual arrangement with the other vote holders of the investee; (b) rights arising from other contractual arrangements; and, (c) the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statement from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Noncontrolling Interest

Noncontrolling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Group.

Noncontrolling interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from parent shareholder's equity. Any losses applicable to the noncontrolling interests are allocated against the interests of the noncontrolling interest even if this results to the noncontrolling interest having a deficit balance. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the noncontrolling interest is recognized in equity of the parent in transactions where the noncontrolling interest are acquired or sold without loss of control.

The voting rights held by noncontrolling interests in the subsidiary are in proportion of their ownership interest and are not material in the consolidated financial statements.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the Group's financial statements are consistent with those of the previous financial years, except for the adoption of the following amendments in PFRS and PAS which became effective beginning January 1, 2020. The nature and impact of each new standard and amendment are described below:

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the financial statements of the Group.

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

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

These amendments will apply on future business combinations of the Group.

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

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

Future Changes in Accounting Policies

The Group will adopt the following standards and interpretations when these become effective. Except as otherwise stated, the Group does not expect the adoption of these standards to have a significant impact on the financial statements.

Effective beginning on or after January 1, 2021

- 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.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred Effective Date

- 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, *Business Combinations*.

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.

Significant Accounting Policies

Current versus Noncurrent Classification

The Group presents assets and liabilities in statement of financial position based on current/noncurrent classification. An asset is current when:

- a. expected to be realized or intended to be sold or consumed in normal operating cycle;
- b. held primarily for the purpose of trading;
- c. expected to be realized within twelve (12) months after the reporting period; or
- d. cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- a. it is expected to be settled in normal operating cycle;
- b. it is held primarily for the purpose of trading;
- c. it is due to be settled within twelve (12) months after the reporting period, or
- d. there is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the reporting period.

The Group classifies all other liabilities as noncurrent.

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

Fair Value Measurement

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the 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 Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Instruments

Financial assets and liabilities are recognized in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery or assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Recognition and Measurement of Financial Instruments

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

Financial Assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs.

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

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

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

As of September 30, 2020 and December 31, 2019, the Group’s financial assets comprise of financial assets at amortized cost and financial assets at FVTOCI.

Subsequent measurement

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

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

Financial assets at amortized cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group’s business model whose objective is to hold assets in order to collect contractual cash flows; and,
- the contractual terms of the instrument 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 costs are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as interest income in the statement of comprehensive income.

The Group classified cash and cash equivalents, receivables and deposits (included under other noncurrent assets) as financial assets at amortized cost (see Note 25).

Financial assets at FVTOCI (equity instruments)

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVTOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading.

Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in “Revaluation reserve on financial assets at FVTOCI” in the statement of financial position. Where the asset is disposed of, the cumulative gain or loss previously recognized in “Revaluation reserve on financial assets at FVTOCI” is not reclassified to profit or loss, but is reclassified to Retained earnings.

Included under this category are the Group’s investments in unquoted shares of stocks.

Dividends earned on holding these equity instruments are recognized in the statement of income when the Group's right to receive the dividends is established in accordance with PFRS 15, unless the dividends clearly represent recovery of a part of the cost of the investment.

Reclassification of financial assets

The Group can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Group is required to reclassify the following financial assets:

- from amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met; and,
- from FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual cash flows meet the amortized cost criteria.

Reclassification of financial assets designated as at FVTPL at initial recognition is not permitted.

A change in the objective of the Group's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, 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.

As of September 30, 2020 and December 31, 2019, loans and borrowings consist primarily of accounts payable and accrued expenses, loans payable, bonds payable and due to related parties.

Subsequent measurement

Loans and borrowings (financial liabilities at amortized cost) is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in 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 comprehensive income.

Impairment of Financial Assets

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

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

The Group considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or,
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of an asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability expires, is discharged or cancelled.

Where 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Offsetting Financial Instruments

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, where the related assets and liabilities are presented at gross in the statement of financial position.

Advances to contractors

Advances to contractors pertain to down-payments made by the Group which are applied against future billings for development and construction contracts. Advances to be applied as payment for construction of assets to be classified inventories is classified as current and advances to be applied as property and equipment or investment properties are presented as noncurrent assets.

Prepaid commission

Prepaid commission are incremental costs that are directly attributable to negotiating and arranging a lease. These are initially recognized at cost and are amortized over the related lease term.

Value-added Tax (VAT)

Revenues, expenses, assets and liabilities 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 statements 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 VAT recoverable and payable from the taxation authority is included as part of “Other current assets” and “Accounts payable and accrued expenses”, respectively in the statement of financial position.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day to day servicing of an investment property.

Investment properties include buildings that are held to earn rentals and are not occupied by the Group. Investment properties, except for land, are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Land is carried at cost less accumulated impairment losses, if any.

Investment properties built on land rented from FLI or a third party are depreciated over their estimated useful lives or lease term, whichever is shorter. Depreciation of investment properties are computed using the straight-line method over the estimated useful life of 40-50 years for the building and 15 years for equipment.

Buildings in-progress are carried at cost (including borrowing costs) and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete.

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 gains or losses on the retirement or disposal of an investment property are recognized in the statement of comprehensive income in the year of retirement or disposal.

Transfers are 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. Transfers are made from investment property when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

Transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred and do not change the cost of that property for measurement or disclosure purposes.

Property and Equipment

Property and equipment consists of land improvements and furniture and fixtures. The Group’s property and equipment are stated at cost less accumulated depreciation and impairment in value, if any.

The initial cost of property and equipment consists of its purchase price, including import duties,

taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, are normally charged to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives (EUL) of these assets as follows:

	Years
Land improvements	6
Furniture and fixtures	3 - 5

The useful lives and depreciation method are reviewed annually 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 assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of comprehensive income.

Intangible Asset

Intangible asset includes build, transfer and operate (BTO) rights. Intangible assets acquired separately are measured on initial recognition at costs. The cost of intangible assets acquired in a business combination or contracted arrangements is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost, less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

BTO rights are amortized over the economic useful life (i.e., 25 years) and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income.

Gains or losses arising from derecognition of intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and the carrying amount of the asset and are recognized in the statement of comprehensive income when the asset is derecognized.

Prepaid District Cooling System (DCS) connection charges

Prepaid DCS connection charges are initially recognized at cost and are subsequently amortized over the term of the supply period (i.e., 20 years) commencing on the date when the related building is connected to the DCS facility. Portion related to the connection of succeeding buildings are amortized over the remaining years of the supply period.

Other Assets

Other assets are recognized in the statement of financial position when it is probable that the future economic benefits will flow to the Group and the assets have cost or value that can be measured reliably. These assets are regularly evaluated for any impairment in value. Amounts expected to be realized within 12 months from end of reporting period is classified as current; otherwise, they are presented as noncurrent assets.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's 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 of the Group. 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. Impairment losses are recognized in the statement of comprehensive income.

Intangible assets with finite lives (i.e., BTO rights) are amortized over the economic useful life (i.e., 25 years) and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to current operations.

Equity

Capital stock and additional paid-in capital

The Group records common stock at par value and additional paid-in capital for the amount in excess of the total contributions received over the aggregate par value of the equity shares.

Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Retained earnings

Retained earnings represent accumulated earnings of the Group, less dividends declared and any adjustment arising from application of new accounting standards or changes in accounting policies applied retroactively. Retained earnings are restricted for any appropriation as approved by the Group's BOD.

Dividends on common shares are deducted from unappropriated retained earnings when declared and approved by the BOD of the Group. Dividends payable are recorded as liability until paid. Dividends for the year that are declared and approved after reporting date, if any, are dealt with as an event after reporting date and disclosed accordingly.

Earnings per Share (EPS)

Basic EPS is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period.

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period, and adjusted for the effect of dilutive options.

Where the effect of the assumed conversion of the preferred shares and the exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount.

Revenue Recognition

The Group is in the business of leasing its investment property portfolio. The Group's non-lease performance obligations include common area management and administration of utility services.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses its revenue arrangement against specific criteria in order to determine if it is acting as a principal or an agent.

On February 14, 2018, the PIC issued PIC Q&A 2018-12 (PIC Q&A) which provides guidance on some implementation issues of PFRS 15 affecting mostly the real estate industry.

On February 8, 2019, the SEC issued SEC Memorandum Circular No. 3 Series of 2019 providing relief to the real estate industry by deferring the application of the Accounting for Common Usage Service Area (CUSA) Charges as discussed in PIC Q&A No. 2018-12-H

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

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

Rental Income

Rental income arising from investment properties are recognized in the consolidated statement of comprehensive income either on a straight-line basis over the lease term or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. Leases under contingent rents are recognized as income in the period in which they are earned.

Tenant Dues

Tenant dues are recognized when the related services are rendered. The Group has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water, and electricity in its office leasing activities, wherein it is acting as agent. Income from common area and air conditioning dues is computed based on a fixed rate per square meter of the leasable area occupied by the tenant.

Interest income

Interest is recognized as it accrues taking into account the effective yield on the underlying asset.

Other income

Other income is recognized when the related services have been rendered and the right to receive payment is established.

Other Comprehensive Income (OCI)

OCI are items of income and expense that are not recognized in the profit or loss for the year in accordance with PFRS.

Costs and Expense Recognition

These include the Group's costs incurred in leasing properties and expenses related to administering its business. These are generally recognized as incurred and measured at the amount paid or payable.

Retirement Costs

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

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

Defined benefit costs comprise the following:

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

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in the statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

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

Remeasurements comprising actuarial gains and losses, and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. All remeasurements recognized in other comprehensive income account "Remeasurement gain on retirement plan", net of tax and are not reclassified to another equity account in subsequent periods.

Termination benefit

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly within twelve

months after the end of the annual reporting date is recognized for services rendered by employees up to the end of the reporting date.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. Interest and other financing costs incurred during the construction period on borrowings used to finance property development are capitalized as part of construction costs. 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 sale or use are completed. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

All other borrowing costs are expensed when incurred.

Income Taxes

Current 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 are enacted or substantively enacted at the report date.

Deferred tax

Deferred tax is provided on all temporary differences at the report date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except; (a) where deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluation. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from excess minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused MCIT and NOLCO can be used. The carrying amount of deferred tax assets is reviewed at each report date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the report date.

Deferred tax relating to items recognized in other comprehensive income or directly in equity is also recognized in other comprehensive income and not in the statement of comprehensive income.

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

Leases

Group as lessor

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Rental income on operating leases is recognized on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

Group as lessee

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

Right-of-use-assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized,

initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Useful life of right-of-use on land ranges from 20 to 25 years.

Right-of-use assets are subject to impairment. Refer to the accounting policies in section impairment of nonfinancial assets.

Lease liabilities

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

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value. 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.

Foreign Currency-denominated Transactions and Translation

Foreign currency-denominated transactions are recorded using the prevailing exchange rates at the time of the transaction. Foreign currency-denominated monetary assets and liabilities are translated using the prevailing exchange rates at the report date. Exchange gains or losses resulting from foreign currency transactions and translation are included in the statement of comprehensive income for the year.

Segment Reporting

The Group's operating businesses are organized and managed according to the nature of the products and services provided. The Group has determined that it is operating as one operating segment as of September 30, 2020 and December 31, 2019.

Provisions

A provision is recognized only when the following conditions are present: (a) the Group has 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 on the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current assessment of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provisions due to the passage of time is recognized as interest expense. Provisions are reviewed at each report date and adjusted to reflect the current best estimate.

Contingencies

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

Events after the Report Date

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

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Future events may occur which can cause the assumptions used in arriving at those estimates to change. The effects of any changes in estimates will be reflected in the financial statements as they become reasonably determinable. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

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

Principal versus agent considerations

The contract for the office spaces and retail spaces leased out by CPI to its tenants includes the right to charge for the electricity usage, water usage, air conditioning charges and Common Usage Service Areas (CUSA) like maintenance, janitorial and security services.

For the electricity and water usage, CPI determined that it is acting as an agent because the promise of CPI to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility company, and not the real estate developer, is primary responsible for the provisioning of the utilities while CPI, administers the leased spaces and coordinates with the utility companies to ensure that tenants have access to these utilities. CPI does not have the discretion on the pricing of the services provided since the price is based on the actual rate charged by the utility providers.

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

Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on the evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for these contracts as operating lease.

Operating lease classification – Group as lessee

The Group has entered into land lease agreements for the locations of its investment property portfolio. The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except short-term leases.

Build Transfer Operate (BTO) Agreement with Cebu Province - Group as operator

On March 26, 2012, FLI entered into a BTO agreement with The Province of Cebu (Cebu Province). The BTO project relates to the development, construction, and operation of Business Process Outsourcing (BPO) Complex by the Group at the land properties owned by Cebu Province located at Salinas, Lahug Cebu City.

In August 2012, FLI assigned this agreement to the Parent Company. Based on the agreement, the Parent Company has assessed that the Cebu Province (Grantor) cannot control or regulate the services that the operator must provide using the infrastructure, to whom it must provide them and

at what price. Due to this, the BTO agreement is assessed to be outside the scope of IFRIC 12, *Service Concession Arrangements*.

The Parent Company, on the other hand, has the right to operate and earn rentals from the project upon completion but does not have ownership over the properties. The Parent Company also has no substantial risks and rewards on the properties for major part of its economic life. Accordingly, the related development cost and lease payments were recorded under “BTO rights” and “Right-of-use assets”, respectively in the consolidated financial position (see Notes 6 and 19).

Determining whether an Arrangement contains a Lease - Build Operate Transfer (BOT) Agreement

On September 16, 2015, the Parent Company entered into a BOT agreement with Philippine DCS Development Corporation (PDDC), also a subsidiary of FLI. The BOT agreement relates to the construction and operation by PDDC of the DCS facilities for 20 years, during which PDDC will supply chilled water for the provision of cooling energy to the properties of the Group within Northgate Cyberzone, Muntinlupa City.

While the fulfillment of the terms and conditions of the agreement is dependent on the use of an asset (i.e., DCS facilities), management assessed that the right to control the operations of such asset is not conveyed to the Parent Company considering that: (a) the Parent Company has no ability to operate the asset nor the right to direct PDDC to operate the asset in a manner it determines; and, (b) the supply of chilled water will not be exclusive to the properties of the Group during the term of the BOT agreement. Thus, the BOT agreement does not contain a lease within the scope of PAS 17.

Impairment assessment of nonfinancial assets

The Group assesses at each reporting date whether there is any indication that the nonfinancial assets (advances to contractors, other current assets, investment properties, property and equipment, BTO rights and prepaid DCS connection charges) may be impaired. The Group considers indications of impairment such as significant changes in asset usage, significant decline in 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 indication exists, the Group estimates the recoverable amount of the asset, which is the higher of the asset’s fair value less cost to sell and value in use.

As of September 30, 2020 and December 31, 2019, no impairment indicators were identified for the Group’s nonfinancial assets.

Contingencies

The Group, in the normal course of business, is involved in legal claims and disputes. The Group, together with its counsel, is contesting these assessments. Based on the assessment of the Group and its counsel, the outflow of resources that may arise from settlement of the said assessment is not probable and that the amount is currently cannot be reasonably determined. Management believes that final settlement, if any, will have no material impact on the financial statements.

Use of Estimates and Assumptions

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

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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

Estimating useful lives of investment properties, property and equipment, and intangible asset

The Group estimates the useful lives of its investment properties, property and equipment, and intangible asset based on the period over which these assets are expected to be available for use. The estimated useful lives of investment properties, property and equipment, and intangible asset are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear, and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. There were no changes on the estimated useful life of the investment properties, property and equipment, and intangible asset. The carrying value of investment properties amounted to ₱16.7 billion and ₱16.0 billion as of September 30, 2020 and December 31, 2019, respectively. The carrying value of property and equipment amounted to ₱68.8 million and ₱55.0 million as of September 30, 2020 and December 31, 2019, respectively. The carrying value of intangible asset amounted to ₱3.0 billion and 2.8 billion as of September 30, 2020 and December 31, 2019.

4. Accounts Payable and Accrued Expenses

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Advances from tenants	₱373,628,419	₱620,797,006
Dividends payable	348,339,734	348,339,734
Retention payable	348,008,274	357,009,806
Accrued expense	278,863,115	240,344,795
Payable to contractors	192,262,354	91,490,291
Due to related parties	191,394,514	301,556,049
Accrued interest payable	124,465,631	109,323,017
Payable to suppliers	117,602,510	123,357,126
Withholding taxes payable	12,565,213	29,226,485
	₱1,987,129,764	₱2,221,444,309

Accrued expenses include accruals for utilities, maintenance, service and energy charges, outside services and other expenses. These are normally settled within the year.

Advances from tenants are advance payments received for rentals, utilities and other fees. These are applied against rental obligations of the tenants when they become due.

Retention payable account pertains to the amounts withheld by the Group from contractors' progress billings which are returned upon completion of their services or expiry of the contractors' warranty period.

Payable to contractors arises from progress billings received from contractors for the constructions costs incurred by the Group.

Accrued rent payable pertains to other rentals to be paid by the Group which is based on the percentage of its revenue or fixed rental rates.

Payable to suppliers arise from various acquisitions of materials and supplies used for construction and are normally payable within one year.

Withholding taxes payable consists of withholding taxes on compensation and expanded withholding taxes. These are normally settled within one month.

5. Long Term Debt

This account consists of:

	September 30, 2020	December 31, 2019
	(Unaudited)	(Audited)
Developmental loans from local banks	₱4,278,333,330	₱4,218,371,212
Less current portion of loans payable	1,365,833,333	1,355,454,545
Long-term portion of loans payable	₱2,912,499,997	₱2,862,916,667

The loans from local banks are obtained to finance the construction of buildings.

Total interest expense charged to the statement of comprehensive income amounted to ₱75.2 and ₱55.4 million in September 30, 2020 and 2019, respectively.

6. Bonds Payable

On July 7, 2017, the Parent Company issued fixed rate bonds with aggregate principal amount of ₱6.0 billion and term of five and a half (5.5) years from the issue date. The fixed rate is 5.05% per annum, payable quarterly in arrears starting October 7, 2017.

The bonds are redeemable at 100% of face value on maturity date, which is January 7, 2023, unless the Parent Company exercises its early redemption option. Interest expense in 2020 which was capitalized relating to bonds payable amounted to ₱20.4 million.

Unamortized debt issuance cost on bonds payable amounted ₱29.0 million as of September 30, 2020. Amortization of transaction costs as of September 30, 2020 included under "Interest and other financing charges" in the statements of comprehensive income amounted to ₱9.6 million.

The bonds require the Parent Company to maintain a maximum debt-to-equity ratio of 2.33x; and minimum debt service coverage ratio of 1.1x. As of September 30, 2020, the Parent Company is not in breach of any of these debt covenants.

7. Other Noncurrent Liabilities

This account consists of:

	September 30, 2020	December 31, 2019
Retention payable – net of current portion	₱261,536,849	₱199,053,856
Retirement liabilities	1,832,889	1,832,889
Advance Rentals- net of current portion	178,850,213	-
	₱442,219,951	₱200,886,745

8. Other Income

The account consists of:

	September 30, 2020 (Unaudited)	September 30, 2019 (Audited)
Tenant reimbursements	₱1,053,753,698	₱1,053,216,593
Expenses incurred:		
Utilities	(508,504,799)	(662,008,383)
Services	(156,161,060)	(184,075,973)
Repairs and maintenance	(119,126,154)	(117,184,884)
Depreciation	(41,866,892)	(27,850,403)
Taxes and insurance	(27,423,104)	(8,891,287)
Others	(289,169)	(503,543)
	(853,371,178)	(1,000,514,473)
Net Recovery	200,382,520	52,702,120
Marketing and service fee	25,586,021	12,535,270
Miscellaneous	2,259,691	8,266,563
	₱228,228,232	₱73,503,953

9. Financial Risk Exposures

The Group's financial instruments comprise of cash and cash equivalents, receivables, long-term debt, accounts payable and accrued expenses and security and other deposits. The main purpose of the long-term debt is to finance the Group's operations while all other financial instruments resulted from the conduct of business.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group's risk management policies are summarized below:

a. Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt. Interest rates are dependent on floating interest rates, subject to repricing as determined by the creditor bank during the term of the loan. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax.

	Increase (decrease) in basis points	Effect on income before income tax/capitalized borrowing costs
2020	+100	(₱42.8 million)
	-100	42.8 million
2019	+100	(₱42.20 million)
	-100	42.20 million

There is no impact on the Group's equity other than those already affecting the statements of comprehensive income.

b. *Credit risk*

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group trades only with recognized, creditworthy third parties. It is the Group's practice that prospective tenants are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group which comprise cash and cash equivalents, the Group's exposure to credit risk relates to default of the counterparty with a maximum exposure equal to the carrying amount of the instruments.

The Group determines the credit quality based on the following:

Cash and Cash Equivalents – based on the nature of the Group's internal rating system.

Receivables – (a) high grade pertains to receivable from third parties, of which based on experience, are highly collectible or collectible on demand, and of which exposure to bad debts is not significant, while (b) standard grade pertains to receivables which passed a certain set of credit criteria and, which the Group has not noted any extraordinary exposure that calls for past due classification.

The table below shows the credit quality, based on the Group's credit rating system as of September 30, 2020 and December 31, 2019:

2020					
Neither Past Due nor Impaired					
	High Grade	Standard Grade	Past Due but not Impaired	Past Due and Impaired	Total
Cash and cash equivalents*	₱617,903,972	₱-	₱-	₱-	₱617,903,972
Receivables	845,023,992	-	236,888,000	285,258	1,082,197,250
Deposits	34,969,023	-	-	-	34,969,023
	₱1,497,896,987	₱-	₱236,888,000	₱285,258	₱1,735,070,245

*Excludes cash on hand amounting to ₱93,000.

2019					
Neither Past Due nor Impaired					
	High Grade	Standard Grade	Past Due but not Impaired	Past Due and Impaired	Total
Cash and cash equivalents*	₱508,764,313	₱-	₱-	₱-	₱508,764,313
Receivables	771,168,847	-	4,041,784	285,258	775,495,889
Deposits	46,752,894	-	-	-	46,752,894
	₱1,326,686,054	₱-	₱4,041,784	₱285,258	₱1,331,013,096

*Excludes cash on hand amounting to ₱92,518.

The analysis of trade receivables which are past due but not impaired as of September 30, 2020 and December 31, 2019 follow:

	Past Due but not Impaired					Total
	< 30 days	30-60 days	61-90 days	91-120 days	>120 days	
2020	₱79,892,000	₱15,242,000	₱51,600,000	₱21,108,000	₱69,046,000	₱236,888,000
2019	₱2,972,901	₱362,606	₱244,475	₱232,123	₱229,679	₱4,041,784

Delays in collection were experienced as payment due dates have been extended to assist the tenants during the Enhanced Community Quarantine. Subsequent collections have been made.

c. *Liquidity risk*

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group's practice is that float will be kept at a minimum.

The tables below summarize the maturity profile of the Group's financial assets held to manage liquidity as at September 30, 2020 and December 31, 2019:

2020									
	On demand	< 30 days	30 - 60 days	61 - 90 days	> 90 days	Up to year total	a > 1 year but < 5 years	Total	
Cash and cash equivalents	P324,861,841	P293,135,131	P-	P-	P-	P617,996,972	P-	P617,996,972	
Receivables	845,023,992	79,892,000	15,242,000	51,600,000	90,154,000	1,081,911,992	-	1,081,911,992	
Deposits	-	-	-	-	-	-	34,969,023	34,969,023	
	P1,169,885,833	P373,027,131	P15,242,000	P51,600,000	P90,154,000	P1,699,908,964	P34,969,023	P1,734,877,987	

2019									
	On demand	< 30 days	30 - 60 days	61 - 90 days	> 90 days	Up to year total	a > 1 year but < 5 years	Total	
Cash and cash equivalents	P370,212,025	P138,645,288	P-	P-	P-	P508,764,313	P-	P508,857,313	
Receivables	772,024,621	2,972,901	362,606	244,475	176,544	775,210,631	-	775,781,147	
Deposits	-	-	-	-	-	-	46,752,894	46,752,894	
	P1,142,236,646	P141,618,189	P362,606	P244,475	P176,544	P1,283,974,944	P46,752,894	P1,331,391,354	

Maturity profile of the Group's financial liabilities, as at September 30, 2020 and December 31, 2019 is shown below (in thousands):

2020										
	On demand	In 30 days	30 to 60 days	61 to 90 days	Over 90 days	Up to a year total	1 - 3 years	> 3 - 5 Years	Over 5 years	Total
Loans Payable	P-	P32,083	P12,500	P370,833	P950,417	P1,365,833	P2,570,833	P341,667	P-	P4,278,333
Bonds Payable	-	-	-	-	-	-	6,000,000	-	-	6,000,000
Interest on long-term debt*	-	15,600	15,030	14,350	363,760	408,740	477,046	-	-	885,786
Accounts payable and accrued expenses	1,987,130	-	-	-	-	1,987,130	-	-	-	1,987,130
Security and other deposits	-	-	-	-	128,339	128,339	769,329	-	-	897,668
	P1,987,130	P47,683	P27,530	P385,183	P1,442,516	P3,890,042	P9,817,208	P341,667	P-	P14,048,917

2019										
	On demand	< 30 days	30 - 60 days	61 - 90 days	Over 90 days	Up to a year total	> 1 - 3 years	> 3 - 5 Years	Over 5 years	Total
Loans payable	P-	P260,871	P37,500	P38,333	P1,018,751	P1,355,455	P1,179,583	P1,683,333	P-	P4,218,371
Bonds payable	-	-	-	-	-	-	-	6,000,000	-	6,000,000
Interest on long-term debt*	18,190	-	-	-	160,851	179,041	205,248	101,124	-	485,413
Accounts payable and accrued expenses	2,221,444	-	-	-	-	2,221,444	-	-	-	2,221,444
Security and other deposits	-	-	-	-	179,703	179,703	197,102	418,725	157,694	953,224
	P2,239,634	P260,871	P37,500	P38,333	P1,359,305	P3,935,643	P1,581,933	P8,203,182	P157,694	P13,878,452

*Includes future interest payable.

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

Results of operations for the nine months ended September 30, 2020 compared to nine months ended September 30, 2019

The Group's net income increased by 5%. Movement is attributable to Parent Company's new tenants during the year.

Revenues

Increase by 16% in rental revenues was caused by the Parent Company's new tenants, especially from Axis Towers 1 & 2, and Cebu Tower 2. There were also lease renewals at escalated rental rates.

Other income is composed of net tenant reimbursements and other miscellaneous income from rental facilities which includes other marketing and service fee.

Expenses

Increase of 32% or ₱ 272.5 million resulted from increased land rent expense which is a percentage of revenue recognized during the year, commission expense recognized from new lease contracts awarded, additional manpower expense from transferred and newly hired employees, increased depreciation as a result of additional operational leasable areas and higher interest expense as a result lower capitalization from general borrowings and finished construction of Axis Tower 2.

Financial Condition as of September 30, 2020 compared to as of December 31, 2019

As of September 30, 2020 CPI's total assets is valued at ₱23.7 billion, higher by 7% or by ₱1.5 billion than the ₱22.2 billion total assets as of December 31, 2019. The following are the material changes in account balances:

21% Increase in Cash and Cash Equivalents

Increase in cash as of September 30, 2020 was due to collections and lower spending for capex caused by the imposed suspension of construction during the COVID-19 enhanced community quarantine.

14% Increase in Other Current Assets

Movement is due to recognition of Input VAT on various purchases of goods and services on projects not subject to VAT Zero Rating. The Company estimates that all input VAT are recoverable at its full amount once the new buildings are completed and become operational.

40% Increase in Receivables

Increase in receivables pertains to payment extensions offered by the Company to its customers during the quarantine period, in compliance with the Bayanihan We Heal as One Act.

4% Increase in Investment Properties and Property, Plant and Equipment

Increase is attributable to construction costs incurred particularly for Axis Towers.

8% Increase in Intangible Assets and other non-current asset

Movement is mainly due to recognition of project costs on buildings under the Build Transfer Operate (BTO) Agreement with the Province of Cebu and Build Operate Transfer (BOT) agreement with PDDC.

7% Decrease in Total Current Liabilities

Decreased was mainly caused by payments made to matured bank loans.

1% Increase in Long Term Bank Loans

During the current period, the company availed loans amounting to P1 Billion to finance the construction of its projects.

10% Increase in Deferred Tax Liability

Movement is due to increase in deferred tax expense attributable to the increase in its receivables and capitalized interest.

120% Increase in Other Noncurrent Liabilities

Movement is due to increase in security deposits and retention payable to contractors and suppliers.

Performance Indicators

Financial Ratios	Particulars	For the nine months ended September 30, 2020	For the nine months ended September 30, 2019
Earnings per Share	$\frac{\text{Net Income}}{\text{Weighted Ave. number of outstanding shares}}$	1.14	1.09
Debt to Equity Ratio	$\frac{\text{Long Term Debt}}{\text{Total Stockholder's Equity}}$	1.10 : 1	1.28 : 1
Current Ratio	$\frac{\text{Current Asset}}{\text{Current Liability}}$	0.80 : 1	0.57 : 1
Debt Service Coverage Ratio	$\frac{\text{Earnings before Interest Taxes and Depreciation}}{\text{Debt service (Loan principal + interest payments)}}$	1.60 : 1	1.64 : 1

PART II - OTHER INFORMATION**Item 3. Business Development/New Projects**

CPI is one of the first companies to operate a major BPO-centric lease provider outside Makati, Bonifacio Global City, and Ortigas. Anticipating the traffic congestion in these districts, CPI took advantage of developing the land owned by FLI in Alabang, Muntinlupa City and established Northgate Cyberzone, an 18.7 hectare PEZA-registered IT Park.

A PEZA-registered IT Park, as defined by PEZA, is an area that has been developed into a complex capable of providing infrastructures and other support facilities required by IT Enterprises, as well as amenities required by professionals and workers involved in IT Enterprises, who will have easy access to such amenities. The combined competitive advantage of its location and the benefits of its PEZA registration attracted BPO companies to lease office spaces in Northgate Cyberzone. CPI continually provides world class, environmentally sustainable and efficient leasing facilities and services to various clients.

As of September 30, 2020, there are nineteen (19) fully operational office buildings in Northgate Cyberzone as follows:

Existing Buildings					
No.	Building Name	GLA (SQM)	Occupancy Rate as of End September 2020	PEZA Registered	LEED Certification
1	Plaz@ A	10,860.03	100%	Yes	N.A.
2	Plaz@ B	6,488.07	100%	Yes	N.A.
3	Plaz@ C	6,539.83	100%	Yes	N.A.
4	Plaz@ D	10,860.03	83%	Yes	N.A.
5	Plaz@ E	14,859.47	100%	Yes	N.A.
6	IT School	2,593.88	100%	Yes	N.A.
7	Concentrix CVG Building	6,399.10	100%	Yes	N.A.
8	Capital One Building	18,000	100%	Yes	N.A.
9	5132 Building	9,408.80	100%	Yes	N.A.
10	iHub 1	9,480.49	87%	Yes	N.A.
11	iHub 2	14,180.58	100%	Yes	N.A.
12	Vector One	17,764.25	100%	Yes	N.A.
13	Vector Two	17,888.78	100%	Yes	N.A.
14	Vector Three	36,344.79	68%	Yes	LEED Gold
15	Filinvest One	19,636.62	100%	Yes	N.A.
16	Filinvest Two	23,784.45	100%	Yes	N.A.
17	Filinvest Three	23,784.45	74%	Yes	N.A.
18	Axis Tower One	39,340.45	84%	Yes	LEED Gold
19	Axis Tower Two	39,340.45	37%	Yes	LEED Gold

In the pipeline are two (2) more office buildings:

Building Name	GLA	Estimated Completion	PEZA Registered	LEED Certification
Axis Tower Four	39,340.45	2Q2021	Yes	Pursuing LEED Gold
Axis Tower Three	39,340.45	1Q2022	Yes	Pursuing LEED Gold

Each Axis Tower has an approximate GLA of 1,487 square meters of retail spaces located at the ground floor.

As of end September 2020, fourteen (14) out of nineteen (19) operational buildings in Northgate Cyberzone are connected to a District Cooling system (DCS), owned and operated by PDDC, a 60% subsidiary of FLI. The DCS plant supplies chilled water for the provision of cooling energy to the aforementioned buildings of CPI within Northgate Cyberzone. Through the DCS, the air conditioning and cooling systems of some of the existing and upcoming buildings in Northgate Cyberzone are now centralized and it is a more reliable and greener source of air conditioning for CPI's locators.

CPI also developed and operates the Filinvest Cyberzone Cebu located in Lahug, Cebu City, Cebu, which currently has two (2) fully operational office buildings:

Building Name	GLA (SQM)	Occupancy Rate as of March 2020	PEZA Registered
Cebu Tower 1	21,360.70	100%	Yes
Cebu Tower 2	28,295.64	44%	Yes

Currently under construction are Cebu Towers 3 and 4:

Building Name	GLA (SQM)	Estimated Completion	PEZA Registered
Cebu Tower 3	18,367.94	4Q2022	Yes
Cebu Tower 4	20,350.40	2Q2023	Yes

Filinvest Cyberzone Cebu complex has a retail component at ground and common podium with GLA of 5,470.13 square meters.

Item 4. Other Disclosures

1. The information is not necessarily indicative of the results of the future operations. The information set out above should be read in conjunction with, and is qualified in its entirety by reference to the relevant financial statements of Cyberzone Properties, Inc., including the notes thereto.
2. Except as disclosed in the Notes to Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations, there are no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim period.
3. The Company's unaudited interim consolidated financial statements were prepared in accordance with PAS 34, Interim Financial Reporting (PAS 34, par. 19).
4. The Company's unaudited interim consolidated financial statements do not include all of the information and disclosures required in the annual financial statements and should be read in conjunction with the consolidated annual financial statements as of and for the year ended December 31, 2019 (PAS 34, par 15).
5. The accounting policies and methods of computation adopted in the preparation of the unaudited interim consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements as of and for the year ended December 31, 2019.
6. On known trends, events or uncertainties that have had or are reasonably expected to have favorable or unfavorable impact on net sales or revenues or income from continuing operations of CPI, the Covid-19 global pandemic which started to occur in the Philippines in January of 2020 and accelerated by March has caused disruptions in the Company's operations. On March 15, the Philippine government implemented a "Community Quarantine" in Metro Manila. On March 17, 2020, the government expanded the scope with an "Enhanced Community Quarantine (ECQ)" "Modified Enhanced Community Quarantine (MECQ)" and "General Community Quarantine (GCQ)", in several regions of the country which effectively restricted movement and mandated the temporary closure of non-essential shops and businesses. On August 19, 2020, Metro Manila was downgraded to a more eased

“General Community Quarantine”. The Company expects that these developments has some impact in its operations and with its tenants as follows:

- a. Delays in construction of pipeline buildings due to the imposed stoppage of construction during the community quarantine
Tenants are not allowed to operate on-site during the enhanced community quarantine and allowed work from home arrangements with their employees. When the quarantine was modified, some tenants implemented reduced manpower on-site by 50% and still allowed work from home arrangements, while other tenants inquired for temporary additional space to address the 50% density and social distancing
 - b. Pre-leasing and occupancy of new buildings will be lower than expected
 - c. Possible postponement of lease negotiations for either new space or expansion due to internal business decision of the client
7. Aside from the possible material increase in interest rates of the outstanding long-term debts with floating rates, there are no known trends, events or uncertainties or any material commitments that may result to any cash flow or liquidity problems of CPI within the next 12 months. The Parent Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangements requiring it to make payments, or any significant amount in its accounts payable that have not been paid within the stated terms.
 8. Except for those discussed above, there are no known trends, events or uncertainties that have had or are reasonably expected to have favorable or unfavorable impact on net sales or revenues or income from continuing operations of CPI.
 9. There are no known events that will trigger the settlement of a direct or contingent financial obligation that is material to the Group.
 10. The Group does not have any contingent liability of borrowings wherein financial assets were pledged to secure payment nor does it have borrowings wherein properties were mortgaged to secure a loan.
 11. Please refer to Annex A for the Aging Schedule for the Company’s receivables as of September 30, 2020. Annex B are Supplementary Information and Disclosures required on SRC rules 68 and 68.1 as amended for the nine months ended September 30, 2020.

CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY

Aging of Receivables

As of September 30, 2020

	Current	1-30 days	31-60 days	61-90 days	91-120 days	>120 days	Total
Trade Receivables	803,765,283	79,892,000	15,242,000	51,600,000	21,108,000	69,046,000	1,040,653,283
Other Receivables	41,258,710	-	-	-	-	-	41,258,710
Total	845,023,992	79,892,000	15,242,000	51,600,000	21,108,000	69,046,000	1,081,911,992

Trade receivables represent charges to tenants for rentals and utilities normally collectible within a year.

Other Receivables represent claims from other parties arising from the ordinary course of business. It also includes advances for expenses/loans made by the Company in favor of its officers and employees.

Normal Operating Cycle: 12 calendar months

CYBERZONE PROPERTIES, INC.
(A Wholly Owned Subsidiary of Filinvest Land, Inc.)

**SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON
 SRC RULE 68 AND 68.1 AS AMENDED**

September 30, 2020

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by SRC Rule 68 and 68.1 as amended that are relevant to the Company. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Marketable Securities (Current Marketable Equity Securities and Other Short Term Cash Investments)

As of September 30, 2020, the Company has Philippine Long Distance Telephone Company, Inc. (PLDT) shares amounting to ₱2,000 and Short term deposits amounting to ₱ 367,295,709 reported under Current Assets on the Company’s Statements of Financial Position.

Schedule B. Non-Current Marketable Equity Securities, Other Long-Term Investments in Stocks, and Other Investments

As of September 30, 2020, the Company has no non-current marketable equity securities, other long-term investments in stocks, and other investments.

Schedule C. Intangible Asset

As of September 30, 2020, the Company’s intangible asset consists of Build Transfer Operate (BTO) rights which pertains to the cost related to the BTO agreement with the Cebu Province entered into on March 26, 2012.

	2020	2019
	<u>₱</u>	<u>₱</u>
BTO rights	<u>3,024,258,862</u>	<u>2,781,760,147</u>

Under the BTO agreement, the Company is committed to develop and construct a BPO Complex on the properties owned by Cebu Province located at Salinas, Lahug, Cebu City, and transfer the ownership of the BPO Complex to the Cebu Province upon completion, in exchange for the right to operate and manage the BPO Complex for the entire term of the agreement and its renewal (25 years, renewable for another 25 years upon mutual agreement of the parties). The BTO project comprises of four (4) towers and first two towers have been completed, and the other two are under construction. Kindly refer to Note 2 and 3 of the Financial Information.

Schedule D. Long term debt

Below is the schedule of long-term debt of the Company (in thousands):

Type of Obligation	Amount	Current	Noncurrent
- This is a 5-year loan with a financial institution, obtained on July 26, 2016 and will mature on July 27, 2021			
- 50% of the principal is payable in 12 quarterly payments starting October 2018; 50% payable at maturity.			
- Fixed 5-year inclusive of GRT			
- Unsecured	₱233,333	₱233,333	–
- This is a 7-year loan with a financial institution, obtained on December 16, 2013 and will mature on December 16, 2020			
- 50% of the principal is payable in 20 quarterly payments starting December 2015; 50% payable at maturity			
- 7-year PDST-F plus spread of 1.0% plus GRT			
- Unsecured.	350,000	350,000	–
- This is a 5-year loan with a financial institution, obtained on September 17, 2019 and will mature on September 17, 2024			
- Fixed for 5 years			
- Unsecured	300,000	–	300,000
- This is a 7-year loan with a financial institution, obtained on July 7, 2014 and will mature on July 7, 2021.			
- 50% of the principal is payable in 20 quarterly payments starting October 2016; 50% payable at maturity			
- Interest rate equivalent to PDST-F, payable quarterly			
- Unsecured	420,000	420,000	–
- This is a 5-year loan with a financial institution, obtained on June 28, 2016 and will mature on September 28, 2021			
- 50% of the principal is payable in 12 quarterly payments starting June 2018; 50% payable at maturity			
- Fixed for 5 years			
- Unsecured	312,500	312,500	–
- This is a 7-year loan with a financial institution, obtained on November 9, 2016 and will mature on November 9, 2023			
- 50% of the principal is payable in 16 quarterly payments starting February 2020; 50% payable at maturity			
- Fixed for 7 years			
- Unsecured	362,500	50,000	312,500
- This is a 5-year loan with a financial institution, obtained on June 28, 2019 and will mature on June 28, 2024			
- P229.2 million is payable in 11 quarterly payments starting September 28, 2021; remaining payable at maturity			
- Unsecured	500,000	–	500,000
- This is a 5-year loan with a financial institution, obtained on October 23, 2019 and will mature October 23, 2024			
- Fixed for 5 years			
- Unsecured	500,000	–	500,000
- This is a 5-year loan with a financial institution, obtained on December 6, 2019 and will mature December 6, 2024			
- Unsecured	300,000	–	300,000
- This is a 5-year loan with a financial institution, obtained on January 24, 2020 and will mature on January 24, 2025			
- Unsecured	500,000	–	500,000

Type of Obligation	Amount	Current	Noncurrent
- This is a 5-year loan with a financial institution, obtained on April 2020 and will mature on April, 2025	500,000	-	500,000
This is a 5.5-year bond issued on July 7, 2016 with a fixed interest rate of 5.0496% per annum payable quarterly. The principal bonds payable is P6 billion maturing on 2023 The bonds shall be repaid at maturity at par or 100% of face value	5,970,977	-	5,970,977
	₱10,249,310	₱1,365,833	₱8,883,477

The Company's long-term debts are unsecured and no assets are held as collateral for these debts. The agreements covering the abovementioned loans require maintaining certain financial ratios including debt-to-equity ratio and interest coverage ratio.

The agreements also provide for restrictions and requirements with respect to, among others, making substantial change in present management and ownership structure; acquisition of any shares of stock; sale, lease or transfer and disposal of all or a substantial part of its assets, except in the ordinary course of business; and entering into any merger, consolidation or reorganization.

As of September 30, 2020, the Company has not been cited as in default on its outstanding loan obligations.

Schedule E. Indebtedness to Related Parties (Short-Term Loans from Related Companies)

As of September 30, 2020, the Company has advances amounting to P200,000,000 from its affiliate Filinvest Cyberparks Inc.

Schedule F. Guarantees of Securities of Other Issuers

The Company does not have guarantees of securities of other issuers as of September 30, 2020.

Schedule G. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
			(In Thousands)			
Common Shares	2,000,000	1,163,427	-	1,163,427	0.007	None

Schedule H. Unappropriated Retained Earnings Available for Dividend Distribution

CYBERZONE PROPERTIES, INC.

**CONSOLIDATED UNAPPROPRIATED RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DISTRIBUTION**


Retained Earnings, January 1, 2020		P401,190,324
Adjustments:		
Equity in net earnings of subsidiaries and associates		—
Prior-year adjustments		—
Unappropriated Retained Earnings, as adjusted, January 1, 2020		401,190,324
Net income based on the face of unaudited financial statements	1,338,841,795	
Less: Non-actual/unrealized income net of tax		
Equity in net income of subsidiaries and associates		—
Unrealized foreign exchange gain – net		—
Unrealized actuarial gain		—
Fair value adjustment (marked-to-market gains)		—
Fair value adjustment of Investment Property resulting to gain		—
Adjustment due to deviation from PFRS/GAAP gain		—
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS		—
Add: Non-actual/unrealized losses net of tax		
Depreciation on revaluation increment		—
Adjustment due to deviation from PFRS/GAAP loss		—
Loss on fair value adjustment of Investment Property		—
Movement in deferred tax assets		—
Unappropriated Retained Earnings, September 30, 2020		1,740,032,119
Add (less):		
Movement in deferred tax assets		465,181
Dividend declarations during the period		-
Appropriations of retained earnings during the period		-
Unappropriated Retained Earnings, as adjusted, September 30, 2020		P1,740,497,300

Part III – Signature


Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CYBERZONE PROPERTIES, INC.

By:



Ana Venus A. Mejia
Chief Financial Officer



Maricel Brion-Lirio
Executive Vice President / COO