COVER SHEET

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S.E.C. Registration Number

F I L I N V E S T R E I T C O R P . (f o r m e r l y , C Y B E R Z O N E P R O P E R T I E S , I N C .)

(Company's Full Name)

V E C T O R O N E B U I L D I N G , A L A B A N G , M U N T I N L U P A C I T Y

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

c/o Atty. Sharon P. Pagaling-Refuerzo

Contact Person

7918-8188

Company Telephone Number

Preliminary Information Statement

Month	Day	**P I S**	Month	Day
Fiscal Year		FORM TYPE	Annual Meeting	

Secondary License Type; If Applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number / Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = Pls. use black ink for scanning purposes

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO ALL STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Stockholders' Meeting of **FILINVEST REIT CORP.** ("FILRT") will be conducted virtually on **November 18, 2021 (Thursday)** at **9:00 AM** at which meeting the following matters shall be taken up:

I. Call to Order

II. Proof of Notice of Meeting

III. Certification of Quorum

IV. Approval of the Minutes of the Annual Stockholders' Meeting held on September 30, 2020

V. Presentation of the Management's Report

VI. Ratification of the Audited Financial Statements for the year ended December 31, 2020

VII. General Ratification of the Acts, Resolutions and Proceedings of the Board of Directors, Board Committees and Management up to November 18, 2021

VIII. Election of the Members of the Board of Directors, including three (3) Independent Directors, to serve for 2021-2022

IX. Appointment of the External Auditor

X. Other Matters

XI. Adjournment

In view of the current circumstances, stockholders may attend and participate in the meeting only by remote communication, voting *in absentia* and/or appointing the Chairperson of the meeting as their proxy. The procedure and requirements for online registration for remote communication and voting *in absentia* are explained in the Information Statement.

Only Stockholders of Record as of 5:00 PM of October 22, 2021 shall be entitled to vote at this meeting. Votes cast remotely or *in absentia* should be received by the Corporation on or before November 10, 2021.

Stockholders who wish to vote by proxy shall submit the same on or before November 10, 2021 to the Office of the Corporate Secretary, located at Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City 1550, Metro Manila on or by email to FILRTASM2021@filinvestreit.com. A proxy submitted by a corporation should be accompanied by a Corporate Secretary's certificate quoting the board resolution designating a corporate officer to execute the proxy. In addition to the above requirement for corporations, a proxy form given by a broker or custodian bank in respect of shares of stock carried by such broker or custodian bank for the account of the beneficial owner must be accompanied by a certification under oath stating that the broker or custodian bank has obtained the written consent of the account holder.

PLEASE NOTE THAT THE CORPORATION IS NOT SOLICITING PROXIES.

The nomination and election of the members of the Board of Directors should be in accordance with the nomination forms, procedures and requirements adopted by the Board of Directors. Any stockholder may obtain the required nomination form from, and must submit his nominations, to the Corporate Secretary at Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City 1550, Metro Manila not later than October 15, 2021.

All nominations shall be in writing duly signed by the nominating stockholders or their duly authorized (in writing) representatives, with the written acceptance and conformity of their nominee. The nomination must indicate whether the nominees are intended to be independent directors. Further, all nominations should include (i) the curriculum vitae of the nominee, (ii) a statement that the nominee has all the qualifications and none of the disqualifications, (iii) information on the relationship of the nominee to the stockholder submitting the nomination, and (iv) all relevant information about the nominee's qualifications, such as the nominee's age, educational attainment, full disclosure of work and/or business experience and/or affiliations. The Directors and Independent Directors shall be elected from among FILRT's stockholders. All nominees for Directors and Independent Directors must possess the minimum requirements/qualifications and none of the disqualifications prescribed by the Securities and Exchange Commission and in FILRT's Manual on Corporate Governance.

The Corporation's Information Statement, Management Report, and 2021 Audited Financial Statements will be made available in the company website at https://www.filinvestreit.com/ and in the Philippine Stock Exchange EDGE disclosure system no later than October 26, 2021. Pursuant to SEC Memorandum Circular No. 6, Series of 2020, please be informed that there will be a visual and audio recording of the meeting.

Please be guided accordingly.

SHARON P. PAGALING-REFUERZO
Corporate Secretary

EXPLANATION OF AGENDA ITEMS FOR STOCKHOLDERS' APPROVAL AND/OR RATIFICATION

Call to Order

The Chairman will formally commence the meeting at approximately 9:00 a.m. on November 18, 2021.

Proof of Notice and Certification of Quorum

The Corporate Secretary will certify that notice of the meeting was duly sent to the stockholders and that a quorum exists for the valid transaction of business.

Pursuant to Sections 23 and 57 of the Revised Corporation Code and SEC Memorandum Circular No. 6, Series of 2020 which provide for remote attendance and voting *in absentia* in stockholders' meetings, the Company has set up a system and process to allow stockholders to vote online *in absentia* on the matters in the agenda. Only stockholders who successfully registered in the stockholder registration system, together with those who voted *in absentia* or by proxy, will be included in determining the existence of a quorum.

The following are the procedures for the meeting:

- Stockholders who wish to appoint the Chairperson as proxy may submit the same on or before November 10, 2021 to the Office of the Corporate Secretary through Ms. Sharon P. Pagaling-Refuerzo, located at Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City 1550, Metro Manila, or by email to FILRTASM2021@filinvestreit.com.
- Stockholders who wish to attend the meeting via remote communication and/or vote *in absentia* online must register at the following web address: https://shareholders.filinvest.com.ph/FLI_SHAREHOLDERSYSTEM. After validation, the stockholders will receive an email with instructions on how to access the voting ballot and the meeting. The details of the process are provided in the Information Statement.
- The votes will be tabulated by the Office of the Corporate Secretary and the stock transfer agent. The results will be reported in the meeting.
- Any comments and questions on the agenda should be emailed to FILRTASM2021@filinvestreit.com on or before November 10, 2021. The Board of Directors and/or officers will endeavor to answer these questions during the meeting. Due to time constraints, any questions that will not be addressed during the meeting may be answered by email.
- There will be an audio and visual recording of the meeting.

Approval of the Minutes of the Annual Stockholders' Meeting held on September 30, 2020

The minutes of the meeting held on September 30, 2020 can be viewed at the Company website, https://www.filinvestreit.com/. A copy of the minutes is also attached as Annex "E" of the Information Statement.

Presentation of the Management Report

The Company's President & CEO, Ms. Maricel Brion-Lirio, will report on the Company's 2020 performance and the outlook for this year.

Ratification of the Audited Financial Statements for the year ended December 31, 2020

The audited financial statements refer to the financial operations, balance sheet and income statement of FILRT as of and for the year ended December 31, 2020. The Company's audited financial statements for 2020 is attached as **Annex "D"** of the Information Statement and will be made available on the Company website.

Ratification of the Acts and Resolutions of the Board of Directors, Board Committees and Management from the Date of the Last Annual Stockholders' Meeting up to November 18, 2021

The acts of the Board of Directors and its committees, officers and management of the Company since the last annual meeting up to the present, as duly recorded in the corporate books, include the amendment of the articles of incorporation and by-laws, increase in authorized capital stock, declaration of property dividends, initial public offering, approval of contracts and agreements, application for government permits and licenses, appointment of officers, designation of authorized representatives, and other transactions in the general conduct of business. The summary of the major resolutions approved and adopted by the Board and the Board Committees are discussed in the Information Statement.

Election of the Members of the Board of Directors, including three (3) Independent Directors, to serve for 2021-2022

In accordance with the Company's Revised Manual on Corporate Governance and By-Laws, the stockholders must elect the members of the Board of Directors of the Company comprised of seven (7) directors, including three (3) independent directors, who shall hold office for a term of one (1) year, or until their successors shall have been duly elected and qualified.

There will be an election of the members of the Board during the annual stockholders' meeting to serve for the year 2021 to 2022.

The Corporate Governance Committee, acting as the Nominations Committee, will evaluate the nominees for the Board, including three (3) nominees for independent directors, and will determine that they have all the qualifications and none of the disqualifications to serve in the Board of Directors.

Appointment of the External Auditor

The Audit and Risk Management Oversight Committee and the Board endorsed to the stockholders the re-appointment of SGV & Co. as the external auditor for the ensuing year. The details of the external auditor are provided in the Information Statement.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [x] Preliminary Information Statement

   [ ] Definitive Information Statement

2. Name of Registrant as specified in its charter: **FILINVEST REIT CORP.**

3. Province, country or other jurisdiction of incorporation or organization: **Philippines**

4. SEC Identification Number: **A2000-00652**

5. BIR Tax Identification Code: **204-863-416**

6. Address of principal office: **5th to 7th Floors, Vector One Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metro Manila**

   Postal Code: **1781**

7. Registrant's telephone number, including area code: **(02) 8846 0278**

8. Date, time and place of the meeting of security holders:

   Date: **November 18, 2021 (Thursday)**
   Time: **9:00 a.m.**
   Place: **No physical meeting**
   Online web address for registration for remote participation and voting:
   https://filreit-asm.filinvest.com.ph/register

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

   On or before October 26, 2021

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Common Shares of Stock Outstanding	Amount of Debt Outstanding
Common	**4,892,777,994**	
Bonds Payable		**P5,974,168,846.00**

11. Are any or all of registrant's securities listed in a Stock Exchange? **Yes**

Name of such Stock Exchange and the class of securities listed therein:

The Philippine Stock Exchange, Inc. - common shares

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

PART I
INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, Time and Place of Annual Meeting of Stockholders

(a) The annual stockholders' meeting of **FILINVEST REIT CORP..** (the "Company" or "FILRT") is scheduled to be held on **November 18, 2021** at **9:00 a.m.** through remote communication.

The complete mailing address of the principal office of the Company is at the 5th to 7th Floors, Vector One Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metro Manila.

(b) This information statement shall be sent or given to stockholders no later than **October 26, 2021**.

Item 2. Dissenters' Right of Appraisal

A stockholder of the Company has the right to dissent and demand payment of the fair value of his shares in the following instances: (a) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares or any shares of any class, or of extending or shortening the term of corporate existence; (b) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code of the Philippines (the "Revised Corporation Code"); (c) in case of investment of corporate funds in any other corporation or business or for any purpose other than the Company's primary purpose; and (d) in case of merger or consolidation.

The stockholder concerned must have voted against the proposed corporate action in order to avail himself of the appraisal right. As provided in the Revised Corporation Code, the procedure in the exercise of the appraisal right is as follows:

a. The dissenting stockholder files a written demand within thirty (30) days after the date on which the vote was taken. Failure to file the demand within the thirty-day period constitutes a waiver of the right. Within ten (10) days from demand, the dissenting stockholder shall submit the stock certificate/s to the Company for notation that such shares are dissenting shares. From the time of the demand until either the abandonment of the corporate action in question or the purchase of the shares by the Company, all rights accruing to the shares shall be suspended, except the stockholder's right to receive payment of the fair value thereof.

b. If the corporate action is implemented, the Company shall pay the stockholder the fair value of his shares upon surrender of the corresponding certificate/s of stock. Fair value is determined by the value of the shares of the Company on the day prior to the date on which vote is taken on the corporate action, excluding any appreciation or depreciation in value in anticipation of the vote on the corporate action.

c. If the fair value is not determined within sixty (60) days from the date of the vote, it will be determined by three (3) disinterested persons (one chosen by the Company, another chosen by the stockholder, and the third one chosen jointly by the Company and the stockholder). The findings of the appraisers will be final, and their award will be paid by the Company within thirty (30) days following such award, provided the Company has sufficient unrestricted retained earnings. Upon such payment, the stockholder shall forthwith transfer his shares to the Company. No payment shall be made to the dissenting stockholder unless the Company has unrestricted retained earnings sufficient to cover such payment.

d. If the stockholder is not paid within thirty (30) days from such award, his voting and dividend rights shall be immediately restored.

There is no matter to be taken up at the annual meeting on **November 18, 2021** which would entitle a dissenting stockholder to exercise the right of appraisal.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

(a) No director or executive officer of the Company or nominee for election as such director or officer has any substantial interest, direct or indirect, in any matter to be acted upon at the annual stockholders' meeting, other than election to office (in the case of directors).

(b) Likewise, none of the directors has informed the Company of his opposition to any matter to be taken up at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) As of September 30, 2021, the total number of shares outstanding and entitled to vote in the annual stockholders' meeting is 4,892,777,994 common shares. Each share is entitled to (1) one vote in accordance with the By-Laws of the Company.

(b) The record date for purposes of determining the stockholders entitled to vote is October 22, 2021.

(c) Stockholders are entitled to cumulative voting in the election of directors of the Company, as provided for in the Corporation Code. Under Section 23 of the Revised Corporation Code, a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit: Provided, That the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the whole number of directors to be elected. The stockholder must be a stockholder of record as of October 22, 2021 in order that he may exercise cumulative voting rights. There are no conditions precedent to the exercise of the stockholders' cumulative voting right.

(d) Security Ownership of Certain Record and Beneficial Owners

The names, addresses, citizenship, number of shares held, and percentage to total of persons owning more than five percent (5%) of the outstanding voting shares of the Company as of September30, 2021 are as follows:

Title of Class	Name and Address of Record Owner/ Relationship with Company	**Name of Beneficial Owner/ Relationship with Record Owner**	**Citizenship**	**No. of Shares Held**	**% Held**
Common	**Filinvest Land, Inc.** Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City, Metro Manila Majority Owner of the Company	FLI[1]	Filipino	3,095,498,345 (D)	63.27%

Except as stated above, the Board of Directors and Management of the Company have no knowledge of any person who, as of the date of the annual report, was directly or indirectly the beneficial owner of more than five percent (5%) of the Company's outstanding shares or who has voting power or investment power with respect to shares comprising more than five percent (5%) of the Company's outstanding common stock.

Total number of shares of all record and beneficial owners is 4,892,777,994 common shares representing 100% of the total issued and outstanding common shares.

As of September 30, 2021, 72,697,500 common shares or 1.49% of the outstanding common shares of the Corporation are owned by foreigners.

The names, citizenship, number of shares held and percentage to total of persons forming part of the Board and Management of the Company as of September 30, 2021 are as follows:

Title of Class	Name of Beneficial Owner	**Amount and Nature of Beneficial Ownership**	**Citizenship**	**Percentage of Ownership**
Common	Lourdes Josephine Gotianun-Yap	2 (D) 900,000 (I)	Filipino	Negligible 0.02%
Common	Maricel Brion-Lirio	2 (D) 0 (I)	Filipino	Negligible
Common	Tristaneil D. Las Marias	2 (D) 0 (I)	Filipino	Negligible
Common	Francis Nathaniel C. Gotianun	2 (D) 0 (1)	Filipino	Negligible
Common	Val Antonio B. Suarez	2 (D) 0 (I)	Filipino	Negligible
Common	Virginia T. Obcena	2 (D) 0 (I)	Filipino	Negligible
Common	Gemilo J. San Pedro	2 (D) 0 (I)	Filipino	Negligible

[1] Stockholders are the beneficial owners. Ms. Lourdes Josephine Gotianun-Yap is typically appointed by Filinvest Land, Inc. ("FLI") as its representative, with authority to vote FLI's shares in stockholders' meetings of FILRT.

Title of Class	Name of Beneficial Owner	**Amount and Nature of Beneficial Ownership**	**Citizenship**	**Percentage of Ownership**
Common	Ana Venus A. Mejia	100,000 (D) 70,000 (I)	Filipino	Negligible Negligible
N. A.	Sharon P. Pagaling-Refuerzo	0	Filipino	N. A.
N. A.	Raymond Wilfred L. Castañeda	0	Filipino	N. A.
N. A.	Patricia Carmen D. Pineda	0	Filipino	N. A.
	TOTAL	100,014 (D) 970,000 (I)		Negligible 0.02%

There is no person who holds more than five percent (5%) of the common stock under a voting trust or similar agreement.

No change in control of the Company has occurred since the beginning of its last fiscal year.

Item 5.Directors and Principal Officers

Members of the Board serve for a term of one (1) year and until their successors shall have been duly elected and qualified. The business experience of the directors and officers of the Company named below covers at least the past five (5) years.

The following are the current directors and executive officers of the Company:

Lourdes Josephine Gotianun-Yap *Chairperson of the Board of Directors*	Mrs. Yap, 66, Filipino, was elected as Chairperson of the Board of FILRT on February 11, 2021. She has been a director of FILRT since 2001. She is also a Director, President and Chief Executive Officer of Filinvest Development Corporation (FDC) and Filinvest Land, Inc. (FLI), and a Director in Eastwest Banking Corporation (EWBC), all publicly-listed companies. She is the Chairperson and CEO of Filinvest Alabang, Inc. (FAI), a director of FDC Utilities, Inc. (FDCUI) and in other companies within the Filinvest Group. She obtained her Master's Degree in Business Administration from the University of Chicago in 1977.
Maricel Brion-Lirio *Director, President and Chief Executive Officer*	Mrs. Lirio, 52, Filipino, was elected as Director, President and Chief Executive Officer of FILRT on February 11, 2021. Prior to that, she was the Executive Vice-President and Chief Operating Officer of FILRT and Senior Vice President-Offices and Vice President-Project Group Head of FAI. She was also formerly a Senior Assistant Vice President and Marketing Director for Philam Properties Corporation, National Sales Manager for Triumph International (Phils.) Inc., Marketing and Leasing Manager of D.C. Realty and Finance Corp., Marketing Services and Customer Relations Manager of Mazda and BMW Philippines and a money market trader of CityTrust Banking Corp., a Citibank N.A. subsidiary. She obtained her Bachelor's Degree in Mass Communications from Assumption College Makati. She also attended the Business Management Program of Asian Institute of Management and earned units in the Graduate School of Management at the University of San Francisco, California.

Tristaneil D. Las Marias *Director*	Mr. Las Marias, 47, Filipino, was elected as Director of FILRT on September 30, 2020. He also serves as the Executive Vice-President and Chief Strategy Officer of FLI. He is also the Chairman of FREIT Fund Managers, Inc., President of Property Specialist Resources, Inc., and a director in other companies under the Filinvest Group. He started in 1997 as Head of Regional Projects and went on to hold a higher position as Senior Vice-President and Cluster Head for Visayas and Mindanao projects as well as Southwest and Central Luzon of FLI. Prior to joining the Filinvest Group, he was Assistant Vice President and Head of Marketing and Business Development of Landtrade Properties and Marketing Corporation and a Project Officer of Landco Pacific Corporation. He obtained his Bachelor of Arts, Major in Management Economics degree from Ateneo de Manila University
Francis Nathaniel C. Gotianun *Director*	Mr. Gotianun, 37, Filipino, was first elected as Director of the Company on September 30, 2020, subject to the approval of the Philippine SEC of the increase in the Company's number of directors. His appointment as Director of the Company became effectiveon July 2, 2021. He is the Senior Vice-President of Filinvest Hospitality Corporation, a subsidiary of FDC, the primary role of which is to evaluate, plan, develop and optimize potential and current hospitality investments of the Filinvest Group. He serves as a director of Filinvest Mimosa, Inc. and as the President and CEO of The Palms Country Club Inc. He is also a director of FLI, a publicly-listed company. He obtained his Bachelor's Degree in Commerce from the University of Virginia in 2005 and his Master's in Business Administration degree in IESE Business School – University of Navarra in 2010.
Val Antonio B. Suarez *Independent Director*	Mr. Suarez, 62, Filipino, is an independent director of FILRT, having been first elected on April 6, 2017. He is the Managing Partner of the Suarez & Reyes Law Offices and was the former President and Chief Executive Officer of The Philippine Stock Exchange, Inc.. Mr. Suarez is also an independent director of FDC, FLI and Lepanto Consolidated Mining Company, all publicly listed companies, and a member of the Integrated Bar of the Philippines (Makati Chapter) and the New York Bar. He obtained his Bachelor of Laws degree from the Ateneo de Manila University Law School and a Master of Laws degree from Georgetown University Law Center.
Virginia T. Obcena *Independent Director*	Ms. Obcena, 73, Filipino, was first elected as an independent director of FILRT on July 17, 2019. She is also an independent director of FDC, a publicly-listed company. She is a member of the Friends of the Philippine General Hospital (FPGH), a non-stock, non-profit organization. She was also a member of the Panel of Conciliators of the International Centre for Settlement of Investment Disputes (ICSID) of the World Bank. She served as independent director and head of the Audit Committee of the Capital Markets Integrity Corporation. She was a former partner, member of the management committee and head of quality and risk management at SyCip Gorres Velayo & Co. (SGV & Co.). She obtained her Bachelor

	of Science in Business Administration degree, Magna cum Laude, at the University of the East and her Master in Business Administration degree at the University of the Philippines. She is a Certified Public Accountant.
Gemilo J. San Pedro *Independent Director*	Mr. San Pedro, 66, Filipino, was first elected as Director of the Company on September 30, 2020, subject to the approval of the Philippine SEC of the increase in the Company's number of directors. His appointment as Director of the Company became effective on July 2, 2021. He has 38 years of experience in public accounting and business advisory services. Prior to his retirement on 30 June 2015, he served various leadership roles at SGV & Co. He was a partner in SGV & Co. from 1991 to 2015 and Professional Practice Director and Quality and Risk Management Leader from 2004 to 2015. He is also an independent director of FLI, a publicly-listed company. He finished his Bachelor of Science in Commerce-Major in Accounting degree at Rizal Memorial Colleges, Davao City, in 1976. He obtained his Master of Business Administration, concentration in Finance and International Business, at the Graduate School of Business, New York University, (now Stern Graduate School) USA, in 1983.
Ana Venus A. Mejia *Treasurer and Chief Finance Officer*	Ms. Mejia, 55, Filipino, is the Treasurer; Chief Finance Officer and Compliance Officer of FILRT. She also serves as the First Senior Vice President, Treasurer, Chief Finance Officer and Compliance Officer of FLI. Prior to joining Filinvest, she worked with Shoemart and SGV & Co. She is a Certified Public Accountant and a *magna cum laude* graduate of Pamantasan ng Lungsod ng Maynila. She obtained her Master's Degree from the Kellogg School of Management of Northwestern University and the School of Business and Management at the Hong Kong University of Science and Technology.
Sharon P. Pagaling-Refuerzo *Corporate Secretary and Corporate Information Officer*	Ms. Pagaling-Refuerzo, 42, Filipino, is FILRT's Corporate Secretary since 2014. She also serves as the Vice-President – Corporate Advisory Services and Tax Head of the Legal Department of FLI. She is also the Corporate Secretary of FDC, TPCCI and Timberland Sports and Nature Club, Inc., as well as Corporate Secretary of various companies of the Group. Prior to joining Filinvest, she served as Legal Counsel for Robinsons Land Corporation. She graduated from the University of the Philippines and obtained her Bachelor of Laws degree from San Beda College of Law.
Raymond Wilfred L. Castañeda *Data Protection Officer*	Mr. Castañeda, 44, Filipino, is the Data Protection Officer of FILRT. He concurrently serves as President of Corporate Technologies, Incorporated. He has twenty-two (22) years combined experience in different areas covering sales and marketing, information technology, strategy and general management. He was previously the Chief Information Officer and Head of IT for Petron Corporation. Prior to his experience in the Oil and Gas industry, he was with the fast-moving consumer goods business where he was involved in the digital transformation of the multinational companies such as Unilever,

	Johnson and Johnson and SC Johnson. He graduated from the Ateneo de Manila University, with a degree in BS Management Information Systems in 1999.
Patricia Carmen D. Pineda *Investor Relations Officer*	Ms. Pineda, 48, Filipino, is the Investor Relations Officer of FILRT. She also serves as the Senior Assistant Vice-President and Group Investor Relations Officer of FDC. She was previously the Head of Investor Relations for Metropolitan Bank & Trust Company. She also served as the Head of Investor Relations Concurrent Head of Controllership and Analysis for Manila Water Company, Inc. and Investor Relations Manager for Ayala Land, Inc. She holds a Bachelor of Science degree, major in Economics from the University of the Philippines, and a Master of Science degree in Finance from the same university.

A Certification on the nature of government involvement of the above-named directors and officers is attached hereto as **Annex "A".**

The members of the board committees, pursuant to appointments made during the organizational meeting of the Board of Directors of the Company on October 28, 2020 and in a special meeting of the Board of Directors held on July 9, 2021, are as follows:

Audit & Risk Management Oversight Committee	Virginia T. Obcena (Chairperson and Independent Director), Val Antonio B. Suarez (Independent Director) and Gemilo J. San Pedro (Independent Director)
Compensation Committee	Val Antonio B. Suarez (Chairman and Independent Director), Lourdes Josephine Gotianun-Yap, and Virginia T. Obcena (Independent Director)
Corporate Governance Committee	Val Antonio B. Suarez (Chairman and Independent Director), Virginia T. Obcena (Independent Director), and Gemilo J. San Pedro (Independent Director)
Related-Party Transaction Committee	Virginia T. Obcena (Chairperson and Independent Director), Val Antonio B. Suarez (Independent Director), and Gemilo J. San Pedro (Independent Director)

The directors of the Company are elected at the annual stockholders' meeting to hold office for one (1) year or until their respective successors shall have been duly elected and qualified. Officers are appointed or elected by the Board of Directors typically at its first meeting following the annual stockholders' meeting, each to hold office until his successor shall have been duly elected or appointed and qualified.

There will be an election of the members of the Board during the annual stockholders' meeting. The stockholders of the Company may nominate individuals to be members of the Board of Directors. The deadline for submission of nominees is on October 15, 2021.

All nominations for directors, including the independent directors, shall be addressed to and received by:

THE NOMINATIONS COMMITTEE
c/o THE CORPORATE SECRETARY
FILINVEST REIT CORP.
Filinvest Building, 79 EDSA, Highway Hills
Mandaluyong City 1550, Metro Manila

and signed by the nominating stockholder/s together with the acceptance and conformity by the nominees. All nominations should include (i) the *curriculum vitae* of the nominee, (ii) a statement that the nominee has all the qualifications and none of the disqualifications, (iii) information on the relationship of the nominee to the stockholder submitting the nomination, and (iv) all relevant information about the nominee's qualifications.

The Corporate Governance Committee, acting as the Nominations Committee, created under the Company's Revised Manual on Corporate Governance (the "Revised Manual") endorses the nominees of FILRT to the Board of Directors for reelection/election at the upcoming annual stockholders' meeting, in accordance with the qualifications and disqualifications set forth in the Company's Revised Manual, as follows:

Qualifications

(1) He is a holder of at least one (1) share of stock of the Company;
(2) He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
(3) He shall be at least twenty-one (21) years old;
(4) He shall have proven to possess integrity and probity; and
(5) He shall be assiduous.

Permanent Disqualifications

The following shall be permanently disqualified for election as director:

(1) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (i) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (ii) arose out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (iii) arose out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house, or as an affiliated person of any of them;

(2) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Securities and Exchange Commission ("Commission") or any court or administrative body of competent jurisdiction from: (i) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (ii) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (iii) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-

paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Revised Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

(3) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;

(4) Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Revised Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rules, regulations or orders;

(5) Any person earlier elected as independent director who becomes an officer, employee or consultant of the same Corporation;

(6) Any person judicially declared as insolvent;

(7) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (1) to (5) above; and

(8) Any person who has been convicted by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Revised Corporation Code committed within five (5) years prior to the date of his election or appointment.

Temporary Disqualifications

The following shall be grounds for the temporary disqualification of a director:

(1) Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists;

(2) Absence or non-participation for whatever reason/s at more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or

any twelve (12)-month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election;

(3) Dismissal or termination for cause as director of any Corporation as provided for in the Company's Revised Manual. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;

(4) If the beneficial equity ownership of an independent director in the Corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with;

(5) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

<u>Independent Directors</u>

Before the annual meeting, a stockholder of the Company may nominate individuals to be independent directors, taking into account the following guidelines set forth in the Company's Revised Manual on Corporate Governance:

"Independent director" means a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any corporation that meets the requirements of Section 17.2 of the Securities Regulation Code and includes, among others, any person who:

i. is not a director or officer or substantial stockholder of the Company or of its related companies or any of its substantial shareholders (other than as an independent director of any of the foregoing);
ii. is not a relative of any director, officer or substantial stockholder of the Company, any of its related companies or any of its substantial stockholders. For this purpose, "relative" includes spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
iii. is not acting as a nominee or representative of a substantial stockholder of the Company, any of its related companies or any of its substantial stockholders;
iv. has not been employed in any executive capacity by the Company, any of its related companies or by any of its substantial stockholders within the last two (2) years;
v. is not retained as professional adviser by the Company, any of its related companies or any of its substantial stockholders within the last two (2) years, either personally or through his firm;
vi. has not engaged and does not engage in any transaction with the Company or with any of its related companies or with any of its substantial stockholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial stockholder, other than transactions which are conducted at arm's length and are immaterial or insignificant.

When used in relation to the Company subject to the requirements above:

> "*Related company*" means another company which is: (a) its holding company, (b) its subsidiary, or (c) a subsidiary of its holding company; and
>
> "*Substantial shareholder*" means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

An independent director of the Company shall have the following qualifications:

i. He shall have at least one (1) share of stock of the Company;
ii. He shall be at least a college graduate or he shall have been engaged in or exposed to the business of the Company for at least five (5) years;
iii. He shall possess integrity/probity; and
iv. He shall be assiduous.

An independent director shall be disqualified during his tenure under the following instances or causes:

i. He becomes an officer or employee of the Company, or becomes any of the persons enumerated under item (A) hereof;
ii. His beneficial security ownership exceeds ten percent (10%) of the outstanding capital stock of the Company;
iii. He fails, without any justifiable cause, to attend at least fifty percent (50%) of the total number of board meetings during his incumbency unless such absences are due to grave illness or death of an immediate member of the family;
iv. Such other disqualifications as the Company's Revised Manual may provide.

Pursuant to SEC Memorandum Circular No. 09, Series of 2011, as amended by SEC Memorandum Circular No. 04, Series of 2017, the following additional guidelines shall be observed in the qualification of individuals to serve as independent directors:

i. There shall be no limit in the number of covered companies that a person may be elected as independent director, except in business conglomerates where an independent director can be elected to only five (5) companies of the conglomerate, i.e., parent company, subsidiary or affiliate;

ii. The independent director shall serve for a maximum cumulative term of nine (9) years;
iii. After which, the independent director shall be perpetually barred from re-election as such in the same company, but may continue to qualify as non-independent director;
iv. In the instance that a company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting; and
v. The reckoning of the cumulative nine-year term is from 2012.

The Corporate Governance Committee, acting as the Nominations Committee, receives nominations for independent directors as may be submitted by the stockholders. After the deadline for the submission thereof, the Corporate Governance Committee meets to consider the qualifications as well as grounds for disqualification, if any, of the nominees based on the criteria set forth in the Company's Revised Manual on Corporate Governance, Rule 38 of the Securities Regulation Code, and SEC Memorandum Circular No. 09, Series of 2011 as amended by SEC Memorandum Circular No. 04, Series of 2017. All nominations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees. The Corporate Governance Committee shall then prepare a Final List of Candidates enumerating the nominees who passed the screening.

The name of the person or group of persons who recommends nominees as independent directors shall be disclosed along with his or their relationship with such nominees. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as independent directors. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nomination shall be entertained or allowed on the floor during the annual meeting.

The conduct of the election of independent directors shall be in accordance with the provisions of the Company's Revised Manual and the Amended By-laws consistent with Rule 38 of the Securities Regulation Code.

It shall be the responsibility of the Chairperson of the meeting to inform all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure that independent directors are elected during the annual meeting. Specific slots for independent directors shall not be filled up by unqualified nominees. In case of failure of election for independent directors, the Chairperson of the meeting shall call a separate election during the same meeting to fill up the vacancy.

Other Significant Employees

FLI has no significant employees other than those directors and officers already mentioned above.

Family Relationships

Mr. Francis Nathaniel C. Gotianun is the nephew of Mrs. Lourdes Josephine Gotianun-Yap. Other than the foregoing, there are no other family relationships, either by consanguinity or affinity among the Company's executives and directors known to the Company.

Item 6. Compensation of Directors and Executive Officers

The table below sets forth the compensation of the CEO and top four (4) highest compensated officers of the Company for the years indicated:

Name and Principal Position	Year	Salary (₱ million)	Bonus (₱ million)	Other Annual Compensation (₱ million)	Total (₱ million)
CEO and top four (4) highest compensated officers*					
Maricel Brion-Lirio (CEO) Ana Venus Mejia (CFO, Compliance Officer) Michael Mamalateo (SAVP)* Yasmin M. Dy (AVP)* Raymond Castaneda	2021-(estimated)	1.4	-	-	1.4

(Data Protection Officer)					
Lourdes Josephine Gotianun-Yap (President & CEO) Maricel Brion-Lirio (EVP) Ana Venus Mejia (Treasurer & CFO) Michael Mamalateo (SAVP) Yasmin M. Dy (AVP)	2020	7.8	1.6	0.4	9.7
Lourdes Josephine Gotianun-Yap (President & CEO) Maricel Brion-Lirio (EVP) Ana Venus Mejia (Treasurer & CFO) Michael Mamalateo (SAVP) Yasmin M. Dy (AVP)	2019**	13.7	-	-	13.7
All officers and directors as a group unnamed	2021 Estimated	1.4	-	-	1.4
	2020	7.8	1.6	0.4	9.7
	2019**	13.7	-	-	13.7

** Resigned on February 28, 2021*
*** Prior to 2020, the Company engaged and paid service and management fees to FLI and FAI for the services rendered to the Company by such entities' directors and executives. The Company incurred Php13.1 million in service and management fees for such services for the year ended December 31, 2019.*

Except for a per diem of Php50,000.00 being paid to each of the independent Directors for every meeting attended, there are no other arrangements for the payment of compensation or remuneration to the Directors of the Company in their capacity as such.

There are no outstanding warrants or options held by the Company's CEO, the above-named executive officers, and all officers and directors as a group which are subject to the approval by the stockholders at the annual stockholders' meeting.

There are no actions to be taken at the annual meeting of the stockholders on November 18,2021 with respect to any bonus, profit sharing or other compensation plan, contract or arrangement, and pension or retirement plan, in which any director, nominee for election as a director, or executive officer of the Company will participate. Neither are there any proposed grants or extensions to any such persons of any option, warrant or right to purchase any securities of the Company which are subject to the approval by the stockholders at the annual stockholders' meeting.

Involvement in Certain Legal Proceedings

To the best of the Company's knowledge and belief and after due inquiry, none of the Directors, or executive officers of the Company have, in the five-year period prior to the date of this Information Statement, been convicted judicially or administratively of an offense or judicially declared insolvent, spendthrift, or incapacitate to contract. There is a pending complaint against certain Directors of the Company, which is described below.

MPMII Complaint

On February 24, 2016, a complaint for syndicated estafa was filed by Manila Paper Mills International, Inc. ("**MPMII**") with the Office of the City Prosecutor of Dasmariñas, Cavite against certain directors and an officer of FLI, in their capacity as such, including Lourdes Josephine Gotianun – Yap and Val Antonio B. Suarez. The allegations in the complaint related to the ownership and sale by FLI of portions of one of its projects – The Glens at Parkspring Phases 2, 3 and 4 located at San Pedro, Laguna. Complainant claims to be the owner of such portions. The respondents were sued in their capacities as majority stockholders/members of the Board of Directors of FLI.

The complaint was dismissed by the Office of the City Prosecutor of Dasmariñas, Cavite on November 16, 2016, and MPMII has filed for a petition for review with the Philippine Secretary of Justice on February 21, 2017, which is pending as of the date of this Information Statement.

Certain Relationships and Related Transactions

In the normal course of business, the Company and the other members of the Filinvest Group of Companies (the "Group") enter into certain related-party transactions. The Company has entered into various transactions with related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence (referred to as "Affiliates"). Related parties may be individuals or corporate entities.

Significant transactions with related parties for the year ended December 31, 2020 are discussed on pages 16 to 20 of the 2020 Annual Report which is attached hereto as **Annex "C"**.

Item 7. Independent Public Accountants

The auditing firm of Sycip, Gorres, Velayo & Co. ("SGV & Co.") is the current independent auditor of the Company. The Company has not had any disagreement with SGV & Co. on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

The Company, in compliance with SRC Rule 68(3)(b)(iv) relative to the five-year rotation requirement of its external auditors has designated Ms. Wanessa Salvador as its engagement partner starting CY 2019. Ms. Salvador is thus qualified to act as such until the year 2023.

The same external auditor will be recommended for re-appointment at the scheduled annual stockholders' meeting. The representatives of SGV & Co. shall be present at the annual meeting where they will have the opportunity to make a statement if they desire to do so. They are expected to be available to respond to appropriate questions at the meeting.

Item 8. Compensation Plan

There is no action to be taken at the annual stockholders' meeting with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed which will require stockholders' approval.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities other than for Exchange

No action will be taken at the annual stockholders' meeting with respect to authorization or issuance of securities other than for exchange.

Item 10. Modification or Exchange of Securities

There are no matters or actions to be taken up at the annual stockholders' meeting with respect to the modification of the Company's securities or the issuance or authorization for issuance of one class of the Company's securities in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

(1) Financial Statements

The Company's Annual Report with attached *Parent Company* Audited Financial Statements for the year ended December 31, 2020 is attached hereto as **Annex "C"** to form an integral part hereof.

The Consolidated Audited Financial Statements for the year ended 31 December 2020 is attached hereto as **Annex "D".**

The Interim/Unaudited Financial Statements of the Company for the period ended 31 March 2021, and 30 June 2021 are hereto attached as **Annexes "D-1 and D-2",** respectively.

(2) Management's Discussion and Analysis, or Plan of Operation

The Management's Discussion and Analysis, or Plan of Operation is attached hereto as **Annex "B"**.

(3) Legal Proceedings

As of the date of this Information Statement, the Company is not subject to lawsuits and legal actions.

Item 12. No Action to be Taken on Mergers, Consolidations, Acquisitions and Similar Matters

No action will be taken at the annual stockholders' meeting with respect to any merger or consolidation involving FILRT, the acquisition by FILRT of another entity, going business or of all of the assets thereof, the sale or other transfer of all or any substantial part of the assets of FILRT, or the liquidation or dissolution of FILRT.

Item 13. No Action to be Taken on Acquisition or Disposition of Property

No action will be taken at the annual stockholders' meeting with respect to any acquisition or disposition of property by FILRT requiring the approval of the stockholders.

Item 14. No Action to be Taken on Restatement of Accounts

No action will be taken at the annual stockholders' meeting with respect to any restatement of any asset, capital or surplus account of FILRT.

Part III, Paragraph (B) of Annex "C", Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

(1) There has been no change during the two (2) most recent fiscal years or any subsequent interim period in the independent accountant who was previously engaged as principal accountant to audit FILRT's financial statements.

(2) There has been no disagreement with FILRT's independent accountants on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

Information on Independent Accountant

(a) Audit and Audit-Related Fees

The aggregate fees billed to the Company for professional services rendered by the external auditor for the examination of the financial statements amounted to Php0.23 million, and Php0.22 million, in 2020, and 2019, respectively.

In 2020 and 2019, additional fees for other services of external auditor amounted to nil, and Php0.1 million, respectively.

(b) Tax Fees

There are no tax fees paid by the Company during the last four (4) years.

(c) All Other Fees

The Company paid Php1.5 million in 2020 to external auditors for professional services rendered in relation to the REIT offer.

The Audit and Risk Management Oversight Committee (the "Audit Committee"), based on the recommendation by Management, evaluates the need for such professional services and approves the engagement and the fees to be paid for the service.

(d) Approval Policies and Procedures of the Management / Audit and Risk Management Oversight Committee for Independent Accountant's Services

In giving its stamp of approval to the audit services rendered by the independent accountant and the rate of the professional fees to be paid, the Audit & Risk Management Committee, with inputs from the Management of the Company, makes a prior independent assessment of the quality of audit services previously rendered by the accountant, the complexity of the transactions subject of the audit, and the consistency of the work output with generally accepted accounting standards. Thereafter, the Audit & Risk Management Committee makes the appropriate recommendation to the Board of Directors of the Company.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

(1) Approval of the minutes of the annual meeting of stockholders held on September 30, 2020 attached hereto as **Annex "E"**;

Rationale: To allow the stockholders to confirm that the proceedings during the ASM were recorded accurately and truthfully.

The minutes of the meeting held on September 30, 2020 can be viewed at the Company website, https://www.filinvestreit.com/. A copy of the minutes is also attached as **Annex "E"** of the Information Statement.

(2) Presentation of the Management Report;

Rationale: To present to the stockholders the Company's operating performance, financial condition and outlook.

The President, Ms. Maricel Brion-Lirio, will report on the Company's 2020 performance, 2021 performance and the outlook for the remaining period of 2021.

(3) Ratification of the Audited Financial Statements for the year ended December 31, 2020;

Rationale: To apprise the stockholders of the financial results of the Company's operations in 2020.

The audited financial statements refer to the financial operations, balance sheet and income statement of FILRT as of and for the year ended December 31, 2020. The Company's audited financial statements for 2020 is attached as **Annex "C"** and will be made available on the Company website.

All the above items are part of the agenda of the annual stockholders' meeting of the Company to be held on November 18, 2021 and are subject to the approval by the stockholders.

Item 16. Action to be Taken on Matters Not Required to be Submitted

There is no action to be taken at the annual stockholders' meeting with respect to any matter which is not required to be submitted to a vote of the stockholders.

Item 17. Amendment of Charter, By-laws or Other Documents

There is no action to be taken at the annual stockholders' meeting with respect to any amendment of the Company's Amended Articles of Incorporation or By-Laws.

Item 18. Other Proposed Actions

(1) General ratification of the acts, resolutions, and proceedings of the Board of Directors, the board committees and the Management from the date of the last annual stockholders' meeting up to the date of the upcoming meeting.

Rationale: To ratify the actions and resolutions of the Board of Directors and management.

The major acts of the Board of Directors, Board Committees and Officers include:

(a) Appointment of the members of the board committees
(b) Appointment of officers
(c) Appointment of authorized representatives and signatories for various corporate transactions
(d) Authority for applications for government registration, clearance, permits and licenses
(e) Appointment and/or updating of bank signatories
(f) Authority to transact and enter into agreements relating to the Company's projects
(g) Renewal/availment of bank services and credit facilities
(h) Approval of audited financial statements
(i) Appointment of external auditor
(j) Declaration of cash and property dividends
(k) Amendment of the Company's Articles of Incorporation and Bylaws
(l) Increase in authorized capital stock
(m) Initial public offering
(n) Approval of the date of annual stockholders' meeting, record date and the agenda of the meeting

(2) Election of the members of the Board of Directors, including three (3) Independent Directors, to serve for the year 2021-2022;

Rationale: To allow stockholders to elect the Company's Board of Directors for the ensuing year.

In accordance with the Company's Revised Manual on Corporate Governance and By-Laws, the stockholders must elect the members of the Board of Directors of the Company comprised of seven (7) directors, including three (3) independent directors, who shall hold office for a term of one (1) year, or until their successors shall have been duly elected and qualified. There will be an election of the members of the Board during the annual stockholders' meeting to serve for the year 2021 to 2022.

The Corporate Governance Committee, acting as the Nominations Committee, shall evaluate the nominees for the Board, including three (3) nominees for independent directors, and the said committee shall determine that the nominees shall have all the qualifications and none of the disqualifications to serve in the Board of Directors.

(3) Appointment of External Auditor; and

Rationale: To appoint an auditing firm to provide assurance on the integrity, objectivity and independence in the preparation of the Company's financial statements.

Item 19. Voting Procedures

(a) *Vote required for approval.*

The approval of the minutes of the annual stockholders' meeting held on September 30, 2020 and the audited financial statements for the year ended 2020, the ratification of corporate acts, and the appointment of external auditors for 2021, shall be decided by the majority vote of the stockholders present in person or by proxy and entitled to vote thereat, a quorum being present. A stockholder voting electronically *in absentia* shall be deemed present for purposes of quorum.

In the election of the members of the Board of Directors, the candidates garnering the seven (7) highest number of votes shall be declared elected as directors of the Company to serve as such for the year 2021-2022.

(b) *Method by which votes will be counted.*

A stockholder may vote by appointing the Company's Chairman as proxy or electronically in absentia by registering at the online web address https://filreit-asm.filinvest.com.ph/register. After validation, the stockholder will receive an email with instructions to access the ballot. The ballots submitted shall then be counted by the Corporate Secretary, with the assistance of representatives of the Company's stock transfer agent, Stock Transfer Service, Inc., which is an independent party. The results of the voting shall be announced during the meeting.

Item 20. Participation of Stockholders by Remote Communication

In support of the government's efforts to contain the spread of COVID-19 and to ensure the safety and welfare of its stockholders, directors, officers and employees, the Company will dispense with physical attendance of stockholders at the meeting and will allow attendance only by remote communication.

In order for the Company to properly conduct validation procedures, stockholders who wish to participate in the meeting via remote communication and/or vote *in absentia* must register at https://filreit-asm.filinvest.com.ph/register on or before November 10, 2021.

Details of the requirements and process are provided in **Annex "F"**.

Item 21. Market for Issuer's Common Equity and Related Stockholder Matters
The shares of the Company were listed on the Philippine Stock Exchange (PSE) on August 12, 2021 under the symbol "FILRT". The following table shows, for the periods indicated, the high, low and period end closing prices of the shares as reported in the PSE:

Period		High	Low	End
2021	3rd Quarter	7.58	6.96	7.22

On September 30, 2021, FILRT's shares closed at the price of Php7.22 per share. The number of shareholders of record as of said date was 12,437. Common shares outstanding as of September 30, 2021 is 4,892,777,994.

Stockholders

As of September 30, 2021, the following are the stockholders of the Company:

Name of Stockholder	Number of Common Shares Held	Percentage of Total Shares Outstanding
1. Filinvest Land, Inc.	3,095,498,345	63.27%
2. PCD Nominee Corporation (Filipino)	1,724,434,535	35.24%
3. PCD Nominee Corporation (Non Filipino)	72,697,500	1.49%
4. Raul A. Daza or Teresita R. Daza	100,000	NIL
5. Myra P. Villanueva	14,200	NIL
6. Myrna P. Villanueva	14,200	NIL
7. Milagros P. Villanueva	14,200	NIL
8. Marietta V. Cabreza	5,000	NIL
9. Lourdes Josephine G. Yap	2	NIL
10. Maricel Brion-Lirio	2	NIL
11. Tristaneil De Leon Las Marias	2	NIL
12. Virginia T. Obcena	2	NIL
13. Val Antonio B. Suarez	2	NIL
14. Francis Nathaniel C. Gotianun	2	NIL
15. Gemilio J. San Pedro	2	NIL

Recent Sale of Unregistered Securities

No securities were sold by the Company in the past three and a half (3.5) years, which were not registered under the Securities Regulation Code.

Declaration of Dividends

The Company has adopted a dividend policy in accordance with the provisions of the REIT Law, pursuant to which the Company's shareholders may be entitled to receive at least ninety percent (90%) of the Company's annual Distributable Income no later than the fifth (5^{th}) month following the close of the fiscal year of the Company.

<u>Compliance with Leading Practices on Corporate Governance</u>

The Company is in compliance with its Revised Manual for Corporate Governance as demonstrated by the following: (a) the election of three (3) independent directors to the Board; (b) the appointment of members of the Audit and Risk Management Oversight Committee, Corporate Governance Committee, Compensation Committee and Related-Party Transaction Committee of the Company; (c) the conduct of regular board meetings and special meetings, the faithful attendance of the directors at these meetings and the proper discharge of the duties and responsibilities as such directors; (d) the submission to the SEC of reports and disclosures required under the Securities Regulation Code; (e) the Company's adherence to national and local laws pertaining to its operations; and (f) the observance of applicable accounting standards by the Company.

In order to keep itself abreast with the leading practices on corporate governance, the Company encourages the members of top-level management and the Board to attend and participate at seminars on corporate governance conducted by SEC-accredited institutions.

The Company welcomes proposals, especially from institutions and entities such as the SEC, the Institute of Corporate Directors and SyCip Gorres Velayo & Co., to improve corporate governance.

There is no known material deviation from the Company's Revised Manual on Corporate Governance.

UNDERTAKING: The Company will provide without charge its Annual Report or SEC Form 17-A to its stockholders upon receipt of written request addressed to: The Office of the Corporate Secretary, 79 EDSA, Highway Hills, Mandaluyong City 1550, Metro Manila.

PART II
SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Mandaluyong on the 12th day of October 2021.

FILINVEST REIT CORP.

By:

SHARON P. PAGALING-REFUERZO
Corporate Secretary

ANNEX "A"

FILINVEST REIT CORP.

SECRETARY'S CERTIFICATE

I, **SHARON P. PAGALING-REFUERZO**, Filipino, of legal age, and with office address at the 6th Floor, Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City 1550, Metro Manila, after having been duly sworn in accordance with law, hereby certify:

1. I am the Corporate Secretary of **FILINVEST REIT CORP.** (the "Corporation"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office address at the 5th to 7th Floors, Vector One Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metro Manila.

2. Based on the records of the Corporation, none of its incumbent directors and executive officers named in the Corporation's Information Statement (SEC Form 20-IS) for the Annual Stockholders' Meeting to be held on 29 October 2021 is connected with and/or working in the government.

3. This Certification is being issued as an Annex to the Information Statement (SEC Form 20-IS) of the Corporation in connection with its Annual Stockholders' Meeting for the year 2021.

IN WITNESS WHEREOF, I have hereunto set my hand this 11th day of October 2021 in Mandaluyong City, Metro Manila.

SHARON P. PAGALING-REFUERZO
Corporate Secretary

SUBSCRIBED AND SWORN TO before me this 11th day of October 2021 in Mandaluyong City, Metro Manila, affiant exhibiting to me her Philippine Passport No. P2852223B, bearing her photograph and signature, issued by Department of Foreign Affairs NCR-East, and valid until 23 August 2029.

Doc. No. 41;
Page No. 10;
Book No. 34;
Series of 2021.

JOVEN G. SEVILLANO
NOTARY PUBLIC FOR CITY OF MANDALUYONG
COMMISSION NO. 0285-21 UNTIL DECEMBER 31, 2022
ROLL NO. 53970
IBP LIFETIME NO. 011302; 12-28-12; RIZAL
PTR NO. 4581076; 1-4-21; MANDALUYONG
MCLE COMPLIANCE NO. VI 0017960 14 APRIL 2022
METRO MART COMPLEX, MANDALUYONG CITY

File No. 1.19.3
FILRT_Certification_2021 IS/Ryan

MANAGEMENT DISCUSSION ANALYSIS AND PLAN OF OPERATION

RESULTS OF OPERATIONS

Six months ended June 30, 2021 compared with the six months ended June 30, 2020

Revenues and Income
The Company’s total revenues and income decreased by ₱190.9 million or 8.4% from ₱2,260.5 million for the six months ended June 30, 2020 to ₱2,069.8 million for the six months ended June 31, 2021.

The decline in total revenues was primarily due to the decrease in rental revenue by ₱111.2 million or 7.4% from ₱1,509.4 million for the six months ended June 30, 2020 to ₱1,398.2 million for the six months ended June 30, 2021, and the decrease in other income by ₱79.7 million or 10.6% from ₱751.2 million for the six months ended June 30, 2020 to ₱671.5 million for the six months ended June 30, 2021. The decrease in revenues and other income was caused by the pre-termination of leases primarily by POGO tenants in the second half of 2020. The Company expects new BPO tenants to lease out the vacated office spaces.

Cost and Expenses
The Company’s consolidated costs and expenses decreased by ₱16.4 million or 2% from ₱991.4 million for the six months ended June 30, 2020 to ₱975.0 million for the six months ended June 30, 2021, primarily due to decrease in utilities expenses, rental expenses, and manpower and service costs

The Company’s utilities expenses decreased by ₱2.3 million, or 1%, to ₱212.7 million for the six months ended June 30, 2021 compared to ₱215.0 million for the six months ended June 30, 2020. The decrease in utilities expenses was mainly due to lower utilities consumption resulting from a combination of energy efficiency programs and lower density on site in compliance to quarantine protocols.

The Company’s depreciation and amortization expenses increased by ₱4.4 million, or 1.9%, to ₱232.4 million for the six months ended June 30, 2021 compared to ₱228.0 million for the six months ended June 30, 2020. The increase in depreciation was mainly due to additions of property and equipment and building improvements recognized during the year.

The Company’s rental expense decreased by ₱17.6 million, or 11.2%, to ₱138.9 million for the six months ended June 30, 2021 compared to ₱156.5 million for the six months ended June 30, 2020. The decrease was primarily due to lower rent on the land lease with FLI which is based on a percentage of the Company’s rent revenues.

The Company’s taxes and licenses expenses increased by ₱5.8 million, or 16.3%, to ₱41.5 million for the six months ended June 30, 2021 compared to ₱35.7 million for the six months ended June 30, 2020. The increase was mainly due to higher business permit, real property tax and documentary stamp taxes paid in 2021.

The Company’s service and management fees increased by ₱5.2 million, or 114.4%, to ₱11.1 million for the six months ended June 30, 2021 compared to ₱5.2 million for the six months ended June 30, 2020. The increase was mainly due to retroactive charges by Corporate Technologies Inc (CTI) for information and technology services and Filinvest Alabang Inc (FAI) for shared supply chain and procurement services.

The Company’s manpower and service cost decreased by ₱28.8 million, or 19.6%, to ₱118.7 million for the six months ended June 30, 2021 compared to ₱147.5 million for the six months ended June 30, 2020. The decrease was due to transfer of the Company’s employees to another affiliate. The company will only be charged for its proportion share in the manpower cost. Lower manpower cost was also incurred for expenses such as security and janitorial as a result of the cost management in relation to lower density on site in compliance to community quarantine measures implemented in Metro Manila.

The Company's repairs and maintenance increased by ₱29.7 million, or 46.4%, to ₱93.6 million for the six months ended June 30, 2021 compared to ₱64.0 million for the six months ended June 30, 2020. The increase was mainly due to comprehensive maintenance programs for the property equipment coupled with sanitation protocols.

The Company's insurance increased by ₱9.5 million, or 919.1%, to ₱10.5 million for the six months ended June 30, 2021 compared to ₱1.0 million for the six months ended June 30, 2020. The increase was mainly due to insurance paid covering year 2020-2021 of the Company's buildings.

Other income (charges)

The Company recognized gain on derecognition of lease liabilities amounting to ₱85.2 million for the six months ended June 30, 2021, due to removal of the minimum guaranteed rent per the amended lease contract between FLI and the Company with respect to properties in Northgate Cyberzone, and the assignment of right-of use assets relating to Cebu Tower 3 and 4 to FLI.

The Company's interest income decreased by ₱5.5 million, or 81.8%, to ₱1.2 million for the six months ended June 30, 2021 compared to ₱6.7 million for the six months ended June 30, 2020. The decrease was mainly due to lower interest income from money market instruments and the Company's waiver of interest and penalties for late payment of rentals by tenants.

The Company's interest expense and other financing charges increased by ₱46.6 million, or 33.5%, to ₱185.7 million for the six months ended June 30, 2021 compared to ₱139.1 million for the six months ended June 30, 2020. The increase was mainly due to reduction of capitalized interest expense on the Company's bonds payable as the remaining projects under construction were already transferred in the form of dividends and assignment.

Income before Income Tax

The Company's income before income tax for the six months ended June 30, 2021 was ₱997.6 million, a decrease of ₱136.8 million or, 12.0%, from its income before income tax of ₱1,134.4 million recorded for the six months ended June 30, 2020 due to reasons stated above.

Provision for (benefit from) Income Tax

The Company recognized a benefit from income tax of ₱52.7 million for the six months ended June 30, 2021, and provision for income tax of ₱159.6 million for the six months ended June 30, 2020. The benefit mainly arose from the deferred tax liability derecognized in relation to property dividends and change in tax rate due to CREATE.

Net Income

As a result of the foregoing, net income increased by 6.6% or ₱75.6 million from ₱974.7 million for the six months ended June 30, 2020 to ₱1,050.3 million for the six months ended June 30, 2021.

Three months ended March 31, 2021 compared with the three months ended March 31, 2020

Revenues and income

The Company's total revenues and income decreased by ₱93.9 million or 8.1% from ₱1,162.4 million for the three months ended March 31, 2020 to ₱1,068.5 million for the three months ended March 31, 2021.

The decline in total revenues was primarily due to the decrease in rental revenue by ₱52.7 million or 6.9% from ₱762.8 million for the three months ended March 31, 2020 to ₱710.1 million for the three months ended March 31, 2021, and the decrease in other income by ₱41.2 million or 10.3% from ₱399.6 million for the three months ended March 31, 2020 to ₱358.4 million for the three months ended March 31, 2021. The decrease in revenues and other income was caused by the pre-termination of leases by certain tenants in the second half of 2020. The Company expects new tenants to lease out the vacated office spaces.

Costs and expenses
The Company's consolidated costs and expenses decreased by ₱43.2 million or 7.9% from ₱547.5 million for the three months ended March 31, 2020 to ₱504.4 million for the three months ended March 31, 2021, primarily due to decrease in utilities expenses, rental expenses, and manpower and service costs as a result of the community quarantine measures implemented in Metro Manila in the first quarter of 2021.

The Company's utilities expenses decreased by ₱37.7 million, or 19.5%, to ₱155.2 million for the three months ended March 31, 2021 compared to ₱192.9 million for the three months ended March 31, 2020. The decrease in utilities expenses was mainly due to lower utilities expenses as a result of the community quarantine measures implemented in Metro Manila in the first quarter of 2021.

The Company's depreciation and amortization expenses increased by ₱6.8 million, or 5.9%, to ₱121.8 million for the three months ended March 31, 2021 compared to ₱115.1 million for the three months ended March 31, 2020. The increase in depreciation was mainly due to additions of property and equipment and building improvements recognized during in the first quarter of 2021.

The Company's rental expense decreased by ₱13.0 million, or 16.6%, to ₱65.7 million for the three months ended March 31, 2021 compared to ₱78.7 million for the three months ended March 31, 2020. The decrease was primarily due to the effect of the minimum guaranteed rent of the Company's land lease with FLI being expensed as part of amortization and interest expense (instead of rent expense) in accordance with PFRS 16.

The Company's taxes and licenses expenses increased by ₱1.0 million, or 3.3%, to ₱32.5million for the three months ended March 31, 2021 compared to ₱31.5 million for the three months ended March 31, 2020. The increase was mainly due to higher business permit fees and documentary stamp taxes paid in the first quarter of 2021.

The Company's service and management fees increased by ₱6.4 million, or 378.5%, to ₱8.1 million for the three months ended March 31, 2021 compared to ₱1.7 million for the three months ended March 31, 2020. The increase was mainly due to service fees charged by CTI for Information and Technology and additional fees billed by FAI during the year for shared purchase requisition services.

The Company's manpower and service cost decreased by ₱21.6 million, or 27.3%, to ₱57.4 million for the three months ended March 31, 2021 compared to ₱79.0 million for the three months ended March 31, 2020. The decrease was due to lower manpower costs incurred during the first quarter of 2021 as a result of the community quarantine measures implemented in Metro Manila.

The Company's repairs and maintenance increased by ₱7.6 million, or 17.2%, to ₱51.8 million for the three months ended March 31, 2021 compared to ₱44.2 million for the three months ended March 31, 2020. The increase was mainly due to comprehensive maintenance service for air conditioning units of buildings and repairs for plumbing incurred only during the year.

The Company's insurance increased by ₱8.2 million, or 794.3%, to ₱9.2 million for the three months ended March 31, 2021 compared to ₱1.0 million for the three months ended March 31, 2020. The increase was mainly due to insurance of new buildings.

Other income (charges)
The Company recognized gain on derecognition of lease liabilities amounting to ₱85.2 million for the three months ended March 31, 2021, which relate to lease liabilities for the properties in Northgate Cyberzone which are caused by the execution of an amended lease contract between FLI and the

Company with respect to properties in Northgate Cyberzone, and the right-of use assets relating to Cebu Tower 3 and 4 assigned to FLI.

The Company's interest income decreased by ₱1.8 million, or 72.6%, to ₱0.7 million for the three months ended March 31, 2021 compared to ₱2.5 million for the three months ended March 31, 2020. The decrease was mainly due to lower interest income from money market instruments and the Company's waiver of interest and penalties for late payment of rentals by tenants.

The Company's interest expense and other financing charges increased by ₱102.1 million, or 3,200.7%, to ₱105.3 million for the three months ended March 31, 2021 compared to ₱3.2 million for the three months ended March 31, 2020. The increase was mainly due to recognition of non-capitalized interest expense on the Company's bonds payable.

Income before Income Tax
The Company's income before income tax for the three months ended March 31, 2021 was ₱543.7 million, a decrease of ₱69.3 million or, 11.3%, from its income before income tax of ₱613.0 million recorded for the three months ended March 31, 2020.

Provision for (benefit from) Income Tax
The Company recognized a benefit from income tax of ₱95.4 million for the three months ended March 31, 2021, compared to a provision for income tax of ₱106.2 million for the three months ended March 31, 2020, because of the recognition of a benefit from deferred income tax of ₱146.1 million for the three months ended March 31, 2021 compared to a provision for deferred income tax of ₱54.5 million for the three months ended March 31, 2020. Provision for current income tax decreased by 2.0% or ₱1.0 million due to lower taxable income.

Net Income
As a result of the foregoing, net income increased by 26.1% or ₱132.3 million from ₱506.8 million for the three months ended March 31, 2020 to ₱639.1 million for the three months ended March 31, 2021.

Year ended December 31, 2020 compared with year ended December 31, 2019

Revenues and income
The Company's total revenues and income increased by ₱206.1 million or 7.1% from ₱2,901.7 million for the year ended December 31, 2019 to ₱3,107.8 million for the year ended December 31, 2020.

The growth in total revenues was driven by the increase in rental revenue by ₱18.7 million or 0.7% from ₱2,814.7 million to ₱2,833.4 million, and the increase in other income by ₱187.3 million or 215.2% from ₱87.1 million to ₱274.4 million. The increase in revenue resulted from full year income recognition from spaces awarded to top multinational BPO and ROHQ tenants in 2020, and the increase in net tenant reimbursement due to lower chargeable expenses during the year as a result of lower actual electricity and water consumption in the facilities and common areas of the Company's properties as a result of the implementation of community quarantine measures in 2020.

Costs and expenses
The Company's consolidated costs and expenses increased by ₱115.8 million or 15.8% from ₱735.3 million for the year ended December 31, 2019 to ₱851.1 million for the year ended December 31, 2020, primarily due to increases in depreciation, rental expenses and taxes and licenses.

The Company's depreciation and amortization expenses increased by ₱68.8 million, or 18.5%, to ₱441.0 million for the year ended December 31, 2020 compared to ₱372.2 million for the year ended December 31, 2019. The increase in depreciation was mainly due to additions of property and equipment and building improvements, and amortization of right-of-use assets recognized during the year in relation to the Company's land leases with FLI in Northgate Cyberzone.

The Company's rental expense decreased by ₱7.2 million, or 2.4%, to ₱298.0 million for the year ended December 31, 2020 compared to ₱305.2 million for the year ended December 31, 2019. The decrease was primarily due to the effect of the minimum guaranteed yearly rent of the Company's land lease with FLI being expensed as part of amortization and interest expense (instead of rental expense) in accordance with PFRS 16, *Leases*.

The Company's taxes and licenses expenses increased by ₱35.6 million, or 125.6%, to ₱63.9 million for the year ended December 31, 2020 compared to ₱28.3 million for the year ended December 31, 2019. The increase was mainly due to higher business permit and documentary stamp taxes paid during the current period.

The Company's service and management fees decreased by ₱6.6 million, or 47.0%, to ₱7.5 million million for the year ended December 31, 2020 compared to ₱14.1 million for the year ended December 31, 2019. The decrease was mainly due to the transfer of employees from FAI to the Company, resulting in lower service fees billed.

The Company's manpower costs increased by ₱21.1 million, or 162.7%, to ₱34.0 million for the year ended December 31, 2020 compared to ₱12.9 million for the year ended December 31, 2019. The increase was mainly due to newly hired employees of the Company and employees transferred from FAI to the Company during the year.

The Company's pension expense increased by ₱73.4 thousand, or 17.7%, to ₱0.5 million for the year ended December 31, 2020 compared to ₱0.4 million for the year ended December 31, 2019. The increase was mainly due to higher service and interest cost recognized during the year.

Other income (charges)
The Company recognized gain on sale of investment property amounting to ₱65.0 million for the year ended December 31, 2020, as a result of the sale of its land in South Road Properties, Cebu City.

The Company's interest income decreased by ₱6.6 million, or 62.7%, to ₱3.9 million for the year ended December 31, 2020 compared to ₱10.5 million for the year ended December 31, 2019. The decrease was mainly due to lower interest income from money market instruments and interest and penalties waived for late payment of rentals by tenants.

The Company's interest expense and other financing charges increased by ₱120.8 million, or 52.4%, to ₱351.4 million for the year ended December 31, 2020 compared to ₱230.5 million for the same period in 2019. The increase was mainly due to additional interest expense from the Company's loan availment of ₱1.0 billion during the year.

Income before Income Tax
The Company's income before income tax for the year ended December 31, 2020 was ₱1,977.7 million, an increase of ₱33.9 million or, 1.8%, from its income before income tax of ₱1,943.8 million recorded for the year ended December 31, 2019.

Provision for Income Tax
Provision for income tax decreased by 62.2% or ₱192.5 million from ₱309.4 million for the year ended December 31, 2019 to ₱116.9 million for the year ended December 31, 2020 because of lower provision for deferred income tax, which decreased by 195.4% or ₱234.1 million mainly due to closing of deferred taxes related to buildings included in the property dividends during the year. Provision for current income tax increased by 21.9% or ₱41.6 million due mainly to higher taxable income.

Net Income
As a result of the foregoing, net income increased by 13.9% or ₱226.4 million from ₱1,634.4 million for the year ended December 31, 2019 to ₱1,860.8 million for the year ended December 31, 2020.

Year ended December 31, 2019 compared with year ended December 31, 2018

Revenues and income
The Company's total revenues and income increased by ₱546.4 million or 23.2% from ₱2,355.4 million for the year ended December 31, 2018 to ₱2,901.7 million for the year ended December 31, 2019.

The growth in total revenues was driven by the increase in rental revenue, which includes rent income and parking income, by ₱473.9 million or 20.2% from ₱2,340.8 million to ₱2,814.7 million, and the increase in other income by ₱72.5 million or 497.8% from ₱14.6 million to ₱87.1 million primarily due to higher fixed tenant dues billed and higher miscellaneous income from penalties and charges paid by tenants. The increase in rental revenue was a result of rental income from tenants in the Company's newly constructed buildings (Axis Tower 1 and Cebu Tower 2).

Costs and expenses
The Company's consolidated costs and expenses increased by ₱105.6 million or 16.8% from ₱629.8 million for the year ended December 31, 2018 to ₱735.3 million for the year ended December 31, 2019, primarily due to an increase in depreciation and amortization expenses and rental expenses.

The Company's depreciation and amortization expenses increased by ₱97.9 million, or 35.7%, to ₱372.2 million for the year ended December 31, 2019 compared to ₱274.3 million for the year ended December 31, 2018. The increase was mainly due to depreciation of Axis Tower 1 and Axis Tower 2.

The Company's rental expense increased by ₱24.1 million, or 8.6%, to ₱305.2 million for the year ended December 31, 2019 compared to ₱281.0 million for the year ended December 31, 2018. The increase was mainly driven by higher rental income from new tenants in Axis Tower 1 and Cebu Tower 2, as rental expense is computed as a percentage of rental income.

The Company's taxes and licenses expenses decreased by ₱5.8 million, or 17.0%, to ₱28.3 million for the year ended December 31, 2019 compared to ₱34.1 million for the year ended December 31, 2018. The decrease was mainly due to lower other taxes incurred such as documentary stamp tax.

The Company's service and management fees increased by ₱2.2 million, or 18.4%, to ₱14.1 million for the year ended December 31, 2019 compared to ₱11.9 million for the year ended December 31, 2018. The increase was mainly due to an increase in maintenance services, such as janitorial and security services, related to rental operations as a result of renewal of service contracts with escalated rates. Additional janitorial and security services were also rendered for the Company's newly finished building, Axis Tower 2.

The Company's advertising and marketing expenses was nil for the year ended December 31, 2019, compared to ₱14.6 million for the year ended December 31, 2018. The decrease was mainly due to commissions paid to brokers for new tenants being recognized as directly attributable in obtaining the operating leases related to the Company's office buildings. On January 1, 2019, upon the adoption of PFRS 16, *Leases*, the prepaid commission amounting to ₱77.1 million was reclassified as part of investment properties.

The Company's manpower costs increased by ₱4.4 million, or 51.1%, to ₱12.9 million for the year ended December 31, 2019 compared to ₱8.6 million for the year ended December 31, 2018.

The Company's pension expense decreased by ₱0.4 million, or 45.8%, to ₱0.4 million for the year ended December 31, 2019 compared to ₱0.8 million for the year ended December 31, 2018. The decrease was mainly due to lower service cost based on an actuarially determined amount using the PUC method.

The Company's other costs and expenses decreased by ₱2.2 million, or 50.6%, to ₱2.2 million for the year ended December 31, 2019 compared to ₱4.4 million for the year ended December 31, 2018. The decrease was mainly due to lower expenses incurred for penalties, association dues and other charges.

Finance income (charges)
The Company's interest income decreased by ₱35.4 million, or 77.2%, to ₱10.5 million for the year ended December 31, 2019 compared to ₱45.9 million for the year ended December 31, 2018. The decrease was mainly due to lower interest earned from money market instruments.

The Company's interest expense and other financing charges increased by ₱75.4 million, or 48.6%, to ₱230.5 million for the year ended December 31, 2019 compared to ₱155.1 million for the year ended December 31, 2018. The increase was mainly due to interest on the Company's loan availment of ₱2.1 billion during the year.

Income before Income Tax
The Company's income before income tax for the year ended December 31, 2019 was ₱1,943.8 million, an increase of ₱327.9 million or, 20.3%, from its income before income tax of ₱1,615.9 million recorded for the year ended December 31, 2018.

Provision for Income Tax
Provision for income tax inreased by 50.5% or ₱103.8 million from ₱205.6 million for the year ended December 31, 2018 to ₱309.4 million for the year ended December 31, 2019 on the back of (a) higher provisions for deferred income tax, which increased by 30.9% or ₱28.3 million mainly due to higher capitalized interest during the year and increase in right-of-use assets due the adoption of PFRS 16, *Leases,* and higher provisions for current income tax, which increased by 66.2% or ₱75.5 million due mainly to higher taxable income.

Net Income
As a result of the foregoing, consolidated net income increased by 15.9% or ₱224.1 million, from ₱1,410.3 million for the year ended December 31, 2018 to ₱1,634.4 million for the year ended December 31, 2019.

Year ended December 31, 2018 compared with year ended December 31, 2017

Revenues and income
The Company's total revenues and income increased by ₱425.4 million or 22.0% from ₱1,930.0 million for the year ended December 31, 2017 to ₱2,355.4 million for the year ended December 31, 2018.

The growth in total revenues was driven by the increase in rental revenue, which includes rental income and parking income, by ₱497.2 million or 27.0% from ₱1,843.6 million for the year ended December 31, 2017 to ₱2,340.8 million for the year ended December 31, 2018. This was partly offset by the decrease in other income, which includes tenant reimbursements and other miscellaneous income from rental facilities, by ₱71.8 million or 83.1% from ₱86.4 million for the year ended December 31, 2017 to ₱14.6 million for the year ended December 31, 2018. The increase in rental income was due to the addition of new tenants of Axis Tower 1, which was completed during the year.

Costs and expenses
The Company's consolidated costs and expenses increased by ₱128.3 million or 25.6% from ₱501.5 million for the year ended December 31, 2017 to ₱629.8 million for the year ended December 31, 2018, primarily due to an increase in depreciation and operating expense from the Company's newly completed building, Axis Tower 1, amortization expense from DCS charges and rental expenses which are calculated as a percentage of rental income.

The Company's depreciation and amortization expenses increased by ₱50.5 million, or 22.6%, to ₱274.3 million for the year ended December 31, 2018 compared to ₱223.8 million for the year ended

December 31, 2017. The increase was mainly due to depreciation expense recognized relating to the Company's newly completed building, Axis Tower 1.

The Company's rental expense increased by ₱54.1 million, or 23.8%, to ₱281.0 million for the year ended December 31, 2018 compared to ₱226.9 million for the year ended December 31, 2017. The increase was mainly driven by higher rental incomes, as rental expense is computed as a percentage of rental income. Increase in rental income was attributable to the addition of new tenants, primarily for Axis Tower 1.

The Company's taxes and licenses expenses increased by ₱15.5 million, or 83.3%, to ₱34.1 million for the year ended December 31, 2018 compared to ₱18.6 million for the year ended December 31, 2017. The increase was mainly due to an increase in business taxes arising from higher gross income recognized in the previous year and additional real property tax from Axis Tower 1.

The Company's service and management fees increased by ₱4.4 million, or 58.7%, to ₱11.9 million for the year ended December 31, 2018 compared to ₱7.5 million for the year ended December 31, 2017. The increase was mainly due to an increase in maintenance services, such as janitorial and security services, related to rental operations.

The Company's advertising and marketing expenses increased by ₱9.8 million, or 204.2%, to ₱14.6 million for the year ended December 31, 2018 compared to ₱4.8 million for the year ended December 31, 2017. The increase was mainly due to third party broker's commissions for new lease contracts awarded.

The Company's manpower costs decreased by ₱3.8 million, or 30.6%, to ₱8.6 million for the year ended December 31, 2018 compared to ₱12.4 million for the year ended December 31, 2017. The decrease was mainly due to lower number of employees during the year.

The Company's pension expense increased by ₱0.6 million, or 300.0%, to ₱0.8 million for the year ended December 31, 2018 compared to ₱0.2 million for the year ended December 31, 2017. The increase was mainly due to higher service cost accrued during the year. The Company accrues retirement costs based on actuarially determined amount using the PUC method.

The Company's other costs and expenses decreased by ₱2.8 million, or 38.9%, to ₱4.4 million for the year ended December 31, 2018 compared to ₱7.2 million for the year ended December 31, 2017. The decrease was mainly due to lower penalty and other charges incurred during the year.

Finance income (charges)

The Company's interest income increased by ₱19.5 million, or 74.0%, to ₱45.9 million for the year ended December 31, 2018 compared to ₱26.4 million for the year ended December 31, 2017. The increase was mainly due to fixed interest income of 6% per annum earned from advances made to Filinvest Cyberparks, Inc. and Filinvest Cyberzone Mimosa, Inc., which are subsidiaries of FLI.

The Company's interest expense and other financing charges increased by ₱52.6 million, or 51.4%, to ₱155.1 million for the year ended December 31, 2018 compared to ₱102.5 million for the year ended December 31, 2017. The increase was mainly due to lower capitalized interest from loans used to finance the construction of the Company's newly finished building, Axis Tower 1. Under the PAS 23, capitalization of borrowing costs should cease when all activities necessary to prepare the qualifying asset is complete.

The Company's other financing charges increased by ₱0.5 million, or 1,957.1%, to ₱0.5 million for the year ended December 31, 2018 compared to ₱24.0 thousand for the year ended December 31, 2017. The increase was mainly due to issuance cost and other admin expenses incurred from bonds payable obtained in July of 2017.

Income before Income Tax
The Company's income before income tax for the year ended December 31, 2018 was ₱1,615.9 million, an increase of ₱263.5 million or, 19.5%, from its income before income tax of ₱1,352.4 million recorded for the year ended December 31, 2017.

Provision for Income Tax
Provision for income tax increased by 21.7% or ₱36.7 million from ₱168.9 million for the year ended December 31, 2017 to ₱205.6 million for the year ended December 31, 2018 due to higher taxable income and advance rentals. Provision for current income tax increased by 58.5% or ₱42.1 million, which was offset by a decrease in the provision for deferred income tax of ₱5.4 million or 5.6%.

Net Income
As a result of the foregoing, consolidated net income increased by 19.2% or ₱226.8 million from ₱1,183.5 million for the year ended December 31, 2017 to ₱1,410.3 million for the year ended December 31, 2018.

FINANCIAL POSITION

As of June 30, 2021 compared with as of December 31, 2020

The Company's assets were ₱23,52230 million as of June 30, 2021, a decrease of ₱1,707.2 million, or 6.8%, from assets of ₱25,229.5 million as of December 31, 2020.

Assets

Cash and cash equivalents
The Company's cash and cash equivalents were ₱1,297.5 million as of June 30, 2021, an increase of ₱427.0 million, or 49.0%, from cash and cash equivalents of ₱870.5 million as of December 31, 2020, due to higher collections and lower cost and expenses, including interest and other financing charges

Receivables
The Company's receivables were ₱1,356.6 million as of June 30, 2021, an increase of ₱526.5 million, or 63.4%, from receivables of ₱830.1 million as of December 31, 2020, primarily due to advances made by the Company for costs and expenses of projects held for distribution to FLI, while awaiting SEC approval.

Other current assets
The Company's other current assets were ₱1,034.2 million as of June 30, 2021, a decrease of ₱137.1 million, or 11.7%, from other current assets of ₱1,171.3 million as of December 31, 2020. This decrease was due to the utilization of the Company's input VAT mainly in relation to the assignment of BTO rights for Cebu Towers 3 and 4.

Noncurrent assets held for distribution
The Company's other noncurrent assets held for distribution were ₱8,999.8 million as of June 30, 2021, an increase of ₱2,156.1 million, or 31.5%, from other noncurrent assets held for distribution of ₱6,843.7 million as of December 31, 2020. On February 11, 2021, the Company's Board also approved the declaration of property dividends to stockholders of record as of February 15, 2021, consisting of four existing buildings, (i) Concentrix Building in Northgate Cyberzone, (ii) IT School in Northgate Cyberzone, (iii) the Filinvest Building at EDSA, Wack Wack, Mandaluyong City, which have been identified for redevelopment , and (iv) Cebu Tower 2 in Filinvest Cyberzone Cebu which is yet to qualify for 3 year income generating period to qualify as a REIT asset.. The properties comprising the Property Dividend are classified as noncurrent assets held for distribution in the Company's books until the distribution of these properties is approved by the Philippine SEC, which was received in July 15, 2021.

Advances to contractors
The Company's advances to contractors were ₱17.0 million as of June 30, 2021, a decrease of ₱1.4 million, or 7.4%, from advances to contractors of ₱18.4 million as of December 31, 2020, due to recoupment of down payment from progress billings made by the contractors .

Investment properties
The Company's investment properties were ₱9,296.4 million as of June 30, 2021, a decrease of ₱2,333.4 million, or 20.1%, from investment properties of ₱11,629.8 million as of December 31, 2020 primarily due to the property dividends declared in the first quarter of 2021.

Property and equipment
The Company's property and equipment was ₱74.3 million as of June 30, 2021, an increase of ₱5.9 million, or 8.6%, from property and equipment of ₱68.4 million as of December 31, 2020, due to additional purchases of machinery and equipment.

Intangible assets
The Company's intangible assets comprising BTO rights and the right-of-use assets from such BTO and land lease arrangements were ₱1,077.6 million as of June 30, 2021, a decrease of ₱2,331.2 million, or 68.4%, from intangible assets of ₱3,408.8 million as of December 31, 2020. The decrease was primarily driven by the inclusion of Cebu Tower 2 in the properties declared for dividend distribution and the assignment of Cebu Towers 3 and 4 to FLI.

Other noncurrent assets
The Company's other noncurrent assets were ₱368.8 million as of June 30, 2021, a decrease of ₱19.6 million, or 5.0%, from other noncurrent assets of ₱388.4 million as of December 31, 2020, primarily due to the amortization of DCS connection charges paid per the BOT agreement between the Company and PDDC.

<u>Liabilities</u>

The Company's liabilities were ₱17,199.8 million as of June 30, 2021, a decrease of ₱2,923.6 million, or 14.5%, from liabilities of ₱20,123.5 million as of December 31, 2020.

Accounts payable and accrued expenses
The Company's accounts payable and other current liabilities were ₱1,359.1 million as of June 30, 2021, a decrease of ₱224.6 million, or 14.2%, from accounts payable and other current liabilities of ₱1,583.7 million as of December 31, 2020, primarily due to payment of advances from related parties.

Loans payable – current portion
The Company's loan payables – current portion was nil as of June 30, 2021, compared to loan payables – current portion of ₱744.2 million as of December 31, 2020, as the Company's loans were assigned to FLI as consideration for additional capital subscription in the Company in the amount of ₱3,746.3 million.

Lease liabilities – current portion
The Company's lease liabilities – current portion were ₱1.8 million as of June 30, 2021, an decrease of ₱90.8 million, or 98.0%, from lease liabilities – current portion of ₱92.6 million as of December 31, 2020 due to derecognition of lease liabilities for the properties in Northgate Cyberzone per the Contract of Lease as amended on February 11, 2021.

Security and other deposits – current portion
The Company's security and other deposits – current portion was ₱121.3 million as of June 30, 2021, an increase of ₱4.9 million, or 4.2%, from security and other deposits – current portion of ₱116.4 million

as of December 31, 2020, due to the addition of a new tenant in Axis Tower 2 and the lease renewal of a tenant in Filinvest Two.

Dividend Payable
The Company recognized a dividend payable of ₱8,302.3 million as of June 30, 2021, an increase of ₱1,690.4 million, or 25.6%, from a dividend payable of ₱6,611.9 million as of December 31, 2020. This amount reflects the carrying value of the properties subject of the First Property Dividend and the Second Property Dividend. Distribution of the property dividends shall be made upon approval of the Philippine SEC, which was received in July 15, 2021

Income tax payable
The Company's income tax payable was ₱28.5 million, an increase of ₱28.2 million, or 100%, from income tax payable of nil as of December 31, 2020. In 2020, the Company still has enough creditable withholding tax applied to income tax payable

Loans payable – net of current portion
The Company's loans payable – net of current portion was nil as of June 30, 2021, compared to loans payable – net of current portion of ₱1,600.0 million as of December 31, 2020, as the Company's loans were assigned to FLI as consideration for additional capital subscription in the Company in the amount of ₱3,746.3 million.

Bonds payable
The Company's bonds payable were ₱5,980.6 million as of June 30, 2021, an increase of ₱6.4 million, or 0.1%, from bonds payable of ₱5,974.2 million as of December 31, 2020 due to amortization of bond issuance costs.

Lease Liabilities – net of current portion
The Company's lease liabilities – net of current portion were ₱25.7 million as of June 30, 2021, a decrease of ₱2,071.8 million, or 98.8%, from lease liabilities – net of current portion of ₱2,097.5 million as of December 31, 2020 due to the derecognition of lease liabilities for the properties in Northgate Cyberzone which are to be transferred to FLI and were presented as noncurrent assets held for distribution as of June 30, 2021.

Deferred tax liability – net
The Company's deferred tax liability – net was ₱109.4 million as of June 30, 2021, a decrease of ₱160.5 million, or 59.5%, from the deferred tax liability – net of ₱269.9 million as of December 31, 2020, primarily due to derecognition of deferred tax on lease liabilities related to property dividends.

Other noncurrent liabilities
The Company's other noncurrent liabilities were ₱353.6 million as of June 30, 2021, an increase of ₱53.2 million, or 17.7%, from other noncurrent liabilities of ₱300.4 million as of December 31, 2020, primarily driven by an increase in retention payable.

As of March 31, 2021 compared with as of December 31, 2020

The Company's assets were ₱23,081.0 million as of March 31, 2021, an decrease of ₱2,148.6 million, or 8.5%, from assets of ₱25,229.5 million as of December 31, 2020.

Assets

Cash and cash equivalents
The Company's cash and cash equivalents were ₱976.2 million as of March 31, 2021, an increase of ₱105.7 million, or 12.1%, from cash and cash equivalents of ₱870.5 million as of December 31, 2020, due to higher collections and lower cost and expenses, including interest and other financing charges. As of March 31, 2021, all loans of the Company had been assigned to FLI.

Receivables
The Company's receivables were ₱1,272.7 million as of March 31, 2021, an increase of ₱442.6 million, or 53.3%, from receivables of ₱830.1 million as of December 31, 2020, primarily due to advances made by the Company for costs and expenses of projects held for distribution to FLI amounting to ₱410.7 million and an increase in trade receivables by ₱31.6 million from ₱799.3 million as of December 31, 2020 to ₱830.9 million as of March 31, 2021. See Note 5 of the audited interim consolidated financial statements of the Company as of March 31, 2021 for more details.

Other current assets
The Company's other current assets were ₱1,115.5 million as of March 31, 2021, a decrease of ₱55.8 million, or 4.4%, from other current assets of ₱1,171.3 million as of December 31, 2020. This decrease was due to the offset of the Company's input VAT against output VAT in relation to the assignment of BTO rights for Cebu Towers 3 and 4.

Noncurrent assets held for distribution
The Company's other noncurrent assets held for distribution were ₱8,807.0 million as of March 31, 2021, an increase of ₱1,963.3 million, or 28.7%, from other noncurrent assets held for distribution of ₱6,843.7 million as of December 31, 2020. On February 11, 2021, the Company's Board also approved the declaration of property dividends to stockholders of record as of February 15, 2021, consisting of four existing buildings, (i) Concentrix Building in Northgate Cyberzone, (ii) IT School in Northgate Cyberzone, (iii) the Filinvest Building at EDSA, Wack Wack, Mandaluyong City, all of which have been identified for redevelopment, and (iv) Cebu Tower 2 in Filinvest Cyberzone Cebu. The aggregate carrying value of the properties comprising the Second Property Dividend amounted to ₱1,690.4 million, and the properties are classified as noncurrent assets held for distribution in the Company's books until the distribution of these properties is approved by the Philippine SEC.

Advances to contractors
The Company's advances to contractors were ₱20.7 million as of March 31, 2021, a increase of ₱2.3 million, or 12.3%, from advances to contractors of ₱18.4 million as of December 31, 2020, due to additional advance payments by the Company to contractors.

Investment properties
The Company's investment properties were ₱9,350.1 million as of March 31, 2021, a decrease of ₱2,279.7 million, or 19.6%, from investment properties of ₱11,629.8 million as of December 31, 2020 primarily due to the property dividends declared in the first quarter of 2021.

Property and equipment
The Company's property and equipment was ₱74.6 million as of March 31, 2021, an increase of ₱6.2 million, or 9.1%, from property and equipment of ₱68.4 million as of December 31, 2020, due to additional purchases of machinery and equipment.

Intangible assets
The Company's intangible assets comprising BTO rights and the right-of-use assets from such BTO and land lease arrangements were ₱1,091.3 million as of March 31, 2021, a decrease of ₱2,317.6 million, or 68.0%, from intangible assets of ₱3,408.8 million as of December 31, 2020. The decrease was primarily driven by the inclusion of Cebu Tower 2 in the properties declared for dividend distribution and the assignment of Cebu Towers 3 and 4 to FLI.

Other noncurrent assets
The Company's other noncurrent assets were ₱372.9 million as of March 31, 2021, a decrease of ₱15.5 million, or 4.0%, from other noncurrent assets of ₱388.4 million as of December 31, 2020, primarily due to the amortization of DCS connection charges pursuant to the BOT agreement between the Company and PDDC.

Liabilities

The Company's liabilities were ₱17,169.6 million as of March 31, 2021, an decrease of ₱2,953.9 million, or 14.7%, from liabilities of ₱20,123.5 million as of December 31, 2020.

Accounts payable and accrued expenses
The Company's accounts payable and other current liabilities were ₱1,368.3 million as of March 31, 2021, a decrease of ₱215.4 million, or 13.6%, from accounts payable and other current liabilities of ₱1,583.7 million as of December 31, 2020, primarily due to payment of advances from related parties.

Loans payable – current portion
The Company's loan payables – current portion was nil as of March 31, 2021, compared to loan payables – current portion of ₱744.2 million as of December 31, 2020, as the Company's loans were assigned to FLI as consideration for additional capital subscription in the Company in the amount of ₱3,746.3 million.

Lease liabilities – current portion
The Company's lease liabilities – current portion were ₱1.8 million as of March 31, 2021, an decrease of ₱90.8 million, or 98.0%, from lease liabilities – current portion of ₱92.6 million as of December 31, 2020 due to derecognition of lease liabilities for the properties in Northgate Cyberzone which are to be transferred to FLI which were presented as noncurrent assets held for distribution as of March 31, 2021.

Security and other deposits – current portion
The Company's security and other deposits – current portion was ₱134.3 million as of March 31, 2021, a increase of ₱17.9 million, or 15.4%, from security and other deposits – current portion of ₱116.4 million as of December 31, 2020, due to the addition of a new tenant in Axis Tower 2 and the lease renewal of a tenant in Filinvest Two.

Dividend Payable
The Company recognized a dividend payable of ₱8,302.3 million as of March 31, 2021, an increase of ₱1,690.4 million, or 25.6%, from a dividend payable of ₱6,611.9 million as of December 31, 2020. This amount reflects the carrying value of the properties subject of the First Property Dividend and the Second Property Dividend. Distribution of the property dividends shall be made upon approval of the Philippine SEC.

Income tax payable
The Company did not have any income tax payable as of March 31, 2021.

Loans payable – net of current portion
The Company's loans payable – net of current portion was nil as of March 31, 2021, compared to loans payable – net of current portion of ₱1,600.0 million as of December 31, 2020, as the Company's loans were assigned to FLI as consideration for additional capital subscription in the Company in the amount of ₱3,746.3 million.

Bonds payable
The Company's bonds payable were ₱5,977.4 million as of March 31, 2021, a increase of ₱3.2 million, or 0.1%, from bonds payable of ₱5,974.2 million as of December 31, 2020 due to amortization of bond issuance costs.

Lease Liabilities – net of current portion
The Company's lease liabilities – net of current portion were ₱25.6 million as of March 31, 2021, a decrease of ₱2,071.9 million, or 98.8%, from lease liabilities – net of current portion of ₱2,097.5 million as of December 31, 2020 due to the derecognition of lease liabilities for the properties in Northgate Cyberzone which are to be transferred to FLI which were presented as noncurrent assets held for distribution as of March 31, 2021.

Deferred tax liability – net
The Company's deferred tax liability – net was ₱123.9 million as of March 31, 2021, a decrease of ₱146.0 million, or 54.1%, from the deferred tax liability – net of ₱269.9 million as of December 31, 2020, primarily due to derecognition of deferred tax on lease liabilities related to property dividends.

Security and other deposits – net of current portion
The Company's security and other deposits – net of current portion were ₱723.0 million as of March 31, 2021, an decrease of ₱9.6 million, or 1.3%, from security and other deposits – net of current portion of ₱732.7 million as of December 31, 2020, primarily driven by escalation in rates annually per contract.

Other noncurrent liabilities
The Company's other noncurrent liabilities were ₱326.9 million as of March 31, 2021, an increase of ₱26.5 million, or 8.8%, from other noncurrent liabilities of ₱300.4 million as of December 31, 2020, primarily driven by an increase in retention payable.

As of December 31, 2020 compared with as of December 31, 2019

The Company's assets were ₱25,229.5 million as of December 31, 2020, an increase of ₱3,036.9 million, or 13.7%, from assets of ₱22,192.6 million as of December 31, 2019.

Assets

Cash and cash equivalents
The Company's cash and cash equivalents were ₱870.5 million as of December 31, 2020, an increase of ₱361.7 million, or 71.1%, from cash and cash equivalents of ₱508.9 million as of December 31, 2019, due to lower capital expenditures caused by the imposed suspension of construction during the community quarantine measures due to COVID-19.

Receivables
The Company's receivables were ₱830.1 million as of December 31, 2020, an increase of ₱54.6 million, or 7.0%, from receivables of ₱775.5 million as of December 31, 2019, primarily due to higher rental receivables driven by the escalation of lease rates under the Company's lease contracts.

Other current assets
The Company's other current assets were ₱1,171.3 million as of December 31, 2020, an increase of ₱190.2 million, or 19.4%, from other current assets of ₱981.1 million as of December 31, 2019. This increase was due to prepaid real property tax for 2021 paid in advance by the Company to avail of discounts.

Noncurrent assets held for distribution
On December 4, 2020, the Company declared as property dividends, investment properties with net carrying value amounting to ₱6,611.9 million. As of December 31, 2020, these properties, including

net additions to construction in progress in December 2020 amounting to ₱231.8 million, are presented as noncurrent assets held for distribution in the statement of financial position. These investment properties will be derecognized in the financial statements once the Philippine SEC approves the distribution of the dividends and the Company is compensated for the additions in December of 2020.

Advances to contractors
The Company's advances to contractors were ₱18.4 million as of December 31, 2020, a decrease of ₱417.9 million, or 95.8%, from advances to contractors of ₱436.3 million as of December 31, 2019, due to recoupment of advances in contractor billings made as the construction of the Company's buildings progressed.

Investment properties
The Company's investment properties were ₱11,629.8 million as of December 31, 2020, a decrease of ₱4,527.0 million, or 28.0%, from investment properties of ₱16,156.8 million as of December 31, 2019 primarily due to the reclassification of properties included in the First Property Dividend as noncurrent assets held for distribution. These properties had a carrying value amounting to ₱6,611.9 million as of the date of declaration of the dividend. The distribution of these properties shall be made upon approval of the Philippine SEC.

Property and equipment
The Company's property and equipment was ₱68.4 million as of December 31, 2020, an increase of ₱13.4 million, or 24.5%, from property and equipment of ₱55.0 million as of December 31, 2019, due to purchases of machinery and equipment such as air conditions in iHub 1, installation of CCTVs in Plaza A, purchase of fire pump controllers, improvement of cooling towers in Plaza B and Plaza E.

Intangible assets
The Company's intangible assets comprising BTO rights and the right-of-use assets from such BTO and land lease arrangements were ₱3,408.8 million as of December 31, 2020, an increase of ₱519.1 million, or 18.0%, from intangible assets of ₱2,889.7 million as of December 31, 2019. The increase was primarily driven by additional construction costs of Cebu Tower 3 and Cebu Tower 4 under the Company's BTO arrangement with the Cebu Provincial Government.

Other noncurrent assets
The Company's other noncurrent assets were ₱388.4 million as of December 31, 2020, a decrease of ₱1.0 million, or 0.3%, from other noncurrent assets of ₱389.4 million as of December 31, 2019. This is due to the amortization of DCS connection under the BOT agreement with Philippine DCS Development Corporation ("**PDDC**").

Liabilities

The Company's liabilities were ₱20,123.5 million as of December 31, 2020, an increase of ₱5,899.5 million, or 41.5%, from liabilities of ₱14,224.0 million as of December 31, 2019.

Accounts payable and accrued expenses
The Company's accounts payable and accrued expenses were ₱1,583.7 million as of December 31, 2020, a decrease of ₱289.4 million, or 15.4%, from accounts payable and acrrued expenses of ₱1,873.1 million as of December 31, 2019, primarily due to payment of related party loans to Filinvest Cyberparks, Inc. amounting to ₱300.0 million.

Loans payable – current portion
The Company's loan payables – current portion were ₱744.2 million as of December 31, 2020, a decrease of ₱611.3 million, or 45.1%, from loan payables – current portion of ₱1,355.5 million as of December 31, 2019 due to the assignment of loans by the Company to FLI. On December 9, 2020, the Company and FLI entered into an agreement for the assignment of the Company's developmental loans outstanding as of November 30, 2020 amounting to ₱4,233.8 million. As of December 31, 2020, the

Company received the letters of consent from certain banks authorizing such assignment of the loans to FLI amounting to ₱1,518.7 million, which was derecognized as loans payable, and recorded as deposit for future subscription in equity.

Lease liabilities – current portion
The Company's lease liabilities – current portion were ₱92.6 million as of December 31, 2020, an increase of ₱76.4 million, or 469.7%, from lease liabilities – current portion of ₱16.3 million as of December 31, 2019 due to additional lease liabilities from the Company's land leases in Northgate Cyberzone with FLI.

Security and other deposits – current portion
The Company's security and other deposits – current portion was ₱116.4 million as of December 31, 2020, a decrease of ₱129.3 million, or 52.6%, from security and other deposits – current portion of ₱245.8 million as of December 31, 2019, due to pre-termination of leases by certain tenants in 2020.

Dividend Payable
The Company recognized a dividend payable of ₱6,611.9 million as of December 31, 2020. This amount reflects the carrying value of the properties comprising the First Property Dividend declared on December 4, 2020. Distribution of the property dividends shall be made upon approval of the Philippine SEC.

Income tax payable
The Company's income tax payable was nil as of December 31, 2020, compared to the Company's income tax payable of ₱0.4 million as of December 31, 2019 due to creditable withholding tax claimed during the year related to the sale of land in South Road Properties, Cebu City which amounted to ₱36.9 million.

Loans payable – net of current portion
The Company's loans payable – net of current portion were ₱1,600.0 million as of December 31, 2020, compared to loans payable – net of current portion of ₱2,862.9 million as of December 31, 2019 due to the assignment of developmental bank loans by the Company in exchange for its planned increase in capital subscription. As of December 31, 2020, ₱1,518.7 million was derecognized in the Company's financial statements as a result of the assignment. FLI also paid total principal installment due amounting to ₱370.8 million on behalf of the Company. The principal payment of FLI and the derecognized loans were recognized as deposit for future stock subscription in equity.

Bonds payable
The Company's bonds payable were ₱5,974.2 million as of December 31, 2020, a decrease of ₱12.6 million, or 0.2%, from bonds payable of ₱5,961.6 million as of December 31, 2019 due to amortization of bond issuance costs.

Lease Liabilities – net of current portion
The Company's lease liabilities – net of current portion were ₱2,097.5 million as of December 31, 2020, an increase of ₱1,830.3 million, or 685.1%, from lease liabilities – net of current portion of ₱267.2 million as of December 31, 2019 due to additional lease liability recognized from the Company's land leases in Northgate Cyberzone from FLI.

Deferred tax liability – net
The Company's deferred tax liability – net was ₱269.9 million as of December 31, 2020, a decrease of ₱114.7 million, or 29.8%, from the deferred tax liability – net of ₱384.7 million as of December 31, 2019, primarily due to derecognition of related deferred tax liability for buildings included as part of the property dividends declared during the year.

Security and other deposits – net of current portion
The Company's security and other deposits – net of current portion were ₱732.7 million as of December 31, 2020, an increase of ₱25.2 million, or 3.6%, from security and other deposits – net of current portion of ₱707.5 million as of December 31, 2019, primarily driven by higher security deposits from new tenants in Axis Tower 1 and Axis Tower 2 in Northgate Cyberzone and Cebu Tower 2 in Filinvest Cyberzone Cebu.

Other noncurrent liabilities
The Company's other noncurrent liabilities were ₱300.4 million as of December 31, 2020, an increase of ₱99.5 million, or 49.5%, from other noncurrent liabilities of ₱200.9 million as of December 31, 2019, primarily driven by retention payable to contractors and suppliers due to the construction of Axis Tower 3 and Axis Tower 4 in Northgate Cyberzone, and Cebu Tower 3 and Cebu Tower 4 in Filinvest Cyberzone Cebu under the BTO arrangement between the Company and the Cebu Provincial Government.

As of December 31, 2019 compared with as of December 31, 2018

The Company's assets were ₱22,192.6 million as of December 31, 2019, an increase of ₱2,909.6 million, or 15.1%, from assets of ₱19,283.0 million as of December 31, 2018.

<u>Assets</u>

Cash and cash equivalents
The Company's cash and cash equivalents were ₱508.9 million as of December 31, 2019, a decrease of ₱208.7 million, or 29.1%, from cash and cash equivalents of ₱717.5 million as of December 31, 2018, due to cash outflows for capital expenditures and operational costs and expenses. During the year, the Company paid for capital expenditure amounting to ₱2,375.3 million, which was higher by ₱499.6 million compared to ₱1,875.7 million paid for the year ended December 31, 2018.

Receivables
The Company's receivables were ₱775.5 million as of December 31, 2019, an increase of ₱248.5 million, or 47.2%, from receivables of ₱527.0 million as of December 31, 2018, due to the increase in charges to new tenants for rentals and utilities which are normally collectible within 20 days from the billing date. The increase in was also due to the newly added tenants for the Company's newly completed building, Axis Tower 2, which had an Occupancy Rate of 32% as of December 31, 2019.

Other current assets
The Company's other current assets were ₱981.1 million as of December 31, 2019, an increase of ₱848.0 million, or 637.1%, from other current assets of ₱133.1 million as of December 31, 2018. This increase was mainly due to lower input VAT classified as on-current assets. There were also additional recognition of input VAT on various purchases of goods and services on 16 projects of the Company with PEZA incentives, which are not subject to the VAT zero rating. The Company believes that all input VAT are recoverable at their full amount when all of the Company's buildings become fully operational.

Advances to contractors
The Company's advances to contractors were ₱436.3 million as of December 31, 2019, an increase of ₱156.3 million, or 55.8%, from advances to contractors of ₱280.0 million as of December 31, 2018, due to advances made for the construction of Axis Tower 2 and buildings under construction in Filinvest Cyberzone Cebu.

Investment properties
The Company's investment properties were ₱16,156.8 million as of December 31, 2019, an increase of ₱2,284.4 million, or 16.2%, from investment properties of ₱13,908.3 million as of December 31, 2018 due to the completion of Axis Tower 2 and the construction costs incurred for unfinished projects. The

Company adopted PFRS 16, *Leases* in 2019 and recognized right-of-use assets for its land lease in Northgate Cyberzone amounting to ₱58.6 million as of December 31, 2019 which has been included in investment properties in the presentation in the Company's financial statements.

Property and equipment
The Company's property and equipment was ₱55.0 million as of December 31, 2019, an increase of ₱15.3 million, or 38.6%, from property and equipment of ₱39.6 million as of December 31, 2018, due to purchases of machinery and equipment such as upgrades and improvements of elevators and CCTVs as part of the Company's continuous improvement of its buildings for its customers.

Intangible assets
The Company's intangible assets were ₱2,889.7 million as of December 31, 2019, an increase of ₱331.9 million, or 13.0%, from intangible assets of ₱2,557.8 million as of December 31, 2018, primarily driven by increase in the recognition of project costs on buildings under the BTO agreement with the Cebu Provincial Government. As of December 31, 2019, two buildings were already completed and two buildings were still in construction. The Company adopted PFRS 16, *Leases* in 2019 and recognized right-of-use assets for its rights under the BTO agreement amounting to ₱107.9 million as of December 31, 2019 which has been included in intangible assets in the presentation in the Company's financial statements.

Other noncurrent assets
The Company's other noncurrent assets were ₱389.4 million as of December 31, 2019, a decrease of ₱730.1 million, or 65.2%, from other noncurrent assets of ₱1,119.5 million as of December 31, 2018. The decrease was mainly due to input VAT that was classified as current assets, and prepaid expenses (including commissions to be realized in 2020).

Liabilities

The Company's liabilities were ₱14,224.0 million as of December 31, 2019, an increase of ₱1,660.5 million, or 13.2%, from liabilities of ₱12,563.5 million as of December 31, 2018.

Accounts payable and accrued expenses
The Company's accounts payable and accrued expenses were ₱1,873.1 million as of December 31, 2019, a decrease of ₱156.3 million, or 7.7%, from accounts payable and accrued expenses of ₱2,029.4 million as of December 31, 2018, primarily attributable to payment of trader payables, including the full payment of land in South Road Properties Cebu, partially offset by an increase in advances from new tenants.

Loans payable – current portion
The Company's loan payables – current portion were ₱1,355.5 million as of December 31, 2019, an increase of ₱516.2 million, or 61.5%, from loan payables – current portion of ₱839.2 million as of December 31, 2018. as the increase was due to new bank loans availed by the Company during the year.

Lease liabilities – current portion
The Company adopted PFRS 16, *Leases* during the year and recognized lease liabilities – current portion amounting to ₱16.3 million as of December 31, 2019.

Security and other deposits – current portion
The Company's security and other deposits – current portion was ₱245.8 million as of December 31, 2019, an increase of ₱81.1 million, or 49.2%, from security and other deposits – current portion of ₱164.7 million as of December 31, 2018, due to a substantial number of leases coming due within one year.

Dividend payable
The Company's dividend payable was ₱348.3 million as of December 31, 2019, compared to nil as of December 31, 2018 due to the declaration of cash dividends for the year ended December 31, 2019.

Income tax payable
The Company's income tax payable was ₱0.4 million as of December 31, 2019, a decrease of ₱8.1 million, or 94.9%, from income tax payable of ₱8.5 million as of December 31, 2018 due to the payment of higher income taxes in the previous quarters.

Loans payable – net of current portion
The Company's loans payable – net of current portion were ₱2,862.9 million as of December 31, 2019, an increase of ₱244.5 million, or 9.3%, from loans payable – net of current portion of ₱2,618.4 million as of December 31, 2018 due to the Company's entry into new loan agreements to finance capital expenditures.

Bonds payable
The Company's bonds payable were ₱5,961.6 million as of December 31, 2019, an increase of ₱12.6 million, or 0.2%, from bonds payable of ₱5,948.9 million as of December 31, 2018. The increase pertains to amortization of debt issuance cost related to the Company's bonds which will mature on January 7, 2023.

Lease Liabilities – net of current portion
The Company adopted PFRS 16, *Leases* during the year and recognized lease liabilities – net of current portion amounting to ₱267.2 million as of December 31, 2019. Under the new standard, lessees are required to recognize right-of-use assets and a lease liability with respect to the contract at the inception of the lease. These leases are amortized until the end of the lease term.

Deferred tax liability – net
The Company's deferred tax liability – net was ₱384.7 million as of December 31, 2019, an increase of ₱119.8 million, or 45.2%, from the deferred tax liability – net of ₱264.8 million as of December 31, 2018, primarily due to additional capitalized borrowing costs and the adoption of PFRS 16, *Leases* on rentals, including the adjustment due to PAS 17.

Security and other deposits – net of current portion
The Company's security and other deposits – net of current portion were ₱707.5 million as of December 31, 2019, an increase of ₱65.1 million, or 10.1%, from security and other deposits – net of current portion of ₱642.4 million as of December 31, 2018, primarily driven by higher security deposits from an increase in new tenants in Axis Tower 1, Axis Tower 2, Cebu Tower 1 and Cebu Tower 2.

Other noncurrent liabilities
The Company's other noncurrent liabilities were ₱200.9 million as of December 31, 2019, an increase of ₱153.8 million, or 326.8%, from other noncurrent liabilities of ₱47.1 million as of December 31, 2018, primarily driven by increase in retention payable to contractors and suppliers for the construction of the Company's new buildings.

As of December 31, 2018 compared with as of December 31, 2017

The Company's assets were ₱19,283.0 million as of December 31, 2018, an increase of ₱1,010.8 million, or 5.5%, from assets of ₱18,272.3 million as of December 31, 2017.

Assets

Cash and cash equivalents
The Company's cash and cash equivalents were ₱717.5 million as of December 31, 2018, a decrease of ₱607.6 million, or 45.9%, from cash and cash equivalents of ₱1,325.1 million as of December 31, 2017, due to cash outflows for capital expenditures and operational costs and expenses. In 2018, cash from operations was used to finance payment of the Company's construction expenses, dividends and loans. The Company also did not obtain any proceeds from bank loans during the year.

Receivables
The Company's receivables were ₱527.0 million as of December 31, 2018, a decrease of ₱535.0 million, or 50.4%, from receivables of ₱1,062.1 million as of December 31, 2017, due to the collection of temporary advances from two affiliates which amounted to ₱714.2 million. The Company's other remaining receivables primarily comprise rentals and utility charges due from tenants which are normally collectible within 20 days from billing date.

Other current assets
The Company's other current assets were ₱133.1 million as of December 31, 2018, an increase of ₱25.2 million, or 23.4%, from other current assets of ₱107.9 million as of December 31, 2017, primarily due to prepayments of certain expenses, including commissions.

Advances to contractors
The Company's advances to contractors were ₱280.0 million as of December 31, 2018, an increase of ₱78.3 million, or 38.8%, from advances to contractors of ₱201.8 million as of December 31, 2017, due to advances made for the construction activities relating to the Company's new projects.

Investment properties
The Company's investment properties were ₱13,908.3 million as of December 31, 2018, an increase of ₱1,646.5 million, or 13.4%, from investment properties of ₱12,261.8 million as of December 31, 2017 due to the completion of Axis Tower 1.

Property and equipment
The Company's property and equipment was ₱39.6 million as of December 31, 2018, an increase of ₱2.6 million, or 7.1%, from property and equipment of ₱37.0 million as of December 31, 2017, due to purchases of machinery and equipment for the Company's new building, Axis Tower 1.

Intangible assets
The Company's intangible assets were ₱2,557.8 million as of December 31, 2018, an increase of ₱120.7 million, or 5.0%, from intangible assets of ₱ 2,437.1 million as of December 31, 2017, primarily due to the increase in the recognition of project costs on buildings under the BTO agreement with the Cebu Provincial Government. In 2018, Cebu Tower 2, a 21-storey building with total GLA of 28,296 sq.m., was also completed.

Other noncurrent assets
The Company's other noncurrent assets were ₱1,119.5 million as of December 31, 2018, an increase of ₱280.0 million, or 33.3%, from other noncurrent assets of ₱839.5 million as of December 31, 2017 due to recognition of prepaid DCS charges for Axis Tower 1 under the BOT agreement of the Company with PDDC.

Liabilities

The Company's liabilities were ₱12,563.5 million as of December 31, 2018, a decrease of ₱87.2 million, or 0.7%, from liabilities of ₱12,650.7 million as of December 31, 2017.

Accounts payable and accrued expenses
The Company's accounts payable and accrued expenses were ₱2,029.4 million as of December 31, 2018, an increase of ₱387.5 million, or 23.6%, from accounts payable and accrued expenses of ₱1,642.0 million as of December 31, 2017, primarily attributable to an increase in outstanding rent payable to FLI in respect of the Company's land leases and retention payable to contractors in relation to the construction of the Company's new projects.

Loans payable – current portion
The Company's loan payables – current portion were ₱839.2 million as of December 31, 2018, increased by ₱244.5 million, or 41.1%, from loan payables – current portion of ₱594.7 million as of December 31, 2017 due to loans of the Company maturing within one year.

Security and other deposits – current portion
The Company's security and other deposits – current portion was ₱164.7 million as of December 31, 2018, increased by ₱8.7 million, or 5.6%, from security and other deposits – current portion of ₱156.0 million as of December 31, 2017, due to some leases becoming due within one year.

Income tax payable
The Company's income tax payable was ₱8.5 million as of December 31, 2018, an increase of ₱0.4 million, or 4.3%, from income tax payable of ₱8.2 million as of December 31, 2017.

Loans payable – net of current portion
The Company's loans payable – net of current portion were ₱2,618.4 million as of December 31, 2018, a decrease of ₱839.2 million, or 24.3%, from loans payable – net of current portion of ₱3,457.6 million as of December 31, 2017 due primarily due to the payment of principal on certain outstanding loans. The Company did not avail of any new loans during the year.

Bonds payable
The Company's bonds payable were ₱5,948.9 million as of December 31, 2018, an increase of ₱12.8 million, or 0.2%, from bonds payable of ₱5,936.2 million as of December 31, 2017. The increase pertains to amortization of debt issuance cost related to bonds which will mature on January 7, 2023.

Deferred tax liability – net
The Company's deferred tax liability – net was ₱264.8 million as of December 31, 2018, an increase of ₱91.6 million, or 52.9%, from the deferred tax liability – net of ₱173.3 million as of December 31, 2017, primarily due to additional capitalized borrowing costs, advances received from tenants and other items with timing differences compared with actual income tax payable.

Security and other deposits – net of current portion
The Company's security and other deposits – net of current portion were ₱642.4 million as of December 31, 2018, an increase of ₱161.9 million, or 33.7%, from security and other deposits – net of current portion of ₱480.5 million as of December 31, 2017, primarily driven by higher security deposits from an increase in new tenants.

Other noncurrent liabilities
The Company's other noncurrent liabilities were ₱47.1 million as of December 31, 2018, a decrease of ₱155.2 million, or 76.7%, from other noncurrent liabilities of ₱202.3 million as of December 31, 2017, primarily driven by payment of retention payables on the Company's completed buildings, including Axis Tower 1.

Performance Indicators

Financial Ratios	**Particulars**	**Year Ended 06/30/21**	**Year Ended 03/31/21**	**Year ended 12/31/20**	**Year ended 12/31/19**	**Year ended 12/31/18**
Current Ratio	Current Assets / Current Liabilities	1.27 : 1	1.22 : 1	1.06 : 1	0.59 : 1	0.45 : 1
Solvency Ratio	Net Income + Depreciation / Total Liabilities	0.07 : 1	0.04 : 1	0.11 : 1	0.16 : 1	0.17 : 1
Debt-to-Equity Ratio	Long-term debt / Equity	0.95 : 1	1.02 : 1	2.06 : 1	1.31 : 1	1.4 : 1
Asset-to-Equity Ratio	Total assets / Total equity	3.72 : 1	3.9 : 1	4.94 : 1	2.79 : 1	2.87 : 1
Interest rate coverage ratio	EBIT / Interest and other financing charges	5.86 : 1	6.16 : 1	6.63 : 1	9.43 : 1	11.42 : 1
Debt service coverage ratio	Net operating income / Loan payment	7.77 : 1	7.95 : 1	1.48 : 1	1.40 : 1	1.84 : 1
Earnings per share	Net Income / Outstanding shares	0.45 : 1	0.27 : 1	0.8 : 1	0.7 : 1	0.61 : 1
Return on assets	Net income / Total Assets	.04 : 1	0.03 : 1	0.07 : 1	0.07 : 1	0.07 : 1
Return on equity	Net income / Shareholder's Equity	0.17 : 1	0.11 : 1	0.36 : 1	0.21 : 1	0.21 : 1

Movement of Earnings per share (EPS) thru the years is directly related to the movement of net income.

ANNEX "C"

C O V E R S H E E T

SEC Registration Number

A	2	0	0	0	-	0	0	6	5	2

C O M P A N Y   N A M E

CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY

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

5th - 7th Floors Vector 1 Building, NorThgate Cyberzone, Filinvest CoRporate City, Alabang, MuntinlUpa City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17A	SEC	N/A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	8846-0278	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
8	5/30	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Venus A. Mejia	venus.mejia@filinvestgroup.com	8846-0278	N/A

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.*

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATIONS CODE AND SECTION
141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the calendar year ended **December 31, 2020**

2. SEC Identification Number **A2000-00652** 3. BIR Tax ID **204-863-416-000**

4. Exact name of issuer as specified in its charter **CYBERZONE PROPERTIES, INC.**

5. Province, Country or other jurisdiction of incorporation or organization **Philippines**

6. Industry Classification Code: _______ (SEC Use Only)

5th – 7th Floors Vector 1 Building, Northgate Cyberzone, Filinvest Corporate City, Alabang, Muntinlupa City **1770**
7. Address of issuer's principal office Postal Code

02-8846-0278
8. Issuer's telephone number, including area code

Not Applicable
9. Former name, former address, and former fiscal year, if changed since last report

10. Securities registered pursuant to Section 8 and 12 of the SRC

Title of Each Class	Number of shares of Common Stock Outstanding	Amount of Debt Outstanding
Common Stock, ₱1.00 par value	1,163,426,668	
Bonds Payable		6,000,000,000

11. Are any or all of these securities listed on the Philippine Stock Exchange?
Yes [ ] No [X]

12. Indicate by check mark whether the issuer:

(a) has filed reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA Rule 1(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);
Yes [X] No [ ]

(b) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

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Part 1 – BUSINESS AND GENERAL INFORMATION

Item 1. Business

1.1 Organization, Brief Description and Recent Developments

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. On December 4, 2020, the Board of Directors (BOD) approved the change in the Parent Company's primary purpose to engage in the business of a real estate investment trust, as provided under Republic Act No. 9856 (the Real Estate Investment Trust Act of 2009), including the Revised Implementing Rules and Regulations of Republic Act No. 9856 (the "REIT Act"), and other applicable laws,.

On March 5, 2021, the BOD and the stockholders approved the change of corporate name of Cyberzone Properties, Inc. to Filinvest REIT Corp. The change of corporate name is subject to the approval of the SEC.

As of December 31, 2020, these amendments are awaiting approval by the SEC.

The Parent Company is a wholly owned subsidiary of Filinvest Land, Inc. (FLI), a subsidiary of Filinvest Development Corporation (FDC). A.L. Gotianun Inc. (ALG) is the Company'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 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 local and national 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, an 18.7-hectare Special Economic Zone within Filinvest City in Alabang Muntinlupa. The land where CPI builds in Northgate is owned by its parent FLI, under a land lease agreement. CPI also leases a parcel of land measuring 2,381 sq. m. along EDSA on which CPI built a 5-storey BPO building. It also has a Build-Transfer- Operate (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 and two more under construction.

CPI became one of the first companies to operate as a major BPO-centric lease provider outside Makati, Bonifacio Global City, and Ortigas. Anticipating the traffic congestion in these districts, CPI took advantage of building on the land owned by FLI in Alabang, Muntinlupa City.

A PEZA-registered IT Park, as defined by PEZA, is an area provides 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 attract BPO companies to lease office spaces in Northgate Cyberzone.

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

Existing Buildings				
Building Name	**GLA (SQM) Office & Retail**	**Occupancy Rate as of End 2020**	**PEZA Registered**	**LEED Certification**
Plaz@ A	10,860	100%	Yes	N.A.
Plaz@ B	6,488	100%	Yes	N.A.
Plaz@ C	6,540	100%	Yes	N.A.
Plaz@ D	10,860	83.2%	Yes	N.A.
Plaz@ E	14,859	100%	Yes	N.A.
IT School	2,594	100%	Yes	N.A.
Concentrix CVG Building	6,399	100%	Yes	N.A.
Capital One Building	18,000	100%	Yes	N.A.
5132 Building	9,409	100%	Yes	N.A.
iHub 1	9,480	87.5%	Yes	N.A.
iHub 2	14,181	100%	Yes	N.A.
Vector One	17,764	100%	Yes	N.A.
Vector Two	17,889	100%	Yes	N.A.
Vector Three	36,345	68.3%	Yes	LEED Gold
Filinvest One	19,637	100%	Yes	N.A.
Filinvest Two	23,784	100%	Yes	N.A.
Filinvest Three	23,784	66.5%	Yes	N.A.
Axis Tower One	40,869	89.6%	Yes	LEED Gold
Newly Completed in 2019				
Building Name	**GLA (SQM) Office & Retail**	**Occupancy Rate as of End 2020**	**PEZA Registered**	**LEED Certification**
Axis Tower Two	40,536	42%	Yes	LEED Gold

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

Building Name	GLA (SQM) Office & Retail	Estimated Completion	PEZA Registered	LEED Certification
Axis Tower Four	40,5299	1Q2022	Yes	Pursuing LEED Gold
Axis Tower Three	41,375	2Q2022	Yes	Pursuing LEED Gold

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) Office & Retail	Occupancy Rate as of End 2020	PEZA Registered
Cebu Tower 1	20,612	99.1%	Yes
Cebu Tower 2	28,927	46.2%	Yes

Currently under construction are Cebu Towers 3 and 4:

Building Name	GLA (SQM) Office & Retail	Estimated Completion	PEZA Registered
Cebu Tower 3	21,847	3Q2022	Yes
Cebu Tower 4	22,342	2Q2023	Yes

Filinvest Cyberzone Cebu complex has a retail component at ground and common podium with GLA of 6,777 square meters for four (4) Towers

Moving forward, CPI will remain to be focused on its office space leasing business and will continue to look for opportunities to expand its portfolio of investment properties both in existing and new locations. With the Northgate Cyberzone property fully developed in terms of land space, CPI has the option to replace existing structures with taller structures to increase GLA or it may expand beyond the property into the land owned by FLI and FAI within the Filinvest City. In Cyberzone Cebu, the Parent Company is still slated to complete the other two towers, Towers 3 and 4 over the next two years. The Parent Company is also looking at other potential properties in Cebu for development into other office spaces. Beyond these two locations, CPI is also looking at the potential of other cities as possible sites for future Cyberzones.

1.2 Equity investment

The Parent Company was the holding company, owning 60% 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. ProOffice has started its commercial operations on August 1, 2019. On December 23, 2020, the Parent Company entered into a Deed of Assignment to sell its interest in ProOffice to Filinvest Land, Inc.

(FLI) for a total consideration of 17.16 million. Accordingly, the Parent Company lost control over ProOffice. The transaction has no material impact to the consolidated financial statements.

1.3 Target Market & Revenue Contribution

CPI's office space leasing business has primarily targeted multinational Business Process Outsourcing (BPO) companies locating their operations in the Philippines. However, a new type of tenant has emerged starting 2017, the Philippine Offshore Gaming Operators or POGOs licensed and regulated by PAGCOR which provide technical and back office support to online gaming companies which are mostly based in China.

The Business Processing Outsourcing Industry

Business Process Outsourcing (BPO) is the contracting of the operations and performance of certain business processes to a third-party service provider. The third-party service providers perform certain "non-core" business processes such as accounting, customer service and IT services for multinational global enterprises. BPOs are usually categorized into back office outsourcing, which involves internal business functions such as human resources, IT, accounting, and front office outsourcing, which involves customer-related services such as contact center services. The industry is divided further into sub-segments such as Knowledge Processing Outsourcing (KPO) and Legal Process Outsourcing (LPO) based on the functions they do or the industries they serve. The processes that are transferred to these third-party service providers are often information-technology based and are done through the use of different technology platforms which allows these service providers to be based offshore.

The rationale for BPO services has always been the flexibility it offers to their client companies and the cost savings it generates from locating in the Philippines specifically from lower employee wages and tax incentives given by Philippine government through PEZA. The transfer of 'non-core' functions such as accounting, IT, and HR allows companies to focus on its 'core' revenue-generating functions while ensuring that these support functions still reach a certain level of quality required by the client company through service level agreements (SLAs) with these third-party service providers. Client companies also benefit from best practices and economies of scale that BPO companies are able to harness from their broad experience and focus in performing these functions for clients from different industries which is able to reduce bottlenecks usually associated with the outsourced functions. However, the headline benefit and continuing driver for the BPO industry is still the significant cost savings it offers client companies. Studies have shown that by moving outsourcing support functions companies can save between 30-50% in operational costs. With most BPO companies charging on a fee-for-service setup, client companies are able to turn what would have been fixed costs into variable costs which can adjust to the specific needs of the business.

Oxford Business Group predicts that the global business process outsourcing (BPO) industry will be worth $250 billion by the year 2020. Business process outsourcing in the Philippines accounts for 10 to 15 percent of the global BPO market, where the local BPO sector has grown at a compound annual rate of 10 percent over the past decade. The Philippines has also consistently ranked among the top five outsourcing destinations in the world.

The IT-BPM industry has delivered a multitude of direct and indirect benefits and remains a critical pillar of the Philippine economy, especially when it comes to job creation for millions of Filipinos. In 2020, the sector recorded total full-time employment of 1.3 million

The Philippines' steady growth trajectory continues to attract many investors from abroad to establish or expand their operations here. BPOs are also seen to continue to diversify from voice services to more specialized and higher-skilled processes such as healthcare outsourcing, legal outsourcing, and animation which will make it more resilient from a slowdown in growth. According to the revised 2022 Roadmap outlined by the IT & Business Processing Association of the Philippines (IBPAP), they expect headcount growth at 2.7 percent to 5 percent, or around 1.37 million to 1.43 million full-time employees, and industry revenues amounting of $29.09 billion with a Compound Annual Growth Rate (CAGR) of 3.2 percent to 5.5 percent in the next two years.
**Sources: IT and Business Process Association Philippines (IBPAP) Website: https://manilastandard.net/business/it-telecom/340042/bpo-sector-expects-recovery-with-revenue-of-29b-by-2022.html*

According to Jones Lang Lasalle Real Estate Market Q4 2020 Overview and 2021 Insights, Philippine office supply will grow 1.4 Million square meters (65.6% y-o-y) in the next 3 years by 4.8 square meters (+34%) in the next 5 years. Due to the pandemic, there is a weakening demand that results to a 10.8% vacancy in Metro Manila or almost 1 Million square meters in Metro Manila from 9.2Million square meters existing stock. For Metro Cebu, existing stock is 1.2 Million square meters with reported highest vacancy rate of 20.7% or more than 248,000 square meters, the highest recorded in Metro Cebu since the Global Financial Crisis. Future stock 2021E to 23E will be 266k square meters.
**Source: Jones Lang Lasalle Real Estate Market Q4 2020 Overview and 2021 Insights*

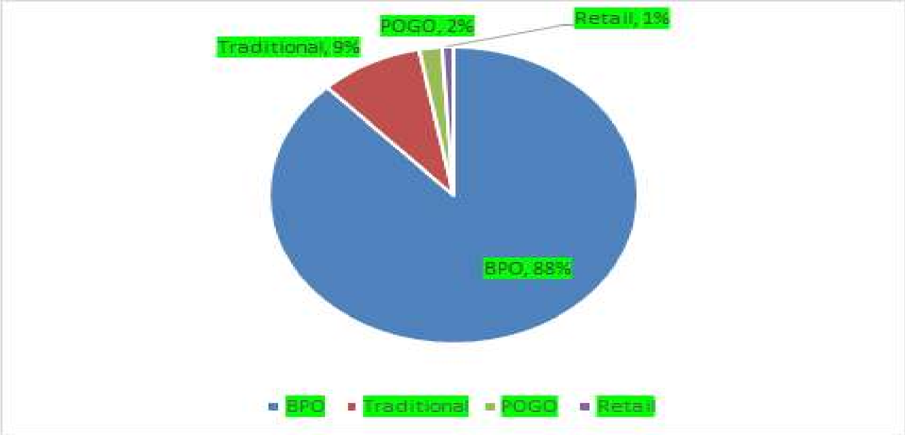
Philippine Offshore Gaming Operators (POGO)
Offshore gaming refers to the offering by a licensee of PAGCOR – authorized online games of chance via the internet using a network and software program – exclusively to offshore authorized players excluding Filipinos abroad, who have registered and established an online gaming account with the licensee.

The pandemic that causes foreign travel ban of Chinese work force to go back to the Philippines, the demand of POGOs to lease office buildings dramatically declined. Demand for office space in Metro Manila is still largely driven by Information Technology and Business Process Management (IT-BPM) companies, specifically for the ecommerce, logistics, healthcare, IT, Medical encoding industries as they need space for their back office, customer support operations, IT and technical support.

Cyberzone Properties' Tenancy profile

CPI has the following profile of tenants in Northgate Cyberzone, Cyberzone Cebu and EDSA Wackwack Building as of end 2020:

Tenant sector breakdown by 2020 total rent



2020	No. of tenants	GLA sqm	%
BPO	30	272,916.13	88%
Offshore gaming services	3	7,477.05	2%
Traditional office and others	27	28,159.13	9%
Retail	18	2,979.21	1%
Total Area leased		311,531.52	80%
Total GLA		387,343.39	

CPI has the largest BPO companies in the Philippines as its current tenants. Some of its major tenants are Capital One, Genpact, Concentrix CVG, Synchrony, , Accenture and Optum Global Solutions Inc, among others. In recent years, to reduce its concentration risk, CPI has worked to diversify the types of BPO companies leasing its office spaces.

The Parent Company believes that its tenant base is committed to continue doing business in the Philippines in the foreseeable future through further expansions. The Parent Company is not dependent on a single tenant, and no single tenant would account for at least 20% of the Parent Company's revenues. The Parent Company is also continually looking to diversify its tenant base even further to prevent reliance on a single tenant.

CPI offers two types of leasing: standard office spaces and build-to-suit office spaces. Standard office spaces refer to the standard properties designed, developed, and constructed by CPI to cater to the general needs of any prospective tenant. These properties would have the basic features and amenities that CPI has determined. Build-to-suit office spaces are properties designed and built according to the clients' specifications. Majority of the Parent Company's business is from leasing out its standard office spaces with build-to-suit projects accounting for only about 5% of CPI's total leasing business.

The Parent Company has a standard set of terms and conditions that are the basis of contracts signed with potential tenants. Some of these terms are:

- A minimum lease term of 3 years for leasing of standard office spaces and 10 years for build-to-suit office spaces.
- 5% escalation in lease rates starting on the 3rd year for a 5-year lease term and 5% escalation in lease rates starting on the 2nd on a 3-year lease term.
- The tenant must put up a security deposit worth 3 months of rent that generally increase subject to corresponding rent adjustment/ escalation. This security deposit will be forfeited in case the tenant preterminates the contract without prior notice or before the pretermination option, or if there are issues encountered such as non-payment of rent.
- For POGO, six (6) months security deposits and at three (3) to six (6) months advance rent based on rate of last year of lease term but payable upfront.
- When the Contract of Lease is signed, the tenant must pay advance rent for 3 months.
- Pretermination option after the 3rd year with 6 months prior written notice from the tenant and subject to three (3) months penalties payable to CPI.
- The tenant is subject to rental penalties and interest if unable to pay rent

These terms and conditions are still subject to change through negotiations on the final leasing contract, and upon agreement by both CPI and the potential tenant. The Parent Company does not currently have any issues with any of its existing tenants.

1.4 Lease Marketing

CPI primarily makes use of in-house leasing and marketing team to attract lessees. CPI's regular practice is to approach its existing lessees in the property if they are interested in leasing additional office spaces in the Parent Company's new projects for their expansion.

Another approach being used by CPI to attract new lessees is through the services of professional, multinational commercial real estate leasing agents /brokers (including, but not limited to Jones Lang LaSalle, Santos Knight Frank, Colliers, CB Richard Ellis and Leechiu Property Consultants). These brokers work on a non-exclusive basis and earn commissions based on the term of the lease except for the Filinvest Cebu Cyberzone buildings located in IT Park Metro Cebu City wherein Santos Knight Frank is the exclusive leasing agent but also earn commission base on the term of the lease

The Parent Company's procedure in leasing new properties is that when the project is substantially completed or nearing completion, CPI's in-house leasing team approaches existing lessees to gauge interest for space in the new property for their expansion option as most multinational major BPO locator and global ROHQ have expansion options in the contract. If any of the existing lessees are interested, then they would sign a letter of intent on the amount of space they want to lease in the new building. After getting interest from existing lessees, CPI offers available spaces to external multinational commercial brokers to market the property to new potential lessees.

1.5 Competition

The Company faces significant competition in the office leasing market in Metro Manila and Metro Cebu. The Company believes that it competes with companies in the office leasing industry such as Megaworld Corporation, SM Prime Holdings, Inc., Ayala Land, Inc., Robinsons Land, Inc and Eton Properties Philippines, Inc.in Metro Manila, and Ayala Land, Inc. and Megaworld Corporation in Metro Cebu. According to "*Business and Properties - Competition*" and industry report of Jones Lang Lasalle Philippines, the office supply in Metro Manila is expected to grow by 1.5 million sq.m. from 2021 to 2025, and that office supply in Metro Cebu is expected to grow by 358,950 sq.m. from 2021 to 2025.

The Company may have to compete on pricing to maintain its competitiveness, which may decrease its margins. The Company may also need to incur additional operating and capital expenditure to maintain or improve the quality of its Properties. Further, the increase in office supply, the effect of the COVID-19 pandemic on demand for office space, and potential downside risks to demand recovery may lead to slower or negative net absorption of tenants leading to higher vacancy rates and downward pressure on rental rates.

The Parent Company believes that one of its major strengths besides its superior build of its IT park, brand and reputation is the cost of space which is generally lower in Alabang as compared to Makati, Ortigas, or BGC.

According to JLL's Business and Properties Industry Report as of February 2021, , Muntinlupa City, Alabang is still one of the cheapest options for BPOs , Traditional and ROHQs locators in terms of the cost of office leasing which makes it an attractive location for their companies which aim to minimize their costs.

Cost of Office Space		
Location	**Monthly average asking rents for offices in Metro Manila in Php/sq.m. for year 2020**	**Est. Total Supply for 2021 (GLA sq. m.)**
Makati CBD (Prime and Grade A Buildings)	1,384	228,000
BGC	1,333	104,000
Ortigas, Pasig, Mandaluyong,	870	203,000
Quezon City	500 – 900	145,000
Bay City	800- 1,200–	77,350
Alabang/Muntinlupa	913	78,600

**Source: JLL Business and Properties Industry Report February 2021*

Some of the Parent Company's major competitors include:

Ayala Land, Inc. (ALI)
Ayala Land is real estate arm of the Ayala Group, one of the largest conglomerations in the Philippines. Ayala Land is one of the largest real estate corporations in the country with businesses in residential properties, office space leasing, and shopping malls. ALI has office buildings in most major business districts in Metro Manila and Cebu, and is anchored by its premier properties in the Makati Central Business District, Bonifacio Global City, and Cebu IT Park. ALI believes their strength to be their branding and reputation, quality of support services provided by the property manager, rental rates, and the quality and premier locations of their office buildings.

Robinson's Land Corporation (RLC)
Robinson's Land Corporation is the real estate arm of the JG Summit Holdings Inc., the holding company of Gokongwei family. RLC is involved in the development and operation of shopping malls and hotels, and the development of mixed-use properties, office and residential buildings, as well as land and residential housing developments, including socialized housing projects located in key cities and other urban areas nationwide. Some of its marquee properties include the Cybergate Towers along EDSA in Mandaluyong and the Robinsons Summit Center in Makati. RLC was also one of the pioneers of setting up office spaces for BPO within their mall developments. RLC believes their strength to be their branding, the quality of their office spaces, and the location of these office spaces being in the heart of Metro Manila.

Eton Properties Philippines, Inc.
Eton Properties is the real estate brand of the Lucio Tan Group which develops residential, commercial, and office buildings. Eton Properties has two major office developments, Eton Centris in Quezon City and Eton Cyperbod Corinthian in Ortigas.

SM Prime Holdings, Inc.
SM Prime Holdings Inc. is the real estate arm of the Sy family led SM Group which has operations in residential properties, offices, malls, and hotels. It is most well known for operating the SM Malls chain, the largest mall chain in the Philippines~~,~~ and also office leasing.

Megaworld Corporation
Megaworld is the real estate arm of Andrew Tan's Alliance Global Group Inc. It is a diversified real estate company with businesses in residential properties, malls, hotels, and office buildings. Megaworld is the largest provider of BPO office spaces. Most of Megaworld's office properties are located in Bonifacio Global City with a total GLA of 300,000 square meters making them the largest owner of office buildings in that business district. Megaworld office leasing segment also has a significant presence in its Eastwood property in Libis, Quezon City. Megaworld believes that its advantages are their reputation and brand, the quality of their properties, and the optimal location of their properties.

1.6 Intellectual Property and Trademarks

FLI has filed an application with the Philippine IPO office for CPI's mark on 27 July 2016, and the registration for the trademark has been approved as of 16 February 2017 with a term of 10 years.

1.7 Government and Environmental Regulations

The real estate business and office space leasing business in the Philippines is subject to significant government regulations over among other things, land acquisition, development planning and design, and construction.
Approval of development plans is conditioned on, among other things, completion of the acquisition of the project site and the developer's financial, technical and administrative capabilities. Approvals must be obtained at both the national and local levels, and the Parent Company's results of operations are expected to continue to be affected by the nature and extent of the regulation of its business, including the relative time and cost involved in procuring approvals for each new project, which can vary from project to project.

PEZA Regulations
Republic Act No. 7916 ("R.A. 7916") provided for the creation and management of Special Economic Zones, which are selected areas with highly developed or which have the potential to be developed into agro-industrial, industrial tourist/recreational, commercial, banking, investment, and financial centers.
PEZA is the government agency that is mandated to operate, administer and manage these designated Ecozones. These Ecozones are generally established by a proclamation issued by the President of the Philippines, upon the recommendation of the PEZA.

Enterprises offering IT services (such as call centers, and BPO using electronic commerce) are entitled to fiscal and non-fiscal incentives if they are PEZA-registered locators in a PEZA-registered IT Park, IT Building, or Ecozone. An IT Park is an area capable of providing infrastructures and other support facilities required by IT enterprises, as well as amenities required by professionals and workers employed in these enterprises, or easy access to such amenities. An IT Building is an edifice, a portion or the whole of which, provides such infrastructure, facilities, and amenities. PEZA requirements for the registration of an IT Park or IT Building may differ depending on location. These PEZA requirements include clearances or certifications issued by the city or municipal legislative council, the DAR, the National Water Resources Board ("NWRB"), and the DENR.

The Parent Company enjoys a preferential tax rate of 5% on gross income from 16 of its buildings in Northgate Cyberzone, from tenants that are also PEZA registered. In addition, CPI also enjoys the ff incentives. Likewise, the BPO/IT companies who lease office space in Northgate or Cebu Cyberzone which are PEZA-registered also enjoy certain tax incentives as follows:

- Exemption from the payment of all national and local taxes, such as gross receipts tax, value-added tax, ad valorem tax, excise tax, income tax, documentary stamp tax, percentage taxes, and all other taxes found in the National Internal Revenue Code.
- Exemption from the payment of all local government impost, fees, licenses, or taxes including local business tax, transfer tax on the sale of real property, real estate taxes (except real estate tax on the land), community tax, mayor's permit fee, sanitary fee, other regulatory fees and other taxes and fees found in the Local Government Code and particularly in the Tax Ordinance of the local government unit where the economic zone is located.
- In lieu of the exemption from national and local taxes, the ECOZONE enterprise shall pay a 5% preferential tax on gross income, which is split between the City Treasurer of Muntinlupa (2/5) and BIR (3/5).For an ECOZONE export enterprise, the following are considered to be allowable deductions from net sales/revenues:
    - Direct salaries, wages, or labor expenses
    - Service or production supervision salaries
    - Raw materials
    - Goods in process
    - Finished goods
    - Supplies and fuels used in production
    - Depreciation of machinery, equipment and buildings owned and/or constructed
    - Financing charges associated with fixed assets

        - Rent and utility charges for buildings, equipment, and warehouses, or handling goods
- Exemption from duties and taxes on imported capital equipment, spare parts, raw materials, and supplies.
- Exemption from wharfage dues, export tax, impost, or fee
- For the first five years of operation, additional deduction equivalent to one-half of the wages paid corresponding to the increment in the number of direct labor for skilled and unskilled workers

Environmental Regulations

CPI has complied with all applicable Philippine environmental laws and regulations. CPI's compliance with environmental laws is dictated by and in accordance with the environmental laws and regulations applicable to specific and individual projects. Compliance with such laws, in CPI's opinion, is not expected to have a material effect on CPI's capital expenditures, earning or competitive position. The cost of such compliance is not significant and CPI does not keep a separate account thereof.

1.8 Employees and Labor

Management believes that CPI's current relationship with its employees is generally good. The Parent Company has not experienced a work stoppage or any labor related disturbance as a result of labor disagreements. None of CPI's employees belongs to a labor union. CPI currently does not have an employee stock option plan.

There are no significant arrangements between CPI and its significant employees to assure that these persons will remain with CPI and not compete with it upon their termination. CPI, however, relies on its good relationship with its senior managers and significant employees to ensure loyalty. CPI likewise provides managers, supervisors and general staff the opportunity to participate in both in-house and external training and development programs which are designed to enhance skills, to improve productivity, to develop leadership and to prepare employees for future assignments. These programs range from the orientation of new employees to technical training for engineers and customer service. CPI has also provided a mechanism through which managers and staff are given feedback on their job performance, which CPI believes will help to ensure the continuous development of its employees. CPI also offers employees benefits and salary packages that it believes are in line with industry standards in the Philippines and which are designed to help the Parent Company compete in the marketplace for quality employees.

1.9 Related Party Transactions

A summary of the CPI's related party transactions in 2020 and 2019 are shown in the following table:

	2020				
	Amount/ Volume	**Outstanding balance**	**Terms**	**Conditions**	**Note**
Bank under common control					
Cash and cash equivalents	**₱738,640,515**	**₱738,640,515**	0.1010% to 3.75%	No impairment	16 (a)
Interest income	**3,908,966**	**–**			
	₱742,549,481	**₱738,640,515**			
Trade receivables (Note 5)					
Parent Company					
Rental revenue	**₱24,965,196**	**₱306,370**	Noninterest-bearing; due and demandable	Unsecured	16 (b)
Affiliate					
Rental revenue	**88,007,272**	**146,729**	Noninterest-bearing; collectible every 20th day of the month	Unsecured	16 (b)
Service fee income (Note 20)	**8,990,356**	**–**	Noninterest-bearing	Unsecured	16 (b)
Commission income (Note 20)	**23,166,200**	**–**	Noninterest-bearing	Unsecured	16 (d)
	₱145,129,024	**₱453,099**			
Other Noncurrent Asset					
Affiliate					
DCS connection charge (Note 10)	**₱15,266,782**	**₱352,187,969**		No impairment	16 (f)
Connection fees (Note 20)	**–**	**(16,164,753)**			
	₱15,266,782	**₱336,023,216**			
Accounts payable and accrued expenses (Note 11)					
Parent Company					
Rental expense	**(₱304,190,850)**	**₱–**	Noninterest-bearing; payable on demand	Unsecured	16 (c)
Affiliate					
Advances	**(350,000,000)**	**–**	Interest-bearing at 6.0%, payable on demand	Unsecured	
Accrued interest	**(9,966,667)**	**–**	Noninterest-bearing	Unsecured	16 (e)
Service and energy fees (Note 20)	**(290,551,981)**	**(46,327,665)**	Noninterest-bearing; payable on demand	Unsecured	16 (f)
Rental expense	**(4,467,493)**	**–**	Noninterest-bearing	Unsecured	16 (c)
Affiliate			Noninterest-bearing; payable on demand	Unsecured	
Service fee	**(35,361,288)**	**(13,950,037)**			16 (d)
Management fee and manpower cost	**–**	**–**	Noninterest-bearing; payable on demand	Unsecured	
	(₱994,538,279)	**(₱60,277,702)**			

	2020				
	Amount/ Volume	**Outstanding balance**	**Terms**	**Conditions**	**Note**
Lease liabilities					
Parent Company					
Lease liabilities (Note 19)	**(₱2,149,262,141)**	**(₱2,190,115,165)**	Noninterest-bearing; payable	Unsecured	16 (c)
Other Noncurrent Liability					
Parent Company					
Security deposit	**(₱7,278,060)**	**(₱7,278,060)**	Noninterest-bearing; payable	Unsecured	16 (b)
Affiliate					
Security deposits	**(12,018,424)**	**(14,133,746)**	Noninterest-bearing; payable	Unsecured	16 (b)
	(₱19,296,484)	**(21₱,411,806)**			

	2019				
	Amount/ Volume	Outstanding balance	Terms	Conditions	**Note**
Bank under common control					
Cash and cash equivalents	₱375,902,879	₱375,902,879	0.13% to 4.50%	No impairment	16 (a)
Interest income	8,435,364	–			
	₱384,338,243	₱375,902,879			
Trade receivables (Note 5)					
Parent Company					
Rental revenue	₱25,195,857	₱6,927,742	Noninterest-bearing; due and demandable	Unsecured	16 (b)
Affiliate			Noninterest-bearing; collectible every 20th day of the month		
Rental revenue	₱80,534,865	₱21,962,726	Noninterest-bearing	Unsecured	16 (b)
Service fee income (Note 20)	8,742,636	–	Noninterest-bearing	Unsecured	16 (b)
Commission income (Note 20)	6,440,293	–	Noninterest-bearing	Unsecured	16 (d)
	₱120,913,651	₱28,890,468			
Other Noncurrent Asset					
Affiliate					
DCS connection charge (Note 10)	₱14,614,829	₱300,545,956		No impairment	16 (f)
Connection fees (Note 20)	–	(14,968,650)			
	₱14,614,829	₱285,577,306			
Accounts payable and accrued expenses (Note 11)					
Parent Company					
Rental expense	(₱289,545,398)	(₱25,072,037)	Noninterest-bearing; payable on demand	Unsecured	16 (c)
Affiliate					
Advances	(300,000,000)	(300,000,000)	Interest-bearing at 6.0%, payable on demand	Unsecured	
Accrued interest	(5,978,000)	(1,556,049)	Noninterest-bearing	Unsecured	16 (e)
Service and energy fees (Note 20)	(308,630,133)	(20,846,167)	Noninterest-bearing; payable on demand	Unsecured	16 (f)
Rental expense	(3,111,931)	−	Noninterest-bearing	Unsecured	16 (c)
Affiliate					
Service fee	(9,218,381)	–	Noninterest-bearing; payable on demand	Unsecured	16 (d)
Management fee and manpower cost	(11,569,770)	−	Noninterest-bearing; payable on demand	Unsecured	
	(₱928,053,613)	(₱347,474,253)			
Other Noncurrent Liability					
Parent Company					
Security deposit	₱6,935,068	₱–	Noninterest-bearing; payable	Unsecured	16 (b)
Affiliate					
Security deposits	22,060,351	2,115,322	Noninterest-bearing; payable	Unsecured	16 (b)
	₱28,995,419	₱2,115,322			

Significant related party transactions are as follows:

a) The Group maintains savings accounts and short-term deposits with East West Banking Corporation (EW), an affiliated bank. Cash and cash equivalents earn interest at the prevailing short-term investment rates.

b) *Lease agreements with related parties - Group as lessor*
- The Parent Company, as a lessor, entered into a space rental agreement with FLI, for the office space in one of the Group's buildings. Lease period is from October 16, 2016 to December 5, 2031, renewable for another 5 or 10 years.

- The Parent Company, as a lessor, entered into a space rental agreement with Filinvest Alabang, Inc. (FAI), an entity under common control, for the office space in one of the Group's buildings. Lease period is from September 2, 2019 to March 31, 2031, renewable for another 5 years.

- The Parent Company, as a lessor, entered into a space rental agreement with Pro-Excel, an affiliate, for the office space in one of the Group's buildings. Lease period is from July 15, 2020 to July 14, 2025.

- The Parent Company, as a lessor, entered into a space rental agreement with Dreambuilders Pro, Inc. (DPI), a fellow subsidiary under FLI, for the office space in one of the Group's buildings. Lease period is from August 10, 2017 to October 9, 2022.

- The Parent Company, as a lessor, entered into a space rental agreement with Chroma Hospitality, Inc., a fellow subsidiary under FLI, for the office space in one of the Group's buildings. Lease period is from June 2, 2017 to June 1, 2027.

  The Parent Company, as a lessor, entered into a lease agreement with Festival Supermall, Inc. (FSI), a fellow subsidiary under FLI, for the office space in one of the Group's buildings. Lease period is from June 2, 2017 to June 1, 2027.

c) *Lease agreements with related parties - Group as lessee*
- The Parent Company, as a lessee, has existing land lease agreement with FLI on the location of the Company' buildings in Northgate both operational and still under construction. Rental expense is based on certain percentages of the Group's gross rental income.

  In 2020, the Parent Company's lease agreement was amended as follows (see Note 19):
  - the Parent Company shall pay either a minimum guaranteed rent or a percentage share from Gross Lease, whichever is higher, effective July 1, 2020; and,
  - the lease terms were extended for an additional term of 25 years.
  -

  Effective March 1, 2021, FLI and the Company entered into a new lease contract with lease term of 50 years commencing on Feb 11,2021, renewable for another 25 years, with rental term that is purely % of gross revenue only, depending on the building Floor-to-Area ratio (FAR).

- In addition, the Parent Company, as a lessee, entered into a land lease agreement with FAI on the location of the parking currently leased out to third parties. Rental is based on a certain percentage of income earned from the parking space.

d) *Service agreements with related parties*
- The Parent Company entered into a service agreement with FAI whereby the Parent Company shall pay service fees for general management services rendered by the latter for the operations of the Group. FAI is also the provider of water services within the Filinvest City where majority of the buildings of the Company are located.

- The Parent Company entered into a service agreement with Filinvest Cyberparks, Inc. (FCI), Filinvest Asia Corp. (FAC), and Pro-Excel, entities under common control, whereby the Parent Company shall lease out a portion of its office space and perform accounting and administrative services to the latter for a fee.

- The Parent Company entered into a service agreement with FDC Retail Electricity Sales, Corporation (FDC RES), an entity under common control, whereby the Parent Company shall engage and pay the services rendered by the latter to provide the electricity requirements of its facilities.

- The Parent Company entered into a service agreement with its affiliate, Parking Pro, Inc., to operate and maintain the Company's parking facilities.

- The Parent Company entered into a service agreement with FAI, an entity under common control, whereby the Parent Company shall engage and pay the services rendered by the latter to provide the water consumption of its facilities.

- The Parent Company entered into a service agreement with ProOffice Work Services, Inc. (PWSI), fellow subsidiary, whereby the Parent Company shall engage and pay the services rendered by the latter to operate and manage the common areas of the properties owned by the Group.

- The Parent Company entered into a facilities management agreement with Professional Operations and Maintenance Experts Incorporated (PROMEI), whereby the Parent Company shall engage and pay the services rendered by the latter to operate and maintain its equipment and premises.

e) On February 27, 2019, the Parent Company availed advances from FCI amounting to ₱300.0 million. The Parent Company availed additional advances amounting to 50.0 million on April 1, 2020. These advances were all paid in 2020. Related interest incurred by the Parent Company amounted to ₱10.0 million and ₱6.0 million as of December 31, 2020 and 2019, respectively.

f) *BOT Agreement*
In accordance with the terms of Build Operate and Transfer (BOT) agreement between the Parent Company and Philippine DCS Development Corporation (PDDC), the Parent Company paid prepaid DCS connection charges to PDDC amounting to ₱

248.9 million, to be consumed by existing and future buildings within Northgate Cyberzone in Muntinlupa City over the service period of 20 years.

On December 14, 2018, the Group paid additional prepaid connection charge for connecting the equipment to Filinvest Axis Tower 2 amounting ₱65.8 million (see Note 10).

Amortized portion of DCS connection charge pertaining to existing buildings amounted to
₱15.0 million and ₱12.6 million in 2020 and 2019, respectively. These amounts were recognized as part of reimbursable expense to tenants (Note 20). Connection and service charges incurred for these buildings in 2020 and 2019 aggregated to ₱323.6 million and ₱289.0 million, respectively (see Note 20).

There have been no guarantees provided or received for any related party receivables or payables. The Group has not recognized any impairment losses on amounts of receivables from related parties for the years ended December 31, 2020, 2019, and 2018. This assessment is undertaken each financial year through a receiver of financial position of the related part and the market in which the related party operates.

Key Management Personnel
In 2020, compensation of key management personnel pertains to short-term employee benefit amounting ₱9.7 million. In 2019, key management personnel of the Company are employees of FAI. The compensation of the said employees is paid by FAI and as such, the necessary disclosure required under PAS 24, Related Party Disclosures, are included in FAI's financial statements.

1.10 Major Risk Factors

Risks Relating to the Group and the Industry
The performance of the Group and its industry is interconnected to the performance and state of the Philippine BPO industry. Being focused on a specific group of clients, the office space leasing segment and the Group are very much affected by the same trends and factors which affect the BPO industry.

Demand for, and prevailing leasing prices of, office space is directly related to the demand for BPO services in the Philippines which is contingent on a host of different factors including but not limited to:

1. Economic climate (including overall growth levels and interest rates) in the Philippines and internationally, especially in countries such as the US where 70% of BPO companies in the Philippines originate from. As an industry focused on non-core support services (ie. Customer service, accounting, human resources), the general economic climate will dictate the demand from companies for BPO services. Poor economic climate may affect the BPO industry negatively which will cascade down to a decrease in demand for office spaces as these companies cease expansion or even downsize their workforces.
2. The attractiveness of the Philippines as a destination for the BPO industry. The BPO industry has been attracted to the Philippines mainly due to the demographics of the population which includes high literacy, education rates and fluency in English. As the needs of the BPO industry evolves, there is a risk that the Philippines will no

longer be fit to the requirements of the industry or may face significant competition from other countries that may reduce its market share in the BPO industry.

The Parent Company is subject to and relies on a number of government regulations and initiatives which covers both the BPO industry and office space leasing segment. The Parent Company and its lessees enjoy preferential tax rates on its properties as a result of the government's thrust to spur the growth of the BPO industry through PEZA. The Parent Company's growth prospects are directly connected to being able to continue to enjoy such preferential tax incentives to maintain its margins as well as market its properties to prospective tenants. On the other hand, the Parent Company is also subject to many regulations including the National Building Code, environmental regulations, and requirements prescribed by PEZA. Any violations of these regulations may pose a risk to the business and its operations and expose it to possible litigation or repercussions.

The Parent Company exists in a highly competitive industry with many players which may be larger and have more resources. Therefore, it is imperative that the Parent Company maintain its competitive strengths in order to attract clients to its properties. It must maintain competitive pricing which, if its costs increase, may decrease the Parent Company's margins. The Parent Company must also ensure the quality of its properties, and that it has an adequate property management team in place to keep customers satisfied.

There are risks that some projects may not attract sufficient demand from prospective buyers thereby affecting anticipated sales. The Parent Company is also exposed to the risk of the termination of a material number of leases or the inability of its tenants to pay rent. In addition, the time and the costs involved in completing the development and construction of projects may be adversely affected by many factors including unstable prices and supply of materials and equipment and labor, adverse weather conditions, peso depreciation, natural disasters, labor disputes with contractors and subcontractors, accidents, changes in laws or in government priorities and other unforeseen problems or circumstances. As a result, rising prices for any construction materials will impact the Parent Company's construction costs, and therefore its pricing and margins. Any increase in prices resulting from higher construction costs could adversely affect the Parent Company's margins and ability to maintain its competitive pricing. Further, the failure by the Parent Company to complete construction of its projects to its planned specifications or schedule may result in contractual liabilities to lessees and lower returns.

The business and operations of the Company have been and will continue to be adversely affected by the global outbreak of COVID-19.

The profitability of the Company depends on the rental of office and retail space of the Properties. The uncertainty and disruption brought by COVID-19 could adversely affect the demand for the Company's rental space and the ability of the Company to effectively operate.

In addition, the continued spread of COVID-19 has led to disruption and volatility in the global capital markets. It is possible that the continued spread of COVID-19 could cause a global economic slowdown or recession. The deterioration of the regional economy and financial markets in general will have a material adverse effect on the Company's business, financial condition and results of operations.

The duration of border controls, travel and movement restrictions and the longer-term effects of the COVID-19 pandemic on the business of the Company, whether any further restrictions will be imposed by the Government in response to COVID-19, and the recovery trajectory for the Company remains uncertain. Even when restrictions are lifted, there may be a period of significantly reduced economic activity, increased unemployment and reduced consumer spending. Should this be the case, this will continue to affect the Company's business operations, financial condition, results of operations and prospects.

The loss of the Properties' PEZA-accreditation or other similar benefits could result in the loss of tenants.

The Properties are Grade A, PEZA-accredited buildings that offer competitive amenities and the latest technologies to the Company's lessees. If the PEZA-accreditation of the Properties is lost or revoked (whether by industry-wide regulations or otherwise), the Company's tenants may find the Properties (or the Philippines in general) as a less desirable or less compelling venue or destination for the operations, and may decide not to renew their leases at the Properties. Similarly, potential tenants may decide not to lease at all. The loss of the Properties' PEZA-accreditation may have a material adverse effect on the Company's business, financial condition and results of operations. *See also "—Risks Relating to the Company's Business—The Company's operations are covered by certain tax exemptions and incentives, the loss of which could increase the Company's tax liability and decrease any net income the Company might have in the future."*

Artificial intelligence
In the 2022 road map of the ITBPAP, it was identified that the low level, first tier skilled work force is being trained to level up to mid and high level skills to augment to the growing demand of a more personalized, more complicated calls. Thus, the industry is training and even hiring more to suit this growing client needs that AI cannot process. Note that AI is handling some of the very basic calls only that needs no human personalized approach but simple cases of change of address, copy of statements and the like.

Associated risks with POGOs
While POGOs are still recognized as one of the drivers for office spaces, there are also risks associated with its operations such as Chinese government's crackdown on some POGOs operating in the country due to alleged illegal activities connected with offshore gaming operations, immigration issues on illegally recruited and undocumented Chinese workers and tax evasion cases. Such risks expose POGOs to possible business closure resulting to pre-termination of their leases and consequently will impact lessors by having high vacancy rate.

However, CPI's policy is to award only to duly registered POGO operators that have secured licenses from PAGCOR and complete SEC documentation. The company chooses to lease out a very minimal space or around 2% of POGO tenants in its total office Company portfolio

Item 2. Properties, Business Development and project line up

2.1 Land Bank

Currently, the Parent Company, together with FLI and FAI (collectively known as the Filinvest Consortium), owned a 19.20 hectare lot in Cebu's South Road Properties (SRP). However, in October 2020, CPI sold 1.5hectare of its share of the land in SRP to a third party. The balance was declared as property dividend to FLI in December 4 2020.. As of December 2020, CPI does not own any land.

The Parent Company also leases land or takes on partners that will provide the land to be used for the development. The Parent Company is not prohibited from acquiring any land if there are opportunities in the future with good project potential.

2.2 Northgate Cyberzone

The Northgate Cyberzone, an 18.7 hectare PEZA-registered IT park with multinational tenants is approximately 15 kilometers south of the Makati City central business district, a 30 minute to one hour drive. The IT park was designed, master-planned, and built around the specific needs of BPOs, from infrastructure to support businesses that help sustain the workforces of these companies. The property was envisioned to be an attractive alternative to the congested major central business districts of the Metro where BPOs have primarily located their offices. Given the accessibility of Alabang area through the South Luzon Expressway and Skyway as well as Northgate being located near public transportation hubs in the area, it was a natural choice of location for the IT park.

The IT park forms part of Filinvest City in Alabang, a master-planned urban development consisting of residential, commercial, and industrial properties. CPI leases the land from FLI, and develops and owns the office buildings on the property which it then leases to BPO companies. Currently, the property consists of nineteen (19) fully completed and operational buildings with a total Office and Retail GLA of 330,280 square meters as of end of 2020 with end of year occupancy of 310,265 sqm or 94%

2.3 Filinvest Cyberzone Cebu (FCC)

CPI's other major location is the Filinvest Cyberzone Cebu, which is a 1.2-hectare joint project with the Provincial Government of Cebu operating under a 25-year Build Transfer Operate (BTO) scheme plus 5 year extension. Seeing the potential of Cebu, which is identified as one of the next big cities for BPO companies to locate in, CPI decided to venture into Cebu through the development of Filinvest Cyberzone Cebu. The project is located adjacent to the Cebu IT Park in Salinas Lahug, Cebu City. of

Currently, CPI has two completed buildings on the property,

- *Filinvest Cyberzone Cebu Tower 1* : which has a total Office and Retail GLA of 20,612 square meters and is currently 99.1% occupied and
- *Filinvest Cyberzone Cebu Tower 2* : which has a total Office and Retail GLA of 28,927 square meters which is currently 46.2% occupied.

The other two (2) towers on the property, Towers 3 and 4 are expected to be completed by 3rd quarter of 2022 and 2nd quarter of 2023 respectively.

- *Filinvest Cyberzone Cebu Tower 3*: 20-storey building with estimated GLA of 3,479 square meter retail and GLA of 18,368 square meter of office space. Building construction started August and is expected to be completed by the 3rd quarter of 2022.
- *Filinvest Cyberzone Cebu Tower 4*: 20-storey building with estimated GLA of 1,992 square meter retail and GLA of 20,350 square meters of office space. Building construction started August 2018 and is expected to be completed by the 2nd quarter of 2023.

FCC, when completed will feature four (4) BPO towers with a total GLA of 86,951 square meters combining both office and retail, expected to house around 100,000 BPO employees.

In Feb 11, 2021, CPI transferred back to FLI its rights under the BTO agreement.

CPI also owns and operates the Filinvest EDSA Wack Wack Building, a 7,358 square meter office building located along EDSA in Mandaluyong City. The land on which the building is located is being leased from a third party for a period of twenty-five (25) years and six (6) months, , starting on December 30, 2010 and may be renewed upon mutually agreed terms and conditions. In Feb 11, 2021, the Company declared this building as property dividend to FLI. As of march 9, this is still subject to approval of the SEC.

Moving forward, CPI will continue to focus on its core business of leasing office spaces catering to BPO, IT and traditional companies in Metro Manila as well as in the provinces. CPI also aims to increase recurring income through lease management and business development and optimization of existing properties, in Northgate Cyberzone and Cebu properties, and the development of new properties. As the BPO industry continues to expand outside Metro Manila, CPI continues to monitor areas beyond Metro Manila as potential destinations for its expansion plans.

CPI will continue to look for other locations that will provide good opportunity for growth. It can also enter into land acquisition or joint venture agreement to any landowner, for project development.

Item 3. Legal Proceedings

The Parent Company or any of its subsidiaries is not a party to, and its properties are not the subject of, any material pending legal proceeding that could be expected to have a material adverse effect on the Parent Company or its results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of CPI's shareholders, through the solicitation of proxies or otherwise, in 2020.

Part II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

The Parent Company's common equity is not traded in the PSE.

The following are the Parent Company's stockholder as of December 31, 2019:

Stockholder Name	Total Common Shares	% to total
Filinvest Land Inc.	1,163,426,661	99.9%
Gotianun, Jonathan T.	1	NIL
Yap, Josephine G.	1	NIL
Las Marias, Tristaneil D.	1	NIL
Obcena, Virginia T.	1	NIL
Suarez, Val Antonio B.	1	NIL
Gotianun, Francis Nathaniel C.	1	NIL
San Pedro, Gemilo J.	1	NIL

Declaration of Dividend
On December 4, 2020, the Parent Company's BOD approved the declaration of property dividends with carrying value amounting to ₱6,611.9 million, out of its unappropriated retained earnings in 2020. The distribution of these properties shall be made upon approval by the SEC.

On February 11, 2021, the BOD of the Parent Company approved another batch of property dividends. The dividend declaration will result to derecognition of ₱306.4 million and ₱1,384.0 million investment properties and intangible assets, respectively

Item 6. Bonds Issuance

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. As of December 31, 2020 and 2019, the outstanding balance of bonds payable amounted to ₱ 5,974.2 million and ₱5,961.6 million, respectively.

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 which was capitalized relating to bonds payable amounted to ₱108.8 million, ₱212.1 million and ₱251.2 million in 2020, 2019 and 2018, respectively.

Total interest expense charged to the statements of comprehensive income amounted to ₱199.2, ₱95.2 million, ₱46.9 million and nil in 2020, 2019, and 2018, respectively.

Unamortized debt issuance cost on bonds payable amounted ₱25.8 million and ₱38.4 million as of December 31, 2020 and 2019 respectively. Amortization of transaction costs included under "Interest and other financing charges" in the Parent company statement of comprehensive income amounted to ₱12.7 million in 2020, 2019 and 2018.

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 December 31, 2020 and 2019, the Parent Company is not in breach of any of these debt covenants.

Item 7. Management's Discussion and Analysis or Plan of Operation

Results of operations for the year ended December 31, 2020 compared to the year ended December 31, 2019

Revenues and income

The Parent Company's total revenues and income increased by ₱206.1 million or 7.1% from ₱2,901.7 million for the year ended December 31, 2019 to ₱3,107.8 million for the year ended December 31, 2020.

The growth in total revenues was driven by the increase in rental revenue by ₱18.7 million or 0.7% from ₱2,814.7 million to ₱2,833.4 million, and the increase in other income, which includes tenant reimbursements and other miscellaneous income from rental of facilities by ₱187.3 million or 215.2% from ₱87.1 million to ₱274.4 million. The increase in revenue resulted from full year income recognition from spaces awarded to top multinational BPO and ROHQ tenants in 2020, and the increase in net tenant reimbursements pertain to lower chargeable expenses during the year which is driven by lower actual electricity and water consumption in the Parent Company's facilities and common area as a result of the Community Quarantine.

Costs and expenses

The Parent Company's consolidated costs and expenses increased by ₱115.8 million or 15.8% from ₱735.3 million for the year ended December 31, 2019 to ₱851.2 million for the year ended December 31, 2020, primarily due to an increase in depreciation, rental expenses and taxes and licenses.

The Parent Company's depreciation and amortization expenses increased by ₱68.8 million, or 18.5%, to ₱441.0 million for the year ended December 31, 2020 compared to ₱372.2 million for the year ended December 31, 2019. The increase in depreciation was mainly due to additions of property and equipment and building improvements, and amortization of right-of-use asset recognized during the year for the land lease in Northgate with FLI.

The Parent Company's rental expense decreased by ₱7.2 million, or 2.4%, to ₱298.0 million for the year ended December 31, 2020 compared to ₱305.2 million for the year ended December 31, 2019. The decrease was mainly driven by the minimum guaranteed portion of lease during the year with FLI which was expensed as part of amortization and interest expense instead of rental, in compliance with PFRS 16.

The Parent Company's taxes and licenses expenses increased by ₱35.6 million, or 125.6%, to ₱63.9 million for the year ended December 31, 2020 compared to ₱28.3 million for the year ended December 31, 2019. The increase was mainly due to higher business permit and documentary stamp taxes paid during the current period.

The Parent Company's service and management fees decreased by ₱6.6 million, or 47.0%, to ₱7.5 million for the year ended December 31, 2020 compared to ₱14.1 million for the year ended December 31, 2019. The decrease was mainly due to the transfer of employees from FAI to the Company, resulting in lower service fees billed.

The Parent Company's manpower costs increased by ₱21.1 million, or 162.7%, to ₱34.0 million for the year ended December 31, 2020 compared to ₱12.9 million for the year ended December 31, 2019. The increase was mainly due to newly hired employees of the Parent Company and employees transferred from FAI to the Company during the year.

The Parent Company's pension expense increased by ₱73.4 thousand, or 17.7%, to ₱0.5 million for the year ended December 31, 2020 compared to ₱0.4 million for the year ended December 31, 2019. The increase was mainly due to higher service and interest cost recognized during the year.

Other income (charges)

The Parent Company recognized gain on sale of investment property amounting to ₱65.0 million for the year ended December 31, 2020 which pertains to the gain on sale of its SRP land in Cebu.

The Parent Company's interest income decreased by ₱6.6 million, or 62.7%, to ₱3.9 million for the year ended December 31, 2020 compared to ₱10.5 million for the year ended December 31, 2019. The decrease was mainly due to lower interest income from money market instruments and interest and penalties waived for late payment of rentals by tenants.

The Parent Company's interest expense and other financing charges increased by ₱120.8 million, or 52.4%, to ₱351.4 million for the year ended December 31, 2020 compared to ₱230.5 million for the same period in 2019. The increase was mainly due to additional interest expense from the Company's loan availment of ₱1.0 billion during the year.

Income before Income Tax

The Parent Company's income before income tax for the year ended December 31, 2020 was ₱1,977.7 million, an increase of 33.9 million or, 1.8%, from its income before income tax of ₱1,943.8 million recorded for the year ended December 31, 2019.

Provision for Income Tax

Provision for income tax decreased by 62.2% or ₱192.5 million from ₱309.4 million for the year ended December 31, 2019 to ₱116.9 million for the year ended December 31, 2020 because of lower provision for deferred income tax, which decreased by 195.4% or ₱234.1 million mainly due to closing of deferred taxes related to buildings included in the property dividends during the year. Provision for current income tax increased by 21.9% or ₱41.6 million due mainly to higher taxable income.

Net Income

As a result of the foregoing, net income increased by 13.9% or ₱226.7 million from ₱1,634.4 million for the year ended December 31, 2019 to ₱1,860.8 million for the year ended December 31, 2020.

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

The Parent Company's assets were ₱25,229.5 million as of December 31, 2020, an increase of ₱3,036.9 million, or 13.7%, from assets of ₱22,192.6 million as of December 31, 2019.

Assets

Cash and cash equivalents

The Parent Company's cash and cash equivalents were ₱870.5 million as of December 31, 2020, an increase of ₱361.7 million, or 71.1%, from cash and cash equivalents of ₱508.9 million as of December 31, 2019, due to lower capital expenditures caused by the imposed suspension of construction during the community quarantine measures due to COVID-19.

Receivables

The Parent Company's receivables were ₱830.1 million as of December 31, 2020, an increase of ₱54.6 million, or 7.0%, from receivables of ₱775.5 million as of December 31, 2019, due to higher rental receivables driven by the escalation of lease rates under the Company's lease contracts.

Other current assets

The Parent Company's other current assets were ₱1,171.3 million as of December 31, 2020, an increase of ₱190.2 million, or 19.4%, from other current assets of ₱981.1 million as of December 31, 2019. This increase was due to prepaid real property tax for 2021 paid in advance by the Company to avail of discount.

Noncurrent assets held for distribution

On December 4, 2020, the Parent Company declared as property dividends investment properties with net carrying value amounting to ₱6,611.9 million (see Note 15). As of December 31, 2020, these properties, including net additions to construction in progress in December 2020 amounting to ₱231.8 million, are presented as Noncurrent assets held for distribution in the consolidated statement of financial position. These investment properties will be derecognized in the consolidated financial statements once the SEC approves the distribution of the dividends and the Parent Company is compensated for the additions in December of 2020.

Advances to contractors

The Parent Company's advances to contractors were ₱18.4 million as of December 31, 2020, a decrease of ₱417.9 million, or 95.8%, from advances to contractors of ₱436.3 million as of December 31, 2019, due to recoupment of advances in contractor billings made as the construction of the Company's buildings progressed.

Investment properties

The Parent Company's investment properties were ₱11,629.8 million as of December 31, 2020, a decrease of ₱4,527 million, or 28%, from investment properties of ₱16,156.8 million as of December 31, 2019 due to property dividends declared on December 4, 2020 with carrying value amounting to ₱6,611.9 million as of the date of declaration. The distribution of these properties shall be made upon approval by SEC.

Property and equipment

The Parent Company's property and equipment was ₱68.4 million as of December 31, 2020, an increase of ₱13.4 million, or 24.5%, from property and equipment of ₱55.0 million as of December 31, 2019, due to purchases of machinery and equipment such as air conditions in iHub 1, installation of CCTVs in Plaza A, purchase of fire pump controllers, improvement of cooling towers in Plaza B and Plaza E.

Intangible assets

The Parent Company's intangible assets which is composed of the BTO rights and the right of use assets from such BTO and land lease arrangements, were ₱3,408.8 million as of December 31, 2020, an increase of ₱519.1 million, or 18.0%, from intangible assets of ₱2,889.7 million as of December 31, 2019. The increase is primarily driven by additional construction costs of Cebu Tower 3 and Cebu Tower 4 under the Parent Company's BTO arrangement with the Cebu Provincial Government.

Other noncurrent assets

The Parent Company's other noncurrent assets were ₱388.4 million as of December 31, 2020, a decrease of ₱1 million, or 0.3%, from other noncurrent assets of ₱389.4 million as of December 31, 2019. This is due to the amortization of DCS connection under the BOT agreement with Philippine DCS Development Corporation ("**PDDC**").

<u>Liabilities</u>

The Parent Company's liabilities were ₱20,123.5 million as of December 31, 2020, an increase of ₱5,899.5 million, or 41.5%, from liabilities of ₱14,224.0 million as of December 31, 2019.

Accounts payable and accrued expenses

The Parent Company's accounts payable and other current liabilities were ₱1,583.7 million as of December 31, 2020, a decrease of ₱289.4 million, or 15.5%, from accounts payable and other current liabilities of ₱1,873.1 million as of December 31, 2019, primarily due to payment of related party loans to FCI amounting to ₱300 million.

Loans payable – current portion

The Parent Company's loan payables – current portion were ₱744.2 million as of December 31, 2020, a decrease of ₱611.3 million, or 45.1%, from loan payables – current portion of ₱1,355.5 million as of December 31, 2019 due to assignment of loans by the Parent Company to FLI. On December 9 2020, the Parent Company and FLI entered into an agreement for the assignment of the Parent Company’s developmental loans outstanding as of November 30, 2020 amounting to ₱4,233.8 million. As of December 31, 2020, the Parent Company received the letters of consent from certain banks authorizing such assignment of the loans to FLI amounting to ₱1,518.7 million, which was derecognized as loans payable, and recorded as deposit for future subscription in Equity.

Lease liabilities – current portion

The Parent Company’s lease liabilities – current portion were ₱92.6 million as of December 31, 2020, an increase of ₱76.4 million, or 469.7%, from lease liabilities – current portion of ₱16.3 million as of December 31, 2019 due to additional lease liabilities from the Parent Company’s land lease in Northgate Cyberzone with FLI.

Security and other deposits – current portion

The Parent Company’s security and other deposits – current portion was ₱116.4 million as of December 31, 2020, a decrease of ₱129.3 million, or 52.6%, from security and other deposits – current portion of ₱245.8 million as of December 31, 2019, due to pre-termination of leases by certain tenants in 2020.

Dividends Payable

The Parent Company recognized a dividend payable of ₱6,611.9 million as of December 31, 2020. This amount reflects the carrying value of the properties comprising the First Property Dividend declared on December 4, 2020. Distribution of the property dividends shall be made upon approval of SEC.

Income tax payable

The Parent Company’s income tax payable was nil as of December 31, 2020, a decrease of ₱0.4 million, or 100%, from income tax payable of ₱0.4 million as of December 31, 2019 due to creditable withholding tax claimed during the year related to sale of SRP land which amounted to ₱36.9 million.

Loans payable – net of current portion

The Parent Company’s loans payable – net of current portion were ₱1,600 million as of December 31, 2020, compared to loans payable – net of current portion of ₱2,862.9 million as of December 31, 2019 due the assignment of developmental bank loans by the Parent Company in exchange for its planned increase in capital subscription. As of December 31, 2020, ₱1,518.7 million was derecognized in the Company’s financial statements as a result of the assignment. FLI also paid total principal installment due amounting to ₱370.8 million on behalf of the Company. The principal payment of FLI and the derecognized loans were recognized as deposit for future stock subscription as of December 31, 2020.

Bonds payable

The Parent Company's bonds payable were ₱5,974.2 million as of December 31, 2020, a decrease of ₱12.6 million, or 0.2%, from bonds payable of ₱5,961.6 million as of December 31, 2019 due to amortization of bond issuance costs.

Lease Liabilities – net of current portion

The Parent Company's lease liabilities – net of current portion were ₱2,097.5 million as of December 31, 2020, an increase of ₱1,830.3 million, or 685.1%, from lease liabilities – net of current portion of ₱267.2 million as of December 31, 2019 due to additional lease liability recognized from the Company's land leases in Northgate Cyberzone with FLI.

Deferred tax liability – net

The Parent Company's deferred tax liability – net was ₱269.9 million as of December 31, 2020, a decrease of ₱114.7 million, or 29.8%, from the deferred tax liability – net of ₱384.7 million as of December 31, 2019, primarily due to derecognition of related deferred tax liability for buildings included as part of the property dividends declared during the year.

Security and other deposits – net of current portion

The Parent Company's security and other deposits – net of current portion were ₱732.7 million as of December 31, 2020, an increase of ₱25.2 million, or 3.6%, from security and other deposits – net of current portion of ₱707.5 million as of December 31, 2019, primarily driven by higher security deposits from increase in new tenants in Axis Tower 1 and Axis Tower 2 in Northgate Cyberzone and Cebu Tower 2 in Filinvest Cyberzone Cebu.

Other noncurrent liabilities

The Parent Company's other noncurrent liabilities were ₱300.4 million as of December 31, 2020, an increase of ₱99.5 million, or 49.5%, from other noncurrent liabilities of ₱200.9 million as of December 31, 2019, primarily driven by retention payable to contractors and suppliers due to the construction of Axis Tower 3 and Axis Tower 4 in Northgate Cyberzone, and Cebu Tower 3 and Cebu Tower 4 in Filinvest Cyberzone Cebu under the BTO arrangement between the Company and the Cebu Provincial Government.

Performance Indicators

Financial Ratios	Particulars	For the year ended December 31, 2020	For the year ended December 31, 2019
Earnings per Share	__________Net Income________ / Weighted Ave. number of outstanding shares	0.80	0.70
Debt to Equity Ratio	_____Loans Payable+Bonds Payable+Lease Liabilites___ / Total Stockholder's Equity	2.06 : 1	1.31 : 1
Current Ratio	__Current Asset__ / Current Liability	1.06 : 1	0.56 : 1
Debt Ratio	Total liabilities / Total assets	0.80 : 1	0.64 : 1
Income before income tax, interest and other financing charges, depreciation and amortization (IBITDA) to total interest paid	IBITDA / Total interest paid	5.97 : 1	5.49 : 1
Quick asset ratio	Current assets – Inventories / Current liabilities	1.06 : 1	0.56 : 1
Solvency ratio	Net Income + Depreciation / Total liabilities	0.11 : 1	0.14 : 1
Interest coverage ratio	Income before income tax (IBIT) + interest and other financing charges / Interest and other financing charges	6.63 : 1	9.33 : 1
Net profit margin	Net Income / Revenue	0.60 : 1	0.58 : 1
Return on equity	Net income / Shareholder's Equity	0.36 : 1	0.21 : 1

Earnings per share (EPS) for 2020 increased by 14% compared to the EPS for the year 2019 on account of higher net income.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

SyCip, Gorres, Velayo & Co (SGV) has been the duly appointed independent auditors for the years covered by this report.

SGV has been recommended for election as external auditor for the year 2019. CPI, in compliance with SRC Rule 68(3)(b)(iv) relative to the five-year rotation requirement of its external auditors, has designated Ms Wanessa Salvador as its engagement partner starting CY 2020. Thus, Ms Salvador is qualified to act as such until year 2023.

There has been no disagreement with the company's independent accountants on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

Part III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Set forth below are the directors and officers of the Parent Company and their business experience for the past five (5) years:

Lourdes Josephine Gotianun-Yap *Chairperson of the Board*	Ms. Yap, 66, Filipino, was appointed as Chairperson of the Board of CPI on February 11, 2021. She has been a director of CPI since 2001. She is also Director, President and Chief Executive Officer of Filinvest Development Corporation (FDC), Filinvest Land, Inc. and Filinvest Hospitality Corporation, and a Director of East West Banking Corporation (EWBC), Filinvest Alabang, Inc. (FAI), FDC Utilities, Inc. (FDCUI) and in other companies within the Filinvest Group. She obtained her Bachelor of Science in Business Management from Ateneo de Manila University and her Master's Degree in Business Administration from the University of Chicago in 1977.
Maricel Brion-Lirio *Director, President and Chief Executive Officer*	Ms. Brion-Lirio, 51, Filipino, was elected as Director, President and Chief Executive Officer of CPI on February 11, 2021. Prior to that, she held Executive Vice President and Chief Operating Officer of CPI, Senior Vice President-Offices and Vice President-Project Group Head of Filinvest Alabang, Inc. She was also formerly a Senior Assistant Vice President and Marketing Director for Philam Properties Corporation. She obtained her Bachelor's Degree in Mass Communications from Assumption College Makati.
Tristaneil D. Las Marias *Director*	Mr. Las Marias, 45, Filipino, was first elected as a director of CPI on 30 September 2020. He is concurrently an Executive Vice President & Chief Strategy Officer, Cluster Head for Visayas and Mindanao, and Cluster Head for Southern and Central Luzon of Filinvest Land, Inc. He is also the President of Property Specialist Resources, Inc. Prior to joining Filinvest, he was Asssitant Vice President and Head of Marketing and Business Development of Landtrade Properties and Marketing Corporation and a Project Officer of Landco Pacific Corporation. He obtained his Bachelor of Arts in Management Economics from Ateneo de Manila University.
Val Antonio B. Suarez *Independent Director*	Mr. Suarez, 62, Filipino, is an independent director of CPI, having been first elected on 06 April 2017. He is the Managing Partner of the Suarez & Reyes Law Offices and was the former President and Chief Executive Officer of The Philippine Stock Exchange. Mr. Suarez is also an independent director of FDC, FLI and Lepanto Consolidated Mining Company, and a member of the Integrated Bar of the Philippines (Makati Chapter) and New York Bar. He obtained his Bachelor of Laws degree from the Ateneo de Manila University Law School and a Master of Laws degree from Georgetown University Law Center.

Virginia T. Obcena *Independent Director*	Ms. Obcena, 73, Filipino, was first elected as an independent director of CPI on 17 July 2019. She is also an independent director of FDC. She is a member of the Panel of Conciliators of the International Centre for Settlement of Investment Disputes (ICSID) of the World Bank. She served as independent director and head of the Audit Committee of the Capital Markets Integrity Corporation. She was a former partner, member of the management committee and head of quality and risk management at SyCip Gorres Velayo & Co. (SGV). She obtained her Bachelor of Science in Business Administration degree, Magna cum Laude, at the University of the East and her Master in Business Administration degree at the University of the Philippines. She is a certified public accountant.
Ana Venus A. Mejia *Treasurer and Chief Financial Officer*	Ms. Mejia, 55, Filipino, is the Treasurer and Chief Finance Officer of CPI. Prior to joining Filinvest, she worked with Sycip, Gorres, Velayo & Company. She is a Certified Public Accountant and a magna cum laude graduate of Pamantasan ng Lungsod ng Maynila. She obtained her Master's Degree from the Kellogg School of Management of Northwestern University and the School of Business and Management at the Hong Kong University of Science and Technology.
Sharon P. Pagaling-Refuerzo *Corporate Secretary*	Ms. Pagaling-Refuerzo, 41, Filipino, is CPI's Corporate Secretary since 2014. She also serves as Vice President, Corporate Secretary, and Corporate Information Officer of FDC and FLI. Prior to joining Filinvest, she served as Legal Counsel for Robinsons Land Corporation. She graduated Cum Laude from University of the Philippines and obtained her Bachelor of Laws degree from San Beda College of Law.
Patricia Carmen Pineda *Investor Relations Officer*	Ms. Pineda, 48, Filipino, is the Investor Relations Officer of the Company. She is concurrently Senior Assistant Vice President and Group Investor Relations Officer of Filinvest Development Corp. (FDC). Prior to joining FDC in April 2019, Ms. Pineda served as the Head of Investor Relations for Metropolitan Bank & Trust Company. She also served as the Head of Investor Relations Concurrent Head of Controllership and Analysis for Manila Water Company, Inc. and Investor Relations Manager for Ayala Land, Inc. She holds a Bachelor of Science degree, major in Economics from the University of the Philippines, and a Master of Science degree in Finance from the same university.
Ermelindo S. Andal, Jr. *Data Privacy Officer*	Mr. Andal, 47, is the Data Privacy Officer of the Company. He also serves as the Data Privacy Officer of other companies in the Filinvest Group and is concurrently the President and Chief Executive Officer of Corporate Technologies, Inc. He was previously Senior Vice President of East West Banking Corporation and Maybank Philippines, First Vice President of UnionBank of the Philippines and Manager of UnionData Corporation. He graduated from the University of San Carlos with Bachelor of Science and Master of Science degrees in Mathematics.

**On September 30, 2020, the stockholders elected Francis Nathaniel C. Gotianun and Gemilo San Pedro as additional director and independent director, respectively Effectivity of the appointment is upon SEC's approval of the amended articles of incorporation.*

Family Relationship
Lourdes Josephine G. Yap, Chairman of the Board and Director Francis Nathaniel C. Gotianun are related by consanguinity. Mr F C Gotianun is nephew of Mrs Yap and son of Mr Jonathan Gotianun who used to be the Chairman of the company.. There are no other family relationships by either consanguinity or affinity among the Parent Company's executives and directors other than those already mentioned.

Item 10. Executive Compensation

Except for a per diem of ₱50,000.00 being paid to each of the independent directors for every meeting attended, there are no other arrangements for the payment of compensation or remuneration to the directors in their capacity as such.

Key Management Personnel
In 2020, the compensation of key management personnel pertains to short-term employee benefit amounting to ₱9.7 million. In 2019 and 2018, key management personnel of the Company are employees of FAI. The compensation of the said employees is paid by FAI and as such, the necessary disclosure required under PAS 24, *Related Party Disclosures*, are included in FAI's financial statements.

Item 11. Security Ownership of Certain Beneficial Owners and Management

The names, addresses, citizenship, number of shares held, and percentage of total of the outstanding voting shares of CPI as at 31 December 2020 are as follows:

Title of Class of Securities	Name/Address of Record Owner and Relationship with FLI	Name of Beneficial Owner/Relationship with Record Owner	Citizenship	No. of shares Held		% of Ownership
Common	Filinvest Land Inc, *79 EDSA, Highway Hills, Mandaluyong City*	N.A.	Filipino	1,163,426,661	(R)	99.9%
Common	Jonathan T. Gotianun *c/o 79 EDSA, Highway Hills, Mandaluyong City*	N.A.	Filipino	1	(D)	Negligible
Common	Lourdes Josephine G. Yap *c/o 79 EDSA, Highway Hills, Mandaluyong City*	N.A.	Filipino	1	(D)	Negligible
Common	Tristaneil D. Las Marias *c/o 79 EDSA, Highway Hills, Mandaluyong City*	N.A.	Filipino	1	(D)	Negligible
Common	Virginia T. Obcena *c/o 79 EDSA, Highway Hills, Mandaluyong City*	N.A.	Filipino	1	(D)	Negligible

Title of Class of Securities	Name/Address of Record Owner and Relationship with FLI	Name of Beneficial Owner/Relationship with Record Owner	Citizenship	No. of shares Held		% of Ownership
Common	Val Antonio B. Suarez *c/o 79 EDSA, Highway Hills, Mandaluyong City*	N.A.	Filipino	1	(D)	Negligible
Common	Francis Nathaniel C. Gotianun *c/o 79 EDSA, Highway Hills, Mandaluyong City*	N.A.	Filipino	1	(D)	Negligible
Common	Gemilo J. San Pedro *c/o 79 EDSA, Highway Hills, Mandaluyong City*	N.A.	Filipino	1	(D)	Negligible

Total number of shares of all record and beneficial owners as a group is 1,163,426,668 common shares representing 100% of the total outstanding common shares as at 31 December 2020.

Total ownership of all directors and officers as a group is negligible as at 31 December 2020. Interests of the above directors/executive officers in the Parent Company's common shares are direct.

a) No person holds more than 5% of the common stock under a voting trust or similar agreement.
b) There has been no change in control of CPI since the beginning of last year.

Voting Trust Holders of 5% or more
There are no persons holding 5% or more of a class of shares under any voting trust or similar agreement.

Changes in Control
There are no arrangements that may result in change in control of the Parent Company.

Item 12. Certain Relationships and Related Transactions

There are no transactions with officers, directors, or any principal stockholders that are not in the regular course of business of the Company. In addition, there have been no disputes or conflicts regarding related party transactions of the Company.

Part IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Compliance with Leading Practices on Corporate Governance

CPI is in substantial compliance with its Manual for Corporate Governance as demonstrated by the following: (a) the election of two (2) independent directors to the

Board; (b) the appointment of members of the audit, nomination and compensation committees; (c) the conduct of regular quarterly board meetings and special meetings, the faithful attendance of the directors at these meetings and their proper discharge of duties and responsibilities as such directors; (d) the submission to the SEC of reports and disclosures required under the Securities Regulation Code; (e) CPI's adherence to national and local laws pertaining to its operations; and (f) the observance of applicable accounting standards by CPI.

CPI welcomes proposals, especially from institutions and entities such as the SEC, PSE and the Institute of Corporate Directors, to improve corporate governance.

There is no known material deviation from CPI's Manual on Corporate Governance.

Part V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

The 2020 Audited Financial Statements of the Company (with the auditors' SGV, name of certifying partner and address) and Statement of Management's Responsibility are attached hereto as **Annex "A"**.

(b) Reports on SEC Form 17-C

The Report on each Form 17-C filed during the last 12-month period covered by this report is attached hereto as Annexes**.** Please see details below.

Report	Report Date	Annex
SEC 17-C_Postponement of the May 2020 Annual Stockholders Meeting	May 29, 2020	**Annex "B"**
SEC 17-C_Result of Board of Directors Meeting held on September 30, 2020	September 30, 2020	**Annex "C"**
SEC 17-C_Result of 2020 Annual Stockholders Meeting	September 30, 2020	**Annex "D"**
SEC 17-C_Results of of Organizational Meeting	October 28, 2020	**Annex "E"**
SEC 17-C_Press Release issued by Philippine Rating Services Corporation (PhilRatings)	October 30, 2020	**Annex "F"**
SEC 17-C_Result of Special Board of Directors Meeting held on December 4, 2020	December 9, 2020	**Annex "G"**
SEC 17-C_Result of Special Board of Directors Meeting held on December 15,2020	December 17, 2020	**Annex "H"**

Part VI - SIGNATURES

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:

Maricel Brion-Lirio
President / Chief Executive Officer

Ana Venus A. Mejia
Chief Financial Officer

ANNEX "B"

COVER SHEET

A	2	0	0	0	0	0	6	5	2

S.E.C. Registration Number

C Y B E R Z O N E P R O P E R T I E S , I N C .

(Company's Full Name)

V E C T O R O N E B U I L D I N G , A L A B A N G ,

M U N T I N L U P A C I T Y

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

c/o Atty. Sharon P. Pagaling-Refuerzo

Contact Person

7918-8188

Company Telephone Number

Month Day

Fiscal Year

1 7 - C

FORM TYPE

Month Day

Annual Meeting

Secondary License Type; If Applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number / Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = Pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. May 29, 2020
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A2000-00652 3. BIR Tax Identification No. 204-863-416

4. Cyberzone Properties, Inc.
   Exact name of issuer as specified in its charter

5. Philippines
   Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
   Industry Classification Code:

7. 5th-7th Floors, Vector One Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City 1781
   Address of principal office Postal Code

8. (632) 7918-8188 local 6124
   Issuer's telephone number, including area code

9. Not applicable
   Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Stock Outstanding
Common	**1,163,426,668**

11. Indicate the item numbers reported herein: Item 9

As per the company's By-Laws, the Annual Stockholders' Meeting (ASM) shall be held on any day of May of each year. However, since the reportorial requirements needed for the ASM to be attached to the Definitive Information Statement (DIS) such as the 2019 Audited Financial Statements, annual report, and interim financial statements for the 1Q 2020 are still being finalized, the preparation and finalization of which were affected by the implementation of ECQ and later on MECQ to prevent the spread of the COVID-19, the Board is constrained to hold the ASM of the company on a later date. The Board shall convene again to determine the date ASM and which will be reported to the Commission accordingly.

Attached hereto is the Secretary's Certificate as required in the SEC's Notice dated April 3, 2020.

SIGNATURES

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

CYBERZONE PROPERTIES, INC.
Issuer

Date: May 29, 2020

SHARON P. PAGALING-REFUERZO
Corporate Secretary and
Corporate Information Officer

CYBERZONE PROPERTIES, INC.

SECRETARY'S CERTIFICATE

I, **SHARON P. PAGALING-REFUERZO**, of legal age, Filipino, and with office address at 6th Floor, Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City 1550, Metro Manila, after having been duly sworn in accordance with law, hereby certify that:

1. I am the Corporate Secretary of **CYBERZONE PROPERTIES, INC.** (the "Corporation"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office address at Vector One Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City.

2. At the special meeting of the Board of Directors held on 28 May 2020, at which meeting a quorum was present and acting throughout, the following resolutions were unanimously approved and adopted:

> **"WHEREAS,** as per the Corporation's By-Laws, the annual stockholders' meeting ("ASM") shall be held on any day of May of each year;
>
> "**WHEREAS,** since the reportorial requirements needed for the ASM to be attached to the Definitive Information Statement ("DIS") such as the 2019 Audited Financial Statements, annual report, and interim financial statements for the 1Q 2020 are still being finalized, the preparation and finalization of which were affected by the implementation of ECQ and later on MECQ to prevent the spread of the COVID-19, the Board is constrained to hold the ASM of the Corporation on a later date to be determined by the Board and to be reported to the Securities and Exchange Commission ("SEC") accordingly;
>
> **"NOW, THERFORE, BE IT RESOLVED**, That the Annual Stockholders' Meeting of the Corporation which shall be held on any day of May of each year shall be held on a later date when the reportorial requirements needed as attachments to the DIS such as the 2019 Audited Financial Statements, annual report, and interim financial statements for the 1Q 2020, the preparation and finalization of which were affected by the implementation of ECQ and later on MECQ to prevent the spread of the COVID-19, are available;
>
> **"RESOLVED, FINALLY**, That the Board of Directors will reconvene to determine the date of Annual Stockholders' Meeting which will be reported to the SEC accordingly."

3. The foregoing resolutions have not been revoked, amended, nor in any manner modified, and accordingly, the same may be relied upon until written notice to the contrary is issued by the Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand this 29th day of May 2020 in Mandaluyong City, Metro Manila.

SHARON P. PAGALING-REFUERZO
Corporate Secretary

ANNEX "C"

COVER SHEET

A 2 0 0 0 0 0 6 5 2

S.E.C. Registration Number

C Y B E R Z O N E P R O P E R T I E S , I N C .

(Company's Full Name)

V E C T O R O N E B U I L D I N G , A L A B A N G ,

M U N T I N L U P A C I T Y

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

c/o Atty. Sharon P. Pagaling-Refuerzo

Contact Person

7918-8188

Company Telephone Number

Month Day

Fiscal Year

1 7 - C

FORM TYPE

Month Day

Annual Meeting

Secondary License Type; If Applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number / Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. September 30, 2020
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A2000-00652 3. BIR Tax Identification No. 204-863-416

4. Cyberzone Properties, Inc.
   Exact name of issuer as specified in its charter

5. Philippines
   Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
   Industry Classification Code:

7. 5th-7th Floors, Vector One Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City 1781
   Address of principal office Postal Code

8. (632) 7918-8188 local 6124
   Issuer's telephone number, including area code

9. Not applicable
   Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Stock Outstanding
Common	**1,163,426,668**

11. Indicate the item numbers reported herein: Item 9

Please see attached letter.

SIGNATURES

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

CYBERZONE PROPERTIES, INC.
Issuer

Date: September 30, 2020

SHARON P. PAGALING-REFUERZO
Corporate Secretary

CYBERZONE
PROPERTIES, INC.
A subsidiary of FILINVEST

Cyberzone Properties, Inc.
7th Floor Vector One Bldg., Northgate Cyberzone,
Filinvest City, Alabang, Muntinlupa City
Tel. No. (632) 846-0278
www.cyberzoneproperties.com

30 September 2020

SECURITIES AND EXCHANGE COMMISSION
Ground Floor, North Wing Hall,
Secretariat Building, PICC Complex,
Vicente Sotto Street, Pasay City

Attention: **MR. VICENTE GRACIANO P. FELIZMENIO, JR.**
Director, Markets and Securities Regulation Department

Attention: **ATTY. RACHEL ESTHER J. GUMTANG-REMALANTE**
OIC, Corporate Governance and Finance Department

PHILIPPINE DEALING & EXCHANGE CORP.
37th Floor, Tower 1, The Enterprise Center
6766 Ayala Avenue corner Paseo de Roxas, Makati City

Attention: **ATTY. MARIE ROSE M. MAGALLEN-LIRIO**
Head - Issuer Compliance and Disclosure Department (ICDD)

Re: **Results of the Board of Directors' Meeting held on 30 September 2020**

Gentlemen/Ladies:

Please be advised that, at the meeting of the Board of Directors (the "Board") of Cyberzone Properties, Inc. ("CPI") held today, 30 September 2020, the following matters were taken up and favorably considered:

a. Approval of Amendments of certain articles of the Articles of Incorporation;
b. Approval of certain articles and sections of the Amendments of the By-Laws; and
c. Approval of CPI's Revised Manual on Corporate Governance.

The amendments of CPI's Articles of Incorporation and By-Laws shall be subject to the approval of the Securities and Exchange Commission ("SEC").

Thank you.

Very truly yours,

CYBERZONE PROPERTIES, INC.

By:

SHARON P. PAGALING-REFUERZO
Corporate Secretary

COVER SHEET

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S.E.C. Registration Number

C Y B E R Z O N E P R O P E R T I E S , I N C .

(Company's Full Name)

V E C T O R O N E B U I L D I N G , A L A B A N G ,

M U N T I N L U P A C I T Y

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

c/o Atty. Sharon P. Pagaling-Refuerzo	7918-8188
Contact Person	Company Telephone Number

		1 7 - C		
Month	Day	FORM TYPE	Month	Day
Fiscal Year			Annual Meeting	

Secondary License Type; If Applicable

C F D	
Dept. Requiring this Doc.	Amended Articles Number / Section

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

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AND SRC RULE 17.2(c) THEREUNDER

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2. SEC Identification Number A2000-00652 3. BIR Tax Identification No. 204-863-416

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   Exact name of issuer as specified in its charter

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   Province, country or other jurisdiction of incorporation

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   Address of principal office Postal Code

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   Issuer's telephone number, including area code

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Title of Each Class	Number of Shares of Stock Outstanding
Common	**1,163,426,668**

11. Indicate the item numbers reported herein: Item 9

Please see attached letter.

SIGNATURES

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

CYBERZONE PROPERTIES, INC.
Issuer

Date: September 30, 2020

SHARON P. PAGALING-REFUERZO
Corporate Secretary

CYBERZONE
PROPERTIES, INC.
A subsidiary of FILINVEST

Cyberzone Properties, Inc.
7th Floor Vector One Bldg., Northgate Cyberzone,
Filinvest City, Alabang, Muntinlupa City
Tel. No. (632) 846-0278
www.cyberzoneproperties.com

30 September 2020

SECURITIES AND EXCHANGE COMMISSION
Ground Floor, North Wing Hall,
Secretariat Building, PICC Complex,
Vicente Sotto Street, Pasay City

Attention: **MR. VICENTE GRACIANO P. FELIZMENIO, JR.**
Director, Markets and Securities Regulation Department

Attention: **ATTY. RACHEL ESTHER J. GUMTANG-REMALANTE**
OIC, Corporate Governance and Finance Department

PHILIPPINE DEALING & EXCHANGE CORP.
37th Floor, Tower 1, The Enterprise Center
6766 Ayala Avenue corner Paseo de Roxas, Makati City

Attention: **ATTY. MARIE ROSE M. MAGALLEN-LIRIO**
Head - Issuer Compliance and Disclosure Department (ICDD)

Re: **Results of the Annual Stockholders' Meeting held on 30 September 2020**

Gentlemen/Ladies:

Please be advised that, at the Annual Stockholders' Meeting of Cyberzone Properties, Inc. ("CPI") today, 30 September 2020, the following matters were taken up and favorably considered:

a. Approval of the Minutes of the last Annual Stockholders' Meeting held on 17 July 2019;
b. Ratification of the 2019 Audited Financial Statements;
c. Ratification of all the acts, resolutions and proceedings of the Board of Directors, Board Committees and Management up to 30 September 2020;
d. Amendments of certain articles of the Articles of Incorporation;
e. Amendments of certain sections of the By-Laws; and
f. Re-appointment of Sycip Gorres Velayo & Co. as external auditor for the year 2020.

The amendments of certain articles and sections of CPI's Articles of Incorporation and By-Laws shall be submitted to the Securities and Exchange Commission ("SEC") for approval, and subsequent disclosures shall be made upon SEC's approval of the said amendments.

Also, at the said stockholders' meeting, the following were elected as members of the Board of Directors of CPI to serve for the year 2020-2021 and until their successors shall have been duly elected and qualified:

1. Mrs. L. Josephine Gotianun-Yap
2. Mr. Jonathan T. Gotianun
3. Mr. Tristaneil D. Las Marias

4. Atty. Val Antonio B. Suarez (Independent Director)
5. Ms. Virginia T. Obcena (Independent Director)

The stockholders also elected the following two (2) additional directors whose appointments shall be effective upon the approval by the SEC of the amendments of CPI's Articles of Incorporation and By-Laws, which includes the increase in the number of directors from five (5) to seven (7) seats:

1. Mr. Francis Nathaniel C. Gotianun; and
2. Mr. Gemilo J. San Pedro (Independent Director).

Thank you.

Very truly yours,

CYBERZONE PROPERTIES, INC.

By:

SHARON P. PAGALING-REFUERZO
Corporate Secretary

COVER SHEET

A 2 0 0 0 0 0 6 5 2

S.E.C. Registration Number

C Y B E R Z O N E   P R O P E R T I E S ,   I N C .

(Company's Full Name)

V E C T O R   O N E   B U I L D I N G ,   A L A B A N G ,

M U N T I N L U P A   C I T Y

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

c/o Atty. Sharon P. Pagaling-Refuerzo	7918-8188
Contact Person	Company Telephone Number

Month	Day	FORM TYPE	Month	Day
		1 7 - C		
Fiscal Year			Annual Meeting	

Secondary License Type; If Applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number / Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. October 29, 2020
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A2000-00652 3. BIR Tax Identification No. 204-863-416

4. Cyberzone Properties, Inc.
   Exact name of issuer as specified in its charter

5. Philippines
   Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
   Industry Classification Code:

7. 5th-7th Floors, Vector One Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City 1781
   Address of principal office Postal Code

8. (632) 7918-8188 local 6124
   Issuer's telephone number, including area code

9. Not applicable
   Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Stock Outstanding
Common	**1,163,426,668**

11. Indicate the item numbers reported herein: Item 9

Please see attached letter.

SIGNATURES

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

CYBERZONE PROPERTIES, INC.
Issuer

Date: October 29, 2020

SHARON P. PAGALING-REFUERZO
Corporate Secretary

Cyberzone Properties, Inc.
7th Floor Vector One Bldg., Northgate Cyberzone,
Filinvest City, Alabang, Muntinlupa City
Tel. No. (632) 846-0278
www.cyberzoneproperties.com

29 October 2020

SECURITIES AND EXCHANGE COMMISSION
Ground Floor, North Wing Hall,
Secretariat Building, PICC Complex,
Vicente Sotto Street, Pasay City

Attention: **MR. VICENTE GRACIANO P. FELIZMENIO, JR.**
Director, Markets and Securities Regulation Department

Attention: **ATTY. RACHEL ESTHER J. GUMTANG-REMALANTE**
OIC, Corporate Governance and Finance Department

PHILIPPINE DEALING & EXCHANGE CORP.
29/F, BDO Equitable Tower,
8751 Paseo de Roxas, Makati City

Attention: **ATTY. MARIE ROSE M. MAGALLEN-LIRIO**
Head - Issuer Compliance and Disclosure Department (ICDD)

Re: **Results of the Organizational Meeting held on 28 October 2020**

Gentlemen/Ladies:

Please be advised that at the organizational meeting of the Board of Directors (the "Board") of Cyberzone Properties, Inc. ("CPI") that was held on 28 October 2020, the following officers were appointed to the position indicated opposite their respective names:

Position / Designation	Name of Person
Chairman of the Board	Jonathan T. Gotianun
President & Chief Executive Officer (CEO)	Lourdes Josephine Gotianun-Yap
Executive Vice President & Chief Operating Officer (COO)	Maricel Brion-Lirio
Treasurer and Chief Financial Officer	Ana Venus A. Mejia
Compliance Officer	Nelson M. Bona
Corporate Secretary and Corporate Information Officer	Sharon P. Pagaling-Refuerzo
Data Privacy Officer	Ermelindo S. Andal, Jr.
Investor Relations Officer	Patricia Carmen Pineda

The following Board committees were constituted and their respective members were appointed to the position opposite their respective names:

Name of Committees	Name of Person	Position/Designation
Audit & Risk Management Oversight Committee	Virginia T. Obcena	Chairman (Independent)
	Jonathan T. Gotianun	Member
	Val Antonio B. Suarez	Member (Independent)
Compensation Committee	Val Antonio B. Suarez	Chairman (Independent)
	Lourdes Josephine Gotianun-Yap	Member
	Jonathan T. Gotianun	Member
Corporate Governance Committee	Val Antonio B. Suarez	Chairman (Independent)
	Jonathan T. Gotianun	Member
	Virginia T. Obcena	Member (Independent)
Related-Party Transaction Committee	Virginia T. Obcena	Chairman (Independent)
	Val Antonio B. Suarez	Member (Independent)
	Jonathan T. Gotianun	Member

Thank you.

Very truly yours,

CYBERZONE PROPERTIES, INC.

By:

SHARON P. PAGALING-REFUERZO
Corporate Secretary

COVER SHEET

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S.E.C. Registration Number

C Y B E R Z O N E P R O P E R T I E S , I N C .

(Company's Full Name)

V E C T O R O N E B U I L D I N G , A L A B A N G ,

M U N T I N L U P A C I T Y

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

c/o Atty. Sharon P. Pagaling-Refuerzo
Contact Person

7918-8188
Company Telephone Number

Month Day
Fiscal Year

1 7 - C
FORM TYPE

Month Day
Annual Meeting

Secondary License Type; If Applicable

C F D
Dept. Requiring this Doc.

Amended Articles Number / Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. October 30, 2020
   Date of Report (Date of earliest event reported)

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4. Cyberzone Properties, Inc.
   Exact name of issuer as specified in its charter

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Title of Each Class	Number of Shares of Stock Outstanding
Common	**1,163,426,668**

11. Indicate the item numbers reported herein: Item 9

Please see attached letter.

SIGNATURES

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

CYBERZONE PROPERTIES, INC.
Issuer

Date: October 30, 2020

SHARON P. PAGALING-REFUERZO
Corporate Secretary

Cyberzone Properties, Inc.
7th Floor Vector One Bldg., Northgate Cyberzone,
Filinvest City, Alabang, Muntinlupa City
Tel. No. (632) 846-0278
www.cyberzoneproperties.com

30 October 2020

SECURITIES AND EXCHANGE COMMISSION
Ground Floor, North Wing Hall
Secretariat Building, PICC Complex
Vicente Sotto Street, Pasay City

Attention: **MR. VICENTE GRACIANO P. FELIZMENIO, JR.**
Director, Markets and Securities Regulation Department

Attention: **ATTY. RACHEL ESTHER J. GUMTANG-REMALANTE**
OIC, Corporate Governance and Finance Department

PHILIPPINE DEALING & EXCHANGE CORP.
29/F, BDO Equitable Tower,
8751 Paseo de Roxas, Makati City

Attention: **ATTY. MARIE ROSE M. MAGALLEN-LIRIO**
Head - Issuer Compliance and Disclosure Department (ICDD)

Gentlemen/Ladies:

We are pleased to inform you and the investing public that Philippine Rating Services Corporation (PhilRatings) has maintained the Issue Credit Rating of **PRS Aaa**, with a **Stable Outlook**, for Cyberzone Properties, Inc.'s ("CPI") outstanding bond issue of P6.0 billion.

Please see attached Press Release issued by PhilRatings. Thank you.

Very truly yours,

SHARON P. PAGALING-REFUERZO
Corporate Secretary

PhilRatings
PHILIPPINE RATING SERVICES CORPORATION

The Pioneer Domestic Credit Rating Agency

RATING NEWS
October 29, 2020

Cyberzone Properties, Inc.'s P6 Billion Bonds Maintained at Highest Credit Rating

The Issue Credit Rating of Cyberzone Properties, Inc.'s (CPI) outstanding bond issue amounting to P6.0 billion was maintained at **PRS Aaa**, with a **Stable Outlook**, by Philippine Rating Services Corporation (PhilRatings). The maturity date of the bonds is on January 7, 2023.

The proceeds of the bonds were used to partially finance the capital expenditure requirements of the company's existing buildings and buildings under construction. Completed projects as of end-June 2020 that were partially financed by the bonds' proceeds include: Vector Three, Filinvest Axis Towers 1 and 2 and Phase 1 of Axis Parking. CPI's buildings under construction that are partially financed by the bonds' proceeds include: Filinvest Axis Tower 3 and Cebu Cyberzone Towers 3 and 4.

Obligations rated **PRS Aaa** are of the highest quality with minimal credit risk. The obligor's capacity to meet its financial commitment on the obligation is extremely strong. **PRS Aaa** is the highest rating assigned by PhilRatings. A **Stable Outlook** means that the rating assigned is likely to remain unchanged in the next 12 months.

In assigning the rating and Outlook, PhilRatings took into account the following key considerations: (1) highly competitive and focused office portfolio, complemented by an established brand name and a highly-experienced management team; (2) resilient industry amid the ongoing COVID-19 pandemic; (3) sustained profitability with good growth prospects in the medium term despite delays in the completion of pipeline buildings; and (4) manageable liquidity and capitalization levels.

PhilRatings' ratings are based on available information and projections at the time that the rating process was ongoing. PhilRatings shall continuously monitor developments relating to CPI and may change the rating at any time, should circumstances warrant a change.

CPI, a wholly-owned subsidiary of Filinvest Land, Inc. (FLI), maintains a highly competitive and attractive portfolio of office buildings which cater mainly to multinational Business Process Outsourcing (BPO) firms. Most of the company's buildings are located in Northgate Cyberzone, a Philippine Economic Zone Authority (PEZA)-registered IT Park in Filinvest City, Alabang. Competitive rental rates and fiscal and non-fiscal incentives arising from its PEZA registration attract BPO companies to lease office space in Northgate Cyberzone. Some of CPI's buildings are also located in Cebu Cyberzone in Lahug, Cebu City, where locators likewise enjoy various fiscal and non-fiscal benefits.

As of end-June 2020, CPI had a total GLA of 383,144 sqm. This is expected to further increase to 602,296 sqm by 2025 as CPI completes the construction of its ongoing and planned projects. Historically, CPI has managed to quickly fully lease out new buildings and consistently maintained high occupancy rates for these buildings.

CPI is led by a highly-experienced management team, with members who concurrently hold key positions in its parent company, FLI. The sharing of top officers ensures that the quality of management and the strategies of CPI are in line with that of FLI, which has over 50 years of expertise in the real estate business. CPI also enjoys a strong brand equity as a member of the Filinvest Group. The Gotianun-led Filinvest Group has been in business for over six decades, surviving the country's economic downturns, financial crises and political turmoil.

Amidst the various forms of lockdowns implemented in response to the COVID-19 pandemic, CPI's office buildings remained fully operational as tenants, particularly BPOs, continued to operate. The favorable circumstances were reflected in the company's financial performance, as net income for the first half of 2020 (1H 2020) reached P975 million, up 31.7% from a year ago. Such was supported by the 23.2% growth in revenues, from P1.4 billion in 1H 2019 to P1.7 billion in 1H 2020.

CPI expects to continue to display solid profitability, supported by continuous growth in its rental revenues as projects in the pipeline are completed. The company's older office buildings are seen to remain fully leased out for the rest of the year despite the pandemic, while newly completed buildings are on track to being fully leased out over the medium term. Despite construction delays due to quarantine restrictions, CPI targets to complete the construction of Filinvest Axis Towers Three and Four next year. Such would add 78,680 sqm to its total GLA and would provide the company with additional sources of revenue.

CPI also continued to generate positive operating cashflows, with cash from operations amounting to P765 million in 1H 2020. Furthermore, the company ended the first half with a cash balance of P620 million. As of end June 2020, current ratio settled at an ample level of 1.1x. The company's liquidity is seen to remain satisfactory moving forward.

In relation to its capital structure, CPI maintained manageable capitalization levels, with its debt to equity ratio further improving from 1.3x in 2019 to 1.2x as of end June 2020. The improvement was supported by the sustained increase in retained earnings. CPI expects to maintain manageable leverage levels in the future.

COVER SHEET

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S.E.C. Registration Number

C Y B E R Z O N E P R O P E R T I E S , I N C .

(Company's Full Name)

V E C T O R O N E B U I L D I N G , A L A B A N G ,

M U N T I N L U P A C I T Y

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

c/o Atty. Sharon P. Pagaling-Refuerzo	7918-8188
Contact Person	Company Telephone Number

Month Day
Fiscal Year

1 7 - C
FORM TYPE

Month Day
Annual Meeting

Secondary License Type; If Applicable

C F D
Dept. Requiring this Doc.

Amended Articles Number / Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = Pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. December 09, 2020
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A2000-00652 3. BIR Tax Identification No. 204-863-416

4. Cyberzone Properties, Inc.
   Exact name of issuer as specified in its charter

5. Philippines
   Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
   Industry Classification Code:

7. 5th-7th Floors, Vector One Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City 1781
   Address of principal office — Postal Code

8. (632) 7918-8188 local 6124
   Issuer's telephone number, including area code

9. Not applicable
   Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Stock Outstanding
Common	**1,163,426,668**

11. Indicate the item numbers reported herein: Item 9

SIGNATURES

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

CYBERZONE PROPERTIES, INC.
Issuer

Date: December 09, 2020

SHARON P. PAGALING-REFUERZO
Corporate Secretary and
Corporate Information Officer

Cyberzone Properties, Inc.
7th Floor Vector One Bldg., Northgate Cyberzone,
Filinvest City, Alabang, Muntinlupa City
Tel. No. (632) 846-0278
www.cyberzoneproperties.com

December 9, 2020

SECURITIES AND EXCHANGE COMMISSION
Ground Floor, North Wing Hall,
Secretariat Building, PICC Complex,
Vicente Sotto Street, Pasay City

Attention: **MR. VICENTE GRACIANO P. FELIZMENIO, JR.**
Director, Markets and Securities Regulation Department

Attention: **ATTY. RACHEL ESTHER J. GUMTANG-REMALANTE**
Director, Corporate Governance and Finance Department

PHILIPPINE DEALING & EXCHANGE CORP.
29/F, BDO Equitable Tower,
8751 Paseo de Roxas, Makati City

Attention: **ATTY. MARIE ROSE M. MAGALLEN-LIRIO**
Head - Issuer Compliance and Disclosure Department (ICDD)

Gentlemen/Ladies:

Please be informed that the Board of Directors (the "Board") of Cyberzone Properties, Inc. (the "Company"), in its special meeting on December 4, 2020, approved the declaration of property dividends consisting of the properties of the Corporation listed below in favor of shareholders of record as of November 30, 2020:

Property	Location
Axis Tower Two Building	Northgate Cyberzone, Alabang, Muntinlupa City
Axis Tower Three Building	Northgate Cyberzone, Alabang, Muntinlupa City
Axis Tower Four Building	Northgate Cyberzone, Alabang, Muntinlupa City
Parcel of Land	South Road Properties, Cebu City

Majority of the assets subject of the property dividend declaration are still on-going construction while the parcel of land is bare and has not been developed.

The declaration of property dividends by the Board and the transfer of the properties to the Company's shareholder is subject to approval by the Securities and Exchange Commission (the "SEC") and other applicable regulatory agencies.

Thank you.

Very truly yours,

CYBERZONE PROPERTIES, INC.
By:

SHARON P. PAGALING-REFUERZO
Corporate Secretary

COVER SHEET

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S.E.C. Registration Number

C Y B E R Z O N E P R O P E R T I E S , I N C .

(Company's Full Name)

V E C T O R O N E B U I L D I N G , A L A B A N G ,

M U N T I N L U P A C I T Y

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

c/o Atty. Sharon P. Pagaling-Refuerzo

Contact Person

7918-8188

Company Telephone Number

Month Day

Fiscal Year

1 7 - C

FORM TYPE

Month Day

Annual Meeting

Secondary License Type; If Applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number / Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = Pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. December 17, 2020
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A2000-00652 3. BIR Tax Identification No. 204-863-416

4. Cyberzone Properties, Inc.
   Exact name of issuer as specified in its charter

5. Philippines
   Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
   Industry Classification Code:

7. 5th-7th Floors, Vector One Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City 1781
   Address of principal office Postal Code

8. (632) 7918-8188 local 6124
   Issuer's telephone number, including area code

9. Not applicable
   Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Stock Outstanding
Common	**1,163,426,668**

11. Indicate the item numbers reported herein: Item 9

Please see attached letter.

SIGNATURES

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

CYBERZONE PROPERTIES, INC.
Issuer

Date: December 17, 2020

SHARON P. PAGALING-REFUERZO
Corporate Secretary

Cyberzone Properties, Inc.
7th Floor Vector One Bldg., Northgate Cyberzone,
Filinvest City, Alabang, Muntinlupa City
Tel. No. (632) 846-0278
www.cyberzoneproperties.com

December 17, 2020

SECURITIES AND EXCHANGE COMMISSION
Ground Floor, North Wing Hall,
Secretariat Building, PICC Complex,
Vicente Sotto Street, Pasay City

Attention: **MR. VICENTE GRACIANO P. FELIZMENIO, JR.**
Director, Markets and Securities Regulation Department

Attention: **ATTY. RACHEL ESTHER J. GUMTANG-REMALANTE**
Director, Corporate Governance and Finance Department

PHILIPPINE DEALING & EXCHANGE CORP.
29/F, BDO Equitable Tower,
8751 Paseo de Roxas, Makati City

Attention: **ATTY. MARIE ROSE M. MAGALLEN-LIRIO**
Head - Issuer Compliance and Disclosure Department (ICDD)

Gentlemen/Ladies:

Please be informed that the Board of Directors (the "Board") of Cyberzone Properties, Inc. (the "Company"), in its special meeting on December 15, 2020, approved the amendment of the primary purpose of the Company as indicated in its Articles of Incorporation to allow the Company to engage in the business of a real estate investment trust, as provided under Republic Act No. 9856 (the Real Estate Investment Trust Act of 2009), including the Revised Implementing Rules and Regulations of Republic Act No. 9856 (the "REIT Act"), and other applicable laws.

The above-mentioned amendment was likewise approved by the stockholders of the Company by way of written assent on December 15, 2020.

The amendment of the Company's Articles of Incorporation is subject to approval by the Securities and Exchange Commission (the "SEC").

Thank you.

Very truly yours,

CYBERZONE PROPERTIES, INC.
By:

SHARON P. PAGALING-REFUERZO
Corporate Secretary

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AFTER THE BIR HAS DULY STAMPED "RECEIVED."

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 2 0 0 0 - 0 0 6 5 2

COMPANY NAME

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

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

5th-7th Floors, Vector One Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	846-0278	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
8	May 30	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Venus A. Mejia	venus.mejia@filinvestgroup.com	8846-0278	N/A

CONTACT PERSON's ADDRESS

5th-7th Floors Vector One Building, 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.

CYBERZONE
PROPERTIES, INC.
A subsidiary of FILINVEST

Cyberzone Properties, Inc.
7th Floor Vector One Bldg., Northgate Cyberzone,
Filinvest City, Alabang, Muntinlupa City
Tel. No. (632) 846-0278
www.cyberzoneproperties.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Cyberzone Properties, Inc.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2020, 2019 and 2018** in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and making accounting estimates that are reasonable in the circumstances.

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

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

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders or members before such statements are issued to the regulators, creditors and other users.

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

Lourdes Josephine Gotianun-Yap
Chairman of the Board

Maricel Brion Lirio
President/CEO

Ana Venus A. Mejia
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this 09 day of MAR 2021 affiants exhibits to me their SSS ID and Passport as follows:

	SSS ID No.	Passport No.
L. Josephine G. Yap	03-46617474	
Maricel Brion Lirio	04-07020162	
Ana Venus A. Mejia		EC3796043

Doc. No. 219
Page No. 44
Book No. 261
Series of 2021.

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 - SOUTH
MUNTINLUPA CITY
RECEIVED
MAR 1 2 2021

ATTY. REYNAN G. RETAZO
NOTARY PUBLIC
My Comm. No. NC 21-011 Ends on Dec. 31, 2022
Roll of Attorneys No. 53935
PTR No. 3937618/Jan. 04, 2021/Muntinlupa City
IBP No. 136850/Dec. 28, 2020/PPLM
#236 Montillano St., Alabang, Muntinlupa City
MCLE Compliance No. VI-0019612 issued on March 01, 2019

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Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Cyberzone Properties, Inc.
5th-7th Floors, Vector One Building
Northgate Cyberzone, Filinvest City
Alabang, Muntinlupa City

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the accompanying parent company financial statements of Cyberzone Properties, Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2020 and 2019, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going

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Building a better working world

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

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

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

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

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

The supplementary information required under Revenue Regulations 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by the management of Cyberzone Properties, Inc. in a separate schedule. Revenue Regulations 15-2010 requires the information to be presented in the notes to parent company financial statements. Such information is not a required part of the basic financial statements. The information is also not required by Revised Securities Regulation Code Rule 68. Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

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

SYCIP GORRES VELAYO & CO.

Wanessa G. Salvador

Wanessa G. Salvador
Partner
CPA Certificate No. 0118546
Accreditation No. 118546-SEC (Group A),
Valid to cover audit of 2019 to 2023
financial statements of SEC covered institutions
Tax Identification No. 248-679-852
BIR Accreditation No. 08-001998-137-2020,
January 31, 2020, valid until January 30, 2023
PTR No. 8534358, January 4, 2021, Makati City

March 9, 2021

BUREAU OF INTERNAL REVENUE
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CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31, 2020	December 31 2019 (As restated, see Note 10)	January 1, 2019 (December 31, 2018 as restated, see Note 10)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 4 and 16)	**₱870,517,532**	₱508,857,313	₱717,533,656
Receivables (Note 5)	**830,144,454**	775,495,889	527,039,505
Other current assets (Note 10)	**1,171,332,106**	981,085,273	133,105,537
	2,871,994,092	2,265,438,475	1,377,678,698
Noncurrent assets held for distribution (Notes 8 and 15)	**6,843,701,346**	–	–
Total Current Assets	**9,715,695,438**	2,265,438,475	1,377,678,698
Noncurrent Assets			
Advances to contractors (Note 7)	**18,393,179**	436,337,964	280,020,176
Investment properties (Notes 8 and 19)	**11,629,804,872**	16,156,773,249	13,908,323,251
Property and equipment (Note 9)	**68,394,882**	54,950,323	39,635,268
Intangible assets (Notes 6 and 19)	**3,408,827,424**	2,889,687,107	2,557,823,732
Other noncurrent assets (Note 10)	**388,417,886**	389,406,612	1,119,532,597
Total Noncurrent Assets	**15,513,838,243**	19,927,155,255	17,905,335,024
Total Assets	**₱25,229,533,681**	₱22,192,593,730	₱19,283,013,722
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses (Note 11)	**₱1,583,711,747**	₱1,873,104,575	₱2,029,447,816
Current portion of:			
Loans payable (Notes 12, 24 and 25)	**744,166,667**	1,355,454,545	839,242,424
Lease liabilities (Note 19)	**92,617,060**	16,258,553	–
Security and other deposits (Note 14)	**116,414,891**	245,751,976	164,695,239
Dividends payable (Note 15)	**6,611,906,765**	348,339,734	–
Income tax payable	–	433,493	8,503,433
Total Current Liabilities	**9,148,817,130**	3,839,342,876	3,041,888,912
Noncurrent Liabilities			
Loans payable - net of current portion (Notes 12, 24 and 25)	**1,600,000,000**	2,862,916,667	2,618,371,212
Bonds payable (Notes 13, 24 and 25)	**5,974,168,846**	5,961,553,269	5,948,937,691
Lease liabilities - net of current portion (Note 19)	**2,097,498,105**	267,169,975	–
Security and other deposits - net of current portion (Note 14)	**732,659,169**	707,472,003	642,405,071
Deferred tax liability - net (Note 18)	**269,939,889**	384,650,602	264,842,643
Other noncurrent liabilities (Notes 14 and 17)	**300,385,682**	200,886,745	47,063,584
Total Noncurrent Liabilities	**10,974,651,691**	10,384,649,261	9,521,620,201
Total Liabilities	**₱20,123,468,821**	₱14,223,992,137	₱12,563,509,113

(Forward)

	December 31, 2020	December 31, 2019 (As restated, see Note 10)	January 1, 2019 (December 31, 2018 as restated, see Note 10)
Equity			
Capital stock (Note 15)	**₱1,163,426,668**	₱1,163,426,668	₱1,163,426,668
Additional paid-in capital (Note 15)	**102,900,666**	102,900,666	102,900,666
Deposit for future stock subscription (Notes 12 and 15)	**1,889,583,333**	–	–
Appropriated retained earnings (Note 15)	–	6,300,000,000	5,000,000,000
Unappropriated retained earnings (Note 15)	**1,950,125,348**	401,190,324	452,093,340
Remeasurement gain on retirement plan (Note 17)	**28,845**	1,083,935	1,083,935
Total Equity	**5,106,064,860**	7,968,601,593	6,719,504,609
Total Liabilities and Equity	**₱25,229,533,681**	₱22,192,593,730	₱19,283,013,722

See accompanying Notes to Parent Company Financial Statements

CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2020	2019
REVENUES AND INCOME		
Rental revenue (Notes 6, 8, 16 and 19)	**₱2,833,413,910**	₱2,814,668,936
Others (Note 20)	**274,359,236**	87,055,910
	3,107,773,146	2,901,724,846
COSTS AND EXPENSES		
Depreciation and amortization (Notes 6, 8, 9, and 19)	**441,025,865**	372,223,885
Rental expense (Notes 16 and 19)	**297,968,918**	305,153,634
Taxes and licenses	**63,894,241**	28,326,728
Manpower cost	**34,015,698**	12,948,357
Service and management fees (Note 16)	**7,462,542**	14,070,865
Pension expense (Note 17)	**487,197**	413,785
Advertising and marketing	**–**	–
Others	**6,295,399**	2,174,917
	851,149,860	735,312,171
OTHER INCOME (CHARGES)		
Gain on sale of investment property (Note 8)	**65,038,584**	–
Interest income (Notes 4, 5, 16 and 21)	**3,908,966**	10,468,164
Interest and other financing charges (Notes 12, 13 and 19)	**(351,361,074)**	(230,520,294)
Other income (charges) - net	**3,523,521**	(2,576,278)
	(278,890,003)	(222,628,408)
INCOME BEFORE INCOME TAX	**1,977,733,283**	1,943,784,267
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 18)		
Current	**231,150,026**	189,580,926
Deferred	**(114,258,532)**	119,807,959
	116,891,494	309,388,885
NET INCOME	**1,860,841,789**	1,634,395,382
OTHER COMPREHENSIVE LOSS		
Item that will not be reclassified to profit or loss:		
Remeasurement gain (loss) on retirement plan, net of deferred income tax (Note 17)	**(1,055,090)**	–
TOTAL COMPREHENSIVE INCOME	**₱1,859,786,699**	₱1,634,395,382
Basic/Diluted Earnings Per Share (Note 22)	**₱0.80**	₱0.70

See accompanying Notes to Parent Company Financial Statements.

CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 15)	Additional Paid-in Capital (Note 15)	Deposit for Future Stock Subscription (Note 15)	Appropriated Retained Earnings (Note 15)	Unappropriated Retained Earnings (Note 15)	Remeasurement Gain on Retirement Plan (Note 17)	Total
							For the Year Ended December 31, 2020
Balances at January 1, 2020	**₱1,163,426,668**	**₱102,900,666**	**₱–**	**₱6,300,000,000**	**₱401,190,324**	**₱1,083,935**	**₱7,968,601,593**
Comprehensive income							
Net income	–	–	–	–	**1,860,841,789**	–	**1,860,841,789**
Other comprehensive income	–	–	–	–	–	**(1,055,090)**	**(1,055,090)**
Total comprehensive income	–	–	–	–	**1,860,841,789**	**(1,055,090)**	**1,859,786,699**
Dividends declared (Note 15)	–	–	–	–	**(6,611,906,765)**	–	**(6,611,906,765)**
Reversal of appropriation (Note 15)	–	–	–	**(6,300,000,000)**	**6,300,000,000**	–	–
Deposit for future subscription (Note 15)		–	**1,889,583,333**	–	–	–	**1,889,583,333**
Balances at December 31, 2020	**₱1,163,426,668**	**₱102,900,666**	**₱1,889,583,333**	**₱–**	**₱1,950,125,348**	**₱28,845**	**₱5,106,064,860**
							For the Year Ended December 31, 2019
Balances at January 1, 2019	₱1,163,426,668	₱102,900,666	₱–	₱5,000,000,000	₱415,134,676	₱1,083,935	₱6,682,545,945
Comprehensive income							
Net income	–	–	–	–	1,634,395,382	–	1,634,395,382
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	1,634,395,382	–	1,634,395,382
Dividends declared (Note 15)	–	–	–	–	(348,339,734)	–	(348,339,734)
Appropriation (Note 15)	–	–	–	1,300,000,000	(1,300,000,000)	–	–
Balances at December 31, 2019	₱1,163,426,668	₱102,900,666	₱–	₱6,300,000,000	₱401,190,324	₱1,083,935	₱7,968,601,593

See accompanying Notes to Parent Company Financial Statements

CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱1,977,733,283	₱1,943,784,267
Adjustments for:		
Depreciation and amortization (Notes 6, 8, 9, 19 and 20)	486,065,150	418,797,652
Interest expense and other financing changes (Notes 12, 13 and 19)	351,361,074	230,520,294
Gain on sale of investment properties (Note 8)	(65,038,584)	–
Gain on derecognition of lease liability (Note 19)	(5,842,526)	–
Pension expense (Note 17)	487,197	413,785
Interest income (Note 21)	(3,908,966)	(10,468,164)
Operating income before changes in operating assets and liabilities	2,740,856,628	2,583,047,834
Changes in operating assets and liabilities		
Decrease (increase) in:		
Receivables	(54,648,565)	(248,456,384)
Other current assets	(200,426,188)	(210,446,398)
Increase (decrease) in:		
Accounts payable and accrued expenses	(191,226,805)	(144,925,151)
Other current liabilities	(129,337,085)	81,056,737
Security and other deposits	25,187,166	65,066,932
Other noncurrent liabilities	97,504,469	153,409,376
Net cash generated from operations	2,287,909,620	2,278,752,946
Interest received (Note 16)	3,908,966	10,468,164
Income tax paid	(231,583,519)	(197,650,866)
Net cash provided by operating activities	2,060,235,067	2,091,570,244
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
Investment properties (Note 8)	737,840,581	–
ProOffice Work Services, Inc. (Note 1)	17,162,936	–
Additions to:		
Investment properties (Note 8)	(1,158,021,511)	(2,163,580,071)
Intangible assets (Note 6)	(241,043,644)	(172,480,426)
Property and equipment (Note 9)	(16,760,634)	(39,207,659)
Decrease (increase) in:		
Advances to contractors	97,551,319	(156,317,788)
Other noncurrent assets (Note 10)	88,011,202	(32,676,043)
Net cash used in investing activities	(475,259,751)	(2,564,261,987)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from availments of loans payable (Notes 12 and 25)	1,000,000,000	2,100,000,000
Payments of:		
Cash dividends (Note 15)	(348,339,734)	–
Principal portion of lease liability (Note 19)	(47,613,247)	(17,259,680)
Interest and transaction cost (Note 26)	(471,907,571)	(479,482,496)
Loans payable (Notes 12 and 25)	(1,355,454,545)	(1,339,242,424)
Net cash provided by (used) in financing activities	(1,223,315,097)	264,015,400
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	361,660,219	(208,676,343)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	508,857,313	717,533,656
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱870,517,532	₱508,857,313

See accompanying Notes to Parent Company Financial Statements.

CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Cyberzone Properties, Inc. (the "Company" or "CPI") was registered with the Philippine Securities and Exchange Commission (SEC) on January 14, 2000. The Parent Company's 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 was 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. ProOffice has started its commercial operations on August 1, 2019. On December 23, 2020, the Parent Company entered into a Deed of Assignment to sell its interest in ProOffice to Filinvest Land, Inc. (FLI) for a total consideration of ₱17.16 million. Accordingly, the Parent Company lost control over ProOffice. The transaction has no material impact to the parent company financial statements.

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

On December 4, 2020, the Board of Directors (BOD) approved the amendments of the Parent Company's articles of incorporation to change the Parent Company's primary purpose to engage in the business of a real estate investment trust, as provided under Republic Act No. 9856 (the Real Estate Investment Trust Act of 2009), including the Revised Implementing Rules and Regulations of Republic Act No. 9856 (the "REIT Act"), and other applicable laws, which business includes the following: (1) to own, invest in, purchase, acquire, hold, possess, lease, construct, develop, alter, improve, operate, manage, administer, sell, assign, convey, encumber, in whole or in part, or otherwise deal in and dispose of, income-generating real estate, within or outside the Philippines, in accordance with applicable laws and regulations; (2) to invest in, purchase, acquire own, hold, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of (a) real estate and other related assets; and (b) managed funds; (3) to receive, collect, and dispose of the rent, interest, and such other income rising from its property and investments; (4) to guaranty the obligations, debt, or loans of its subsidiaries or affiliates or any entity in which the corporation has lawful interest; and (5) to exercise, carry on or undertake such other powers, acts, activities and transactions as may be deemed necessary, convenient, or incidental to or implied from the purposes herein mentioned.

As of December 31, 2020, these amendments are awaiting approval by the SEC.

Approval of the Parent Company Financial Statements
The parent company financial statements were approved and authorized for issue by the BOD on March 9, 2021.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying parent company financial statements have been prepared using the historical cost basis. The parent company financial statements are presented in Philippine Peso (₱), which is the functional and presentation currency of the Parent Company, and all amounts are rounded off to the nearest Philippine Peso unless otherwise indicated.

The parent company financial statements provide comparative information in respect of the previous period.

Statement of Compliance
The parent company financial statements of the Company are prepared in compliance with Philippine Financial Reporting Standards (PFRSs), which include the availment of the reliefs granted by the Securities and Exchange Commission (SEC) under Memorandum Circulars (MC) No. 3-2019, to defer the implementation of the following accounting pronouncements until December 31, 2020. These accounting pronouncements address the issues of PFRS 15, Revenue from Contracts with Customers affecting the real estate industry. PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards (PAS) and Interpretations issued by the Philippine Interpretations Committee (PIC).

This includes deferral of the provisions of Philippine Interpretations Committee (PIC) Q&A 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry* on the accounting for common usage service area (CUSA) charges

The details and the impact of the adoption of the above financial reporting reliefs are also discussed in the changes in accounting policies.

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the 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 Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the parent company financial statements of the Company. The nature and impact of each new standard and amendment are described below:

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*
  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Company enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

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

  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic.

  A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted. The Company adopted the amendments beginning January 1, 2020. However, the adoption of the amendment does not have a material impact since there is no changes to the lease payments of the Company.

- *Adoption of PIC Q&A 2020-03, Q&A No. 2018-12-D: STEP 3- On the accounting of the difference when the percentage of completion is ahead of the buyer's payment*

  PIC Q&A 2020-03 was issued by the PIC on September 30, 2020. The latter aims to provide an additional option to the preparers of financial statements to present as receivables, the difference between the POC and the buyer's payment, with the POC being ahead. This PIC Q&A is consistent with the PIC guidance issued to the real estate industry in September 2019.

  The adoption of this PIC Q&A did not impact the parent company financial statements of the Company.

Future Changes in Accounting Policy

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

Effective beginning on or after January 1, 2021

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

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

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

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Company is not required to restate prior periods.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3,

Business Combinations to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

  The amendments are not expected to have a material impact on the Company.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

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

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2023

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

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

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

- PFRS 17, *Insurance Contracts*

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

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts.
    PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted. The amendments are not expected to have a material impact on the Company.

Deferred effectivity

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

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

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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

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

A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

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

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

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

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

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

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. The Company availed of the SEC reliefs to defer the above specific provisions of PIC Q&A No. 2018-12.

Had these provisions been adopted and the Company accounted for the revenue from air-conditioning services, CUSA and handling services as principal, this would have resulted in the gross presentation of the related revenue, costs and expenses. Currently, the related revenue is presented net of costs and expenses. There is no impact on opening retained earnings, income and expense and the related balance sheet accounts.

The above have no impact in the cash flows.

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

  In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under paragraph 35(c) of IFRS 15 (PFRS 15). IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under Philippine Accounting Standards (PAS) 23, *Borrowing Costs*, considering that these inventories are ready for their intended sale in their current condition.

  On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4-2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Further, on December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the Real Estate Industry until December 31, 2023. Effective January 1, 2024, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC Agenda Decision.

  The IFRIC Agenda Decision has no impact to the Company.

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

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

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

  The PIC Q&A has no impact to the Company.

Significant Accounting Policies

Current versus Noncurrent Classification
The Company presents assets and liabilities in the parent company 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 financial reporting period; or

d. Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the financial 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 12 months after the financial reporting period; or
d. There is no unconditional right to defer the settlement of the liability for at least 12 months after the financial reporting period.

The Company 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 Company.

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

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

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; and
- 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 parent company financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each financial reporting period.

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

Financial Instruments
Financial assets and liabilities are recognized in the parent company statement of financial position when, and only when, the Company 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, fair value through other comprehensive income (FVTOCI), or at fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, 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 (SPPI)' on the principal amount outstanding. This assessment is referred to as the 'SPPI test' and is performed at an instrument level.

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

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

As of December 31, 2020 and 2019, the Company's financial assets comprise of financial assets at amortized cost.

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

- Financial assets at amortized cost (debt instruments);
- Financial assets at FVTOCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Financial assets at FVTPL.

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 Company'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 parent company statement of comprehensive income.

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

Reclassification of financial assets
The Company can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Company 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 Company'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 December 31, 2020, and 2019, loans and borrowings consist primarily of accounts payable and accrued expenses, loans payable, bonds payable, lease liabilities, security and other deposits (see Notes 11, 12, 13, 14 and 16).

Subsequent measurement
Loans and borrowings (financial liabilities at amortized cost) is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest 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 effective interest. The effective interest amortization is included as finance costs in the parent company statement of comprehensive income.

Impairment of Financial Assets
The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company 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 Company applies a simplified approach in calculating ECLs for financial assets at amortized costs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each financial reporting date. The Company 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.

For cash and cash equivalents, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from reputable rating agencies to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

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

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

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 Company 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 Company 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 Company 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 Company'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 Company 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 parent company statement of comprehensive income.

Offsetting Financial Instruments
Financial assets and financial liabilities are only offset, and the net amount reported in the parent company statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Company 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 parent company statement of financial position.

Advances to Contractors
Advances to contractors pertain to down-payments made by the Company which are applied against future billings for development and construction contracts. Advances to be applied as property and equipment or investment properties are presented as noncurrent assets.

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 parent company 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 parent company 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 parent company statement of financial position.

Investment Properties
Investment properties are measured initially at cost, including transaction costs. The initial cost of investment properties consists of any directly attributable costs of bringing the investment properties to their intended location and working condition, including borrowing 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 Company. Investment properties also include right-of-use assets involving real properties that are subleased to other entities. 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.

For those right-of-use assets that qualify as investment properties, i.e., those land that are subleased by the Company, these are classified under investment properties. Consistent with the Company's policy regarding the measurement of investment properties, these assets are subsequently measured at cost less amortization and impairment in value.

Investment properties built on rented properties 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 economic useful lives of 40-50 years for the building and 15 years for equipment.

The economic useful lives and the depreciation is reviewed annually to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefit from items of investment properties.

Construction 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 parent company 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.

Investment properties also include prepaid commission representing 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.

Property and Equipment

Property and equipment consist of land improvements and furniture and fixtures. The Company'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, and overhaul costs 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 economic useful lives of these assets as follows:

	Years
Land improvements	5
Furniture and fixtures	3 - 5

The economic 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.

Property and equipment are derecognized when either they have been disposed of or when the property and equipment 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 property and equipment are recognized in the parent company statement of comprehensive income in the year of retirement or disposal.

Intangible Assets
Intangible assets pertain to build, transfer and operate (BTO) rights and ROU assets. 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 economic 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 economic useful lives 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 parent company 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 parent company statement of comprehensive income when the asset is derecognized.

Other Assets
Other current and noncurrent assets are recognized in the parent company statement of financial position when it is probable that the future economic benefits will flow to the Company and the assets have cost or value that can be measured reliably. These assets are regularly evaluated for any impairment in value.

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.

Noncurrent Assets Held for Distribution
A noncurrent asset (or disposal group) is classified as held for distribution to owners when the entity is committed to distribute the asset (or disposal group) to the owners. For this to be the case, the assets must be available for immediate distribution in their present condition and the distribution must be highly probable.

Noncurrent asset (or disposal group) classified as held for distribution is measured at the lower of its carrying amount and fair value less costs to distribute.

Impairment of Nonfinancial Assets
The Company assesses at each financial reporting date whether there is an indication that its nonfinancial asset (e.g., advances to contractors, investment properties, property and equipment, intangible assets, and other assets) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company 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 Company. 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 parent company 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 Company records capital 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.

Deposits for Future Stock Subscription
Deposit for future stock subscription (DFFS) are recorded based on the subscription amount received and are presented under liabilities unless the following items were met for classification as part of equity:
- There is a lack or insufficiency of authorized unissued shares of stock to cover the deposit;
- The Parent Company's BOD and stockholders have approved an increase in authorized capital stock and amendment in the articles of incorporation to cover the shares corresponding to the amount of the DFFS; and

- The application for the approval of the increase in capital stock has been filed or has been presented for filing with the SEC

Retained earnings
Retained earnings represent accumulated earnings of the Company, 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 Company's BOD.

Dividends are deducted from unappropriated retained earnings when declared and approved by the Company's BOD. Dividends payable are recorded as liability until paid. Dividends for the year that are declared and approved after financial 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 considering the 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 Company is in the business of leasing its investment property portfolio. The Company'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 Company expects to be entitled in exchange for those goods or services. The Company 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, the Company will adopt PIC Q&A No. 2018-12, and any subsequent amendments thereof, retrospectively or as the SEC will later prescribe.

The Company availed of the deferral of adoption of the above specific provisions of PIC Q&A. Had these provisions been adopted, it would have an impact in the parent company financial statements.

The Company is acting as a principal for the provision of air-conditioning services, common use service services and administration and handling services. This would have resulted in the gross presentation of the related revenue and the related expenses and cost. Currently, the related revenue is presented net of costs and expenses. These would not result to any adjustment in the retained earnings as of January 1, 2020 and net income in 2020.

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

Rental Revenue
Rental revenue is recognized in the parent company 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 Company 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.

<u>Other Comprehensive Income (OCI)</u>
OCI are items of income and expense that are not recognized in the profit or loss for the year in accordance with PFRS.

<u>Costs and Expense Recognition</u>
These include the Company'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.

<u>Retirement Costs</u>
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the financial 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 (PUC). Under this method, the current service cost is the present value of retirement benefit payable in the future with respect to the services rendered in the current period.

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset; and
- 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 parent company 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 parent company statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in 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 12 months after the end of the annual financial reporting date is recognized for services rendered by employees up to the end of the reporting date.

<u>Borrowing Costs</u>
Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets (included in "Investment properties" account in the parent company statement of financial position). Capitalization ceases when pre-selling of real estate inventories under construction commences. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Company's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross interest incurred on those borrowings less any investment income arising on the temporary investment of those borrowings.

The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

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 to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused Minimum Corporate Income Tax (MCIT) and Net Operating Loss Carry Over (NOLCO) can be used.

The carrying amount of deferred income tax assets is reviewed at each financial 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 financial 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 parent company 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

Company as lessor

Leases where the Company 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.

Company as lessee

Except for short-term leases and lease of low-value assets, the Company applies a single recognition and measurement approach for all leases. The Company 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 Company 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.

The Company classifies its right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned.

Unless the Company 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 assets on land presented as part of investment properties and intangible assets ranges from 25 to 50 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 Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

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

The Company accounts for a lease modification (i.e., a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease) as a separate lease (i.e., separate from the original lease) when both of the following conditions are met:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets.
- The consideration for the lease increases commensurate with the standalone price for the increase in scope and any adjustments to that stand-alone price reflect the circumstances of the particular contract.

If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate new lease. Lessees account for the separate contract that contains a lease in the same manner as other new leases.

Short-term leases
The Company 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). Lease payments on short-term leases 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 financial report date. Exchange gains or losses resulting from foreign currency transactions and translation are included in the parent company statement of comprehensive income for the year.

Segment Reporting
The Company's operating businesses are organized and managed according to the nature of the products and services provided. The Company has determined that it is operating as one operating segment as of December 31, 2020 and 2019 (see Note 23).

Provisions
A provision is recognized only when the following conditions are present: (a) the Company 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 financial report date and adjusted to reflect the current best estimate.

Contingencies
Contingent liabilities are not recognized in the parent company 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 parent company financial statements but are disclosed when an inflow of economic benefits is probable.

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

3. Significant Accounting Judgments, Estimates, and Assumptions

The preparation of the parent company financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the parent company 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 parent company 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 Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the parent company financial statements.

Determination of lease term of contracts with renewal and termination options - Company as a lessee
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms equivalent to its original lease term. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The renewal options for leases of office spaces and land for certain real estate developments were not included as part of the lease term because the Company assessed that renewal is not reasonably certain.

Operating lease commitments - Company as lessor
The Company has entered into commercial property leases on its investment property portfolio. The Company 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 investment property, that it retains all the significant risks and rewards of ownership of these properties and accounts for these contracts as operating lease (see Note 19).

Build Transfer Operate (BTO) Agreement with Cebu Province - Company 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 Company 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 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 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 the major part of its economic life. Accordingly, the related development cost and lease payments were recorded under "BTO rights" in the parent company statement of financial position (see Note 6).

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 Company 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 Company considering that: (a) the 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 Company during the term of the BOT agreement. Thus, the BOT agreement does not contain a lease within the scope of PFRS 16 (see Note 10).

Classification of noncurrent assets held for distribution
On December 4, 2020, the Parent Company declared as property dividends investment properties amounting to ₱6,611.9 million (see Note 15). The Company assessed that the distribution of these investment properties is highly probable considering that actions to complete the distribution have been initiated and are expected to be completed within one year. These investment properties will be derecognized in the parent company financial statements once the SEC approves the distribution of the dividends.

As of December 31, 2020, noncurrent assets held for distribution amounted to ₱6,843.7 million, inclusive of total additions to construction in progress declared as property dividends amounting to ₱231.8 million (see Note 8).

Impairment assessment of nonfinancial assets
The Company assesses at each financial reporting date whether there is any indication that the nonfinancial assets (investment properties and intangible assets) may be impaired. The Company 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 Company 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.

The Company has determined that COVID-19 pandemic has no impact and is not considered as an impairment indicator in the impairment assessment of nonfinancial assets. As of December 31, 2020 and 2019, no impairment indicators were identified for the Company's nonfinancial assets (see Notes 6, 8 and 19).

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 Company 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 Company's historical observed default rates. The Company is calibrating the matrix to adjust the historical credit loss experience with forward-looking information. At every financial 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 Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Company has considered impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of expected credit loss. The Company assessed that the security deposit and advance rentals are sufficient to cover any exposure to credit loss. As of December 31, 2020, and 2019, the Company's allowance for ECL on its trade receivables amounted to ₱0.3 million (see Note 5).

Recognition of deferred tax asset

The Company reviews the carrying amounts of deferred income tax assets at each financial report date and reduces it to the extent that it is no longer probable that sufficient income will be available to allow all or part of the deferred income tax assets to be utilized. The Company believes that it will generate sufficient taxable profit to allow all or part of the deferred income tax assets to be utilized.

As of December 31, 2020, and 2019, deferred tax assets amounted to ₱269.2 million and ₱186.3 million, respectively (see Note 18).

4. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand and in banks	**₱602,644,513**	₱370,212,025
Cash equivalents	**267,873,019**	138,645,288
	₱870,517,532	₱508,857,313

Cash in banks earn interest at their respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, with original maturities of three (3) months or less from dates of placement and are subject to an insignificant risk and change in value and earned interest at prevailing short-term investment ranging from 0.10% to 3.75% and 0.13% to 4.50% in 2020 and 2019, respectively.

Interest earned from cash and cash equivalents amounted to ₱3.9 million and ₱8.4 million in 2020 and 2019, respectively (see Note 21).

There is no restriction on the Company's cash and cash equivalents as at December 31, 2020 and 2019.

5. Receivables

This account consists of:

	2020	2019
Trade receivables (Note 16)	**₱799,278,543**	₱726,976,180
Advances to officers and employees	**29,632,452**	38,113,599
Others	**1,518,717**	10,691,368
	830,429,712	775,781,147
Less expected credit loss	**285,258**	285,258
	₱830,144,454	₱775,495,889

Trade receivables represent charges to tenants for rentals and utilities which are normally collectible within 20 days from billing date. These are covered by security deposits by tenants equivalent to 3 months of rental paid by the lessees. All overdue and unpaid rent, dues and charges are subject to interest at 18% per annum and penalty of 24% per annum. Interest and penalties from late payments amounted to nil and ₱2.0 million in 2020 and 2019, respectively (see Note 21).

In 2020 and 2019, the Company has not recognized additional provision for ECL on its trade receivables. Allowance for expected credit losses recorded amounted to ₱0.3 million as of December 31, 2020 and 2019.

Advances to officers and employees pertain to salary and loans granted by the Company which are collectible through salary deduction and are non-interest bearing. This also represents advances for project costs, marketing activities, travel and other expenses arising from the ordinary course of business which are liquidated upon the accomplishment of the purposes for which the advances were granted.

Others include outstanding advances of real property tax to the land leased by the Company.

6. Intangible Assets

On March 26, 2012, FLI entered into a BTO agreement with Cebu Province. This was subsequently assigned to the Company in August 2012 (see Note 3).

"BTO rights" relate to the development cost, construction and operation of BPO Complex at the land properties owned by Cebu Province. As of December 31, 2020, and 2019, cost of completed portion pertaining to Cebu Towers 1 and 2 of the BTO project amounted to ₱2.6 billion. Construction of Cebu Towers 3 and 4 are still on-going and are expected to be completed in 2021 and 2022, respectively.

"Right-of-Use assets" pertain to the related lease payments required under land lease contracts and the BTO agreement for the land where the buildings were constructed.

The rollforward analysis of intangible assets follows:

	2020		
	BTO Rights	**Right-of-Use Assets (Note 19)**	**Total**
Cost			
Balance at beginning of year	₱2,960,031,844	₱112,423,917	₱3,072,455,761
Additions	607,835,586	–	607,835,586
Reclassification (Notes 8 and 9)	8,403,391	–	8,403,391
Balance at end of year	3,576,270,821	112,423,917	3,688,694,738
Accumulated Depreciation			
Balance at beginning of year	178,271,697	4,496,957	182,768,654
Depreciation (Note 20)	77,559,890	4,496,957	82,056,847
Reclassification (Notes 8 and 9)	15,041,813	–	15,041,813
Balance at end of year	270,873,400	8,993,914	279,867,314
Net Book Value	₱3,305,397,421	₱103,430,003	₱3,408,827,424

	2019		
	BTO Rights	Right-of-Use Assets (Note 19)	Total
Cost			
Balance at beginning of year	₱2,683,107,723	₱–	₱2,683,107,723
Effect of adoption of PFRS 16	–	112,423,917	112,423,917
Balance at beginning of year, as restated	2,683,107,723	112,423,917	2,795,531,640
Additions	276,924,121	–	276,924,121
Balance at end of year	2,960,031,844	112,423,917	3,072,455,761
Accumulated Depreciation			
Balance at beginning of year	125,283,991	–	125,283,991
Depreciation (Note 20)	52,987,706	4,496,957	57,484,663
Balance at end of year	178,271,697	4,496,957	182,768,654
Net Book Value	₱2,781,760,147	₱107,926,960	₱2,889,687,107

Rental income recognized arising from the BTO agreement amounted to ₱215.5 million, and ₱193.3 million in 2020 and 2019, respectively.

Tenants' dues from BTO rights amounted to ₱118.9 million and ₱126.2 million as of December 31, 2020 and 2019, respectively (see Note 20).

Operating expenses incurred for maintaining and operating these assets amounted to ₱126.4 million and ₱93.2 million in 2020 and 2019, respectively (see Note 20). In 2020 and 2019, capitalized amortization of right-of-use assets amounted to nil and ₱4.5 million, respectively.

Borrowing costs capitalized on the BTO project amounted to ₱81.8 million and ₱104.4 million in 2020 and 2019, respectively (see Notes 12 and 13). The capitalization rates used in 2020 and 2019 range from 4.0% to 5.2%.

Contractual obligations to acquire intangible assets amounted to ₱1,500.0 million and ₱500.0 million as of December 31, 2020 and 2019, respectively.

7. Advances to Contractors

Advances to contractors represent advances for project costs and other disbursements related to buildings under construction. The advances shall be settled through recoupment against contractors' billings. Advances to contractors amounted to ₱18.4 million and ₱436.3 million as of December 31, 2020 and 2019, respectively.

8. Investment Properties

The rollforward analyses of this account follows:

	2020					
	Land	Buildings and Improvement	Construction in-progress	Right-of-use asset (Note 19)	Others	Total
Cost						
Balance at beginning of year	₱1,065,970,323	₱14,374,114,937	₱2,596,558,086	₱62,159,358	₱125,268,691	₱18,224,071,395
Additions (Note 19)	12,671,445	150,907,402	1,292,911,395	2,149,262,141	32,936,053	3,638,688,436
Disposals	(672,801,997)	–	–	–	–	(672,801,997)
Derecognition (Note 19)	–	–	–	(264,490,746)	–	(264,490,746)
Reclassification (Notes 6, 9 and 15)	(405,839,771)	(2,571,952,120)	(3,889,469,481)	–	–	(6,867,261,372)
Balance at end of year	–	11,953,070,219	–	1,946,930,753	158,204,744	14,058,205,716
Accumulated Depreciation						
Balance at beginning of year	–	2,042,662,904	–	3,551,963	21,083,279	2,067,298,146
Depreciation (Note 20)	–	320,245,345	–	39,033,505	28,780,830	388,059,680
Derecognition (Note 19)	–	–	–	(3,396,956)	–	(3,396,956)
Reclassification (Notes 6, 9 and 15)		(23,560,026)	–	–	–	(23,560,026)
Balance at end of year	–	2,339,348,223	–	39,188,512	49,864,109	2,428,400,844
Net Book Value	₱–	₱9,613,721,996	₱–	₱1,907,742,241	₱108,340,635	₱11,629,804,872

	2019					
	Land	Buildings and Improvement	Construction in-progress	Right-of-use assets (Note 19)	Others	Total
Cost						
Balance at beginning of year	₱1,008,455,595	₱8,220,160,993	₱6,372,625,760	₱62,159,358	₱77,121,536	₱15,740,523,242
Additions	57,514,728	145,813,380	2,232,072,890	–	48,147,155	2,483,548,153
Reclassification	–	6,008,140,564	(6,008,140,564)	–	–	–
Balance at end of year	1,065,970,323	14,374,114,937	2,596,558,086	62,159,358	125,268,691	18,224,071,395
Accumulated Depreciation						
Balance at beginning of year	–	1,692,919,097	–	–	–	1,692,919,097
Effect of adoption of PFRS 16	–	36,958,664	–	–	–	36,958,664
Balance at beginning of year as restated	–	1,729,877,761	–	–	–	1,729,877,761
Depreciation (Note 20)	–	312,785,143	–	3,551,963	21,083,279.	337,420,385
Balance at end of year	–	2,042,662,904	–	3,551,963	21,083,279	2,067,298,146
Net Book Value	₱1,065,970,323	₱12,331,452,033	₱2,596,558,086	₱58,607,395	₱104,185,412	₱16,156,773,249

Others include prepaid commission costs directly attributable in obtaining the operating leases related to the Company's office buildings. On January 1, 2019, upon the adoption of PFRS 16, the prepaid commission amounting to ₱77.1 million was reclassified to investment properties from other noncurrent assets.

Investment properties pertain to the Company's land and buildings that are currently leased to third parties. Borrowing costs capitalized to investment properties amounted to ₱177.5 million and ₱180.3 million in 2020 and 2019, respectively (see Notes 12 and 13). The capitalization rates used range from 4.0% to 5.6% and 4.0% to 5.5% in 2020 and 2019, respectively.

On October 7, 2020, the Company sold a portion of its South Road Properties with a carrying value of ₱672.8 million for a consideration of ₱737.8 million. The gain on sale amounting ₱65.0 million is presented as gain on sale of investment property under "Other income (charges)" in the parent company statement of comprehensive income.

As of December 31, 2020, the estimated fair value of the Parent Company's investment properties amounted to ₱37,284.3 million. The fair value of the investment properties are computed based on the income approach using discounted cash flow method. Using income approach, all expected cash flows from the use of the assets were projected and discounted using the appropriate discount rate reflective of the market expectations. The valuation of investment property is categorized as Level 3 in the fair value hierarchy since valuation is based on unobservable inputs. The significant unobservable inputs used in the valuation pertains to lease income growth rate and discount rate.

The fair value used by the Parent Company is based on a valuation performed in 2020 by an accredited third-party appraisal who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment properties being valued.

Rental income from investment properties amounted to ₱2,617.9 million and ₱2,621.4 million in 2020 and 2019, respectively. Tenants' dues from investment properties, which are inclusive of CUSA, aircon and other charges amounted to ₱1,245.6 million and ₱1,290.7 million in 2020 and 2019, respectively (see Note 20).

Operating expenses incurred for maintaining and operating these investment properties amounted to ₱1,018.8 million and ₱1,268.8 million in 2020 and 2019, respectively (see Note 20). In 2020 and 2019, capitalized amortization of right-of-use assets amounted to nil and ₱3.6 million, respectively.

Contractual obligations to acquire intangible assets amounted to ₱1,377.2 million and ₱2,041.0 million as of December 31, 2020 and 2019, respectively. As of December 31, 2020, investment properties are not used as collateral and is not subject to any existing liens and encumbrances.

Noncurrent Assets Held for Distribution
On December 4, 2020, the Parent Company declared as property dividends investment properties with net carrying value amounting to ₱6,611.9 million (see Note 15). As of December 31, 2020, these properties, including net additions to construction in progress in December 2020 amounting to ₱231.8 million, are presented as Noncurrent assets held for distribution in the parent company statement of financial position. These investment properties will be derecognized in the parent company financial statements once the SEC approves the distribution of the dividends and the Parent Company is compensated for the additions in December 2021.

9. Property and Equipment

The rollforward analysis of this account follows:

	2020		
	Land Improvements	Furniture and Fixtures	Total
Cost			
Balance at beginning of year	**₱38,703,160**	**₱80,175,614**	**₱118,878,774**
Additions	**201,211**	**16,559,423**	**16,760,634**
Reclassification (Notes 6 and 8)	**12,002**	**(4,814,695)**	**(4,802,693)**
Balance at end of year	**38,916,373**	**91,920,342**	**130,836,715**
Accumulated Depreciation			
Balance at beginning of year	**18,975,099**	**44,953,352**	**63,928,451**
Depreciation (Note 20)	**350,473**	**15,598,150**	**15,948,623**
Reclassification (Notes 6 and 8)	–	**(17,435,241)**	**(17,435,241)**
Balance at end of year	**19,325,572**	**43,116,261**	**62,441,833**
Net Book Value	**₱19,590,801**	**₱48,804,081**	**₱68,394,882**

	2019		
	Land Improvements	Furniture and Fixtures	Total
Cost			
Balance at beginning of year	₱38,703,160	₱40,967,955	₱79,671,115
Additions	–	39,207,659	39,207,659
Balance at end of year	38,703,160	80,175,614	118,878,774
Accumulated Depreciation			
Balance at beginning of year	18,072,961	21,962,886	40,035,847
Depreciation (Note 20)	902,138	22,990,466	23,892,604
Balance at end of year	18,975,099	44,953,352	63,928,451
Net Book Value	₱19,728,061	₱35,222,262	₱54,950,323

As of December 31, 2020, property and equipment is not used as collateral and is not subject to any and encumbrances.

10. Other Assets

Other current assets consist of:

	2020	2019 (As restated)
Input VAT - net	**₱986,282,331**	₱1,014,334,638
Creditable withholding tax	**94,649,221**	–
Prepayments	**68,233,324**	20,948,196
Others	**33,658,745**	2,127,302
	1,182,823,621	1,037,410,136
Less noncurrent portion of input VAT	**11,491,515**	44,134,336
	1,171,332,106	993,275,800
Less allowance for probable losses	–	12,190,527
	₱1,171,332,106	₱981,085,273

Input Value Added Tax (VAT) represents the taxes imposed to the Company by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulation. This will be used against future output VAT liabilities or will be claimed as tax credits. Management has estimated that all input VAT are recoverable at its full amount.

In 2020, the Company restated its previously reported parent company financial statements to reflect the change in the parent company statements of financial position resulting from the reclassification of noncurrent portion of input VAT from Other current assets to Other noncurrent assets amounting to ₱44.1 million and ₱681.7 million as of December 31, 2019 and 2018, respectively. As a result, the Company presented a third parent company statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements required.

The accounts were reclassified to conform with the 2020 financial statement presentation. The reclassifications have no impact to total assets, total liabilities and total equity of the Company and to the parent company statements of comprehensive income for years ended December 31, 2019 and 2018. The reclassifications did not also have significant impact to the parent company statements of cash flows.

Creditable withholding tax are attributable to taxes withheld by third parties arising from income which are fully realizable and will be applied against future taxes payable. The amounts represent the residual after application as credit against income tax payable.

Prepayments consist of prepaid expenses for financial charges, taxes and licenses, insurance and association dues.

Others include office and maintenance supplies. As of December 31, 2019, the allowance for probable losses pertains to the portion of outstanding input VAT that is not expected to be utilized in the future (nil as of December 31, 2020).

Other noncurrent assets consist of:

	2020	2019 (As restated)
Prepaid DCS connection charges (Note 16)	**₱336,023,216**	₱285,577,306
Deposits	**40,903,155**	46,752,894
Input VAT - noncurrent portion	**11,491,515**	44,134,336
Others	**–**	12,942,076
	₱388,417,886	₱389,406,612

Prepaid DCS connection charge is amortized using straight line method based on the contract period of connection. Amortization of connection fee is presented as "Others" in the parent company statement of comprehensive income.

The rollforward analysis of Prepaid DCS connection charge follows:

	2020	2019
Cost		
Balance at beginning of year	**₱316,250,070**	₱316,250,070
Additions (Note 16)	**66,610,664**	–
Balance at end of year	**382,860,734**	316,250,070
Accumulated Amortization		
Balance at beginning of year	**30,672,764**	15,704,114
Amortization (Note 20)	**16,164,754**	14,968,650
Balance at end of year	**46,837,518**	30,672,764
Net Book Value	**₱336,023,216**	₱285,577,306

Deposits pertain to electric meter deposits and security deposits.

11. Accounts Payable and Accrued Expenses

This account consists of:

	2020	2019
Advances from tenants	**₱566,558,897**	₱620,797,006
Accrued expenses (Note 16)	**262,209,073**	240,344,795
Due to related parties (Note 16)	**181,541,991**	301,556,049
Retention payable - current portion (Note 14)	**177,214,409**	357,009,806
Payable to contractors (Note 7)	**123,491,053**	91,490,291
Payable to suppliers	**121,453,381**	123,357,126
Accrued interest payable (Notes 12 and 13)	**113,036,580**	109,323,017
Withholding taxes payable	**38,206,363**	29,226,485
	₱1,583,711,747	₱1,873,104,575

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 Company from contractors' progress billings which are returned upon completion of their services or expiry of the contractors' warranty period.

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

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

Accrued interest payable pertains to accrual of interest of bonds and loans outstanding as at year end.

Payable to contractors arises from progress billings received from contractors for the construction costs incurred by the Company.

Withholding taxes payable consists of withholding taxes on compensation and expanded withholding taxes. These are normally settled within one (1) month.

12. Loans Payable

This account consists of:

	2020	2019
Developmental loans from local banks (Note 15)	₱2,344,166,667	₱4,218,371,212
Less current portion of loans payable	744,166,667	1,355,454,545
Noncurrent portion of loans payable	₱1,600,000,000	₱2,862,916,667

Developmental Bank Loans

These loans are obtained to finance the construction of buildings for rental. Developmental loans from local banks will mature on various dates up to 2024. These peso-denominated loans bear floating interest rates equal to 91-day PDST-F rate plus a spread of 1% per annum, prevailing market rate, or fixed interest rates of 4.00% to 5.22% per annum. Loans availed by the Company in 2020 and 2019 amounted to ₱1,000.0 million and ₱2,100.0 million, respectively. Principal payments made in 2020 and 2019 amounted to ₱984.6 million and ₱1.3 billion, respectively (see Note 25).

Interest expense which was capitalized relating to loans payable amounted to ₱133.4 million and ₱72.6 million in 2020 and 2019, respectively (see Notes 6 and 8). The capitalization rates used for both years ranges from 4.0% to 5.2%.

Total interest expense charged to the parent company statements of comprehensive income amounted to ₱81.6 million and ₱105.5 million in 2020 and 2019, respectively.

On December 9, 2020, the Parent Company and FLI entered into an agreement for the assignment of the Company's developmental loans outstanding as of November 30, 2020 amounting to ₱4,233.8 million. On December 9, 2020, the Company notified the banks in writing of the assignment of loans.

As of December 31, 2020, the Company received the letters of consent from certain banks authorizing the assignment of the loans to FLI. Consequently, the related loans payable amounting to ₱1,518.7 million was derecognized in the parent company financial statements. In December 2020, FLI also paid total principal installment due amounting to ₱370.8 million on behalf of the Company. The principal installment paid by FLI and the derecognized loans were recognized as deposit for future stock subscription as of December 31, 2020 (see Note 15).

The letters of consent from other banks for the loans payable outstanding as of December 31, 2020 were received, and the related developmental loans were derecognized subsequent to December 31, 2020 (see Note 27).

The Company's loans payable is 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 December 31, 2020, and 2019, the Company is not in breach of these covenants and has not been cited in default on any of its outstanding obligation.

13. Bonds Payable

On July 7, 2017, the Company issued fixed rate bonds with aggregate principal amount of ₱6,000.0 million 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. As of December 31, 2020 and 2019, the outstanding balance of bonds payable amounted to ₱5,974.2 million and ₱5,961.6 million, respectively.

The bonds are redeemable at 100% of face value on maturity date, which is January 7, 2023, unless the Company exercises its early redemption option. Interest expense which was capitalized relating to bonds payable amounted to ₱108.8 million and ₱212.1 million in 2020 and 2019, respectively (see Notes 8 and 9).

Total interest expense charged to the parent company statements of comprehensive income amounted to ₱199.2 million and ₱95.2 million in 2020 and 2019, respectively.

Unamortized debt issuance cost on bonds payable amounted ₱25.8 million and ₱38.4 million as of December 31, 2020 and 2019, respectively. Amortization of transaction costs included under "Interest and other financing charges" in the parent company statement of comprehensive income amounted to ₱12.7 million for both years.

The bonds require the Company to maintain a maximum debt-to-equity ratio of 2.33x and minimum debt service coverage ratio of 1.1x. As of December 31, 2020, and 2019, the Company is not in breach of these covenants and has not been cited in default on any of its outstanding obligation.

14. Other Liabilities

Security and other deposits
Security and other deposits are applied to any outstanding obligations of the tenants at the end of the lease term or upon pre-termination.

The current and noncurrent portion of security and other deposits as of December 31, 2020 and 2019 follows:

	2020	2019
Current portion	**₱116,414,891**	₱245,751,976
Noncurrent portion	**732,659,169**	707,472,003
	₱849,074,060	₱953,223,979

Other noncurrent liabilities
This account consists of:

	2020	2019
Retention payable - net of current portion	**₱296,558,325**	₱199,053,856
Retirement liabilities (Note 17)	**3,827,357**	1,832,889
	₱300,385,682	₱200,886,745

15. **Equity**

Capital Stock, Additional Paid-in Capital and Deposit for Future Stock Subscription
Details of the Company's capital stock as of December 31, 2020 and 2019 follow:

Common stock - ₱1 par value	
Authorized - 2,000,000,000 shares	₱2,000,000,000
Issued and outstanding - 1,163,426,668 shares	1,163,426,668
Additional paid-in capital	102,900,666

On December 4, 2020, the BOD approved the increase in the Company's authorized capital stock to ₱14,985.0 million divided into 10,800.0 million common shares with a par value of ₱1.00 per share and 4,185.0 million preferred shares with a par value of ₱1.00. The Company filed the application for the increase in authorized capital stock with the SEC on December 22, 2020.

On December 15, 2020, FLI subscribed to 2,700.0 million common shares and 1,046.3 million preferred shares out of the Company's proposed increase in authorized capital stock. The consideration for the subscription amounting to ₱3,746.3 million shall be taken from the loans payable assigned to FLI (see Note 12).

As of December 31, 2020, deposit for future stock subscription amounted to ₱1,889.6 million, inclusive of the assigned loans payable amounting to ₱1,518.8 million and principal installments paid by FLI in December 2020 amounting to ₱370.8 million (see Note 12).

On March 5, 2021, the BOD and the stockholders approved the reduction of the par value of the common shares of the Company, from ₱1.00 per share to ₱0.50, resulting in a stock split whereby every existing one (1) common share with par value of P1.00 each will become two (2) common shares with par value of ₱0.50 each. They further approved an amendment to the increase in authorized capital stock, from ₱2.0 billion divided into 2 billion common shares with a par value of ₱1.00 per share to ₱7,131,849,000 divided into 14,263,698,000 common shares with a par value of ₱0.50 per share (see Notes 22 and 27).

Retained Earnings
Appropriation
On December 4, 2020, the BOD approved the release its previous appropriation from its retained earnings amounting to ₱6,300.0 million. This pertains to previous appropriations made to fund projects already completed or transferred, thus will not require any appropriations anymore.

On December 20, 2019, the BOD approved the additional appropriation of retained earnings amounting to ₱1,300.0 million for capital expenditure requirement for the development of the following projects: Filinvest Axis Tower 3, and Filinvest Axis Tower 4 to be completed by 2020.

On December 19, 2018, the BOD approved the additional appropriation of retained earnings amounting to ₱1,500.0 million for capital expenditure requirement for the development of the following projects: Filinvest Axis Tower 3, and Filinvest Axis Tower 4 to be completed by 2020.

On December 20, 2017, the BOD approved the additional appropriation of retained earnings amounting to ₱1,000.0 million for capital expenditure requirements for the development of a project targeted to be completed by 2020.

On December 21, 2016, the BOD approved the appropriation of retained earnings amounting to ₱2,500.0 million for capital expenditure requirements for the development of a project targeted to be completed by 2020.

Declaration of Dividend
On December 4, 2020, the Company's BOD approved the declaration of property dividends with carrying value amounting to ₱6,611.9 million (see Note 8). The distribution of these properties shall be made upon approval by the SEC. In 2019 and 2018, the Company declared cash dividends amounting to ₱348.3 million and ₱312.5 million, respectively. Dividends are declared out of the Company's unappropriated retained earnings.

After reconciling items, the Company's retained earnings available for dividend declaration as of December 31, 2020 and 2019 amounted to ₱1,680.9 million and ₱321.9 million, respectively.

The following table shows how the Company computes for its dividend per share:

	2020	2019
a. Dividends	**₱6,611,906,765**	₱348,339,734
b. Number of outstanding common shares	**1,163,426,668**	1,163,426,668
Dividends per share (a/b)	**₱5.68**	₱0.30

Capital Management
The Company's primary objective is to maintain its current sound financial condition and strong debt service capabilities, as well as to continuously implement a prudent financial management program.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. It closely monitors its capital and cash positions and carefully manages its capital expenditures. Furthermore, the Company may also, from time to time, seek other sources of funding, which may include debt or equity issues, depending on its financing needs and market conditions. The Company continues to fund its project developments using medium to long-term financing, which can help mitigate any negative effects of a sudden downturn in the Philippine economy or a sudden rise in interest rates.

The Company monitors capital using a debt-to-equity ratio, which is total long-term debt divided by total stockholders' equity. The Company includes within debt, interest-bearing loans and external borrowings whether in the form of long-term notes, bonds, and lease liabilities. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2020 and 2019.

The following table shows how the Company computes for its debt-to-equity ratio:

	2020	2019
Loans payable (Note 12)	**₱2,344,166,667**	₱4,218,371,212
Bonds payable (Note 13)	**5,974,168,846**	5,961,553,269
Lease liabilities (Note 19)	**2,190,115,165**	283,428,528
	10,508,450,678	10,463,353,009
Equity	**5,106,064,860**	7,968,601,593
Debt-to-equity ratio	**2.06:1**	1.31:1

16. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence (referred herein as affiliates). Related parties may be individuals or corporate entities.

All material Related Party Transactions ("RPT") with a transaction value that reaches ten percent (10%) of the Company's total parent company assets shall be subject to the review by the RPT Committee.

Transactions that were entered into with an unrelated party that subsequently becomes a related party shall be excluded from the limits and approval of the Policy on Related Party Transactions ("Policy"). However, any renewal, change in the terms and conditions or increase in exposure level, related to these transactions after a non-related party becomes a related party, shall subject it to the provisions of the Policy.

In the event wherein there are changes in the RPT classification from non-material to material, the material RPT shall be subject to the provisions of the Policy.

Outstanding balances at year-end are unsecured, interest free and require settlement in cash, unless otherwise stated. As of December 31, 2020, and 2019, the Company has not made any provision for impairment loss relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

A summary of the Company's related party transactions in 2020 and 2019 are shown in the following table:

	2020				
	Amount/ Volume	**Outstanding balance**	**Terms**	**Conditions**	**Note**
Bank under common control					
Cash and cash equivalents	₱738,640,515	₱738,640,515	0.1010% to 3.75%	No impairment	16 (a)
Interest income	3,908,966	–			
	₱742,549,481	₱738,640,515			
Trade receivables (Note 5)					
Parent Company					
Rental revenue	₱24,965,196	₱306,370	Noninterest-bearing; due and demandable	Unsecured	16 (b)
Affiliate					
Rental revenue	88,007,272	146,729	Noninterest-bearing; collectible every 20th day of the month	Unsecured	16 (b)
Service fee income (Note 20)	8,990,356	–	Noninterest-bearing	Unsecured	16 (b)
Commission income (Note 20)	23,166,200	–	Noninterest-bearing	Unsecured	16 (d)
	₱145,129,024	₱453,099			
Other Noncurrent Asset					
Affiliate					
DCS connection charge (Note 10)	₱15,266,782	₱352,187,969		No impairment	16 (f)
Connection fees (Note 20)	–	(16,164,753)			
	₱15,266,782	₱336,023,216			

	2020				
	Amount/ Volume	Outstanding balance	Terms	Conditions	Note
Accounts payable and accrued expenses (Note 11)					
Parent Company					
Rental expense	(₱304,190,850)	₱–	Noninterest-bearing; payable on demand	Unsecured	16 (c)
Affiliate					
Advances	(350,000,000)	–	Interest-bearing at 6.0%, payable on demand	Unsecured	
Accrued interest	(9,966,667)	–	Noninterest-bearing	Unsecured	16 (e)
Service and energy fees (Note 20)	(290,551,981)	(46,327,665)	Noninterest-bearing; payable on demand	Unsecured	16 (f)
Rental expense	(4,467,493)	–	Noninterest-bearing	Unsecured	16 (c)
Affiliate			Noninterest-bearing; payable on demand	Unsecured	
Service fee	(35,361,288)	(13,950,037)			16 (d)
Management fee and manpower cost	–	–	Noninterest-bearing; payable on demand	Unsecured	
	(₱994,538,279)	(₱60,277,702)			
Lease liabilities					
Parent Company					
Lease liabilities (Note 19)	(₱2,149,262,141)	(₱2,190,115,165)	Noninterest-bearing; payable	Unsecured	16 (c)
Other Noncurrent Liability					
Parent Company					
Security deposit	(₱7,278,060)	(₱7,278,060)	Noninterest-bearing; payable	Unsecured	16 (b)
Affiliate					
Security deposits	(12,018,424)	(14,133,746)	Noninterest-bearing; payable	Unsecured	16 (b)
	(₱19,296,484)	(₱21,411,806)			

	2019				
	Amount/ Volume	Outstanding balance	Terms	Conditions	Note
Bank under common control					
Cash and cash equivalents	₱375,902,879	₱375,902,879	0.13% to 4.50%	No impairment	16 (a)
Interest income	8,435,364	–			
	₱384,338,243	₱375,902,879			
Trade receivables (Note 5)					
Parent Company					
Rental revenue	₱25,195,857	₱6,927,742	Noninterest-bearing; due and demandable	Unsecured	16 (b)
Affiliate			Noninterest-bearing; collectible every 20th day of the month		
Rental revenue	₱80,534,865	₱21,962,726	Noninterest-bearing	Unsecured	16 (b)
Service fee income (Note 20)	8,742,636	–	Noninterest-bearing	Unsecured	16 (b)
Commission income (Note 20)	6,440,293	–	Noninterest-bearing	Unsecured	16 (d)
	₱120,913,651	₱28,890,468			
Other Noncurrent Asset					
Affiliate					
DCS connection charge (Note 10)	₱14,614,829	₱300,545,956		No impairment	16 (f)
Connection fees (Note 20)	–	(14,968,650)			
	₱14,614,829	₱285,577,306			
Accounts payable and accrued expenses (Note 11)					
Parent Company					
Rental expense	(₱289,545,398)	(₱25,072,037)	Noninterest-bearing; payable on demand	Unsecured	16 (c)

(Forward)

	2019				
	Amount/ Volume	Outstanding balance	Terms	Conditions	Note
Affiliate					
Advances	(₱300,000,000)	(₱300,000,000)	Interest-bearing at 6.0%, payable on demand	Unsecured	
Accrued interest	(5,978,000)	(1,556,049)	Noninterest-bearing	Unsecured	16 (e)
Service and energy fees (Note 20)	(308,630,133)	(20,846,167)	Noninterest-bearing; payable on demand	Unsecured	16 (f)
Rental expense	(3,111,931)	–	Noninterest-bearing	Unsecured	16 (c)
Affiliate					
Service fee	(9,218,381)	–	Noninterest-bearing; payable on demand	Unsecured	16 (d)
Management fee and manpower cost	(11,569,770)	–	Noninterest-bearing; payable on demand	Unsecured	
	(₱928,053,613)	(₱347,474,253)			
Other Noncurrent Liability					
Parent Company					
Security deposit	₱6,935,068	₱–	Noninterest-bearing; payable	Unsecured	16 (b)
Affiliate					
Security deposits	22,060,351	2,115,322	Noninterest-bearing; payable	Unsecured	16 (b)
	₱28,995,419	₱2,115,322			

Significant related party transactions are as follows.

a) The Company maintains savings accounts and short-term deposits with East West Banking Corporation (EW), an affiliated bank. Cash and cash equivalents earn interest at the prevailing short-term investment rates.

b) *Lease agreements with related parties - Company as lessor*
   - The Company, as a lessor, entered into a space rental agreement with FLI, for the office space in one of the Company's buildings. Lease period is from October 16, 2016 to December 5, 2031, renewable for another 5 or 10 years.

   - The Company, as a lessor, entered into a space rental agreement with Filinvest Alabang, Inc. (FAI), an entity under common control, for the office space in one of the Company's buildings. Lease period is from September 2, 2019 to March 31, 2031 renewable for another 5 years.

   - The Company, as a lessor, entered into a space rental agreement with Pro-Excel, an affiliate, for the office space in one of the Company's buildings. Lease period is from July 15, 2020 to July 14, 2025.

   - The Company, as a lessor, entered into a space rental agreement with Dreambuilders Pro, Inc. (DPI), a fellow subsidiary under FLI, for the office space in one of the Company's buildings. Lease period is from August 10, 2017 to October 9, 2022.

   - The Company, as a lessor, entered into a space rental agreement with Chroma Hospitality, Inc., a fellow subsidiary under FLI, for the office space in one of the Company's buildings. Lease period is from June 2, 2017 to June 1, 2027.

The Company, as a lessor, entered into a lease agreement with Festival Supermall, Inc. (FSI), a fellow subsidiary under FLI, for the office space in one of the Company's buildings. Lease period is from June 2, 2017 to June 1, 2027.

c) *Lease agreements with related parties - Company as lessee*
   - The Parent Company, as a lessee, has existing land lease agreement with FLI on the location of the Company's buildings in Northgate both operational and still under construction. Rental expense is based on certain percentages of the Group's gross rental income.

     In 2020, the Company's lease agreement was amended as follows (see Note 19):
     - the Company shall pay either a minimum guaranteed rent or a percentage share from Gross Lease, whichever is higher, effective July 1, 2020; and,
     - the lease terms were extended for an additional term of 25 years.

   - In addition, the Company, as a lessee, entered into a land lease agreement with FAI on the location of the parking currently leased out to third parties. Rental is based on a certain percentage of income earned from the parking space.

d) *Service agreements with related parties*
   - The Company entered into a service agreement with FAI whereby the Company shall pay service fees for general management services rendered by the latter for the operations of the Company. FAI is also the provider of water services within the Filinvest City where majority of the buildings of the Company are located.

   - The Company entered into a service agreement with Filinvest Cyberparks, Inc. (FCI), Filinvest Asia Corp. (FAC), and Pro-Excel, entities under common control, whereby the Company shall lease out a portion of its office space and perform accounting and administrative services to the latter for a fee.

   - The Company entered into a service agreement with FDC Retail Electricity Sales, Corporation (FDC RES), an entity under common control, whereby the Company shall engage and pay the services rendered by the latter to provide the electricity requirements of its facilities.

   - The Company entered into a service agreement with its affiliate, Parking Pro, Inc., to operate and maintain the Company's parking facilities.

   - The Company entered into a service agreement with ProOffice, a subsidiary, whereby the Company shall engage and pay the services rendered by the latter to operate and manage the common areas of the properties owned by the Company.

e) On February 27, 2019, the Company availed advances from FCI amounting ₱300.0 million. The Parent Company availed additional advances amounting to ₱50.0 million on April 1, 2020. These advances were all paid in 2020. Related interest amounting ₱6.0 million was incurred by the Company.

f) *BOT Agreement*
In accordance with the terms of Build Operate and Transfer (BOT) agreement between the Company and Philippine DCS Development Corporation (PDDC), the Company paid prepaid DCS connection charges to PDDC amounting to ₱248.9 million, to be consumed by existing and future buildings within Northgate Cyberzone in Muntinlupa City over the service period of 20 years.

Amortized portion of DCS connection charge pertaining to existing buildings amounted to ₱15.0 million and ₱12.6 million in 2020 and 2019, respectively. These amounts were recognized as part of reimbursable expense to tenants (Note 20). Connection and service charges incurred for these buildings in 2020 and 2019 aggregated to ₱323.6 million and ₱289.0 million, respectively (see Note 20).

There have been no guarantees provided or received for any related party receivables or payables. The Company has not recognized any impairment losses on amounts of receivables from related parties for the years ended December 31, 2020 and 2019. This assessment is undertaken each financial year through a receiver of financial position of the related part and the market in which the related party operates.

Key Management Personnel
In 2020, compensation of key management personnel pertains to short-term employee benefit amounting ₱9.7 million. In 2019, key management personnel of the Company are employees of FAI. The compensation of the said employees is paid by FAI and as such, the necessary disclosure required under PAS 24, Related Party Disclosures, are included in FAI's financial statements.

17. Retirement Cost

The Company has a noncontributory, funded defined benefit pension plan covering substantially all of its officers and regular employees. Under the Plan, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. The retirement plan provides retirement benefits (equivalent to 70% to 125% of the final monthly salary for every year of service) after satisfying certain age and service requirements. The Company accrues retirement costs (included in "Retirement liability" in the parent company statements of financial position) based on an actuarially determined amount using the PUC method.

Under the existing regulatory framework, Republic Act No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The Company updates the actuarial valuation by hiring the services of a third party professionally qualified actuary.

The following tables summarize the components of "Pension expense" recognized in the parent company statements of comprehensive income and "Retirement liability" recognized in the parent company statements of financial position for the existing retirement plan.

Component of pension expense recognized in profit or loss follow:

	2020	2019
Net pension expense:		
Service cost	₱457,912	₱301,676
Net interest expense	29,285	112,109
Total pension expense	₱487,197	₱413,785

The funded status and amounts recognized in the parent company statements of financial position for the pension plan as of December 31 follow:

	2020	2019
Present value of defined benefit obligation	₱5,141,352	₱1,832,889
Fair value of plan assets	(1,313,995)	–
Net pension liabilities	₱3,827,357	₱1,832,889

The remeasurements recognized in OCI for the year ended December 31 follow:

	2020	2019
Actuarial loss (gain) due to:		
Experience adjustments	₱371,141	₱–
Changes in financial assumptions	2,338,016	–
Adjustment	(1,871,285)	–
Remeasurement loss on plan assets	217,218	–
Balance at end of the period	₱1,055,090	₱–

Changes in the present value of the defined benefit obligation follow:

	2020	2019
Balance at beginning of year	₱1,832,889	₱1,419,104
Current service cost	457,912	301,676
Interest expense	141,394	112,109
Amount to be recognized in OCI	2,709,157	–
Balance at end of year*	₱5,141,352	₱1,832,889

Changes in the fair value of plan assets follow:

	2020	2019
Balance at beginning of year	₱–	₱–
Contribution	1,419,104	–
Interest income	112,109	–
Remeasurement losses on plan assets	(217,218)	–
Balance at end of year	₱1,313,995	₱–

As of December 31, 2020, the plan asset amounting ₱1.3 million pertains to cash (nil in 2019).

The Company has no expected contribution to its defined benefit pension plan in 2021. The Company reviews the level of funding required for the retirement plan. The Company's objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Company monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the benefit obligations.

Maturity analysis of the undiscounted benefit payments follows:

Financial Year	**2020**	2019
Year 1	**₱4,429**	₱2,071
Year 2	**5,408**	2,623
Year 3	**6,639**	3,272
Year 4	**8,258**	4,066
Year 5	**10,241**	5,019
Year 6 to 50	**102,562,979**	82,078,676

The principal assumptions used in determining pension benefits are as follow:

	2020	2019
Discount rates	**4.1%**	7.9%
Salary increase rates	**8.0%**	8.0%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation (per 100 basis points) as of December 31, assuming all other assumptions were held constant:

	Increase (Decrease)		Impact on DBO Increase (Decrease)	
	2020	2019	**2020**	2019
Discount rates	**(18%)**	(19%)	**(₱4,193,468)**	(₱1,146,344)
	24%	24%	**6,349,599**	1,765,333
Salary rates	**22%**	24%	**6,296,529**	1,761,404
	(17%)	(19%)	**(4,253,434)**	(1,144,311)

Management believes that pension obligation will not be sensitive to the salary rate increases because it is expected to be at the same level of the remaining life of the obligation.

18. Income Tax

On June 6, 2000, the Company was registered with the Philippine Economic Zone Authority (PEZA) pursuant to the provisions of Republic Act 7916 as an Economic Zone (ECOZONE) Facilities Enterprise. As a registered enterprise, the Company is entitled to certain tax benefits and non-tax incentives such as exemption from payment of national and local taxes and in lieu thereof a special tax rate of five percent (5%) of gross income. The Parent Company is also entitled to zero percent (0%) value added tax for sales made to ECOZONE enterprises.

The breakdown of provision for income tax shown in the parent company statements of comprehensive income follows:

	2020	2019
At 5% statutory income tax rate	**₱70,860,967**	₱55,369,000
Net result from non-PEZA activities:		
Current	**160,289,059**	134,211,926
Deferred	**(114,258,532)**	119,807,959
	₱116,891,494	₱309,388,885

The components of the Company's net deferred tax assets (liability) follows:

	2020	2019
Presented in profit or loss		
Deferred tax assets		
Lease liabilities	**₱200,002,363**	₱85,028,558
Advance rentals	**66,779,445**	98,893,880
Provision for future major repairs	**1,812,946**	1,812,946
Accrual of pension obligation	**514,052**	514,052
Provision for doubtful accounts	**85,577**	85,577
Unrealized foreign currency exchange loss	**13,067**	12,133
	269,207,450	186,347,146
Deferred tax liability		
Capitalized borrowing costs	**(258,925,373)**	(363,894,908)
Adjustment related to straight-line recognition of rental revenue	**(119,797,641)**	(157,068,352)
Right-of-use assets	**(160,802,325)**	(49,960,307)
	(539,525,339)	(570,923,567)
	(270,317,889)	(384,576,421)
Presented in OCI		
Deferred tax asset (liability) on net actuarial gains on pension liability	**378,000**	(74,181)
	(₱269,939,889)	(₱384,650,602)

The reconciliation of provision for income tax at the statutory tax rate to provision for income tax shown in the parent company statements of comprehensive income follows:

	2020	2019
Tax at statutory rate	**₱593,319,985**	₱583,135,280
Adjustments for:		
Income tax at 5% preferential rate	**(283,413,371)**	(267,005,647)
Derecognition of deferred tax on temporary differences related to property dividend	**(187,356,783)**	–
Interest income subjected to final tax	**(5,658,337)**	(6,740,748)
	₱116,891,494	₱309,388,885

As of December 31, 2020, the proposed "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE" is being reviewed by the House of Representatives and the Senate. The said act aims to:

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

As of December 31, 2020, the Company is still evaluating the potential impact of the CREATE bill in its parent company financial statements.

19. Leases

Company as lessee

The Company has lease contracts for land as of January 1, 2019. The Company's obligations under its leases are secured by the lessor's title to the leased assets. The Company has entered into land lease arrangements with lease terms of between 25 and 40 years. There are several leases that include extension option to lease the assets for additional 25 years based on mutual agreement of the parties. The remaining lease term of the ROU assets range from 16 to 39 years.

On July 1, 2020, CPI and FLI amended their existing lease contract. The pertinent amendment provisions include the extension the term of the lease to another 25 years and to set a minimum fixed rental rate. This resulted to an addition to ROU assets and lease liabilities amounting ₱2,149.3 million at contract amendment date (see Note 8).

The Company's contract with Cebu Government pertaining to the BTO rights are presented under Intangible assets while the lease contracts with a third party and FLI are presented under Investment properties.

As at December 31, 2020 and 2019, the rollforward analysis of right-of-use assets on land follows:

	2020		
Cost	Investment Properties (Note 8)	Intangible Assets (Note 6)	Total
At January 1	₱62,159,358	₱112,423,917	₱174,583,275
Additions	2,149,262,141	–	2,149,262,141
Derecognition	(264,490,746)	–	(264,490,746)
As at December 31	1,946,930,753	112,423,917	2,059,354,670
Accumulated Depreciation			
At January 1	3,551,963	4,496,957	8,048,920
Depreciation	39,033,505	4,496,957	43,530,462
Derecognition	(3,396,956)	–	(3,396,956)
As at December 31	39,188,512	8,993,914	48,182,426
Net Book Value	₱1,907,742,241	₱103,430,003	₱2,011,172,244

Cost	2019 Investment Properties (Note 8)	Intangible Assets (Note 6)	Total
At January 1	₱–	₱–	₱–
Effect of adoption of PFRS 16	62,159,358	112,423,917	174,583,275
At January 1, as restated	62,159,358	112,423,917	174,583,275
Additions	–	–	–
As at December 31	62,159,358	112,423,917	174,583,275
Accumulated Depreciation			
At January 1	–	–	–
Depreciation	3,551,963	4,496,957	8,048,920
As at December 31	3,551,963	4,496,957	8,048,920
Net Book Value	₱58,607,395	₱107,926,960	₱166,534,355

The following are the amounts recognized in the parent company statement of comprehensive income for the year ended December 31:

	2020	2019
Depreciation expense of right-of-use assets (included in general and administrative expenses)	**₱43,530,462**	₱8,048,920
Interest expense on lease liabilities (included in interest and other finance charges)	**72,540,219**	23,186,843
	₱116,070,681	₱31,235,763

Interest expense which was capitalized during the year relating to lease liability amounted to ₱14.6 million and ₱6.1 million in 2020 and 2019, respectively. The capitalization rates used range from 4.7% to 5.19% and 5.12% in 2020 and 2019, respectively.

In relation with the property dividend declaration in 2020, the Company derecognized a portion of lease liability and right of use asset with a carrying value of ₱267.5 million and ₱261.7 million, respectively. The gain recognized from the derecognition amounted to ₱5.8 million.

As at December 31, the rollforward analysis of lease liabilities follows:

	2020	2019
At January 1	**₱283,428,528**	₱277,501,365
Additions	**2,149,262,141**	–
Interest expense	**72,540,219**	23,186,843
Payments	**(47,613,247)**	(17,259,680)
Derecognized	**(267,502,476)**	–
As at December 31	**2,190,115,165**	283,428,528
Less current portion	**92,617,060**	16,258,553
Lease liabilities - net of current portion	**₱2,097,498,105**	₱267,169,975

The Company also has certain lease of land with variable rental payments and lease of office space considered as "low-value assets". The Company applies the lease of 'low-value assets' recognition exemptions for these leases.

Variable lease payments presented as rental expense in the parent company statement of comprehensive income for the years ended December 31, 2020 and 2019 amounted to ₱298.0 million and ₱305.2 million, respectively.

Shown below is the maturity analysis of the undiscounted lease payments as of December 31:

Maturity	2020	2019
1 year	**₱92,617,061**	₱18,395,662
more than 1 years to 2 years	**97,457,093**	19,646,163
more than 2 years to 3 years	**102,553,769**	20,837,650
more than 3 years to 4 years	**107,920,946**	22,103,354
more than 5 years	**5,332,476,996**	612,602,448

Company as lessor
As lessor, future minimum rental receivables under renewable operating leases as of December 31, 2020 and 2019 follows:

	2020	2019
Within one year	**₱2,831,168,803**	₱3,110,851,654
After one year but not more than five years	**8,428,851,003**	12,170,411,487
After five years	**5,568,619,525**	9,149,293,267
	₱16,828,639,331	₱24,430,556,408

The Company entered into lease agreements with third parties covering real estate properties. These leases generally provide for either (a) fixed monthly rent (b) minimum rent or a certain percentage of gross revenue, whichever is higher. Most lease terms on commercial malls are renewable within one year, except for anchor tenants with lease ranging from 5 to 15 years.

Rental income recognized based on a percentage of the gross revenue of mall tenants included in "Rental revenue" account in the parent company statement of comprehensive income amounted to ₱340.0 million and ₱334.4 million in 2020 and 2019, respectively.

The Company is engaged in office leasing operations and entered into lease agreements with third parties and related parties (see Note 16). These leases generally provide for either (a) fixed monthly rent (b) minimum rent or a certain percentage of gross revenue, whichever is higher (see Note 14).

20. Other Income

Other income is composed of tenant reimbursements and other miscellaneous income from rental facilities. The account also includes commission income and service fee income recognized from service agreement from its affiliates.

	2020	2019
Tenant dues (Notes 6 and 8)	**₱1,364,484,480**	₱1,416,889,335
Expenses incurred (Notes 8 and 10):		
Utilities (Notes 10 and 16)	**(668,556,942)**	(866,099,376)
Services	**(194,606,783)**	(224,881,314)

(Forward)

	2020	2019
Repairs and maintenance	**(175,297,470)**	(181,581,591)
Depreciation (Notes 8 and 9)	**(₱45,039,285)**	(₱37,291,414)
Insurance	**(4,019,860)**	(11,199,434)
Others	**(57,711,364)**	(40,986,233)
	(1,145,231,704)	(1,362,039,362)
Net tenant dues	**219,252,776**	54,849,973
Service fee income (Note 16)	**8,990,356**	8,742,636
Commission income (Note 16)	**23,166,200**	6,440,293
Miscellaneous	**22,949,904**	17,023,008
	₱274,359,236	₱87,055,910

Miscellaneous income pertains to penalties and charges from tenants.

Others include chargeable real property taxes and other taxes, licenses and fees amounting to ₱57.4 million and ₱39.2 million in 2020 and 2019, respectively.

21. Interest Income

Interest income consists of:

	2020	2019
Interest income on:		
Cash and cash equivalents (Notes 4 and 16)	**₱3,908,966**	₱8,435,364
Advances to related parties (Note 16)	–	–
Others (Note 5)	–	2,032,800
	₱3,908,966	₱10,468,164

Others consist mainly of interest and penalties on late rental payment of tenants.

22. Earnings Per Share

	2020	2019 (As restated)
a. Net income	**₱1,860,841,789**	₱1,634,395,382
b. Number of outstanding common shares	**2,326,853,336**	2,326,853,336
Basic/Diluted EPS (a/b)	**₱0.80**	₱0.70

The Company assessed that there were no potential dilutive common shares in 2020 and 2019.

The weighted average outstanding common shares consider the effect of the stock split approved by the Company's BOD and stockholder on March 5, 2021 (see Note 15). The EPS for the year ended December 31, 2019 was likewise restated to consider this stock split.

23. Segment Reporting

The Company has determined that it is operating as one operating segment. Based on management's assessment, no part or component of the business of the Company meets the qualifications of an operating segment as defined by PFRS 8, *Operating Segments*.

The Company's leasing operations is its only income generating activity and such is the measure used by the chief operating decision maker (CODM) in allocating resources.

The Company does not report its results based on geographical segments. The Company has no significant customer which contributes 10% of more to the revenues of the Company.

24. Fair Value Measurement

The following table sets forth the fair value hierarchy of the Company's financial assets and liabilities measured at fair value and those for which fair values are required to be disclosed:

	2020	
	Carrying value	Fair Value Significant unobservable inputs (Level 3)
Liabilities for which fair values are disclosed		
Financial liabilities at amortized cost		
Loans payable	**₱2,344,166,667**	**₱2,243,880,721**
Bonds payable	**5,974,168,846**	**5,686,998,186**
Security and other deposits	**849,074,060**	**821,552,066**
Lease liabilities	**2,190,115,165**	**2,083,161,648**
	₱11,357,524,738	**₱10,835,592,621**

	2019	
	Carrying value	Fair Value Significant unobservable inputs (Level 3)
Liabilities for which fair values are disclosed		
Financial liabilities at amortized cost		
Loans payable	₱4,218,371,212	₱4,023,650,058
Bonds payable	5,961,553,269	5,674,989,023
Security and other deposits	953,223,979	922,326,056
Lease liabilities	283,428,528	332,630,027
	₱11,416,576,988	₱10,953,595,164

Due to the short-term nature of the transactions, the carrying values of cash and cash equivalents, receivables and current portion of accounts payable and accrued expenses approximate the fair market values.

The fair value of noncurrent deposits is estimated using the discounted cash flow methodology based on the discounted value of future cash flows using the applicable risk-free rates for similar types of asset. As of December 31, 2020 and 2019, the difference between the fair value and carrying value of deposits is not significant.

The methods and assumptions used by the Company in estimating the fair value of the financial instruments are:

- *Security and other deposits.* The discount rates used ranges from 2.4% to 4.3% as of December 31, 2020 and 2019. Fair value is computed based on the expected future cash outflows.
- *Loans payable, lease liabilities and bonds payable.* Liabilities with fixed interest and not subjected to quarterly repricing is based on the discounted value of future cash flows using the applicable interest rates for similar types of loans as of reporting date. The discount rates used range from 4.01% to 5.58% and 4.01% to 6.07% as of December 31, 2020 and 2019, respectively.

During the years ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

25. Financial Risk Management Objectives and Policies

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

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

a. *Interest rate risk*

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's loans payable and bonds payable.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's income before income tax.

	Increase (decrease) in basis points	Effect on income before income tax/capitalized borrowing costs
2020	+100	**(₱23.4 million)**
	-100	**23.4 million**
2019	+100	(₱42.2 million)
	-100	42.2 million

There is no impact on the Company's equity other than those already affecting the parent company 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 Company is exposed to credit risk from its operating activities, primarily for its trade receivables, and from its financing activities, including deposits with banks and financial institutions, and other financial instruments.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Company security deposits and advance rentals which helps reduce the Company's credit risk exposure in case of defaults by the tenants. For existing tenants, the Company has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables.

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

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based groupings of various customer segments with similar loss patterns (i.e., by market segment and collateral type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The credit risk exposure on the Company's lease receivables using a provision matrix results to ₱0.3 million expected credit loss. The expected credit loss rate has been set at zero rate because the historical collected within 20 days from the billing date. The loss given default is also set at zero since the security deposits and advance rentals are considered in the calculation of impairment as these can be used to offset unpaid receivables.

In most cases, recoveries are higher than the amount of receivable at default. As of December 31, 2020 and 2019, most of the Company's trade receivables are covered by security deposits and advances rentals. In 2020 and 2019, allowance for ECL amounted to ₱0.3 million.

With respect to credit risk arising from cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The table below shows the Company's credit quality as of December 31, 2020 and 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*	₱870,424,532	₱–	₱–	₱–	₱870,424,532
Receivables	685,656,893	–	144,487,561	285,258	830,429,712
Deposits	40,903,155	–	–	–	40,903,155
	₱1,596,984,580	₱–	₱144,487,561	₱285,258	₱1,741,757,399

**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	771,454,105	–	4,041,784	285,258	775,781,147
Deposits	46,752,894	–	–	–	46,752,894
	₱1,326,971,312	₱–	₱4,041,784	₱285,258	₱1,331,298,354

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

The Company's high-grade receivables and deposits pertain to receivables and deposits from related parties and third parties which, based on experience, are highly collectible or collectible on demand, and of which exposure to expected credit loss is not significant.

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

	Past Due but not Impaired					
	< 30 days	30-60 days	61-90 days	91-120 days	>120 days	Total
2020	**₱55,829,258**	**₱11,488,079**	**₱12,931,946**	**₱6,343,156**	**₱57,895,122**	**₱144,487,561**
2019	2,972,901	362,606	244,475	232,123	229,679	4,041,784

Liquidity risk

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

The Company has undiscounted payments of lease liabilities amounting to ₱47.6 million and ₱17.3 million for the years 2020 and 2019.

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

	2020							
	On demand	**< 30 days**	**30 - 60 days**	**61 - 90 days**	**> 90 days**	**Up to a year total**	**> 1 year but < 5 years**	**Total**
Cash and cash equivalents	₱602,644,513	₱267,873,019	₱–	₱–	₱–	₱870,517,532	₱–	₱870,517,532
Receivables	795,250,212	35,179,500	–	–	–	830,429,712	–	830,429,712
Deposits	–	–	–	–	–	–	40,903,155	40,903,155
	₱1,397,894,725	₱303,052,519	₱–	₱–	₱–	₱1,700,947,244	₱40,903,155	₱1,741,850,399

	2019							
	On demand	< 30 days	30 - 60 days	61 - 90 days	> 90 days	Up to a year total	> 1 year but < 5 years	Total
Cash and cash equivalents	₱370,212,025	₱138,645,288	₱–	₱–	₱–	₱508,857,313	₱–	₱508,857,313
Receivables	772,024,621	2,972,901	362,606	244,475	176,544	775,781,147	–	775,781,147
Deposits	–	–	–	–	–	–	46,752,894	46,752,894
	₱1,142,236,646	₱141,618,189	₱362,606	₱244,475	₱176,544	₱1,284,638,460	₱46,752,894	₱1,331,391,354

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

	2020									
	On demand	< 30 days	30 - 60 days	61 - 90 days	> 90 days	Up to a year total	> 1 – 3 years	> 3 – 5 Years	Over 5 years	Total
Loans payable	₱–	₱17,500	₱12,500	₱20,833	₱693,334	₱744,167	₱400,000	₱1,200,000	₱–	₱2,344,167
Bonds payable	–	–	–	–	–	–	–	6,000,000	–	6,000,000
Lease liabilities	–	6,842	12,326	17,819	55,630	92,617	232,749	401,374	1,463,375	2,190,115
Interest on long-term debt*	15,921	5,556	5,509	22,109	79,030	128,125	185,397	56,876	–	370,398
Accounts payable and accrued expenses	1,583,712	–	–	–	–	1,583,712	–	–	–	1,583,712
Security and other deposits	–	–	116,415	–	–	116,415	259,242	473,417	–	849,074
	₱1,599,633	₱29,898	₱146,750	₱60,761	₱827,994	₱2,665,036	₱1,077,388	₱8,131,667	₱1,463,375	₱13,337,466

*Includes future interest payable.

	2019									
	On demand	< 30 days	30 - 60 days	61 - 90 days	> 90 days	Up to a year total	> 1 - 3 Years	> 3 - 5 Years	Over 5 years	Total
Loans payable	₱–	₱260,871	₱37,500	₱38,333	₱1,018,751	₱1,355,455	₱1,179,583	₱1,683,333	₱–	₱4,218,371
Bonds payable	–	–	–	–	–	–	–	6,000,000	–	6,000,000
Lease liabilities	–	1,358	1,349	1,340	12,227	16,274	46,791	71,800	148,564	283,429
Interest on long-term debt*	18,190	–	–	–	160,851	179,041	205,248	101,124	–	485,413
Accounts payable and accrued expenses	1,873,105	–	–	–	–	1,873,105	–	–	–	1,873,105
Dividends payable	348,339	–	–	–	–	348,339	–	–	–	348,339
Security and other deposits	–	–	–	–	245,751	245,751	197,102	418,725	91,646	953,224
	₱2,239,634	₱262,229	₱38,849	₱39,673	₱1,437,580	₱4,017,965	₱1,628,724	₱8,274,982	₱240,210	₱14,161,881

*Includes future interest payable.

26. Notes to cash flows

Investing Activities

- The Company recognized right-of-use assets presented under investment properties and lease liabilities amounting to ₱2,149.3 million and ₱174.6 million in 2020 and 2019, respectively (see Notes 8 and 19).
- Outstanding liabilities pertaining to investment properties purchased on account are recorded in the parent company statements of financial position under "Accounts payable and accrued expenses" account, amounting ₱2.6 million and ₱91.5 million as of December 31, 2020 and 2019, respectively (see Note 11).
- Outstanding liabilities pertaining to intangible assets acquired on account are recorded in the parent company statements of financial position under "Accounts payable and accrued expenses" account amounting to ₱83.5 million as of December 31, 2020 (nil in 2019).
- In 2020, Advances to contractors closed to investment properties and BTO rights during the year amounted to ₱118.9 million and ₱201.5 million, respectively.
- In 2019, the outstanding balance for the cost of the land as of December 31, 2018 amounting ₱281.6 million was paid in full. Additional cost directly attributable to the acquisition of the land amounted to ₱57.5 million.

Financing Activities
Changes in liabilities arising from financing activities for the year ended December 31, 2020 and 2019 follows (in thousands):

	January 1, 2020	Availment/ Addition	Payments	Noncash Movement	December 31, 2020
Loans payable	₱4,218,371	₱1,000,000	(₱1,355,455)	(1,518,749)	₱2,344,167
Bonds payable	5,961,553	–	–	12,616	5,974,169
Lease liabilities	283,428	–	(47,613)	1,954,300	2,190,115
Accrued interest	109,323	–	(471,908)	475,622	113,037
Dividends payable	348,340	–	(348,340)	6,611,907	6,611,907
Deposit for future stock subscription	–	–	–	1,889,583	1,889,583
	₱10,921,015	₱1,000,000	(₱2,223,316)	₱9,425,279	₱19,122,978

	January 1, 2019	Availment/ Addition	Payments	Noncash Movement	December 31, 2019
Loans payable	₱3,457,613	₱2,100,000	(₱1,339,242)	₱–	₱4,218,371
Bonds payable	5,948,938	–	–	12,615	5,961,553
Lease liabilities	277,501	–	(17,260)	23,187	283,428
Dividends payable	–	–	–	348,340	348,340
Accrued interest	111,451	–	(479,482)	477,354	109,323
	₱9,795,503	₱2,100,000	(₱1,835,984)	₱861,496	₱10,921,015

Noncash movement includes amortization of debt issuance costs and interest expense for loans payable, bonds payable, and lease liabilities.

For the year ended December 31, 2020, the noncash movement also include addition in lease liability, declaration of dividends payable, and assignment of loans payable to FLI and the related recognition of related deposit for future stock subscription amounting ₱2,149.3 million and ₱6,611.9 million, respectively (see Notes 19, 12 and 15).

27. Events After Reporting Period

Assignment of loans payable to FLI and conversion to deposit for future stock subscription
On December 9, 2020, the Parent Company notified the banks in writing of the assignment of its loans payable to FLI. The effective date of its written consent and derecognition date follows:

Derecognition date	Principal Amount
January 5, 2021	₱1,300,000,000
January 21, 2021	402,500,000
January 29, 2021	350,000,000
February 9, 2021	291,666,667
Total	₱2,344,166,667

Upon assignment of the loans payable to FLI, the liability amounting to ₱1,889.6 million was simultaneously converted to deposit for future stock subscription. As of January 29, 2021, the Parent Company's deposit for future stock subscription presented under Equity amounted to ₱3,746.3 million (see Note 15).

As of March 9, 2021, consent letters from all lenders have been obtained.

Filinvest to establish a REIT company
On January 20, 2021, FLI announced, through a Philippine Stock Exchange (PSE) disclosure, that its BOD has approved the transition of CPI into a REIT Company. CPI is intended to be listed on the PSE in compliance with the minimum public ownership requirements under Philippine securities regulations and the Real Estate Investment Trust Act of 2009 and its implementing rules and regulations and under such terms and conditions as FLI's BOD may subsequently approve.

Declaration of property dividend
On February 11, 2021, the BOD of the Parent Company approved the declaration of the operational office buildings FLI Edsa, IT School, Concentrix Building (Convergys Building) and Cebu Tower 2 as property dividends. As of December 31, 2020, Cebu Tower 2 is presented as part of BTO rights under intangible assets while the others are presented as investment properties. The dividend declaration will result to derecognition of ₱306.4 million and ₱1,384.0 million investment properties and intangible assets, respectively.

Assignment of BTO Rights
On February 11, 2021, the BOD of the Parent Company also approved the transfer to FLI by way of assignment of right to manage and operate the Towers 3 and 4 of Filinvest Cebu Cyberzone. As of December 31, 2020, these two assets are under construction and are presented as part of BTO rights under intangible assets. The assignment will result to derecognition of ₱887.2 million intangible assets.

Land lease in Northgate Cyberzone
On February 11, 2021, the BOD approved to enter into a new land lease contract between the Parent Company (as lessee) and FLI (as lessor) in Northgate Cyberzone for a period of 50 years commencing on February 11, 2021, renewable for another 25 years, under the same terms as the new lease contract, with the exception of the rental rate and other commercial terms which shall be negotiated and mutually agreed upon by the parties. On March 1, 2021, the Parent Company and FLI executed the related lease contract.

Amendment of the Company's authorized capital stock
On March 5, 2021, the BOD and the stockholders approved the reduction of the par value of the common shares of the Parent Company, from ₱1.00 per share to ₱0.50, resulting in a stock split whereby every existing one (1) common share with par value of P1.00 each will become two (2) common shares with par value of ₱0.50 each. They further approved an amendment to the increase in authorized capital stock, from P2.0 billion divided into 2 billion common shares with a par value of ₱1.00 per share to ₱7,131,849,000 divided into 14,263,698,000 common shares with a par value of ₱0.50 per share (see Notes 15 and 22).

The Company will file an amended application for the increase in authorized capital stock with the SEC. The reduction in par value and increase in authorized capital stock are subject to the approval of the SEC.

Change of corporate name
On March 5, 2021, the BOD and the stockholders approved the change of corporate name of Cyberzone Properties, Inc. to Filinvest REIT Corp. The change of corporate name is subject to the approval of the SEC.

Listing and pricing of the Company's shares
On March 9, 2021, the BOD and stockholders approved and authorized the initial public offering of the Parent Company's common shares (the "Offer"), subject to the registration requirements of the SEC and the listing requirements of the PSE under the following indicative terms and conditions:

(a) The offer and sale of up to 1,630,762,905 common shares of the Parent Company owned by FLI ("Selling Shareholder") (the "Secondary Offer Shares") to be offered by way of a secondary offer at an offer price of up to Php8.30 per share; and,
(b) The grant by the Parent Company and FLI of an over-allotment option pursuant to which a stabilizing agent or its relevant affiliate has the right to purchase up to 163,076,291 common shares of the Parent Company owned by the Selling Shareholder (the "Option Shares") under the same terms and conditions as the Secondary Offer Shares (the Secondary Offer Shares and the Option Shares are collectively the "Offer Shares").

COVID-19 Pandemic
The World Health Organization declared the outbreak of COVID-19 virus as a global pandemic on March 11, 2020. In a move to contain the COVID-19 pandemic in the Philippines, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, the government expanded the scope by placing the entire Luzon region under an Enhanced Community Quarantine (ECQ), with major cities in Visayas and Mindanao shortly following suit. On May 15, 2020, Metro Manila, Laguna and Cebu City transitioned from an ECQ to a Modified ECQ (MECQ) from May 16 to May 31, 2020 while other parts of the country were placed in less stringent states of community quarantine. On June 1, 2020, the government announced the transition from MECQ to General Community Quarantine (GCQ) for Metro Manila and other areas except Cebu City which continued to be under ECQ.

On June 29, 2020, the Inter-Agency Task Force of Emerging Infectious Disease (IATF) issued Resolution No. 55-A, placing high-to-moderate risk areas, including all highly urbanized cities in Metro Manila, under GCQ starting July 1 until July 15, 2020, and subsequently extended until July 30, 2020 upon IATF's issuance of the Resolution No. 60-A. On August 3, 2020, the Office of the President issued a Memorandum from the Executive Secretary placing MECQ over the National Capital Region, and the provinces of Laguna, Cavite, Rizal, and Bulacan until August 18, 2020.

On August 17, 2020, upon IATF's issuance of the Resolution No. 64, Metro Manila and the provinces of Bulacan, Cavite, Laguna and Rizal shall be placed under GCQ and the rest of the country under Modified General Community Quarantine (MGCQ) until August 31, 2020. This was subsequently extended until October 31, 2020 and until December 31, 2020 upon IATF's issuance of the Resolution Nos. 67 and 81, respectively. On January 1, 2021, the Office of the President issued a Memorandum from the Executive Secretary placing GCQ over the National Capital Region, and MGCQ over the provinces of Bulacan, Cavite, Laguna and Rizal until March 9, 2021.

The Company continues to abide by and comply with all rules and regulations issued by the government in relation to the COVID-19 pandemic. In line with applicable rules and regulations, the said risks are mitigated by business continuity strategies set in place by the Company. Measures currently undertaken by the Company to mitigate the risks of COVID-19 pandemic on its operations include work-from-home arrangements, proper and frequent sanitation of office premises, cancellation of large group meetings in person, an internal ban on foreign business travel, and the practice of social distancing through remote communication, among others. As of date, estimate of the impact cannot be made.

The general global slowdown and the imposition of community quarantine measures due to the COVID-19 pandemic had short- to medium-term effects on new Office Leasing activities. Prior to the pandemic, inquiries from potential tenants were about leasing entire floors of buildings but the demand was reduced to much smaller size cuts in 2020. Physical site inspections as required by all prospective tenants were halted due to the community quarantine restrictions. Contract signing and handover dates of new incoming tenants were adjusted to 2021. Construction rent free periods were given to accommodate fit out delays and social distancing guidelines on construction resulting from six to eight months delay in construction deliveries and construction manpower reduction by 50%. Non-renewal and pre-termination of contracts were also experienced in 2020 but this was counterweighed by the renewal of all lease expiries during the year at current market rates.

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Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Cyberzone Properties, Inc.
5th-7th Floors, Vector One Building
Northgate Cyberzone, Filinvest City
Alabang, Muntinlupa City

We have audited the accompanying parent company financial statements of Cyberzone Properties, Inc., as at December 31, 2020 and for the year then ended, on which we have rendered the attached report dated March 9, 2021.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the above Company has one (1) stockholder owning one hundred (100) or more shares.

SYCIP GORRES VELAYO & CO.

Wanessa G. Salvador

Wanessa G. Salvador
Partner
CPA Certificate No. 0118546
Accreditation No. 118546-SEC (Group A),
Valid to cover audit of 2019 to 2023
financial statements of SEC covered institutions
Tax Identification No. 248-679-852
BIR Accreditation No. 08-001998-137-2020,
January 31, 2020, valid until January 30, 2023
PTR No. 8534358, January 4, 2021, Makati City

March 9, 2021

ANNEX "D"

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	2	0	0	0	-	0	0	6	5	2

COMPANY NAME

CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY

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

5th-7th Floors, Vector One Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	846-0278	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
8	May 30	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Venus A. Mejia	venus.mejia@filinvestgroup.com	8846-0278	N/A

CONTACT PERSON's ADDRESS

5th-7th Floors Vector One Building, 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.

CYBERZONE
PROPERTIES, INC.
A subsidiary of FILINVEST

Cyberzone Properties, Inc.
7th Floor Vector One Bldg., Northgate Cyberzone,
Filinvest City, Alabang, Muntinlupa City
Tel. No. (632) 846-0278
www.cyberzoneproperties.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Cyberzone Properties, Inc.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2020, 2019 and 2018** in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and making accounting estimates that are reasonable in the circumstances.

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

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

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders or members before such statements are issued to the regulators, creditors and other users.

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

Lourdes Josephine Gotianun-Yap
Chairman of the Board

Maricel Brion Lirio
President/CEO

Ana Venus A. Mejia
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this 09 day of MAR 2021 affiants exhibits to me their SSS ID and Passport as follows:

	SSS ID No.	Passport No.
L. Josephine G. Yap	03-46617474	
Maricel Brion Lirio	04-07020162	
Ana Venus A. Mejia		EC3796043

Doc. No. 224
Page No. 96
Book No. 257
Series of 2021.

ATTY. REYNAN G. RETAZO
NOTARY PUBLIC
My Comm. No. NC 21-011 Ends on Dec. 31, 2022
Roll of Attorneys No. 53985
PTR No. 3937618/Jan. 04, 2021/Muntinlupa City
IBP No. 136850/Dec. 28, 2020/PPLM
#235 Montillano St., Alabang, Muntinlupa City
MCLE Compliance No. VI-0019612 issued on March 01, 2019

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November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Cyberzone Properties, Inc.
5th-7th Floors, Vector One Building
Northgate Cyberzone, Filinvest City
Alabang, Muntinlupa City

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Cyberzone Properties, Inc. (the Parent Company) and its subsidiary (collectively referred to as "the Group"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2020 and 2019, and its financial performance and its cash flows for the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Fair value of investment properties

The Parent Company operates 19 mixed-use office buildings located in Luzon. The Parent Company accounts for its investment properties using the cost model and discloses the fair value as required under PAS 40, *Investment Property*. The carrying value and fair value of investment properties amounted to ₱11,629.8 million and ₱37,284.3 million, respectively, as of December 31, 2020. Management determined the fair value of the investment properties based on the valuations carried out by an external valuer using the discounted cash flow model.

We identified the disclosure on fair value of the Parent Company's investment properties as a key audit matter because it is a significant disclosure given the Parent Company's leasing business and the determination of the fair values of these properties involves significant management assumptions and estimations. These assumptions include discount rates and growth rates, which are influenced by the prevailing market rates and comparable market transactions and subject to higher level of estimation uncertainty due to the current economic conditions.

The disclosures on the fair value of investment properties are included in Note 8 to the consolidated financial statements.

Audit Response

With the assistance from our internal valuation specialists, we evaluated the valuation methodology adopted and the underlying assumptions used in the fair value determination of investment properties as of December 31, 2020. These assumptions include discount rates and growth rates.

We compared the key assumptions used such as growth rates against the historical performance per building, contractual terms and relevant external data. We tested the parameters used in determining discount rates against market data. We evaluated the competence, capabilities and independence of the external valuer by considering their qualifications, experience and reporting responsibilities. We also assessed the adequacy of the fair value disclosure of investment properties in the consolidated financial statements.

Other Information

Management is responsible for Other Information. Other Information comprises the information included in SEC Form 20 IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 but does not include the consolidated financial statements and our auditor's report thereon. SEC Form 20 IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover Other Information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the Other Information identified above when it becomes available and, in doing so, consider whether such information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

SYCIP GORRES VELAYO & CO.

Wanessa G. Salvador

Wanessa G. Salvador
Partner
CPA Certificate No. 0118546
Accreditation No. 118546-SEC (Group A),
Valid to cover audit of 2019 to 2023
financial statements of SEC covered institutions
Tax Identification No. 248-679-852
BIR Accreditation No. 08-001998-137-2020,
January 31, 2020, valid until January 30, 2023
PTR No. 8534358, January 4, 2021, Makati City

March 9, 2021

CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2020	December 31 2019 (As restated, see Note 10)	January 1, 2019 (December 31, 2018 as restated, see Note 10)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 4 and 16)	**₱870,517,532**	₱508,857,313	₱717,533,656
Receivables (Note 5)	**830,144,454**	775,495,889	527,039,505
Other current assets (Note 10)	**1,171,332,106**	981,085,273	133,105,537
	2,871,994,092	2,265,438,475	1,377,678,698
Noncurrent assets held for distribution (Notes 8 and 15)	**6,843,701,346**	–	–
Total Current Assets	**9,715,695,438**	2,265,438,475	1,377,678,698
Noncurrent Assets			
Advances to contractors (Note 7)	**18,393,179**	436,337,964	280,020,176
Investment properties (Notes 8 and 19)	**11,629,804,872**	16,156,773,249	13,908,323,251
Property and equipment (Note 9)	**68,394,882**	54,950,323	39,635,268
Intangible assets (Notes 6 and 19)	**3,408,827,424**	2,889,687,107	2,557,823,732
Other noncurrent assets (Note 10)	**388,417,886**	389,406,612	1,119,532,597
Total Noncurrent Assets	**15,513,838,243**	19,927,155,255	17,905,335,024
Total Assets	**₱25,229,533,681**	₱22,192,593,730	₱19,283,013,722
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses (Note 11)	**₱1,583,711,747**	₱1,873,104,575	₱2,029,447,816
Current portion of:			
Loans payable (Notes 12, 24 and 25)	**744,166,667**	1,355,454,545	839,242,424
Lease liabilities (Note 19)	**92,617,060**	16,258,553	–
Security and other deposits (Note 14)	**116,414,891**	245,751,976	164,695,239
Dividends payable (Note 15)	**6,611,906,765**	348,339,734	–
Income tax payable	–	433,493	8,503,433
Total Current Liabilities	**9,148,817,130**	3,839,342,876	3,041,888,912
Noncurrent Liabilities			
Loans payable - net of current portion (Notes 12, 24 and 25)	**1,600,000,000**	2,862,916,667	2,618,371,212
Bonds payable (Notes 13, 24 and 25)	**5,974,168,846**	5,961,553,269	5,948,937,691
Lease liabilities - net of current portion (Note 19)	**2,097,498,105**	267,169,975	–
Security and other deposits - net of current portion (Note 14)	**732,659,169**	707,472,003	642,405,071
Deferred tax liability - net (Note 18)	**269,939,889**	334,650,602	264,842,643
Other noncurrent liabilities (Notes 14 and 17)	**300,385,682**	200,886,745	47,063,584
Total Noncurrent Liabilities	**10,974,651,691**	10,384,649,261	9,521,620,201
Total Liabilities	**20,123,468,821**	14,223,992,137	12,563,509,113

(Forward)

	December 31, 2020	December 31, 2019 (As restated, see Note 10)	January 1, 2019 (December 31, 2018 as restated, see Note 10)
Equity			
Capital stock (Note 15)	**₱1,163,426,668**	₱1,163,426,668	₱1,163,426,668
Additional paid-in capital (Note 15)	**102,900,666**	102,900,666	102,900,666
Deposit for future stock subscription (Notes 12 and 15)	**1,889,583,333**	–	–
Appropriated retained earnings (Note 15)	–	6,300,000,000	5,000,000,000
Unappropriated retained earnings (Note 15)	**1,950,125,348**	401,190,324	452,093,340
Remeasurement gain on retirement plan (Note 17)	**28,845**	1,083,935	1,083,935
Total Equity	**5,106,064,860**	7,968,601,593	6,719,504,609
Total Liabilities and Equity	**₱25,229,533,681**	₱22,192,593,730	₱19,283,013,722

See accompanying Notes to Consolidated Financial Statements.

CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2020	2019	2018
REVENUES AND INCOME			
Rental revenue (Notes 6, 8, 16 and 19)	**₱2,833,413,910**	₱2,814,668,936	₱2,340,797,218
Others (Note 20)	**274,359,236**	87,055,910	14,561,670
	3,107,773,146	2,901,724,846	2,355,358,888
COSTS AND EXPENSES			
Depreciation and amortization (Notes 6, 8, 9, and 19)	**441,025,865**	372,223,885	274,347,869
Rental expense (Notes 16 and 19)	**297,968,918**	305,153,634	281,012,798
Taxes and licenses	**63,894,241**	28,326,728	34,130,871
Manpower cost	**34,015,698**	12,948,357	8,569,219
Service and management fees (Note 16)	**7,462,542**	14,070,865	11,888,473
Pension expense (Note 17)	**487,197**	413,785	764,060
Advertising and marketing	**–**	–	14,645,372
Others	**6,295,399**	2,174,917	4,402,546
	851,149,860	735,312,171	629,761,208
OTHER INCOME (CHARGES)			
Gain on sale of investment property (Note 8)	**65,038,584**	–	–
Interest income (Notes 4, 5, 16 and 21)	**3,908,966**	10,468,164	45,896,805
Interest and other financing charges (Notes 12, 13 and 19)	**(351,361,074)**	(230,520,294)	(155,115,797)
Other income (charges) - net	**3,523,521**	(2,576,278)	(493,058)
	(278,890,003)	(222,628,408)	(109,712,050)
INCOME BEFORE INCOME TAX	**1,977,733,283**	1,943,784,267	1,615,885,630
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 18)			
Current	**231,150,026**	189,580,926	114,097,572
Deferred	**(114,258,532)**	119,807,959	91,505,733
	116,891,494	309,388,885	205,603,305
NET INCOME	**1,860,841,789**	1,634,395,382	1,410,282,325
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will not be reclassified to profit or loss:			
Remeasurement gain (loss) on retirement plan, net of deferred income tax (Note 17)	**(1,055,090)**	–	173,088
TOTAL COMPREHENSIVE INCOME	**₱1,859,786,699**	₱1,634,395,382	₱1,410,455,413
Basic/Diluted Earnings Per Share (Note 22)	**₱0.80**	₱0.70	₱0.61

See accompanying Notes to Consolidated Financial Statements.

CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 15)	Additional Paid-in Capital (Note 15)	Deposit for Future Stock Subscription (Note 15)	Appropriated Retained Earnings (Note 15)	Unappropriated Retained Earnings (Note 15)	Remeasurement Gain on Retirement Plan (Note 17)	Total
				For the Year Ended December 31, 2020			
Balances at January 1, 2020	**₱1,163,426,668**	**₱102,900,666**	**₱–**	**₱6,300,000,000**	**₱401,190,324**	**₱1,083,935**	**₱7,968,601,593**
Comprehensive income							
Net income	–	–	–	–	**1,860,841,789**	–	**1,860,841,789**
Other comprehensive income	–	–	–	–	–	**(1,055,090)**	**(1,055,090)**
Total comprehensive income	–	–	–	–	**1,860,841,789**	**(1,055,090)**	**1,859,786,699**
Dividends declared (Note 15)	–	–	–	–	**(6,611,906,765)**	–	**(6,611,906,765)**
Reversal of appropriation (Note 15)	–	–	–	**(6,300,000,000)**	**6,300,000,000**	–	–
Deposit for future subscription (Note 15)		–	**1,889,583,333**	–	–	–	**1,889,583,333**
Balances at December 31, 2020	**₱1,163,426,668**	**₱102,900,666**	**₱1,889,583,333**	**₱–**	**₱1,950,125,348**	**₱28,845**	**₱5,106,064,860**
				For the Year Ended December 31, 2019			
Balances at January 1, 2019, as previously presented	₱1,163,426,668	₱102,900,666	₱–	₱5,000,000,000	₱452,093,340	₱1,083,935	₱6,719,504,609
Effect of adoption of PFRS 16	–	–	–	–	(36,958,664)	–	(36,958,664)
Balances at January 1, 2019, as restated	1,163,426,668	102,900,666	–	5,000,000,000	415,134,676	1,083,935	6,682,545,945
Comprehensive income							
Net income	–	–	–	–	1,634,395,382	–	1,634,395,382
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	1,634,395,382	–	1,634,395,382
Dividends declared (Note 15)	–	–	–	–	(348,339,734)	–	(348,339,734)
Appropriation (Note 15)	–	–	–	1,300,000,000	(1,300,000,000)	–	–
Balances at December 31, 2019	₱1,163,426,668	₱102,900,666	₱–	₱6,300,000,000	₱401,190,324	₱1,083,935	₱7,968,601,593
				For the Year Ended December 31, 2018			
Balances at January 1, 2018	₱1,163,426,668	₱102,900,666	₱	₱3,500,000,000	₱854,307,418	₱910,847	₱5,621,545,599
Comprehensive income							
Net income	–	–	–	–	1,410,282,325	–	1,410,282,325
Other comprehensive income	–	–	–	–	–	173,088	173,088
Total comprehensive income	–	–	–	–	1,410,282,325	173,088	1,410,455,413
Dividends declared (Note 15)	–	–	–	–	(312,496,403)	–	(312,496,403)
Appropriation (Note 15)	–	–	–	1,500,000,000	(1,500,000,000)	–	–
Balances at December 31, 2018	₱1,163,426,668	₱102,900,666	₱–	₱5,000,000,000	₱452,093,340	₱1,083,935	₱6,719,504,609

See accompanying Notes to Consolidated Financial Statements

CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,977,733,283**	₱1,943,784,267	₱1,615,885,630
Adjustments for:			
Depreciation and amortization (Notes 6, 8, 9, 19 and 20)	**486,065,150**	418,797,652	311,245,402
Interest expense and other financing changes (Notes 12, 13 and 19)	**351,361,074**	230,520,294	155,115,797
Gain on sale of investment properties (Note 8)	**(65,038,584)**	–	–
Gain on derecognition of lease liability (Note 19)	**(5,842,526)**	–	–
Pension expense (Note 17)	**487,197**	413,785	764,060
Interest income (Note 21)	**(3,908,966)**	(10,468,164)	(45,896,805)
Operating income before changes in operating assets and liabilities	**2,740,856,628**	2,583,047,834	2,037,114,084
Changes in operating assets and liabilities			
Decrease (increase) in:			
Receivables	**(54,648,565)**	(248,456,384)	522,591,209
Other current assets	**(200,426,188)**	(210,446,398)	(149,690,697)
Increase (decrease) in:			
Accounts payable and accrued expenses	**(191,226,805)**	(144,925,151)	531,711,476
Other current liabilities	**(129,337,085)**	81,056,737	8,660,159
Security and other deposits	**25,187,166**	65,066,932	(149,558,789)
Other noncurrent liabilities	**97,504,469**	153,409,376	155,751,052
Net cash generated from operations	**2,287,909,620**	2,278,752,946	2,956,578,494
Interest received (Note 16)	**3,908,966**	10,468,164	58,362,405
Income tax paid	**(231,583,519)**	(197,650,866)	(113,748,484)
Net cash provided by operating activities	**2,060,235,067**	2,091,570,244	2,901,192,415
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Investment properties (Note 8)	**737,840,581**	–	–
ProOffice Work Services, Inc. (Note 1)	**17,162,936**	–	–
Additions to:			
Investment properties (Note 8)	**(1,158,021,511)**	(2,163,580,071)	(1,755,516,332)
Intangible assets (Note 6)	**(241,043,644)**	(172,480,426)	(113,369,515)
Property and equipment (Note 9)	**(16,760,634)**	(39,207,659)	(6,773,403)
Decrease (increase) in:			
Advances to contractors	**97,551,319**	(156,317,788)	(78,265,348)
Other noncurrent assets (Note 10)	**88,011,202**	(32,676,043)	(155,546,513)
Net cash used in investing activities	**(475,259,751)**	(2,564,261,987)	(2,109,471,111)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from availments of loans payable (Notes 12 and 25)	**1,000,000,000**	2,100,000,000	–
Payments of:			
Cash dividends (Note 15)	**(348,339,734)**	–	(312,496,403)
Principal portion of lease liability (Note 19)	**(47,613,247)**	(17,259,680)	–
Interest and transaction cost (Note 26)	**(471,907,571)**	(479,482,496)	(492,045,934)
Loans payable (Notes 12 and 25)	**(1,355,454,545)**	(1,339,242,424)	(594,734,848)
Net cash provided by (used) in financing activities	**(1,223,315,097)**	264,015,400	(1,399,277,185)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**361,660,219**	(208,676,343)	(607,555,881)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**508,857,313**	717,533,656	1,325,089,537
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱870,517,532**	₱508,857,313	₱717,533,656

See accompanying Notes to Consolidated Financial Statements.

CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Cyberzone Properties, Inc. (the "Parent Company" or "CPI") was registered with the Philippine Securities and Exchange Commission (SEC) on January 14, 2000. The Parent Company's 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 was 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. ProOffice has started its commercial operations on August 1, 2019. On December 23, 2020, the Parent Company entered into a Deed of Assignment to sell its interest in ProOffice to Filinvest Land, Inc. (FLI) for a total consideration of ₱17.16 million. Accordingly, the Parent Company lost control over ProOffice. The transaction has no material impact to the consolidated financial statements.

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 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.

On December 4, 2020, the Board of Directors (BOD) approved the amendments of the Parent Company's articles of incorporation to change the Parent Company's primary purpose to engage in the business of a real estate investment trust, as provided under Republic Act No. 9856 (the Real Estate Investment Trust Act of 2009), including the Revised Implementing Rules and Regulations of Republic Act No. 9856 (the "REIT Act"), and other applicable laws, which business includes the following: (1) to own, invest in, purchase, acquire, hold, possess, lease, construct, develop, alter, improve, operate, manage, administer, sell, assign, convey, encumber, in whole or in part, or otherwise deal in and dispose of, income-generating real estate, within or outside the Philippines, in accordance with applicable laws and regulations; (2) to invest in, purchase, acquire own, hold, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of (a) real estate and other related assets; and (b) managed funds; (3) to receive, collect, and dispose of the rent, interest, and such other income rising from its property and investments; (4) to guaranty the obligations, debt, or loans of its subsidiaries or affiliates or any entity in which the corporation has lawful interest; and (5) to exercise, carry on or undertake such other powers, acts, activities and transactions as may be deemed necessary, convenient, or incidental to or implied from the purposes herein mentioned.

As of December 31, 2020, these amendments are awaiting approval by the SEC.

Approval of the Consolidated Financial Statements
The consolidated financial statements were approved and authorized for issue by the BOD on March 9, 2021.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying consolidated financial statements of the Group have been prepared using the historical cost basis. The consolidated financial statements are presented in Philippine Peso (₱), which is the functional and presentation currency of the Parent Company, and all amounts are rounded off to the nearest Philippine Peso unless otherwise indicated.

The consolidated financial statements includes the balances of ProOffice from its acquisition in March 2019 until its disposal on December 23, 2020. As a result of the disposal, the Group derecognized the assets and liabilities of ProOffice and the remaining balances pertain only to the Parent Company.

Statement of Compliance
The consolidated financial statements of the Group are prepared in compliance with Philippine Financial Reporting Standards (PFRSs), which include the availment of the reliefs granted by the Securities and Exchange Commission (SEC) under Memorandum Circulars (MC) No. 3-2019, to defer the implementation of the following accounting pronouncements until December 31, 2020. These accounting pronouncements address the issues of PFRS 15, Revenue from Contracts with Customers affecting the real estate industry. PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards (PAS) and Interpretations issued by the Philippine Interpretations Committee (PIC).

This includes deferral of the provisions of Philippine Interpretations Committee (PIC) Q&A 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry* on the accounting for common usage service area (CUSA) charges

The details and the impact of the adoption of the above financial reporting reliefs are also discussed in the changes in accounting policies.

Basis of Consolidation
The consolidated financial statements comprise the amounts of the Parent Company and its subsidiary as of December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020.

The voting rights held by CPI in ProOffice are in proportion to its ownership interest of 60% as of December 31, 2019 (nil as of December 31, 2020; see Note 1).

ProOffice is incorporated and operating 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.

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
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained

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 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 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 Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group. The nature and impact of each new standard and amendment are described below:

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*
  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Group enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

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

  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic.

A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted. The Group adopted the amendments beginning January 1, 2020. However, the adoption of the amendment does not have a material impact since there is no changes to the lease payments of the Group.

- *Adoption of PIC Q&A 2020-03, Q&A No. 2018-12-D: STEP 3- On the accounting of the difference when the percentage of completion is ahead of the buyer's payment*

  PIC Q&A 2020-03 was issued by the PIC on September 30, 2020. The latter aims to provide an additional option to the preparers of financial statements to present as receivables, the difference between the POC and the buyer's payment, with the POC being ahead. This PIC Q&A is consistent with the PIC guidance issued to the real estate industry in September 2019.

  The adoption of this PIC Q&A did not impact the consolidated financial statements of the Group.

Future Changes in Accounting Policy
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 consolidated financial statements.

Effective beginning on or after January 1, 2021

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

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods.

Effective beginning on or after January 1, 2022

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

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

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

  The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

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

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2023

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

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

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

- PFRS 17, *Insurance Contracts*

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

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts. PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted. The amendments are not expected to have a material impact on the Group.

Deferred effectivity

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

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

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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

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

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

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

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

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

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

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. The Group availed of the SEC reliefs to defer the above specific provisions of PIC Q&A No. 2018-12.

Had these provisions been adopted and the Group accounted for the revenue from air-conditioning services, CUSA and handling services as principal, this would have resulted in the gross presentation of the related revenue, costs and expenses. Currently, the related revenue is presented net of costs and expenses. There is no impact on opening retained earnings, income and expense and the related balance sheet accounts.

The above have no impact in the cash flows.

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

  In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under paragraph 35(c) of IFRS 15 (PFRS 15). IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under Philippine Accounting Standards (PAS) 23, *Borrowing Costs,* considering that these inventories are ready for their intended sale in their current condition.

  On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4-2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Further, on December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the Real Estate Industry until December 31, 2023. Effective January 1, 2024, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC Agenda Decision.

  The IFRIC Agenda Decision has no impact to the Group.

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

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

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

  The PIC Q&A has no impact to the Group.

Significant Accounting Policies

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

An asset is current when:

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 financial reporting period; or
d. Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the financial 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 12 months after the financial reporting period; or
d. There is no unconditional right to defer the settlement of the liability for at least 12 months after the financial 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; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each financial reporting period.

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

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, fair value through other comprehensive income (FVTOCI), or at fair value through profit or loss (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 FVTPL, 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 (SPPI)' on the principal amount outstanding. This assessment is referred to as the 'SPPI test' and is performed at an instrument level.

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

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

As of December 31, 2020 and 2019, the Group's financial assets comprise of financial assets at amortized cost.

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

- Financial assets at amortized cost (debt instruments);
- Financial assets at FVTOCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Financial assets at FVTPL.

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 consolidated 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).

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 December 31, 2020, and 2019, loans and borrowings consist primarily of accounts payable and accrued expenses, loans payable, bonds payable, lease liabilities, security and other deposits (see Notes 11, 12, 13, 14 and 16).

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 effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest 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 effective interest. The effective interest amortization is included as finance costs in the consolidated statement of comprehensive income.

Impairment of Financial Assets

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

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from reputable rating agencies to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers receivables in default when contractual payments are sixty (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.

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

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 consolidated statement of comprehensive income.

Offsetting Financial Instruments

Financial assets and financial liabilities are only offset, and the net amount reported in the consolidated 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 consolidated 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 property and equipment or investment properties are presented as noncurrent assets.

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 consolidated 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 consolidated 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 consolidated statement of financial position.

Investment Properties
Investment properties are measured initially at cost, including transaction costs. The initial cost of investment properties consists of any directly attributable costs of bringing the investment properties to their intended location and working condition, including borrowing 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 also include right-of-use assets involving real properties that are subleased to other entities. 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.

For those right-of-use assets that qualify as investment properties, i.e., those land that are subleased by the Group, these are classified under investment properties. Consistent with the Group's policy regarding the measurement of investment properties, these assets are subsequently measured at cost less amortization and impairment in value.

Investment properties built on rented properties 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 economic useful lives of 40-50 years for the building and 15 years for equipment.

The economic useful lives and the depreciation is reviewed annually to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefit from items of investment properties.

Construction 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 consolidated 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.

Investment properties also include prepaid commission representing 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.

Property and Equipment

Property and equipment consist 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, and overhaul costs 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 economic useful lives of these assets as follows:

	Years
Land improvements	5
Furniture and fixtures	3 - 5

The economic 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.

Property and equipment are derecognized when either they have been disposed of or when the property and equipment 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 property and equipment are recognized in the consolidated statement of comprehensive income in the year of retirement or disposal.

Intangible Assets
Intangible assets pertain to build, transfer and operate (BTO) rights and ROU assets. 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 economic 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 economic useful lives 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 consolidated 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 consolidated statement of comprehensive income when the asset is derecognized.

Other Assets
Other current and noncurrent assets are recognized in the consolidated 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.

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.

Noncurrent Assets Held for Distribution
A noncurrent asset (or disposal group) is classified as held for distribution to owners when the entity is committed to distribute the asset (or disposal group) to the owners. For this to be the case, the assets must be available for immediate distribution in their present condition and the distribution must be highly probable.

Noncurrent asset (or disposal group) classified as held for distribution is measured at the lower of its carrying amount and fair value less costs to distribute.

Impairment of Nonfinancial Assets
The Group assesses at each financial reporting date whether there is an indication that its nonfinancial asset (e.g., advances to contractors, investment properties, property and equipment, intangible assets, and other assets) 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 consolidated 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 capital 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.

Deposits for Future Stock Subscription

Deposit for future stock subscription (DFFS) are recorded based on the subscription amount received and are presented under liabilities unless the following items were met for classification as part of equity:

- There is a lack or insufficiency of authorized unissued shares of stock to cover the deposit;
- The Parent Company's BOD and stockholders have approved an increase in authorized capital stock and amendment in the articles of incorporation to cover the shares corresponding to the amount of the DFFS; and
- The application for the approval of the increase in capital stock has been filed or has been presented for filing with the SEC

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 are deducted from unappropriated retained earnings when declared and approved by the Group's BOD. Dividends payable are recorded as liability until paid. Dividends for the year that are declared and approved after financial 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 considering the 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-E.

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

The Group availed of the deferral of adoption of the above specific provisions of PIC Q&A. Had these provisions been adopted, it would have an impact in the consolidated financial statements.

The Group is acting as a principal for the provision of air-conditioning services, common use service services and administration and handling services. This would have resulted in the gross presentation of the related revenue and the related expenses and cost. Currently, the related revenue is presented net of costs and expenses. These would not result to any adjustment in the retained earnings as of January 1, 2020 and net income in 2020.

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

Rental Revenue
Rental revenue is 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 financial 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 (PUC). Under this method, the current service cost is the present value of retirement benefit payable in the future with respect to the services rendered in the current period.

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset; and
- 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 consolidated 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 consolidated statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in 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 12 months after the end of the annual financial reporting date is recognized for services rendered by employees up to the end of the reporting date.

Borrowing Costs
Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets (included in "Investment properties" account in the consolidated statement of financial position). Capitalization ceases when pre-selling of real estate inventories under construction commences. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross interest incurred on those borrowings less any investment income arising on the temporary investment of those borrowings.

The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

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 to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused Minimum Corporate Income Tax (MCIT) and Net Operating Loss Carry Over (NOLCO) can be used.

The carrying amount of deferred income tax assets is reviewed at each financial 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 financial 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 consolidated 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.

The Group classifies its right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned.

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 assets on land presented as part of investment properties and intangible assets ranges from 25 to 50 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.

The Group accounts for a lease modification (i.e., a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease) as a separate lease (i.e., separate from the original lease) when both of the following conditions are met:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets.
- The consideration for the lease increases commensurate with the standalone price for the increase in scope and any adjustments to that stand-alone price reflect the circumstances of the particular contract.

If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate new lease. Lessees account for the separate contract that contains a lease in the same manner as other new leases.

Short-term leases
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). Lease payments on short-term leases 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 financial report date. Exchange gains or losses resulting from foreign currency transactions and translation are included in the consolidated 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 December 31, 2020 and 2019 (see Note 23).

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 financial 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 consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Events After the Financial Reporting 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 financial reporting date (adjusting events) are reflected in the consolidated financial statements. Any year-end events that are not adjusting event is disclosed in the notes to the consolidated financial statements when material.

3. Significant Accounting Judgments, Estimates, and Assumptions

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

Determination of lease term of contracts with renewal and termination options - Group as a lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms equivalent to its original lease term. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The renewal options for leases of office spaces and land for certain real estate developments were not included as part of the lease term because the Group assessed that renewal is not reasonably certain.

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 investment property, that it retains all the significant risks and rewards of ownership of these properties and accounts for these contracts as operating lease (see Note 19).

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 Parent Company 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 the major part of its economic life. Accordingly, the related development cost and lease payments were recorded under "BTO rights" in the consolidated statement of financial position (see Note 6).

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 PFRS 16 (see Note 10).

Classification of noncurrent assets held for distribution
On December 4, 2020, the Parent Company declared as property dividends investment properties amounting to ₱6,611.9 million (see Note 15). The Parent Company assessed that the distribution of these investment properties is highly probable considering that actions to complete the distribution have been initiated and are expected to be completed within one year. These investment properties will be derecognized in the consolidated financial statements once the SEC approves the distribution of the dividends.

As of December 31, 2020, noncurrent assets held for distribution amounted to ₱6,843.7 million, inclusive of total additions to construction in progress declared as property dividends amounting to ₱231.8 million (see Note 8).

Impairment assessment of nonfinancial assets
The Group assesses at each financial reporting date whether there is any indication that the nonfinancial assets (investment properties and intangible assets) 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.

The Group has determined that COVID-19 pandemic has no impact and is not considered as an impairment indicator in the impairment assessment of nonfinancial assets. As of December 31, 2020 and 2019, no impairment indicators were identified for the Group's nonfinancial assets (see Notes 6, 8 and 19).

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 is calibrating the matrix to adjust the historical credit loss experience with forward-looking information. At every financial 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.

The Group has considered impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of expected credit loss. The Group assessed that the security deposit and advance rentals are sufficient to cover any exposure to credit loss. As of December 31, 2020 and 2019, the Group's allowance for ECL on its trade receivables amounted to ₱0.3 million (see Note 5).

Recognition of deferred tax asset
The Group reviews the carrying amounts of deferred income tax assets at each financial report date and reduces it to the extent that it is no longer probable that sufficient income will be available to allow all or part of the deferred income tax assets to be utilized. The Group believes that it will generate sufficient taxable profit to allow all or part of the deferred income tax assets to be utilized.

As of December 31, 2020 and 2019, deferred tax assets amounted to ₱269.2 million and ₱186.3 million, respectively (see Note 18).

4. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand and in banks	**₱602,644,513**	₱370,212,025
Cash equivalents	**267,873,019**	138,645,288
	₱870,517,532	₱508,857,313

Cash in banks earn interest at their respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, with original maturities of three (3) months or less from dates of placement and are subject to an insignificant risk and change in value and earned interest at prevailing short-term investment ranging from 0.10% to 3.75% and 0.13% to 4.50% in 2020 and 2019, respectively.

Interest earned from cash and cash equivalents amounted to ₱3.9 million, ₱8.4 million and ₱12.2 million in 2020, 2019 and 2018 respectively (see Note 21).

There is no restriction on the Group's cash and cash equivalents as at December 31, 2020 and 2019.

5. Receivables

This account consists of:

	2020	2019
Trade receivables (Note 16)	**₱799,278,543**	₱726,976,180
Advances to officers and employees	**29,632,452**	38,113,599
Others	**1,518,717**	10,691,368
	830,429,712	775,781,147
Less expected credit loss	**285,258**	285,258
	₱830,144,454	₱775,495,889

Trade receivables represent charges to tenants for rentals and utilities which are normally collectible within 20 days from billing date. These are covered by security deposits by tenants equivalent to 3 months of rental paid by the lessees. All overdue and unpaid rent, dues and charges are subject to interest at 18% per annum and penalty of 24% per annum. Interest and penalties from late payments amounted to nil, ₱2.0 million and ₱3.9 million in 2020, 2019 and 2018, respectively (see Note 21).

In 2020, 2019 and 2018, the Group has not recognized additional provision for ECL on its trade receivables. Allowance for expected credit losses recorded amounted to ₱0.3 million as of December 31, 2020 and 2019.

Advances to officers and employees pertain to salary and loans granted by the Group which are collectible through salary deduction and are non-interest bearing. This also represents advances for project costs, marketing activities, travel and other expenses arising from the ordinary course of business which are liquidated upon the accomplishment of the purposes for which the advances were granted.

Others include outstanding advances of real property tax to the land leased by the Group.

6. Intangible Assets

On March 26, 2012, FLI entered into a BTO agreement with Cebu Province. This was subsequently assigned to the Parent Company in August 2012 (see Note 3).

"BTO rights" relate to the development cost, construction and operation of BPO Complex at the land properties owned by Cebu Province. As of December 31, 2020, and 2019, cost of completed portion pertaining to Cebu Towers 1 and 2 of the BTO project amounted to ₱2.6 billion. Construction of Cebu Towers 3 and 4 are still on-going and are expected to be completed in 2021 and 2022, respectively.

"Right-of-Use assets" pertain to the related lease payments required under land lease contracts and the BTO agreement for the land where the buildings were constructed.

The rollforward analysis of intangible assets follows:

	2020		
	BTO Rights	**Right-of-Use Assets (Note 19)**	**Total**
Cost			
Balance at beginning of year	₱2,960,031,844	₱112,423,917	₱3,072,455,761
Additions	607,835,586	–	607,835,586
Reclassification (Notes 8 and 9)	8,403,391	–	8,403,391
Balance at end of year	3,576,270,821	112,423,917	3,688,694,738
Accumulated Depreciation			
Balance at beginning of year	178,271,697	4,496,957	182,768,654
Depreciation (Note 20)	77,559,890	4,496,957	82,056,847
Reclassification (Notes 8 and 9)	15,041,813	–	15,041,813
Balance at end of year	270,873,400	8,993,914	279,867,314
Net Book Value	₱3,305,397,421	₱103,430,003	₱3,408,827,424

	2019		
	BTO Rights	Right-of-Use Assets (Note 19)	Total
Cost			
Balance at beginning of year	₱2,683,107,723	₱–	₱2,683,107,723
Effect of adoption of PFRS 16	–	112,423,917	112,423,917
Balance at beginning of year, as restated	2,683,107,723	112,423,917	2,795,531,640
Additions	276,924,121	–	276,924,121
Balance at end of year	2,960,031,844	112,423,917	3,072,455,761
Accumulated Depreciation			
Balance at beginning of year	125,283,991	–	125,283,991
Depreciation (Note 20)	52,987,706	4,496,957	57,484,663
Balance at end of year	178,271,697	4,496,957	182,768,654
Net Book Value	₱2,781,760,147	₱107,926,960	₱2,889,687,107

Rental income recognized arising from the BTO agreement amounted to ₱215.5 million, ₱193.3 million and ₱142.7 million in 2020, 2019 and 2018, respectively.

Tenants' dues from BTO rights amounted to ₱118.9 million, ₱126.2 million and ₱88.9 million as of December 31, 2020, 2019 and 2018, respectively (see Note 20).

Operating expenses incurred for maintaining and operating these assets amounted to ₱126.4 million, ₱93.2 million and ₱80.4 million in 2020, 2019 and 2018, respectively (see Note 20). In 2020 and 2019, capitalized amortization of right-of-use assets amounted to nil and ₱4.5 million, respectively.

Borrowing costs capitalized on the BTO project amounted to ₱81.8 million, ₱104.4 million and ₱61.0 million in 2020, 2019 and 2018, respectively (see Notes 12 and 13). The capitalization rates used in 2020, 2019 and 2018 range from 4.0% to 5.2%.

Contractual obligations to acquire intangible assets amounted to ₱1,500.0 million and ₱500.0 million as of December 31, 2020 and 2019, respectively.

7. Advances to Contractors

Advances to contractors represent advances for project costs and other disbursements related to buildings under construction. The advances shall be settled through recoupment against contractors' billings. Advances to contractors amounted to ₱18.4 million and ₱436.3 million as of December 31, 2020 and 2019, respectively.

8. Investment Properties

The rollforward analyses of this account follows:

	2020					
	Land	Buildings and Improvement	Construction in-progress	Right-of-use asset (Note 19)	Others	Total
Cost						
Balance at beginning of year	₱1,065,970,323	₱14,374,114,937	₱2,596,558,086	₱62,159,358	₱125,268,691	₱18,224,071,395
Additions (Note 19)	12,671,445	150,907,402	1,292,911,395	2,149,262,141	32,936,053	3,638,688,436
Disposals	(672,801,997)	–	–	–	–	(672,801,997)
Derecognition (Note 19)	–			(264,490,746)	–	(264,490,746)
Reclassification (Notes 6, 9 and 15)	(405,839,771)	(2,571,952,120)	(3,889,469,481)	–	–	(6,867,261,372)
Balance at end of year	–	11,953,070,219	–	1,946,950,753	158,204,744	14,058,205,716
Accumulated Depreciation						
Balance at beginning of year	–	2,042,662,904	–	3,551,963	21,083,279	2,067,298,146
Depreciation (Note 20)	–	320,245,345	–	39,023,505	28,780,830	388,059,680
Derecognition (Note 19)	–	–	–	(3,396,956)	–	(3,396,956)
Reclassification (Notes 6, 9 and 15)		(23,560,026)	–	–	–	(23,560,026)
Balance at end of year	–	2,339,348,223	–	39,188,512	49,864,109	2,428,400,844
Net Book Value	₱–	₱9,613,721,996	₱–	₱1,907,742,241	₱108,340,635	₱11,629,804,872

	2019					
	Land	Buildings and Improvement	Construction in-progress	Right-of-use assets (Note 19)	Others	Total
Cost						
Balance at beginning of year	₱1,008,455,595	₱8,220,160,993	₱6,372,625,760	₱–	₱–	₱15,601,242,348
Effect of adoption of PFRS 16	–	–	–	62,159,358	77,121,536	139,280,894
Balance at beginning of year as restated	1,008,455,595	8,220,160,993	6,372,625,760	62,159,358	77,121,536	15,740,523,242
Additions	57,514,728	145,813,380	2,232,072,890	–	48,147, 55	2,483,548,153
Reclassification	–	6,008,140,564	(6,008,140,564)	–	–	–
Balance at end of year	1,065,970,323	14,374,114,937	2,596,558,086	62,159,358	125,268,691	18,224,071,395
Accumulated Depreciation						
Balance at beginning of year	–	1,692,919,097	–	–	–	1,692,919,097
Effect of adoption of PFRS 16	–	36,958,664	–	–	–	36,958,664
Balance at beginning of year as restated	–	1,729,877,761	–	–	–	1,729,877,761
Depreciation (Note 20)	–	312,785,143	–	3,551,963	21,083,279	337,420,385
Balance at end of year	–	2,042,662,904	–	3,551,963	21,083,279	2,067,298,146
Net Book Value	₱1,065,970,323	₱12,331,452,033	₱2,596,558,086	₱58,607,395	₱104,185,412	₱16,156,773,249

Others include prepaid commission costs directly attributable in obtaining the operating leases related to the Group's office buildings. On January 1, 2019, upon the adoption of PFRS 16, the prepaid commission amounting to ₱77.1 million was reclassified to investment properties from other noncurrent assets.

Investment properties pertain to the Group's land and buildings that are currently leased to third parties. Borrowing costs capitalized to investment properties amounted to ₱177.5 million, ₱180.3 million and ₱279.8 million in 2020, 2019 and 2018, respectively (see Notes 12 and 13). The capitalization rates used range from 4.0% to 5.6%, 4.0% to 5.5% and 4.0% to 5.2% in 2020, 2019, and 2018, respectively.

On October 7, 2020, the Group sold a portion of its South Road Properties with a carrying value of ₱672.8 million for a consideration of ₱737.8 million. The gain on sale amounting ₱65.0 million is presented as gain on sale of investment property under "Other income (charges)" in the consolidated statement of comprehensive income.

As of December 31, 2020, the estimated fair value of the Parent Company's investment properties amounted to ₱37,284.3 million. The fair value of the investment properties are computed based on the income approach using discounted cash flow method. Using income approach, all expected cash flows from the use of the assets were projected and discounted using the appropriate discount rate reflective of the market expectations. The valuation of investment property is categorized as Level 3 in the fair value hierarchy since valuation is based on unobservable inputs. The significant unobservable inputs used in the valuation pertains to lease income growth rate and discount rate.

The fair value used by the Parent Company is based on a valuation performed in 2020 by an accredited third-party appraisal who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment properties being valued.

Rental income from investment properties amounted to ₱2,617.9 million, ₱2,621.4 million and ₱2,198.1 million in 2020, 2019 and 2018, respectively. Tenants' dues from investment properties, which are inclusive of CUSA, aircon and other charges amounted to ₱1,245.6 million, ₱1,290.7 million and ₱1,085.2 million as of December 31, 2020, 2019 and 2018, respectively (see Note 20).

Operating expenses incurred for maintaining and operating these investment properties amounted to ₱1,018.8 million, ₱1,268.8 million and ₱1,099.5 million in 2020, 2019 and 2018, respectively (see Note 20). In 2020 and 2019, capitalized amortization of right-of-use assets amounted to nil and ₱3.6 million, respectively.

Contractual obligations to acquire intangible assets amounted to ₱1,377.2 million and ₱2,041.0 million as of December 31, 2020 and 2019, respectively. As of December 31, 2020, investment properties are not used as collateral and is not subject to any existing liens and encumbrances.

Noncurrent Assets Held for Distribution
On December 4, 2020, the Parent Company declared as property dividends investment properties with net carrying value amounting to ₱6,611.9 million (see Note 15). As of December 31, 2020, these properties, including net additions to construction in progress in December 2020 amounting to ₱231.8 million, are presented as Noncurrent assets held for distribution in the consolidated statement of financial position. These investment properties will be derecognized in the consolidated financial statements once the SEC approves the distribution of the dividends and the Parent Company is compensated for the additions in December 2021.

9. Property and Equipment

The rollforward analysis of this account follows:

	2020		
	Land Improvements	Furniture and Fixtures	Total
Cost			
Balance at beginning of year	**₱38,703,160**	**₱80,175,614**	**₱118,878,774**
Additions	**201,211**	**16,559,423**	**16,760,634**
Reclassification (Notes 6 and 8)	**12,002**	**(4,814,695)**	**(4,802,693)**
Balance at end of year	**38,916,373**	**91,920,342**	**130,836,715**
Accumulated Depreciation			
Balance at beginning of year	**18,975,099**	**44,953,352**	**63,928,451**
Depreciation (Note 20)	**350,473**	**15,598,150**	**15,948,623**
Reclassification (Notes 6 and 8)	**–**	**(17,435,241)**	**(17,435,241)**
Balance at end of year	**19,325,572**	**43,116,261**	**62,441,833**
Net Book Value	**₱19,590,801**	**₱48,804,081**	**₱68,394,882**

	2019		
	Land Improvements	Furniture and Fixtures	Total
Cost			
Balance at beginning of year	₱38,703,160	₱40,967,955	₱79,671,115
Additions	–	39,207,659	39,207,659
Balance at end of year	38,703,160	80,175,614	118,878,774
Accumulated Depreciation			
Balance at beginning of year	18,072,961	21,962,886	40,035,847
Depreciation (Note 20)	902,138	22,990,466	23,892,604
Balance at end of year	18,975,099	44,953,352	63,928,451
Net Book Value	₱19,728,061	₱35,222,262	₱54,950,323

As of December 31, 2020, property and equipment is not used as collateral and is not subject to any and encumbrances.

10. Other Assets

Other current assets consist of:

	2020	2019 (As restated)
Input VAT - net	**₱986,282,331**	₱1,014,334,638
Creditable withholding tax	**94,649,221**	–
Prepayments	**68,233,324**	20,948,196
Others	**33,658,745**	2,127,302
	1,182,823,621	1,037,410,136
Less noncurrent portion of input VAT	**11,491,515**	44,134,336
	1,171,332,106	993,275,800
Less allowance for probable losses	**–**	12,190,527
	₱1,171,332,106	₱981,085,273

Input Value Added Tax (VAT) represents the taxes imposed to the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulation. This will be used against future output VAT liabilities or will be claimed as tax credits. Management has estimated that all input VAT are recoverable at its full amount.

In 2020, the Group restated its previously reported consolidated financial statements to reflect the change in the consolidated statements of financial position resulting from the reclassification of noncurrent portion of input VAT from Other current assets to Other noncurrent assets amounting to ₱44.1 million and ₱681.7 million as of December 31, 2019 and 2018, respectively. As a result, the Group presented a third consolidated statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements required.

As of December 31, 2017, the noncurrent portion of input VAT, other current assets and other noncurrent assets in the consolidated statement of financial position after reclassification amounted to ₱557.2 million, ₱107.9 million and ₱839.6 million, respectively.

The accounts were reclassified to conform with the 2020 financial statement presentation. The reclassifications have no impact to total assets, total liabilities and total equity of the Group and to the consolidated statements of comprehensive income for years ended December 31, 2019 and 2018. The reclassifications did not also have significant impact to the consolidated statements of cash flows.

Creditable withholding tax are attributable to taxes withheld by third parties arising from income which are fully realizable and will be applied against future taxes payable. The amounts represent the residual after application as credit against income tax payable.

Prepayments consist of prepaid expenses for financial charges, taxes and licenses, insurance and association dues.

Others include office and maintenance supplies. As of December 31, 2019, the allowance for probable losses pertains to the portion of outstanding input VAT that is not expected to be utilized in the future (nil as of December 31, 2020).

Other noncurrent assets consist of:

	2020	2019 (As restated)
Prepaid DCS connection charges (Note 16)	**₱336,023,216**	₱285,577,306
Deposits	**40,903,155**	46,752,894
Input VAT - noncurrent portion	**11,491,515**	44,134,336
Others	**–**	12,942,076
	₱388,417,886	₱389,406,612

Prepaid DCS connection charge is amortized using straight line method based on the contract period of connection. Amortization of connection fee is presented as "Others" in the consolidated statement of comprehensive income.

The rollforward analysis of Prepaid DCS connection charge follows:

	2020	2019
Cost		
Balance at beginning of year	**₱316,250,070**	₱316,250,070
Additions (Note 16)	**66,610,664**	–
Balance at end of year	**382,860,734**	316,250,070
Accumulated Amortization		
Balance at beginning of year	**30,672,764**	15,704,114
Amortization (Note 20)	**16,164,754**	14,968,650
Balance at end of year	**46,837,518**	30,672,764
Net Book Value	**₱336,023,216**	₱285,577,306

Deposits pertain to electric meter deposits and security deposits.

11. Accounts Payable and Accrued Expenses

This account consists of:

	2020	2019
Advances from tenants	**₱566,558,897**	₱620,797,006
Accrued expenses (Note 16)	**262,209,073**	240,344,795
Due to related parties (Note 16)	**181,541,991**	301,556,049
Retention payable - current portion (Note 14)	**177,214,409**	357,009,806
Payable to contractors (Note 7)	**123,491,053**	91,490,291
Payable to suppliers	**121,453,381**	123,357,126
Accrued interest payable (Notes 12 and 13)	**113,036,580**	109,323,017
Withholding taxes payable	**38,206,363**	29,226,485
	₱1,583,711,747	₱1,873,104,575

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.

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

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

Accrued interest payable pertains to accrual of interest of bonds and loans outstanding as at year end.

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

Withholding taxes payable consists of withholding taxes on compensation and expanded withholding taxes. These are normally settled within one (1) month.

12. Loans Payable

This account consists of:

	2020	2019
Developmental loans from local banks (Note 15)	**₱2,344,166,667**	₱4,218,371,212
Less current portion of loans payable	**744,166,667**	1,355,454,545
Noncurrent portion of loans payable	**₱1,600,000,000**	₱2,862,916,667

Developmental Bank Loans
These loans are obtained to finance the construction of buildings for rental. Developmental loans from local banks will mature on various dates up to 2024. These peso-denominated loans bear floating interest rates equal to 91-day PDST-F rate plus a spread of 1% per annum, prevailing market rate, or fixed interest rates of 4.00% to 5.22% per annum. Loans availed by the Parent Company in 2020, 2019 and 2018 amounted to ₱1,000.0 million, ₱2,100.0 million and nil, respectively. Principal payments made in 2020, 2019 and 2018 amounted to ₱984.6 million, ₱1.3 billion and ₱594.7 million, respectively (see Note 25).

Interest expense which was capitalized relating to loans payable amounted to ₱133.4 million, ₱72.6 million and ₱89.6 million in 2020, 2019 and 2018, respectively (see Notes 6 and 8). The capitalization rates used in 2020, 2019 and 2018 ranges from 4.0% to 5.2%.

Total interest expense charged to the consolidated statements of comprehensive income amounted to ₱81.6 million, ₱105.5 million and ₱95.5 million in 2020, 2019 and 2018, respectively.

On December 9, 2020, the Parent Company and FLI entered into an agreement for the assignment of the Parent Company's developmental loans outstanding as of November 30, 2020 amounting to ₱4,233.8 million. On December 9, 2020, the Parent Company notified the banks in writing of the assignment of loans.

As of December 31, 2020, the Parent Company received the letters of consent from certain banks authorizing the assignment of the loans to FLI. Consequently, the related loans payable amounting to ₱1,518.7 million was derecognized in the consolidated financial statements. In December 2020, FLI also paid total principal installment due amounting to ₱370.8 million on behalf of the Parent Company. The principal installment paid by FLI and the derecognized loans were recognized as deposit for future stock subscription as of December 31, 2020 (see Note 15).

The letters of consent from other banks for the loans payable outstanding as of December 31, 2020 were received, and the related developmental loans were derecognized subsequent to December 31, 2020 (see Note 27).

The Parent Company's loans payable is 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 December 31, 2020, and 2019, the Parent Company is not in breach of these covenants and has not been cited in default on any of its outstanding obligation.

13. Bonds Payable

On July 7, 2017, the Parent Company issued fixed rate bonds with aggregate principal amount of ₱6,000.0 million 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. As of December 31, 2020 and 2019, the outstanding balance of bonds payable amounted to ₱5,974.2 million and ₱5,961.6 million, respectively.

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 which was capitalized relating to bonds payable amounted to ₱108.8 million, ₱212.1 million, and ₱251.2 million in 2020, 2019, and 2018, respectively (see Notes 8 and 9).

Total interest expense charged to the consolidated statements of comprehensive income amounted to ₱199.2 million, ₱95.2 million and ₱46.9 million in 2020, 2019, and 2018 respectively.

Unamortized debt issuance cost on bonds payable amounted ₱25.8 million and ₱38.4 million as of December 31, 2020 and 2019, respectively. Amortization of transaction costs included under "Interest and other financing charges" in the consolidated statement of comprehensive income amounted to ₱12.7 million in 2020, 2019 and 2018.

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 December 31, 2020, and 2019, the Parent Company is not in breach of these covenants and has not been cited in default on any of its outstanding obligation.

14. Other Liabilities

Security and other deposits
Security and other deposits are applied to any outstanding obligations of the tenants at the end of the lease term or upon pre-termination.

The current and noncurrent portion of security and other deposits as of December 31, 2020 and 2019 follows:

	2020	2019
Current portion	₱116,414,891	₱245,751,976
Noncurrent portion	732,659,169	707,472,003
	₱849,074,060	₱953,223,979

Other noncurrent liabilities
This account consists of:

	2020	2019
Retention payable - net of current portion	₱296,558,325	₱199,053,856
Retirement liabilities (Note 17)	3,827,357	1,832,889
	₱300,385,682	₱200,886,745

15. Equity

Capital Stock, Additional Paid-in Capital and Deposit for Future Stock Subscription
Details of the Parent Company's capital stock as of December 31, 2020 and 2019 follow:

Common stock - ₱1 par value	
Authorized - 2,000,000,000 shares	₱2,000,000,000
Issued and outstanding - 1,163,426,668 shares	1,163,426,668
Additional paid-in capital	102,900,666

On December 4, 2020, the BOD approved the increase in the Parent Company's authorized capital stock to ₱14,985.0 million divided into 10,800.0 million common shares with a par value of ₱1.00 per share and 4,185.0 million preferred shares with a par value of ₱1.00. The Parent Company filed the application for the increase in authorized capital stock with the SEC on December 22, 2020.

On December 15, 2020, FLI subscribed to 2,700.0 million common shares and 1,046.3 million preferred shares out of the Parent Company's proposed increase in authorized capital stock. The consideration for the subscription amounting to ₱3,746.3 million shall be taken from the loans payable assigned to FLI (see Note 12).

As of December 31, 2020, deposit for future stock subscription amounted to ₱1,889.6 million, inclusive of the assigned loans payable amounting to ₱1,518.8 million and principal installments paid by FLI in December 2020 amounting to ₱370.8 million (see Note 12).

On March 5, 2021, the BOD and the stockholders approved the reduction of the par value of the common shares of the Parent Company, from ₱1.00 per share to ₱0.50, resulting in a stock split whereby every existing one (1) common share with par value of P1.00 each will become two (2) common shares with par value of ₱0.50 each. They further approved an amendment to the increase in authorized capital stock, from P2.0 billion divided into 2 billion common shares with a par value of ₱1.00 per share to ₱7,131,849,000 divided into 14,263,698,000 common shares with a par value of ₱0.50 per share (see Notes 22 and 27).

Retained Earnings
Appropriation
On December 4, 2020, the BOD approved the release its previous appropriation from its retained earnings amounting to ₱6,300.0 million. This pertains to previous appropriations made to fund projects already completed or transferred, thus will not require any appropriations anymore.

On December 20, 2019, the BOD approved the additional appropriation of retained earnings amounting to ₱1,300.0 million for capital expenditure requirement for the development of the following projects: Filinvest Axis Tower 3, and Filinvest Axis Tower 4 to be completed by 2020.

On December 19, 2018, the BOD approved the additional appropriation of retained earnings amounting to ₱1,500.0 million for capital expenditure requirement for the development of the following projects: Filinvest Axis Tower 3, and Filinvest Axis Tower 4 to be completed by 2020.

On December 20, 2017, the BOD approved the additional appropriation of retained earnings amounting to ₱1,000.0 million for capital expenditure requirements for the development of a project targeted to be completed by 2020.

On December 21, 2016, the BOD approved the appropriation of retained earnings amounting to ₱2,500.0 million for capital expenditure requirements for the development of a project targeted to be completed by 2020.

Declaration of Dividend
On December 4, 2020, the Parent Company's BOD approved the declaration of property dividends with carrying value amounting to ₱6,611.9 million (see Note 8). The distribution of these properties shall be made upon approval by the SEC. In 2019 and 2018, the Parent Company declared cash dividends amounting to ₱348.3 million and ₱312.5 million, respectively. Dividends are declared out of the Company's unappropriated retained earnings.

After reconciling items, the Group's retained earnings available for dividend declaration as of December 31, 2020 and 2019 amounted to ₱1,680.9 million and ₱321.9 million, respectively.

The following table shows how the Group computes for its dividend per share:

	2020	2019
a. Dividends	**₱6,611,906,765**	₱348,339,734
b. Number of outstanding common shares	**1,163,426,668**	1,163,426,668
Dividends per share (a/b)	**₱5.68**	₱0.30

Capital Management
The Group's primary objective is to maintain its current sound financial condition and strong debt service capabilities, as well as to continuously implement a prudent financial management program.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. It closely monitors its capital and cash positions and carefully manages its capital expenditures. Furthermore, the Group may also, from time to time, seek other sources of funding, which may include debt or equity issues, depending on its financing needs and market conditions. The Group continues to fund its project developments using medium to long-term financing, which can help mitigate any negative effects of a sudden downturn in the Philippine economy or a sudden rise in interest rates.

The Group monitors capital using a debt-to-equity ratio, which is total long-term debt divided by total stockholders' equity. The Group includes within debt, interest-bearing loans and external borrowings whether in the form of long-term notes, bonds, and lease liabilities. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2020 and 2019.

The following table shows how the Group computes for its debt-to-equity ratio:

	2020	2019
Loans payable (Note 12)	**₱2,344,166,667**	₱4,218,371,212
Bonds payable (Note 13)	**5,974,168,846**	5,961,553,269
Lease liabilities (Note 19)	**2,190,115,165**	283,428,528
	10,508,450,678	10,463,353,009
Equity	**5,106,064,860**	7,968,601,593
Debt-to-equity ratio	**2.06:1**	1.31:1

16. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence (referred herein as affiliates). Related parties may be individuals or corporate entities.

All material Related Party Transactions ("RPT") with a transaction value that reaches ten percent (10%) of the Group's total consolidated assets shall be subject to the review by the RPT Committee.

Transactions that were entered into with an unrelated party that subsequently becomes a related party shall be excluded from the limits and approval of the Policy on Related Party Transactions ("Policy"). However, any renewal, change in the terms and conditions or increase in exposure level, related to these transactions after a non-related party becomes a related party, shall subject it to the provisions of the Policy.

In the event wherein there are changes in the RPT classification from non-material to material, the material RPT shall be subject to the provisions of the Policy.

Outstanding balances at year-end are unsecured, interest free and require settlement in cash, unless otherwise stated. As of December 31, 2020, and 2019, the Group has not made any provision for impairment loss relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

A summary of the Group's related party transactions in 2020 and 2019 are shown in the following table:

	2020				
	Amount/ Volume	Outstanding balance	Terms	Conditions	Note
Bank under common control					
Cash and cash equivalents	₱738,640,515	₱738.640,515	0.1010% to 3.75%	No impairment	16 (a)
Interest income	3,908,966	–			
	₱742,549,481	₱738.640.515			
Trade receivables (Note 5)					
Parent Company					
Rental revenue	₱24,965,196	₱306,370	Noninterest-bearing; due and demandable	Unsecured	16 (b)
Affiliate					
Rental revenue	88,007,272	146,729	Noninterest-bearing; collectible every 20th day of the month	Unsecured	16 (b)
Service fee income (Note 20)	8,990,356	–	Noninterest-bearing	Unsecured	16 (b)
Commission income (Note 20)	23,166,200	–	Noninterest-bearing	Unsecured	16 (d)
	₱145,129,024	₱453,099			
Other Noncurrent Asset					
Affiliate					
DCS connection charge (Note 10)	₱15,266,782	₱352,187,969		No impairment	16 (f)
Connection fees (Note 20)	–	(16,164,753)			
	₱15,266,782	₱336,023,216			

	2020				
	Amount/ Volume	Outstanding balance	Terms	Conditions	Note
Accounts payable and accrued expenses (Note 11)					
Parent Company					
Rental expense	**(₱304,190,850)**	**₱–**	Noninterest-bearing; payable on demand	Unsecured	16 (c)
Affiliate					
Advances	**(350,000,000)**	**–**	Interest-bearing at 6.0%, payable on demand	Unsecured	
Accrued interest	**(9,966,667)**	**–**	Noninterest-bearing	Unsecured	16 (e)
Service and energy fees (Note 20)	**(290,551,981)**	**(46,327,665)**	Noninterest-bearing; payable on demand	Unsecured	16 (f)
Rental expense	**(4,467,493)**	**–**	Noninterest-bearing	Unsecured	16 (c)
Affiliate			Noninterest-bearing; payable on demand	Unsecured	
Service fee	**(35,361,288)**	**(13,950,037)**			16 (d)
Management fee and manpower cost	**–**	**–**	Noninterest-bearing; payable on demand	Unsecured	
	(₱994,538,279)	**(₱60,277,702)**			
Lease liabilities					
Parent Company					
Lease liabilities (Note 19)	**(₱2,149,262,141)**	**(₱2,190,115,165)**	Noninterest-bearing; payable	Unsecured	16 (c)
Other Noncurrent Liability					
Parent Company					
Security deposit	**(₱7,278,060)**	**(₱7,278,060)**	Noninterest-bearing; payable	Unsecured	16 (b)
Affiliate					
Security deposits	**(12,018,424)**	**(14,133,746)**	Noninterest-bearing; payable	Unsecured	16 (b)
	(₱19,296,484)	**(₱21,411,806)**			

	2019				
	Amount/ Volume	Outstanding balance	Terms	Conditions	Note
Bank under common control					
Cash and cash equivalents	₱375,902,879	₱375,902,879	0.13% to 4.50%	No impairment	16 (a)
Interest income	8,435,364	–			
	₱384,338,243	₱375,902,879			
Trade receivables (Note 5)					
Parent Company					
Rental revenue	₱25,195,857	₱6,927,742	Noninterest-bearing; due and demandable	Unsecured	16 (b)
Affiliate			Noninterest-bearing; collectible every 20th day of the month		
Rental revenue	₱80,534,865	₱21,962,726	Noninterest-bearing	Unsecured	16 (b)
Service fee income (Note 20)	8,742,636	–	Noninterest-bearing	Unsecured	16 (b)
Commission income (Note 20)	6,440,293	–	Noninterest-bearing	Unsecured	16 (d)
	₱120,913,651	₱28,890,468			
Other Noncurrent Asset					
Affiliate					
DCS connection charge (Note 10)	₱14,614,829	₱300,545,956		No impairment	16 (f)
Connection fees (Note 20)	–	(14,968,650)			
	₱14,614,829	₱285,577,306			
Accounts payable and accrued expenses (Note 11)					
Parent Company					
Rental expense	(₱289,545,398)	(₱25,072,037)	Noninterest-bearing; payable on demand	Unsecured	16 (c)

(Forward)

	2019				
	Amount/ Volume	Outstanding balance	Terms	Conditions	Note
Affiliate					
Advances	(₱300,000,000)	(₱300,000,000)	Interest-bearing at 6.0%, payable on demand	Unsecured	
Accrued interest	(5,978,000)	(1,556,049)	Noninterest-bearing	Unsecured	16 (e)
Service and energy fees (Note 20)	(308,630,133)	(20,846,167)	Noninterest-bearing; payable on demand	Unsecured	16 (f)
Rental expense	(3,111,931)	–	Noninterest-bearing	Unsecured	16 (c)
Affiliate					
Service fee	(9,218,381)	–	Noninterest-bearing; payable on demand	Unsecured	16 (d)
Management fee and manpower cost	(11,569,770)	–	Noninterest-bearing; payable on demand	Unsecured	
	(₱928,053,613)	(₱347,474,253)			
Other Noncurrent Liability					
Parent Company					
Security deposit	₱6,935,068	₱–	Noninterest-bearing; payable	Unsecured	16 (b)
Affiliate					
Security deposits	22,060,351	2,115,322	Noninterest-bearing; payable	Unsecured	16 (b)
	₱28,995,419	₱2,115,322			

Significant related party transactions are as follows

a) The Group maintains savings accounts and short-term deposits with East West Banking Corporation (EW), an affiliated bank. Cash and cash equivalents earn interest at the prevailing short-term investment rates.

b) *Lease agreements with related parties - Group as lessor*

- The Company, as a lessor, entered into a space rental agreement with FLI, for the office space in one of the Company's buildings. Lease period is from October 16, 2016 to December 5, 2031, renewable for another 5 or 10 years.

- The Company, as a lessor, entered into a space rental agreement with Filinvest Alabang, Inc. (FAI), an entity under common control, for the office space in one of the Company's buildings. Lease period is from September 2, 2019 to March 31, 2031 renewable for another 5 years.

- The Parent Company, as a lessor, entered into a space rental agreement with Pro-Excel, an affiliate, for the office space in one of the Group's buildings. Lease period is from July 15, 2020 to July 14, 2025.

- The Parent Company, as a lessor, entered into a space rental agreement with Dreambuilders Pro, Inc. (DPI), a fellow subsidiary under FLI, for the office space in one of the Group's buildings. Lease period is from August 10, 2017 to October 9, 2022.

- The Parent Company, as a lessor, entered into a space rental agreement with Chroma Hospitality, Inc., a fellow subsidiary under FLI, for the office space in one of the Group's buildings. Lease period is from June 2, 2017 to June 1, 2027.

	2019				
	Amount/ Volume	Outstanding balance	Terms	Conditions	Note
Affiliate					
Advances	(₱300,000,000)	(₱300,000,000)	Interest-bearing at 6.0%, payable on demand	Unsecured	
Accrued interest	(5,978,000)	(1,556,049)	Noninterest-bearing	Unsecured	16 (e)
Service and energy fees (Note 20)	(308,630,133)	(20,846,167)	Noninterest-bearing; payable on demand	Unsecured	16 (f)
Rental expense	(3,111,931)	–	Noninterest-bearing	Unsecured	16 (c)
Affiliate					
Service fee	(9,218,381)	–	Noninterest-bearing; payable on demand	Unsecured	16 (d)
Management fee and manpower cost	(11,569,770)	–	Noninterest-bearing; payable on demand	Unsecured	
	(₱928,053,613)	(₱347,474,253)			
Other Noncurrent Liability					
Parent Company					
Security deposit	₱6,935,068	₱–	Noninterest-bearing; payable	Unsecured	16 (b)
Affiliate					
Security deposits	22,060,351	2,115,322	Noninterest-bearing; payable	Unsecured	16 (b)
	₱28,995,419	₱2,115,322			

Significant related party transactions are as follows.

a) The Group maintains savings accounts and short-term deposits with East West Banking Corporation (EW), an affiliated bank. Cash and cash equivalents earn interest at the prevailing short-term investment rates.

b) *Lease agreements with related parties - Group as lessor*
- The Company, as a lessor, entered into a space rental agreement with FLI, for the office space in one of the Company's buildings. Lease period is from October 16, 2016 to December 5, 2031, renewable for another 5 or 10 years.
- The Company, as a lessor, entered into a space rental agreement with Filinvest Alabang, Inc. (FAI), an entity under common control, for the office space in one of the Company's buildings. Lease period is from September 2, 2019 to March 31, 2031 renewable for another 5 years.
- The Parent Company, as a lessor, entered into a space rental agreement with Pro-Excel, an affiliate, for the office space in one of the Group's buildings. Lease period is from July 15, 2020 to July 14, 2025.
- The Parent Company, as a lessor, entered into a space rental agreement with Dreambuilders Pro, Inc. (DPI), a fellow subsidiary under FLI, for the office space in one of the Group's buildings. Lease period is from August 10, 2017 to October 9, 2022.
- The Parent Company, as a lessor, entered into a space rental agreement with Chroma Hospitality, Inc., a fellow subsidiary under FLI, for the office space in one of the Group's buildings. Lease period is from June 2, 2017 to June 1, 2027.

The Parent Company, as a lessor, entered into a lease agreement with Festival Supermall, Inc. (FSI), a fellow subsidiary under FLI, for the office space in one of the Group's buildings. Lease period is from June 2, 2017 to June 1, 2027.

c) *Lease agreements with related parties - Group as lessee*
   - The Parent Company, as a lessee, has existing land lease agreement with FLI on the location of the Company's buildings in Northgate both operational and still under construction. Rental expense is based on certain percentages of the Group's gross rental income.

     In 2020, the Parent Company's lease agreement was amended as follows (see Note 19):
     - the Parent Company shall pay either a minimum guaranteed rent or a percentage share from Gross Lease, whichever is higher, effective July 1, 2020; and,
     - the lease terms were extended for an additional term of 25 years.

   - In addition, the Parent Company, as a lessee, entered into a land lease agreement with FAI on the location of the parking currently leased out to third parties. Rental is based on a certain percentage of income earned from the parking space.

d) *Service agreements with related parties*
   - The Parent Company entered into a service agreement with FAI whereby the Parent Company shall pay service fees for general management services rendered by the latter for the operations of the Group. FAI is also the provider of water services within the Filinvest City where majority of the buildings of the Company are located.

   - The Parent Company entered into a service agreement with Filinvest Cyberparks, Inc. (FCI), Filinvest Asia Corp. (FAC), and Pro-Excel, entities under common control, whereby the Parent Company shall lease out a portion of its office space and perform accounting and administrative services to the latter for a fee.

   - The Parent Company entered into a service agreement with FDC Retail Electricity Sales, Corporation (FDC RES), an entity under common control, whereby the Parent Company shall engage and pay the services rendered by the latter to provide the electricity requirements of its facilities.

   - The Parent Company entered into a service agreement with its affiliate, Parking Pro, Inc., to operate and maintain the Company's parking facilities.

   - The Parent Company entered into a service agreement with ProOffice, a subsidiary, whereby the Parent Company shall engage and pay the services rendered by the latter to operate and manage the common areas of the properties owned by the Group.

e) On February 27, 2019, the Parent Company availed advances from FCI amounting ₱300.0 million. The Parent Company availed additional advances amounting to ₱50.0 million on April 1, 2020. These advances were all paid in 2020. Related interest amounting ₱6.0 million was incurred by the Parent Company.

Component of pension expense recognized in profit or loss follow:

	2020	2019	2018
Net pension expense:			
Service cost	**₱457,912**	₱301,676	₱689,205
Net interest expense	**29,285**	112,109	74,855
Total pension expense	**₱487,197**	₱413,785	₱764,060

The funded status and amounts recognized in the consolidated statements of financial position for the pension plan as of December 31 follow:

	2020	2019
Present value of defined benefit obligation	**₱5,141,352**	₱1,832,889
Fair value of plan assets	**(1,313,995)**	–
Net pension liabilities	**₱3,827,357**	₱1,832,889

The remeasurements recognized in OCI for the year ended December 31 follow:

	2020	2019	2018
Actuarial loss (gain) due to:			
Experience adjustments	**₱371,141**	₱–	₱–
Changes in financial assumptions	**2,338,016**	–	(173,088)
Adjustment	**(1,871,285)**	–	
Remeasurement loss on plan assets	**217,218**	–	–
Balance at end of the period	**₱1,055,090**	₱–	(₱173,088)

Changes in the present value of the defined benefit obligation follow:

	2020	2019
Balance at beginning of year	**₱1,832,889**	₱1,419,104
Current service cost	**457,912**	301,676
Interest expense	**141,394**	112,109
Amount to be recognized in OCI	**2,709,157**	–
Balance at end of year*	**₱5,141,352**	₱1,832,889

Changes in the fair value of plan assets follow:

	2020	2019
Balance at beginning of year	**₱–**	₱–
Contribution	**1,419,104**	–
Interest income	**112,109**	–
Remeasurement losses on plan assets	**(217,218)**	–
Balance at end of year	**₱1,313,995**	₱–

**Opening balance adjustment was due to reflect the fund balance as of December 31, 2019.*

As of December 31, 2020, the plan asset amounting ₱1.3 million pertains to cash (nil in 2019).

The Parent Company has no expected contribution to its defined benefit pension plan in 2021. The Parent Company reviews the level of funding required for the retirement plan. The Parent Company's objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Parent Company monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the benefit obligations.

Maturity analysis of the undiscounted benefit payments follows:

Financial Year	2020	2019
Year 1	**₱4,429**	₱2,071
Year 2	**5,408**	2,623
Year 3	**6,639**	3,272
Year 4	**8,258**	4,066
Year 5	**10,241**	5,019
Year 6 to 50	**102,562,979**	82,978,676

The principal assumptions used in determining pension benefits are as follow:

	2020	2019	2018
Discount rates	**4.1%**	7.9%	7.9%
Salary increase rates	**8.0%**	8.0%	8.0%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation (per 100 basis points) as of December 31, assuming all other assumptions were held constant:

	Increase (Decrease)		Impact on DBO Increase (Decrease)	
	2020	2019	**2020**	2019
Discount rates	**(18%)**	(19%)	**(₱4,193,468)**	(₱1,146,344)
	24%	24%	**6,349,599**	1,765,333
Salary rates	**22%**	24%	**6,296,529**	1,761,404
	(17%)	(19%)	**(4,253,434)**	(1,144,311)

Management believes that pension obligation will not be sensitive to the salary rate increases because it is expected to be at the same level of the remaining life of the obligation.

18. Income Tax

On June 6, 2000, the Group was registered with the Philippine Economic Zone Authority (PEZA) pursuant to the provisions of Republic Act 7916 as an Economic Zone (ECOZONE) Facilities Enterprise. As a registered enterprise, the Group is entitled to certain tax benefits and non-tax incentives such as exemption from payment of national and local taxes and in lieu thereof a special tax rate of five percent (5%) of gross income. The Parent Company is also entitled to zero percent (0%) value added tax for sales made to ECOZONE enterprises.

The breakdown of provision for income tax shown in the consolidated statements of comprehensive income follows:

	2020	2019	2018
At 5% statutory income tax rate	**₱70,860,967**	₱55,369,000	₱58,574,566
Net result from non-PEZA activities:			
Current	**160,289,059**	134,211,926	55,523,007
Deferred	**(114,258,532)**	119,807,959	91,505,732
	₱116,891,494	₱309,388,885	₱205,603,305

The components of the Group's net deferred tax assets (liability) follows:

	2020	2019
Presented in profit or loss		
Deferred tax assets		
Lease liabilities	**₱200,002,363**	₱85,028,558
Advance rentals	**66,779,445**	98,893,880
Provision for future major repairs	**1,812,946**	1,812,946
Accrual of pension obligation	**514,052**	514,052
Provision for doubtful accounts	**85,577**	85,577
Unrealized foreign currency exchange loss	**13,067**	12,133
	269,207,450	186,347,146
Deferred tax liability		
Capitalized borrowing costs	**(258,925,373)**	(363,894,908)
Adjustment related to straight-line recognition of rental revenue	**(119,797,641)**	(157,068,352)
Right-of-use assets	**(160,802,325)**	(49,960,307)
	(539,525,339)	(570,923,567)
	(270,317,889)	(384,576,421)
Presented in OCI		
Deferred tax asset (liability) on net actuarial gains on pension liability	**378,000**	(74,181)
	(₱269,939,889)	(₱384,650,602)

The reconciliation of provision for income tax at the statutory tax rate to provision for income tax shown in the consolidated statements of comprehensive income follows:

	2020	2019	2018
Tax at statutory rate	**₱593,319,985**	₱583,135,280	₱484,765,689
Adjustments for:			
Income tax at 5% preferential rate	**(283,413,371)**	(267,005,647)	(270,483,071)
Derecognition of deferred tax on temporary differences related to property dividend	**(187,356,783)**	–	–
Interest income subjected to final tax	**(5,658,337)**	(6,740,748)	(8,679,313)
	₱116,891,494	₱309,388,885	₱205,603,305

As of December 31, 2020, the proposed "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE" is being reviewed by the House of Representatives and the Senate. The said act aims to:

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

As of December 31, 2020, the Group is still evaluating the potential impact of the CREATE bill in its consolidated financial statements.

19. Leases

Group as lessee
The Group has lease contracts for land as of January 1, 2019. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The Group has entered into land lease arrangements with lease terms of between 25 and 40 years. There are several leases that include extension option to lease the assets for additional 25 years based on mutual agreement of the parties. The remaining lease term of the ROU assets range from 16 to 39 years.

On July 1, 2020, CPI and FLI amended their existing lease contract. The pertinent amendment provisions include the extension the term of the lease to another 25 years and to set a minimum fixed rental rate. This resulted to an addition to ROU assets and lease liabilities amounting ₱2,149.3 million at contract amendment date (see Note 8).

The Company's contract with Cebu Government pertaining to the BTO rights are presented under Intangible assets while the lease contracts with a third party and FLI are presented under Investment properties.

As at December 31, 2020 and 2019, the rollforward analysis of right-of-use assets on land follows:

	2020		
Cost	**Investment Properties** (Note 8)	**Intangible Assets** (Note 6)	**Total**
At January 1	**₱62,159,358**	**₱112,423,917**	**₱174,583,275**
Additions	**2,149,262,141**	**–**	**2,149,262,141**
Derecognition	**(264,490,746)**	**–**	**(264,490,746)**
As at December 31	**1,946,930,753**	**112,423,917**	**2,059,354,670**
Accumulated Depreciation			
At January 1	**3,551,963**	**4,496,957**	**8,048,920**
Depreciation	**39,033,505**	**4,496,957**	**43,530,462**
Derecognition	**(3,396,956)**	**–**	**(3,396,956)**
As at December 31	**39,188,512**	**8,993,914**	**48,182,426**
Net Book Value	**₱1,907,742,241**	**₱103,430,003**	**₱2,011,172,244**

	2019		
Cost	Investment Properties (Note 8)	Intangible Assets (Note 6)	Total
At January 1	₱–	₱–	₱–
Effect of adoption of PFRS 16	62,159,358	112,423,917	174,583,275
At January 1, as restated	62,159,358	112,423,917	174,583,275
Additions	–	–	–
As at December 31	62,159,358	112,423,917	174,583,275
Accumulated Depreciation			
At January 1	–	–	–
Depreciation	3,551,963	4,496,957	8,048,920
As at December 31	3,551,963	4,496,957	8,048,920
Net Book Value	₱58,607,395	₱107,926,960	₱166,534,355

The following are the amounts recognized in the consolidated statement of comprehensive income for the year ended December 31:

	2020	2019
Depreciation expense of right-of-use assets (included in general and administrative expenses)	**₱43,530,462**	₱8,048,920
Interest expense on lease liabilities (included in interest and other finance charges)	**72,540,219**	23,186,843
	₱116,070,681	₱31,235,763

Interest expense which was capitalized during the year relating to lease liability amounted to ₱14.6 million and ₱6.1 million in 2020 and 2019, respectively (nil in 2018). The capitalization rates used range from 4.7% to 5.19% and 5.12% in 2020 and 2019, respectively (nil in 2018).

In relation with the property dividend declaration in 2020, the Group derecognized a portion of lease liability and right of use asset with a carrying value of ₱267.5 million and ₱261.7 million, respectively. The gain recognized from the derecognition amounted to ₱5.8 million.

As at December 31, the rollforward analysis of lease liabilities follows:

	2020	2019
At January 1	**₱283,428,528**	₱277,501,365
Additions	**2,149,262,141**	–
Interest expense	**72,540,219**	23,186,843
Payments	**(47,613,247)**	(17,259,680)
Derecognized	**(267,502,476)**	–
As at December 31	**2,190,115,165**	283,428,528
Less current portion	**92,617,060**	16,258,553
Lease liabilities - net of current portion	**₱2,097,498,105**	₱267,169,975

The Group also has certain lease of land with variable rental payments and lease of office space considered as "low-value assets". The Group applies the lease of 'low-value assets' recognition exemptions for these leases.

Variable lease payments presented as rental expense in the consolidated statement of comprehensive income for the years ended December 31, 2020, 2019 and 2018 amounted to ₱298.0 million and ₱305.2 million and ₱281.0 million, respectively.

Shown below is the maturity analysis of the undiscounted lease payments as of December 31:

Maturity	2020	2019
1 year	**₱92,617,061**	₱18,395,662
more than 1 years to 2 years	**97,457,093**	19,646,163
more than 2 years to 3 years	**102,553,769**	20,837,650
more than 3 years to 4 years	**107,920,946**	22,103,354
more than 5 years	**5,332,476,996**	612,602,448

Group as lessor
As lessor, future minimum rental receivables under renewable operating leases as of December 31, 2020 and 2019 follows:

	2020	2019
Within one year	**₱2,831,168,803**	₱3,110,851,654
After one year but not more than five years	**8,428,851,003**	12,170,411,487
After five years	**5,568,619,525**	9,149,293,267
	₱16,828,639,331	₱24,430,556,408

The Group entered into lease agreements with third parties covering real estate properties. These leases generally provide for either (a) fixed monthly rent (b) minimum rent or a certain percentage of gross revenue, whichever is higher. Most lease terms on commercial malls are renewable within one year, except for anchor tenants with lease ranging from 5 to 15 years.

Rental income recognized based on a percentage of the gross revenue of mall tenants included in "Rental revenue" account in the consolidated statement of comprehensive income amounted to ₱340.0 million, ₱334.4 million and ₱289.6 million in 2020, 2019 and 2018, respectively.

The Group is engaged in office leasing operations and entered into lease agreements with third parties and related parties (see Note 16). These leases generally provide for either (a) fixed monthly rent (b) minimum rent or a certain percentage of gross revenue, whichever is higher (see Note 14).

20. Other Income

Other income is composed of tenant reimbursements and other miscellaneous income from rental facilities. The account also includes commission income and service fee income recognized from service agreement from its affiliates.

	2020	2019	2018
Tenant dues (Notes 6 and 8)	**₱1,364,484,480**	₱1,416,889,335	₱1,174,098,142
Expenses incurred (Notes 8 and 10):			
Utilities (Notes 10 and 16)	**(668,556,942)**	(866,099,376)	(802,769,849)
Services	**(194,606,783)**	(224,881,314)	(173,419,118)
Repairs and maintenance	**(175,297,470)**	(181,581,591)	(161,817,405)

(Forward)

	2020	2019	2018
Depreciation (Notes 8 and 9)	**(₱45,039,285)**	(₱37,291,414)	(₱36,897,533)
Insurance	**(4,019,860)**	(11,199,434)	(3,164,994)
Others	**(57,711,364)**	(40,986,233)	(1,862,483)
	(1,145,231,704)	(1,362,039,362)	(1,179,931,382)
Net tenant dues	**219,252,776**	54,849,973	(5,833,240)
Service fee income (Note 16)	**8,990,356**	8,742,636	7,573,436
Commission income (Note 16)	**23,166,200**	6,440,293	9,386,963
Miscellaneous	**22,949,904**	17,023,008	3,334,511
	₱274,359,236	₱87,055,910	₱14,561,670

Miscellaneous income pertains to penalties and charges from tenants.

Others include chargeable real property taxes and other taxes, licenses and fees amounting to ₱57.4 million and ₱39.2 million in 2020 and 2019, respectively (nil in 2018).

21. Interest Income

Interest income consists of:

	2020	2019	2018
Interest income on:			
Cash and cash equivalents (Notes 4 and 16)	**₱3,908,966**	₱8,435,364	₱12,216,842
Advances to related parties (Note 16)	–	–	29,783,425
Others (Note 5)	–	2,032,800	3,896,538
	₱3,908,966	₱10,468,164	₱45,896,805

Others consist mainly of interest and penalties on late rental payment of tenants.

22. Earnings Per Share

	2020	2019 (As restated)	2018 (As restated)
a. Net income	**₱1,860,841,789**	₱1,634,395,382	₱1,410,282,325
b. Number of outstanding common shares	**2,326,853,336**	2,326,853,336	2,326,853,336
Basic/Diluted EPS (a/b)	**₱0.80**	₱0.70	₱0.61

The Group assessed that there were no potential dilutive common shares in 2020, 2019 and 2018.

The weighted average outstanding common shares consider the effect of the stock split approved by the Parent Company's BOD and stockholder on March 5, 2021 (see Note 15). The EPS for the years ended December 31, 2019 and 2018 were likewise restated to consider this stock split.

23. Segment Reporting

The Group has determined that it is operating as one operating segment. Based on management's assessment, no part or component of the business of the Group meets the qualifications of an operating segment as defined by PFRS 8, *Operating Segments.*

The Group's leasing operations is its only income generating activity and such is the measure used by the chief operating decision maker (CODM) in allocating resources.

The Group does not report its results based on geographical segments. The Group has no significant customer which contributes 10% of more to the revenues of the Group.

24. Fair Value Measurement

The following table sets forth the fair value hierarchy of the Group's financial assets and liabilities measured at fair value and those for which fair values are required to be disclosed:

	2020	
		Fair Value Significant unobservable
	Carrying value	inputs (Level 3)
Liabilities for which fair values are disclosed		
Financial liabilities at amortized cost		
Loans payable	₱2,344,166,667	₱2,243,880,721
Bonds payable	5,974,168,846	5,686,998,186
Security and other deposits	849,074,060	821,552,066
Lease liabilities	2,190,115,165	2,083,161,648
	₱11,357,524,738	₱10,835,592,621

	2019	
		Fair Value Significant unobservable
	Carrying value	inputs (Level 3)
Liabilities for which fair values are disclosed		
Financial liabilities at amortized cost		
Loans payable	₱4,218,371,212	₱4,023,650,058
Bonds payable	5,961,553,269	5,674,989,023
Security and other deposits	953,223,979	922,326,056
Lease liabilities	283,428,528	332,630,027
	₱11,416,576,988	₱10,953,595,164

Due to the short-term nature of the transactions, the carrying values of cash and cash equivalents, receivables and current portion of accounts payable and accrued expenses approximate the fair market values.

The fair value of noncurrent deposits is estimated using the discounted cash flow methodology based on the discounted value of future cash flows using the applicable risk-free rates for similar types of asset. As of December 31, 2020 and 2019, the difference between the fair value and carrying value of deposits is not significant.

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are:

- *Security and other deposits*. The discount rates used ranges from 2.4% to 4.3% as of December 31, 2020 and 2019. Fair value is computed based on the expected future cash outflows.
- *Loans payable, lease liabilities and bonds payable*. Liabilities with fixed interest and not subjected to quarterly repricing is based on the discounted value of future cash flows using the applicable interest rates for similar types of loans as of reporting date. The discount rates used range from 4.01% to 5.58% and 4.01% to 6.07% as of December 31, 2020 and 2019, respectively.

During the years ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

25. Financial Risk Management Objectives and Policies

The Group's financial instruments comprise of cash and cash equivalents, receivables, long-term debt, accounts payable and accrued expenses, lease liabilities 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 loans payable and bonds payable.

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	**(₱23.4 million)**
	-100	**23.4 million**
2019	+100	(₱42.2 million)
	-100	42.2 million

There is no impact on the Group's equity other than those already affecting the consolidated 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 is exposed to credit risk from its operating activities, primarily for its trade receivables, and from its financing activities, including deposits with banks and financial institutions, and other financial instruments.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Group security deposits and advance rentals which helps reduce the Group's credit risk exposure in case of defaults by the tenants. For existing tenants, the Group has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables.

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.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based groupings of various customer segments with similar loss patterns (i.e., by market segment and collateral type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The credit risk exposure on the Group's lease receivables using a provision matrix results to ₱0.3 million expected credit loss. The expected credit loss rate has been set at zero rate because the historical collected within 20 days from the billing date. The loss given default is also set at zero since the security deposits and advance rentals are considered in the calculation of impairment as these can be used to offset unpaid receivables.

In most cases, recoveries are higher than the amount of receivable at default. As of December 31, 2020 and 2019, most of the Group's trade receivables are covered by security deposits and advances rentals. In 2020 and 2019, allowance for ECL amounted to ₱0.3 million.

With respect to credit risk arising from cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The table below shows the Group's credit quality as of December 31, 2020 and 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*	₱870,424,532	₱–	₱–	₱–	₱870,424,532
Receivables	685,656,893	–	144,487,561	285,258	830,429,712
Deposits	40,903,155	–	–	–	40,903,155
	₱1,596,984,580	₱–	₱144,487,561	₱285,258	₱1,741,757,399

**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	771,454,105	–	4,041,784	285,258	775,781,147
Deposits	46,752,894	–	–	–	46,752,894
	₱1,326,971,312	₱–	₱4,041,784	₱285,258	₱1,331,298,354

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

The Group's high-grade receivables and deposits pertain to receivables and deposits from related parties and third parties which, based on experience, are highly collectible or collectible on demand, and of which exposure to expected credit loss is not significant.

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

	Past Due but not Impaired					
	< 30 days	30-60 days	61-90 days	91-120 days	>120 days	Total
2020	**₱55,829,258**	**₱11,488,079**	**₱12,931,946**	**₱6,343,156**	**₱57,895,122**	**₱144,487,561**
2019	2,972,901	362,606	244,475	232,123	229,679	4,041,784

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 Group has undiscounted payments of lease liabilities amounting to ₱47.6 million and ₱17.3 million for the years 2020 and 2019 (nil in 2018).

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

	2020							
	On demand	**< 30 days**	**30 - 60 days**	**61 - 90 days**	**> 90 days**	**Up to a year total**	**> 1 year but < 5 years**	**Total**
Cash and cash equivalents	**₱602,644,513**	**₱267,873,019**	**₱–**	**₱–**	**₱–**	**₱870,517,532**	**₱–**	**₱870,517,532**
Receivables	**795,250,212**	**35,179,500**	**–**	**–**	**–**	**830,429,712**	**–**	**830,429,712**
Deposits	**–**	**–**	**–**	**–**	**–**	**–**	**40,903,155**	**40,903,155**
	₱1,397,894,725	**₱303,052,519**	**₱–**	**₱–**	**₱–**	**₱1,700,947,244**	**₱40,903,155**	**₱1,741,850,399**

	2019							
	On demand	< 30 days	30 - 60 days	61 - 90 days	> 90 days	Up to a year total	> 1 year but < 5 years	Total
Cash and cash equivalents	₱370,212,025	₱138,645,288	₱–	₱–	₱–	₱508,857,313	₱–	₱508,857,313
Receivables	772,024,621	2,972,901	362,606	244,475	176,544	775,781,147	–	775,781,147
Deposits	–	–	–	–	–	–	46,752,894	46,752,894
	₱1,142,236,646	₱141,618,189	₱362,606	₱244,475	₱176,544	₱1,284,638,460	₱46,752,894	₱1,331,391,354

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

	2020									
	On demand	< 30 days	30 - 60 days	61 - 90 days	> 90 days	Up to a year total	> 1 – 3 years	> 3 – 5 Years	Over 5 years	Total
Loans payable	₱–	₱17,500	₱12,500	₱20,833	₱693,334	₱744,167	₱400,000	₱1,200,000	₱–	₱2,344,167
Bonds payable	–	–	–	–	–	–	–	6,000,000	–	6,000,000
Lease liabilities	–	6,842	12,326	17,819	55,630	92,617	232,749	401,374	1,463,375	2,190,115
Interest on long-term debt*	15,921	5,556	5,509	22,109	79,030	128,125	185,397	56,876	–	370,398
Accounts payable and accrued expenses	1,583,712	–	–	–	–	1,583,712	–	–	–	1,583,712
Security and other deposits	–	–	116,415	–	–	116,415	259,242	473,417	–	849,074
	₱1,599,633	₱29,898	₱146,750	₱60,761	₱827,994	₱2,665,036	₱1,077,388	₱8,131,667	₱1,463,375	₱13,337,466

*Includes future interest payable.

	2019									
	On demand	< 30 days	30 - 60 days	61 - 90 days	> 90 days	Up to a year total	> 1 - 3 Years	> 3 - 5 Years	Over 5 years	Total
Loans payable	₱–	₱260,871	₱37,500	₱38,333	₱1,018,751	₱1,355,455	₱1,179,583	₱1,683,333	₱–	₱4,218,371
Bonds payable	–	–	–	–	–	–	–	6,000,000	–	6,000,000
Lease liabilities	–	1,358	1,349	1,340	12,227	16,274	46,791	71,800	148,564	283,429
Interest on long-term debt*	18,190	–	–	–	160,851	179,041	205,248	101,124	–	485,413
Accounts payable and accrued expenses	1,873,105	–	–	–	–	1,873,105	–	–	–	1,873,105
Dividends payable	348,339	–	–	–	–	348,339	–	–	–	348,339
Security and other deposits	–	–	–	–	245,751	245,751	197,102	418,725	91,646	953,224
	₱2,239,634	₱262,229	₱38,849	₱39,673	₱1,437,580	₱4,017,965	₱1,628,724	₱8,274,982	₱240,210	₱14,161,881

*Includes future interest payable.

26. Notes to cash flows

Investing Activities

- The Group recognized right-of-use assets presented under investment properties and lease liabilities amounting to ₱2,149.3 million and ₱174.6 million in 2020 and 2019, respectively (see Notes 8 and 19).
- Outstanding liabilities pertaining to investment properties purchased on account are recorded in the consolidated statements of financial position under "Accounts payable and accrued expenses" account, amounting ₱2.6 million, ₱91.5 million, and ₱171.8 million as of December 31, 2020, 2019 and 2018, respectively (see Note 11).
- Outstanding liabilities pertaining to intangible assets acquired on account are recorded in the consolidated statements of financial position under "Accounts payable and accrued expenses" account amounting to ₱83.5 million as of December 31, 2020 (nil in 2019).
- In 2020, Advances to contractors closed to investment properties and BTO rights during the year amounted to ₱118.9 million and ₱201.5 million, respectively.
- In 2020, upon disposal, ProOffice has cash amounting ₱17.4 million.
- In 2019, the outstanding balance for the cost of the land as of December 31, 2018 amounting ₱281.6 million was paid in full. Additional cost directly attributable to the acquisition of the land amounted to ₱57.5 million.

Financing Activities
Changes in liabilities arising from financing activities for the year ended December 31, 2020 and 2019 follows (in thousands):

	January 1, 2020	Availment/ Addition	Payments	Noncash Movement	December 31, 2020
Loans payable	₱4,218,371	₱1,000,000	(₱1,355,455)	(1,518,749)	₱2,344,167
Bonds payable	5,961,553	–	–	12,616	5,974,169
Lease liabilities	283,428	–	(47,613)	1,954,300	2,190,115
Accrued interest	109,323	–	(471,908)	475,622	113,037
Dividends payable	348,340	–	(348,340)	6,611,907	6,611,907
Deposit for future stock subscription	–	–	–	1,889,583	1,889,583
	₱10,921,015	₱1,000,000	(₱2,223,316)	₱9,425,279	₱19,122,978

	January 1, 2019	Availment/ Addition	Payments	Noncash Movement	December 31, 2019
Loans payable	₱3,457,613	₱2,100,000	(₱1,339,242)	₱–	₱4,218,371
Bonds payable	5,948,938	–	–	12,615	5,961,553
Lease liabilities	277,501	–	(17,260)	23,187	283,428
Dividends payable	–	–	–	348,340	348,340
Accrued interest	111,451	–	(479,482)	477,354	109,323
	₱9,795,503	₱2,100,000	(₱1,835,984)	₱861,496	₱10,921,015

Noncash movement includes amortization of debt issuance costs and interest expense for loans payable, bonds payable, and lease liabilities.

For the year ended December 31, 2020, the noncash movement also include addition in lease liability, declaration of dividends payable, and assignment of loans payable to FLI and the related recognition of related deposit for future stock subscription amounting ₱2,149.3 million, ₱6,611.9 million and ₱1,889.6 million, respectively (see Notes 19, 12 and 15).

27. Events After Reporting Period

Assignment of loans payable to FLI and conversion to deposit for future stock subscription
On December 9, 2020, the Parent Company notified the banks in writing of the assignment of its loans payable to FLI. The effective date of its written consent and derecognition date follows:

Derecognition date	Principal Amount
January 5, 2021	₱1,300,000,000
January 21, 2021	402,500,000
January 29, 2021	350,000,000
February 9, 2021	291,666,667
Total	₱2,344,166,667

Upon assignment of the loans payable to FLI, the liability amounting to ₱1,889.6 million was simultaneously converted to deposit for future stock subscription. As of January 29, 2021, the Parent Company's deposit for future stock subscription presented under Equity amounted to ₱3,746.3 million (see Note 15).

As of March 9, 2021, consent letters from all lenders have been obtained.

Filinvest to establish a REIT company
On January 20, 2021, FLI announced, through a Philippine Stock Exchange (PSE) disclosure, that its BOD has approved the transition of CPI into a REIT Company. CPI is intended to be listed on the PSE in compliance with the minimum public ownership requirements under Philippine securities regulations and the Real Estate Investment Trust Act of 2009 and its implementing rules and regulations and under such terms and conditions as FLI's BOD may subsequently approve.

Declaration of property dividend
On February 11, 2021, the BOD of the Parent Company approved the declaration of the operational office buildings FLI Edsa, IT School, Concentrix Building (Convergys Building) and Cebu Tower 2 as property dividends. As of December 31, 2020, Cebu Tower 2 is presented as part of BTO rights under intangible assets while the others are presented as investment properties. The dividend declaration will result to derecognition of ₱306.4 million and ₱1,384.0 million investment properties and intangible assets, respectively.

Assignment of BTO Rights
On February 11, 2021, the BOD of the Parent Company also approved the transfer to FLI by way of assignment of right to manage and operate the Towers 3 and 4 of Filinvest Cebu Cyberzone. As of December 31, 2020, these two assets are under construction and are presented as part of BTO rights under intangible assets. The assignment will result to derecognition of ₱887.2 million intangible assets.

Land lease in Northgate Cyberzone
On February 11, 2021, the BOD approved to extend the term of the land lease between the Parent Company (as lessee) and FLI (as lessor) in Northgate Cyberzone for a period of 50 years commencing on February 11, 2021, renewable for another 25 years, under the same terms as the lease contract, with the exception of the rental rate and other commercial terms which shall be negotiated and mutually agreed upon by the parties. On March 1, the parties signed a new contract of land lease pertaining to the buildings retained in the Company.

Amendment of the Parent Company's authorized capital stock
On March 5, 2021, the BOD and the stockholders approved the reduction of the par value of the common shares of the Parent Company, from ₱1.00 per share to ₱0.50, resulting in a stock split whereby every existing one (1) common share with par value of P1.00 each will become two (2) common shares with par value of ₱0.50 each. They further approved an amendment to the increase in authorized capital stock, from P2.0 billion divided into 2 billion common shares with a par value of ₱1.00 per share to ₱7,131,849,000 divided into 14,263,698,000 common shares with a par value of ₱0.50 per share (see Notes 15 and 22).

The Company will file an amended application for the increase in authorized capital stock with the SEC. The reduction in par value and increase in authorized capital stock are subject to the approval of the SEC.

Change of corporate name
On March 5, 2021, the BOD and the stockholders approved the change of corporate name of Cyberzone Properties, Inc. to Filinvest REIT Corp. The change of corporate name is subject to the approval of the SEC.

Filinvest to establish a REIT company
On January 20, 2021, FLI announced, through a Philippine Stock Exchange (PSE) disclosure, that its BOD has approved the transition of CPI into a REIT Company. CPI is intended to be listed on the PSE in compliance with the minimum public ownership requirements under Philippine securities regulations and the Real Estate Investment Trust Act of 2009 and its implementing rules and regulations and under such terms and conditions as FLI's BOD may subsequently approve.

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Assignment of BTO Rights
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Land lease in Northgate Cyberzone
On February 11, 2021, the BOD approved to enter into a new land lease contract between the Parent Company (as lessee) and FLI (as lessor) in Northgate Cyberzone for a period of 50 years commencing on February 11, 2021, renewable for another 25 years, under the same terms as the new lease contract, with the exception of the rental rate and other commercial terms which shall be negotiated and mutually agreed upon by the parties. On March 1, 2021, the Parent Company and FLI executed the related lease contract.

Amendment of the Parent Company's authorized capital stock
On March 5, 2021, the BOD and the stockholders approved the reduction of the par value of the common shares of the Parent Company, from ₱1.00 per share to ₱0.50, resulting in a stock split whereby every existing one (1) common share with par value of P1.00 each will become two (2) common shares with par value of ₱0.50 each. They further approved an amendment to the increase in authorized capital stock, from P2.0 billion divided into 2 billion common shares with a par value of ₱1.00 per share to ₱7,131,849,000 divided into 14,263,698,000 common shares with a par value of ₱0.50 per share (see Notes 15 and 22).

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Change of corporate name
On March 5, 2021, the BOD and the stockholders approved the change of corporate name of Cyberzone Properties, Inc. to Filinvest REIT Corp. The change of corporate name is subject to the approval of the SEC.

Listing and pricing of the Parent Company's shares
On March 9, 2021, the BOD and stockholders approved and authorized the initial public offering of the Parent Company's common shares (the "Offer"), subject to the registration requirements of the SEC and the listing requirements of the PSE under the following indicative terms and conditions:
(a) The offer and sale of up to 1,630,762,905 common shares of the Parent Company owned by FLI ("Selling Shareholder") (the "Secondary Offer Shares") to be offered by way of a secondary offer at an offer price of up to Php8.30 per share; and,
(b) The grant by the Parent Company and FLI of an over-allotment option pursuant to which a stabilizing agent or its relevant affiliate has the right to purchase up to 163,076,291 common shares of the Parent Company owned by the Selling Shareholder (the "Option Shares") under the same terms and conditions as the Secondary Offer Shares (the Secondary Offer Shares and the Option Shares are collectively the "Offer Shares").

COVID-19 Pandemic
The World Health Organization declared the outbreak of COVID-19 virus as a global pandemic on March 11, 2020. In a move to contain the COVID-19 pandemic in the Philippines, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, the government expanded the scope by placing the entire Luzon region under an Enhanced Community Quarantine (ECQ), with major cities in Visayas and Mindanao shortly following suit. On May 15, 2020, Metro Manila, Laguna and Cebu City transitioned from an ECQ to a Modified ECQ (MECQ) from May 16 to May 31, 2020 while other parts of the country were placed in less stringent states of community quarantine. On June 1, 2020, the government announced the transition from MECQ to General Community Quarantine (GCQ) for Metro Manila and other areas except Cebu City which continued to be under ECQ.

On June 29, 2020, the Inter-Agency Task Force of Emerging Infectious Disease (IATF) issued Resolution No. 55-A, placing high-to-moderate risk areas, including all highly urbanized cities in Metro Manila, under GCQ starting July 1 until July 15, 2020, and subsequently extended until July 30, 2020 upon IATF's issuance of the Resolution No. 60-A. On August 3, 2020, the Office of the President issued a Memorandum from the Executive Secretary placing MECQ over the National Capital Region, and the provinces of Laguna, Cavite, Rizal, and Bulacan until August 18, 2020.

On August 17, 2020, upon IATF's issuance of the Resolution No. 64, Metro Manila and the provinces of Bulacan, Cavite, Laguna and Rizal shall be placed under GCQ and the rest of the country under Modified General Community Quarantine (MGCQ) until August 31, 2020. This was subsequently extended until October 31, 2020 and until December 31, 2020 upon IATF's issuance of the Resolution Nos. 67 and 81, respectively. On January 1, 2021, the Office of the President issued a Memorandum from the Executive Secretary placing GCQ over the National Capital Region, and MGCQ over the provinces of Bulacan, Cavite, Laguna and Rizal until March 9, 2021.

The Group continues to abide by and comply with all rules and regulations issued by the government in relation to the COVID-19 pandemic. In line with applicable rules and regulations, the said risks are mitigated by business continuity strategies set in place by the Group. Measures currently undertaken by the Group to mitigate the risks of COVID-19 pandemic on its operations include work-from-home arrangements, proper and frequent sanitation of office premises, cancellation of large group meetings in person, an internal ban on foreign business travel, and the practice of social distancing through remote communication, among others. As of date, estimate of the impact cannot be made.

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Cyberzone Properties, Inc.
5th-7th Floors, Vector One Building
Northgate Cyberzone, Filinvest City
Alabang, Muntinlupa City

We have audited the accompanying consolidated financial statements of Cyberzone Properties, Inc. and its subsidiary, as at December 31, 2020 and for the year then ended, on which we have rendered the attached report dated March 9, 2021.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the above Company has one (1) stockholder owning one hundred (100) or more shares.

SYCIP GORRES VELAYO & CO.

Wanessa G. Salvador

Wanessa G. Salvador
Partner
CPA Certificate No. 0118546
Accreditation No. 118546-SEC (Group A),
Valid to cover audit of 2019 to 2023
financial statements of SEC covered institutions
Tax Identification No. 248-679-852
BIR Accreditation No. 08-001998-137-2020,
January 31, 2020, valid until January 30, 2023
PTR No. 8534358, January 4, 2021, Makati City

March 9, 2021

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SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Cyberzone Properties, Inc.
5th-7th Floors, Vector One Building
Northgate Cyberzone, Filinvest City
Alabang, Muntinlupa City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Cyberzone Properties, Inc. and its subsidiary (the Group) as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated March 9, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Wanessa G. Salvador

Wanessa G. Salvador
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March 9, 2021

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY

SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED BY REQUIRED ON REVISED SRC RULE 68 AND 68.1

DECEMBER 31, 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 prescribes 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 Group. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets

The entity's Financial Assets comprises of cash and cash equivalents, receivables and deposit. As stated in the regulation, before mentioned amount should be provided if the aggregate cost or the market value of FVPL as of the end of the reporting period is 5% or more of the total current asset. As of December 31, 2020 the entity recorded the financial assets as financial assets at amortized cost, therefore it is deemed assumed that this schedule is not applicable to the company.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related parties)

As of December 31, 2020, the amount of receivable from officers and employees excluding those advances arising from the normal course of business does not meet the minimum required balance as stated in the Revised SRC Rule to be presented in the report. This schedule is not applicable to the company.

Schedule C. Amounts Receivable from Related Parties, which are eliminated during the consolidation of financial statements

On December 23, 2020, Cyberzone Properties Inc. sold its share in ProOffice Works to Filinvest Land, which resulted for Cyberzone Properties Inc. to lose its control over ProOffice. Therefore, this schedule is not applicable to the entity as of December 31, 2020.

Schedule D. Long term debt
Below is the schedule of long-term debt of the Group (amounts in thousands). Each loan balance is presented net of unamortized deferred costs.

(i) Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)
Developmental loans			
Unsecured 7-year loan obtained on July 7, 2014 and will mature on July 7, 2021 with interest rate equal to PDS Treasury Fixing. 50% of the principal is payable in 20 quarterly payments starting October 2016; 50% payable at maturity.	₱402,500	₱402,500	₱–
Unsecured loan obtained on November 19, 2016 and will mature on November 19, 2023 with fixed interest rate. The principal is payable in 16 quarterly payments starting February 2016; 50% payable at maturity.	350,000	50,000	300,000
Unsecured loan obtained on June 28, 2016 and will mature on June 28, 2021 with fixed interest rate. The principal is payable in 12 quarterly payments starting September 2018; 50% payable at maturity.	291,667	291,667	–
Unsecured loan obtained on June 28, 2019 and will mature on June 28, 2024. With fixed interest for 5 years, repricing at the end of 5th year. The principal is payable in 12 quarterly payments starting September 2021; 50% payable at maturity.	500,000	–	500,000
Unsecured loan obtained on October 23, 2019 and will mature on October 23, 2024. With fixed interest for 5 years, repricing at the end of 5th year. The principal is payable in 12 quarterly payments starting January 2022; 50% payable at maturity.	500,000	–	500,000
Unsecured loan obtained on December 6, 2019 and will mature on December 6, 2024. With fixed interest for 5 years, repricing at the end of 5th year. The principal is payable in 12 quarterly payments starting March 2022; 50% payable at maturity.	300,000	–	300,000
	₱2,344,167	₱744,167	₱1,600,000
Bonds			
Fixed rate bonds with principal amount of ₱6.00 billion and term of 5.5 years from the issue date was issued by the Group on July 7, 2017 to mature on January 2023 with fixed interest rate is 5.05% per annum.	₱5,974,169	₱–	₱5,974,169
	₱8,318,336	₱744,167	₱7,574,169

Each loan balance is presented net of unamortized deferred costs. The agreements covering the abovementioned loans require maintaining certain financial ratios of maximum debt-to-equity ratio of 2.33x and minimum interest coverage ratio of 1.1x. The agreements also provide for restrictions and requirements with respect to, among others, making distribution on its share capital; purchase, redemption or acquisition of any share of stock; sale or transfer and disposal of all or a substantial part of its capital assets; restrictions on use of funds; and entering into any partnership, merger, consolidation or reorganization.

Schedule E. Indebtedness to Related Parties

This is not applicable to Cyberzone Properties Inc. since the indebtedness to related parties as of December 31, 2020 are all current in nature.

Schedule F. Guarantees of Securities of Other Issuers

This is not applicable to Cyberzone Properties Inc. since it does not have a guarantee of securities of other issuers as of December 31, 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
Common Shares	2,000,000,000	1,163,426,668	–	1,163,426,663	5	None

CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
UNAPPROPIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DISTRIBUTION
DECEMBER 31, 2020

Unappropriated Retained Earnings, January 1, 2020		₱401,190,324
Less: Movement in deferred tax assets in 2019		79,288,406
Retained earnings as adjusted to amount available for dividend declaration, beginning		321,901,918
Net income actually earned/realized during the period:		
Net income during the period closed to retained earnings	₱1,860,841,789	
Effect of adoption of PFRS 16	–	
Less: Non actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain-net (except those attributable to Cash and Cash equivalents)	–	
Fair value adjustment (M2M 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 the PFRS	–	
Deferred tax asset that reduced the amount of income tax expense	–	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP-loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Net income actually earned during the period		1,860,841,789
Add (less):		
Deferred tax assets recognized (net of 2019 movement)		(189,919,044)
Dividend declarations during the period		(6,611,906,765)
Reversal of appropriations		6,300,000,000
Appropriations of retained earnings during the period		–
Unappropriated Retained Earnings, as adjusted December 31, 2020		₱1,680,917,898

As of December 31, 2020, deferred tax assets recognized related to the non-REIT properties (i.e., FLI Edsa, IT School, Concentrix Building (Convergys Building) and Filinvest Cyberzone Cebu Towers 2, 3 and 4) amounted to ₱157,685,424.

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November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Cyberzone Properties, Inc.
5th-7th Floors, Vector One Building
Northgate Cyberzone, Filinvest City
Alabang, Muntinlupa City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Cyberzone Properties, Inc. and its subsidiary (the Group) at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated March 9, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's financial statements as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Wanessa G. Salvador

Wanessa G. Salvador
Partner
CPA Certificate No. 0118546
Accreditation No. 118546-SEC (Group A),
Valid to cover audit of 2019 to 2023
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January 31, 2020, valid until January 30, 2023
PTR No. 8534358, January 4, 2021, Makati City

March 9, 2021

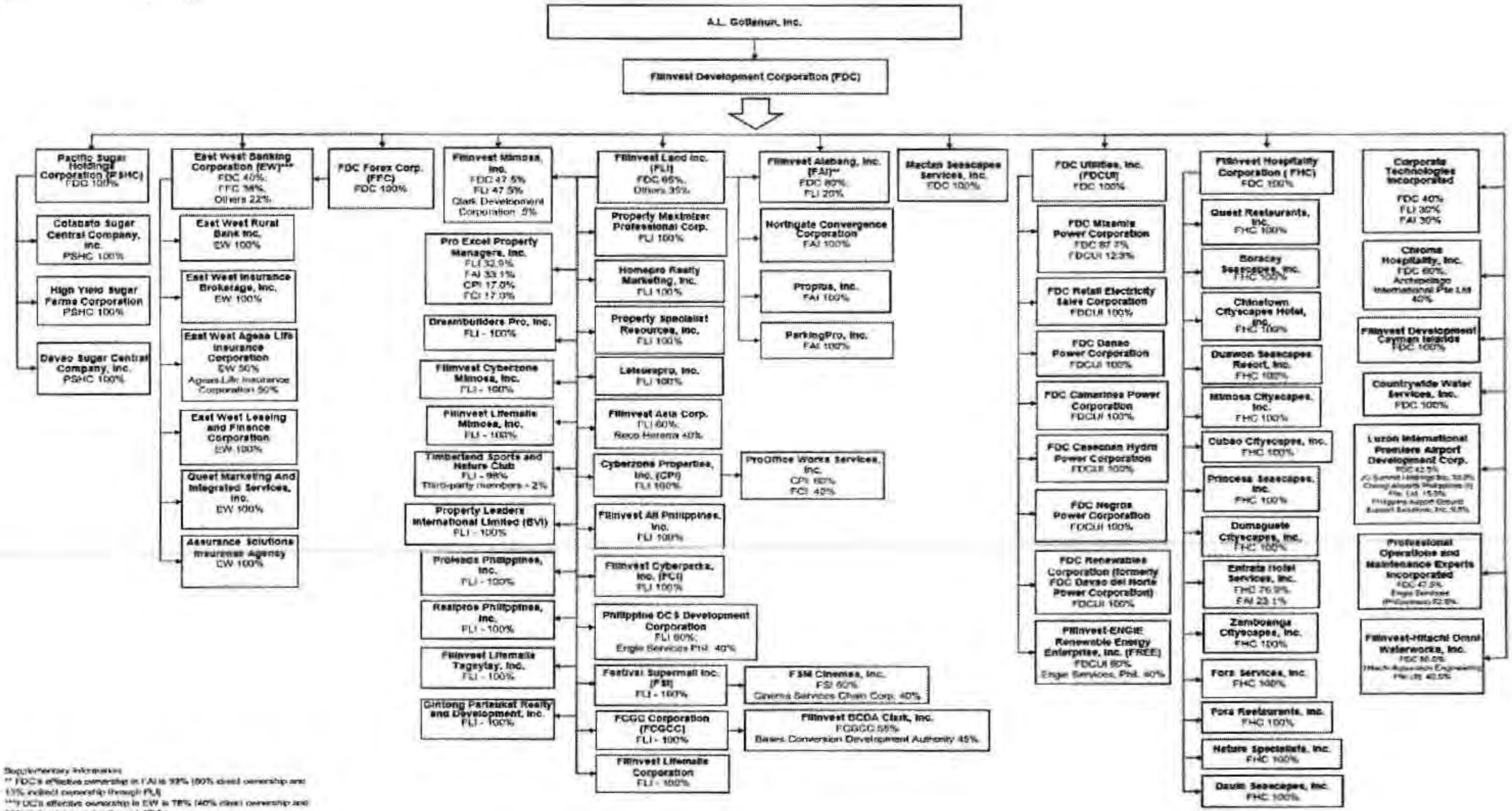
CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
FINANCIAL SOUNDNESS INDICATOR
DECEMBER 31, 2020

Below are the financial ratios that are relevant to the Group for the year ended December 31:

Financial Ratios		2020	2019	2018
Current ratio	Current assets / Current liabilities	**1.06**	0.59	0.45
Acid test ratio	Current assets - Inventories / Current liabilities	**1.06**	0.59	0.45
Solvency ratio	Net income + Depreciation / Total liabilities	**0.11**	0.16	0.17
Debt to equity ratio	Loans payable + Bonds payable+ Lease liabilities / Total Equity	**2.06**	1.31	1.40
Asset to equity ratio	Total asset / Total Equity	**4.94**	2.79	2.87
Interest coverage ratio	Income before income tax (IBIT) + interest and other financing charges / Interest and other financing charges	**6.63**	9.43	11.42
Return on equity	Net income / Total Equity	**0.36**	0.21	0.21
Return on assets	Net income / Total assets	**0.07**	0.07	0.07
Net profit margin	Net income / Revenues and income	**0.60**	0.56	0.60
Debt ratio	Total liabilities / Total assets	**0.80**	0.64	0.65
Income before income tax, interest and other financing charges, depreciation and amortization (IBITDA) to total interest paid	IBITDA / Total interest paid	**5.97**	5.41	4.23

Group Structure

Below is a map showing the relationship between the Group and its parent company, ultimate parent company and affiliates as of December 31, 2020.



Supplementary Information
** FDC's effective ownership in FAI is 93% (80% direct ownership and 13% indirect ownership through FLI)
*** FDC's effective ownership in EW is 78% (40% direct ownership and 38% indirect ownership through FFC)

ANNEX "D-1"

C O V E R   S H E E T

SEC Registration Number

A	2	0	0	0	-	0	0	6	5	2

C O M P A N Y   N A M E

CYBERZONE PROPERTIES, INC. AND A SUBSDIARY

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

5th - 7th Floors Vector 1 Building, Northgate Cyberzone, Filinvest Corporate City, Alabang, Muntinlupa City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17Q-1		

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	**846-0278**	**N/A**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
8	**5/30**	**12/31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Venus A. Mejia	**venus.mejia@filinvestgroup.com**	**8846-0278**	**N/A**

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.*

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATIONS CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **March 31, 2021**

2. SEC Identification Number **A2000-00652** 3. BIR Tax ID **204-863-416-000**

4. Exact name of issuer as specified in its charter **CYBERZONE PROPERTIES, INC.**

5. Province, Country or other jurisdiction of incorporation or organization **Philippines**

6. Industry Classification Code: _______ (SEC Use Only)

5th – 7th Floors Vector 1 Building, Northgate Cyberzone, Filinvest Corporate City, Alabang, Muntinlupa City **1770**
7. Address of issuer's principal office Postal Code

02-8846-0278
8. Issuer's telephone number, including area code

Not Applicable
9. Former name, former address, and former fiscal year, if changed since last report

10. Securities registered pursuant to Section 8 and 12 of the SRC

Title of Each Class	Number of shares of Common Stock Outstanding	Amount of Debt Outstanding
Common Stock, ₱1.00 par value	1,163,426,668	
Bonds Payable		6,000,000,000

11. Are any or all of these securities listed on the Philippine Stock Exchange?
Yes [ ] No [X]

12. Indicate by check mark whether the issuer:

(a) has filed reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA Rule 1(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);
Yes [X] No [ ]

(b) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

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PART 1 – FINANCIAL INFORMATION

CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY

Unaudited Interim Consolidated Financial Statements

As at March 31, 2021
and
For the three months ended March 31, 2021 and 2020

CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY

Interim Consolidated Statements of Financial Position

	March 31, 2021	December 31 2020
ASSETS		
Current Assets		
Cash and cash equivalents	**₱976,210,958**	₱870,517,532
Receivables	**1,272,698,142**	830,144,454
Other current assets	**1,115,490,899**	1,171,332,106
	3,364,399,999	2,871,994,092
Noncurrent assets held for distribution or sale	**8,807,019,679**	6,843,701,346
Total Current Assets	**12,171,419,678**	9,715,695,438
Noncurrent Assets		
Advances to contractors	**20,662,534**	18,393,179
Investment properties	**9,350,128,417**	11,629,804,872
Property and equipment	**74,594,512**	68,394,882
Intangible assets	**1,091,269,502**	3,408,827,424
Other noncurrent assets	**372,885,183**	388,417,886
Total Noncurrent Assets	**10,909,540,148**	15,513,838,243
Total Assets	**₱23,080,959,826**	₱25,229,533,681
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 4)	**₱1,368,289,066**	₱1,583,711,747
Current portion of:		
Loans payable (Notes 5)	–	744,166,667
Lease liabilities	**1,826,084**	92,617,060
Security and other deposits (Note 7)	**134,343,934**	116,414,891
Dividends payable	**8,302,333,555**	6,611,906,765
	9,806,792,639	9,148,817,130
Liabilities directly related to noncurrent assets held for distribution or sale	**185,977,113**	–
Total Current Liabilities	**9,992,769,752**	9,148,817,130
Noncurrent Liabilities		
Loans payable - net of current portion (Notes 5)	–	1,600,000,000
Bonds payable (Notes 6)	**5,977,360,240**	5,974,168,846
Lease liabilities - net of current portion	**25,614,337**	2,097,498,105
Security and other deposits - net of current portion (Note 7)	**723,022,369**	732,659,169
Deferred tax liability – net	**123,908,824**	269,939,889
Other noncurrent liabilities	**326,935,275**	300,385,682
Total Noncurrent Liabilities	**7,176,841,045**	10,974,651,691
Total Liabilities	**17,169,610,797**	20,123,468,821

(Forward)

	March 31, 2021	December 31, 2020
Equity		
Capital stock	**₱1,163,426,668**	₱1,163,426,668
Additional paid-in capital	**102,900,666**	102,900,666
Deposit for future stock subscription	**3,746,250,000**	1,889,583,333
Unappropriated retained earnings	**898,805,850**	1,950,125,348
Remeasurement gain on retirement plan	**(34,155)**	28,845
Total Equity	**5,911,349,029**	5,106,064,860
Total Liabilities and Equity	**₱23,080,959,826**	₱25,229,533,681

CYBERZONE PROPERTIES, INC.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Period Ended March 31	
	2021	2020
REVENUES AND INCOME		
Rental revenue	**₱710,106,439**	₱762,777,379
Others (Notes 8)	**358,391,906**	399,585,015
	1,068,498,345	1,162,362,394
COSTS AND EXPENSES		
Utilities	**155,212,862**	192,874,930
Depreciation and amortization	**121,834,654**	115,077,937
Rental expense	**65,711,431**	78,749,027
Manpower and service cost	**57,426,558**	78,977,287
Repairs and maintenance	**51,800,574**	44,200,971
Taxes and licenses	**32,534,542**	31,499,282
Insurance	**9,237,989**	1,033,041
Service and management fees	**8,135,855**	1,700,451
Others	**2,471,043**	3,409,008
	504,365,508	547,521,934
OTHER INCOME (CHARGES)		
Gain on derecognition of lease liabilities	**85,175,124**	–
Interest income	**689,099**	2,519,219
Interest and other financing charges	**(105,339,780)**	(3,191,394)
Other income (charges) – net	**(964,449)**	(1,178,220)
	(20,440,006)	(1,850,395)
INCOME BEFORE INCOME TAX	**543,692,831**	612,990,065
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**50,679,604**	51,690,782
Deferred	**(146,094,065)**	54,509,816
	(95,414,461)	106,200,598
NET INCOME	**639,107,292**	506,789,467
OTHER COMPREHENSIVE INCOME	**(63,000)**	–
TOTAL COMPREHENSIVE INCOME	**639,044,292**	₱506,789,467
Basic/Diluted Earnings Per Share	**₱0.27**	₱0.22

CYBERZONE PROPERTIES, INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Period Ended March 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱543,692,831**	₱612,990,065
Adjustments for:		
Depreciation and amortization	**121,834,654**	115,077,937
Interest expense and other financing changes	**105,339,780**	3,191,394
Gain on derecognition of lease liability	**(85,175,124)**	**–**
Interest income	**(689,099)**	(2,519,219)
Operating income before changes in operating assets and liabilities	**685,003,042**	728,740,177
Changes in operating assets and liabilities		
Decrease (increase) in:		
Receivables	**(31,844,563)**	(103,293,698)
Other current assets	**(51,063,945)**	(151,079,236)
Increase (decrease) in:		
Accounts payable and accrued expenses	**(158,393,358)**	(59,813,292)
Other current liabilities		
Security and other deposits	**8,292,243**	11,030,942
Other noncurrent liabilities	**26,549,593**	37,721,355
Net cash generated from operations	**478,543,012**	463,306,248
Interest received	**689,099**	2,519,219
Income tax paid	**(50,679,604)**	(13,254,534)
Net cash provided by operating activities	**428,552,507**	452,570,933
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Noncurrent assets held for distribution or sale	**(173,848,295)**	–
Investment properties	**(4,969,319)**	(303,280,021)
Intangible assets	**(60,385,990)**	(194,736,751)
Property and equipment	**(10,649,822)**	(4,766,608)
Decrease (increase) in:		
Advances to contractors	**(2,269,355)**	29,633,882
Other noncurrent assets	**15,532,703**	(16,638,529)
Net cash used in investing activities	**(236,590,078)**	(489,788,027)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from availments of loans payable	–	500,000,000
Payments of:		
Principal portion of lease liability	**(14,105,442)**	(6,019,764)
Interest and transaction cost	**(72,163,561)**	(133,487,867)
Loans payable	–	(377,461,090)
Net cash provided by (used) in financing activities	**(86,269,003)**	(16,968,721)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**105,693,426**	(54,185,815)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**870,517,532**	508,857,313
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱976,210,958**	₱454,671,498

CYBERZONE PROPERTIES, INC.
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Three Months Period Ended March 31,	
	2021	2020
	(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
Deposit for future stock subscription	**3,746,250,000**	-
Remeasurement losses on retirement plan	**(34,155)**	1,083,935
Retained earnings		
Balance at beginning of the period	**1,950,125,348**	6,701,190,324
Net income	**639,107,292**	506,789,467
Dividends	**(1,690,426,790)**	-
Balance at end of the period	**898,805,850**	7,207,979,791
Equity attributable to equity holders of the parent	**5,911,349,029**	8,475,391,060
Noncontrolling interest	**-**	-
Total Equity	**5,911,349,029**	8,475,391,060

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 was 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. ProOffice has started its commercial operations on August 1, 2019. On December 23, 2020, the Parent Company entered into a Deed of Assignment to sell its interest in ProOffice to Filinvest Land, Inc. (FLI) for a total consideration of ₱17.16 million. Accordingly, the Parent Company lost control over ProOffice. The transaction has no material impact to the consolidated financial statements.

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.

On December 4, 2020, the Board of Directors (BOD) approved the amendments of the Parent Company's articles of incorporation to change the Parent Company's primary purpose to engage in the business of a real estate investment trust, as provided under Republic Act No. 9856 (the Real Estate Investment Trust Act of 2009), including the Revised Implementing Rules and Regulations of Republic Act No. 9856 (the "REIT Act"), and other applicable laws, which business includes the following: (1) to own, invest in, purchase, acquire, hold, possess, lease, construct, develop, alter, improve, operate, manage, administer, sell, assign, convey, encumber, in whole or in part, or otherwise deal in and dispose of, income-generating real estate, within or outside the Philippines, in accordance with applicable laws and regulations; (2) to invest in, purchase, acquire own, hold, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of (a) real estate and other related assets; and (b) managed funds; (3) to receive, collect, and dispose of the rent, interest, and such other income rising from its property and investments; (4) to guaranty the obligations, debt, or loans of its subsidiaries or affiliates or any entity in which the corporation has lawful interest; and (5) to exercise, carry on or undertake such other powers, acts, activities and transactions as may be deemed necessary, convenient, or incidental to or implied from the purposes herein mentioned.

As of March 31, 2021, these amendments are awaiting approval by the SEC.

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.

The consolidated financial statements includes the balances of ProOffice until its disposal on December 23, 2020. As a result of the disposal, the Group derecognized the assets and liabilities of ProOffice and the remaining balances pertain only to the Parent Company.

Statement of Compliance

The consolidated financial statements of the Group are prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards (PAS) and Interpretations issued by the Philippine Interpretations Committee (PIC).

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the consolidated 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 Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group. The nature and impact of each new standard and amendment are described below:

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

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods.

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

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15 affecting the real estate industry. This includes PIC Q&A No. 2018-12-H which discussed accounting for CUSA charges wherein it was concluded that real estate developers are generally acting as principal for CUSA. On October 25, 2018, the SEC decided to provide relief to the real estate industry by deferring the application of the provisions of the PIC Q&A 2018-12-H for a period of three years or until December 31, 2020. The deferral will only be applicable for real estate transactions.

  The Group previously availed of the reliefs provided by the SEC and have accounted for the related revenue net of costs and expenses.. As at January 1, 2021, the Group adopted PIC Q&A 2018-12-H retrospectively. The initial adoption has no impact on the Groups's consolidated statement of financial position. The impact of initial adoption in the Group's consolidated statement of comprehensive income follows:

Statement of comprehensive income for the three months ended March 31, 2021

	Amounts prepared under		Increase
	PFRS 15	Previous PFRS	(Decrease)
Revenues and Income			
Others	**₱358,391,906**	**₱108,066,063**	**₱250,325,843**
Cost and Expenses			
Utilities	**155,212,862**	−	**155,212,862**
Depreciation	**121,834,654**	**75,634,046**	**46,200,608**
Repairs and maintenance	**51,800,574**	−	**51,800,574**
Manpower and service cost	**57,426,558**	**44,005,163**	**13,421,395**
Insurance	**9,237,989**	−	**9,237,989**
Others	**2,471,043**	**556,651**	**1,914,392**

Statement of comprehensive income for the three months ended March 31, 2020

	Amounts prepared under		Increase
	PFRS 15	Previous PFRS	(Decrease)
Revenues and Income			
Others	₱399,585,015	₱75,203,150	₱324,381,865
Cost and Expenses			
Depreciation	115,077,937	52,296,368	62,781,569
Utilities	192,874,930	−	192,874,930
Repairs and maintenance	44,200,971	−	44,200,971
Manpower and service cost	78,977,287	57,814,620	21,162,667
Insurance	1,033,041	−	1,033,041
Others	3,409,009	1,080,322	2,328,687

Future Changes in Accounting Policy

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 consolidated financial statements.

Effective beginning on or after January 1, 2022

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

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

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

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

  The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

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

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2023

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

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Consolidated Financial Statements,* to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period

- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

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

- PFRS 17, *Insurance Contracts*

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

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts. PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted. The amendments are not expected to have a material impact on the Group.

Deferred effectivity

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

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

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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

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

  On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of the following provisions of this PIC Q&A until December 31, 2023.
  - Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)
  - Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E

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

  In November 2020, the PIC issued the following Q&As which provide additional guidance on the real estate industry issues covered by the above SEC deferrals:
  - PIC Q&A 2020-04, which provides additional guidance on determining whether the transaction price includes a significant financing component
  - PIC Q&A 2020-02, which provides additional guidance on determining which uninstalled materials should not be included in calculating the POC

  After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. The above specific provisions of PIC Q&A No. 2018-12 is not applicable to the Group since it is not involve in the development of real estate projects for sale.

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

  In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under paragraph 35(c) of IFRS 15 (PFRS 15). IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under Philippine Accounting Standards (PAS) 23, *Borrowing Costs*, considering that these inventories are ready for their intended sale in their current condition.

On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4-2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Further, on December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the Real Estate Industry until December 31, 2023. Effective January 1, 2024, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC Agenda Decision.

The IFRIC Agenda Decision has no impact to the Group.

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

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

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

  The PIC Q&A has no impact to the Group.

Significant Accounting Policies

Current versus Noncurrent Classification
The Group presents assets and liabilities in the 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 financial reporting period; or
d. Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the financial 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 12 months after the financial reporting period; or

d. There is no unconditional right to defer the settlement of the liability for at least 12 months after the financial 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 consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each financial reporting period.

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

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, fair value through other comprehensive income (FVTOCI), or at fair value through profit or loss (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 FVTPL, 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 (SPPI)' on the principal amount outstanding. This assessment is referred to as the 'SPPI test' and is performed at an instrument level.

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

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

The Group's financial assets comprise of financial assets at amortized cost.

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

- Financial assets at amortized cost (debt instruments);
- Financial assets at FVTOCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Financial assets at FVTPL.

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 .

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.

Loans and borrowings consist primarily of accounts payable and accrued expenses, loans payable, bonds payable, lease liabilities, security and other deposits.

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 effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest 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 effective interest. The effective interest amortization is included as finance costs in the statement of comprehensive income.

<u>Impairment of Financial Assets</u>
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the 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 financial 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.

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from reputable rating agencies to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers receivables in default when contractual payments are sixty (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.

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

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 property and equipment or investment properties are presented as noncurrent assets.

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 initial cost of investment properties consists of any directly attributable costs of bringing the investment properties to their intended location and working condition, including borrowing 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 also include right-of-use assets involving real properties that are subleased to other entities. 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.

For those right-of-use assets that qualify as investment properties, i.e., those land that are subleased by the Group, these are classified under investment properties. Consistent with the Group's policy regarding the measurement of investment properties, these assets are subsequently measured at cost less amortization and impairment in value.

Investment properties built on rented properties 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 economic useful lives of 40-50 years for the building and 15 years for equipment.

The economic useful lives and the depreciation is reviewed annually to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefit from items of investment properties.

Construction 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.

Investment properties also include prepaid commission representing 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.

Property and Equipment

Property and equipment consist 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, and overhaul costs 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 economic useful lives of these assets as follows:

	Years
Land improvements	5
Furniture and fixtures	3 - 5

The economic 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.

Property and equipment are derecognized when either they have been disposed of or when the property and equipment 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 property and equipment are recognized in the statement of comprehensive income in the year of retirement or disposal.

Intangible Assets
Intangible assets pertain to build, transfer and operate (BTO) rights and ROU assets. 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 economic 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 economic useful lives 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.

Other Assets
Other current and noncurrent 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.

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.

Noncurrent Assets Held for Distribution or Sale
A noncurrent asset (or disposal group) is classified as held for distribution to owners when the entity is committed to distribute the asset (or disposal group) to the owners. For this to be the case, the assets must be available for immediate distribution in their present condition and the distribution must be highly probable.

A noncurrent asset (or disposal group) is classified as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continuing use. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by paragraph 9, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. The probability of shareholders' approval (if required in the jurisdiction) should be considered as part of the assessment of whether the sale is highly probable.

Noncurrent asset (or disposal group) classified as held for distribution or sale is measured at the lower of its carrying amount and fair value less costs to distribute or cost to sell.

The Group presents the non-current asset classified as held for distribution and the assets of a disposal group classified as held for sale separately from other assets as "Noncurrent assets held for distribution or sale" in the statement of financial position. The liabilities related to the disposal group classified as held for distribution or sale are presented separately from other liabilities as "Liabilities directly related to noncurrent assets held for distribution or sale" in the statement of financial position.

Impairment of Nonfinancial Assets

The Group assesses at each financial reporting date whether there is an indication that its nonfinancial asset (e.g., advances to contractors, investment properties, property and equipment, intangible assets, and other assets) 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.

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 capital 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.

Deposits for Future Stock Subscription

Deposit for future stock subscription (DFFS) are recorded based on the subscription amount received and are presented under liabilities unless the following items were met for classification as part of equity:

- There is a lack or insufficiency of authorized unissued shares of stock to cover the deposit;
- The Parent Company's BOD and stockholders have approved an increase in authorized capital stock and amendment in the articles of incorporation to cover the shares corresponding to the amount of the DFFS; and
- The application for the approval of the increase in capital stock has been filed or has been presented for filing with the SEC

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 are deducted from unappropriated retained earnings when declared and approved by the Group's BOD. Dividends payable are recorded as liability until paid or upon distribution of related property held for distribution. Dividends for the year that are declared and approved after financial 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 considering the 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.

Rental Revenue
Rental revenue is recognized in the 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.

Common usage service area charges
Common usage service area charges 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 and are presented gross of related cost and expenses.

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 period 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 financial 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 (PUC). Under this method, the current service cost is the present value of retirement benefit payable in the future with respect to the services rendered in the current period.

Defined benefit costs comprise the following:
- Service cost;
- Net interest on the net defined benefit liability or asset; and
- 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, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in 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 12 months after the end of the annual financial reporting date is recognized for services rendered by employees up to the end of the reporting date.

Borrowing Costs
Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets (included in "Investment properties" account in the statement of financial position). Capitalization ceases when pre-selling of real estate inventories under construction commences. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross interest incurred on those borrowings less any investment income arising on the temporary investment of those borrowings.

The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

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 to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be used.

The carrying amount of deferred income tax assets is reviewed at each financial 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 financial 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

Company 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.

Company 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.

The Group classifies its right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned.

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 assets on land presented as part of investment properties and intangible assets ranges from 25 to 50 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.

The Group accounts for a lease modification (i.e., a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease) as a separate lease (i.e., separate from the original lease) when both of the following conditions are met:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets.
- The consideration for the lease increases commensurate with the standalone price for the increase in scope and any adjustments to that stand-alone price reflect the circumstances of the particular contract.

If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate new lease. Lessees account for the separate contract that contains a lease in the same manner as other new leases.

Short-term leases
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). Lease payments on short-term leases 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 financial 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 March 31, 2021 and December 31, 2020.

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 financial 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 consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Events After the Financial Reporting 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 financial reporting date (adjusting events) are reflected in the consolidated financial statements. Any year-end events that are not adjusting event is disclosed in the notes to the consolidated financial statements when material.

3. Significant Accounting Judgments and Estimates

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

Determination of lease term of contracts with renewal and termination options - Group as a lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms equivalent to its original lease term. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The renewal options for leases of office spaces and land for certain real estate developments were not included as part of the lease term because the Group assessed that renewal is not reasonably certain.

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 investment property, that it retains all the significant risks and rewards of ownership of these properties and accounts for these contracts as operating lease.

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 Parent Company 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 the major part of its economic life. Accordingly, the related development cost and lease payments were recorded under "BTO rights" presented under intangible assets in the statement of financial position.

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 Parent Company 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 Parent Company during the term of the BOT agreement. Thus, the BOT agreement does not contain a lease within the scope of PFRS 16.

Classification of noncurrent assets held for distribution or sale
As of March 31, 2021 and December 31, 2020, the Parent Company has noncurrent assets held for distribution or sale amounting to ₱8,807.0 million and ₱6,843.7 million, respectively, related to property dividends declared by the Parent Company. These include property dividends declared on December 4, 2020 and February 11, 2021, additions to construction in progress under investment properties and intangible assets declared as property dividends from the date of declaration up to December 31, 2020 and March 31, 2021, and the related right of use assets for the land subleased by the Parent Company where these properties are constructed. As of March 31, 2021, the Parent Company also has identified lease liabilities directly related to noncurrent assets held for distribution or sale amounting to ₱186.0 million (nil as of December 31, 2020).

The Parent Company assessed that the distribution of these investment properties is highly probable considering that actions to complete the distribution have been initiated and are expected to be completed within one year. These investment properties will be derecognized in the consolidated financial statements once the SEC approves the distribution of the dividends.

Impairment assessment of nonfinancial assets
The Group assesses at each financial reporting date whether there is any indication that the nonfinancial assets (investment properties and intangible assets) 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.

The Group has determined that COVID-19 pandemic has no impact and is not considered as an impairment indicator in the impairment assessment of nonfinancial assets. As of March 31, 2021 and December 31, 2020, no impairment indicators were identified for the Group's nonfinancial assets.

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 is calibrating the matrix to adjust the historical credit loss experience with forward-looking information. At every financial 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.

The Group has considered impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of expected credit loss. The Group assessed that the security deposit and advance rentals are sufficient to cover any exposure to credit loss. As of March 31, 2021, and December 31, 2020, the Group's allowance for ECL on its trade receivables amounted to ₱0.3 million.

Recognition of deferred tax asset
The Group reviews the carrying amounts of deferred income tax assets at each financial report date and reduces it to the extent that it is no longer probable that sufficient income will be available to allow all or part of the deferred income tax assets to be utilized. The Group believes that it will generate sufficient taxable profit to allow all or part of the deferred income tax assets to be utilized. As of March 31, 2021, and December 31, 2020, deferred tax assets amounted to ₱ 128.7 million and ₱269.2 million, respectively.

4. Accounts Payable and Accrued Expenses

This account consists of:

	March 31,2021 (Unaudited)	December 31,2020 (Audited)
Advances from tenants	**₱541,429,380**	₱566,558,897
Accrued expenses	**287,432,778**	262,209,073
Retention payable - current portion	**172,838,361**	177,214,409
Payable to suppliers	**134,435,586**	121,453,381
Payable to contractors	**103,892,085**	123,491,053
Accrued interest payable	**98,007,456**	113,036,580
Withholding taxes payable	**30,253,420**	38,206,363
Due to related parties	–	181,541,991
	₱1,368,289,066	₱1,583,711,747

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.

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

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.

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 (1) month.

5. Long Term Debt

This account consists of:

	March 31, 2021 (Unaudited)	December 31,2020 (Audited)
Developmental loans from local banks	₱–	₱2,344,166,667
Less current portion of loans payable	–	744,166,667
Long-term portion of loans payable	₱–	₱1,600,000,000

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 ₱7.9 and nil for the three months ended March 31, 2021 and 2020, 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 2021 which was capitalized relating to bonds payable amounted to nil.

Unamortized debt issuance cost on bonds payable amounted ₱22.0 million and ₱ 25.8 million as of March 31, 2021 and December 31, 2020, respectively. Amortization of transaction costs included under "Interest and other financing charges" in the statement of comprehensive income amounted to ₱3.2 million for the three months ended March 31, 2021 and 2020.

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 March 31, 2021, the Parent Company is not in breach of any of these debt covenants.

7. Other Noncurrent Liabilities

Security and other deposits
Security and other deposits are applied to any outstanding obligations of the tenants at the end of the lease term or upon pre-termination.

The current and noncurrent portion of security and other deposits follows:

	March 31, 2021	December 31, 2020
Current portion	**₱134,343,934**	₱116,414,891
Noncurrent portion	**723,022,369**	732,659,169
	₱857,366,303	₱849,074,060

Other noncurrent liabilities
This account consists of:

	March 31, 2021	December 31, 2020
Retention payable - net of current portion	**₱323,107,918**	₱296,558,325
Retirement liabilities	**3,827,357**	3,827,357
	₱326,935,275	₱300,385,682

8. Other Income

The account consists of:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Tenant dues	**₱318,296,932**	₱378,323,766
Service fee income	**36,136,395**	18,623,254
Commission income	−	2,027,589
Miscellaneous	**3,958,579**	610,406
	₱358,391,906	₱399,585,015

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
March 31, 2021	**+100**	**(₱4.82 million)**
	-100	**₱4.82 million**
December 31, 2020	+100	(₱23.4 million)
	-100	23.4 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.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based groupings of various customer segments with similar loss patterns (i.e., by market segment and collateral type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The credit risk exposure on the Group's lease receivables using a provision matrix results to ₱0.3 million expected credit loss. The expected credit loss rate has been set at zero rate because the historical collected within 20 days from the billing date. The loss given default is also set at zero since the security deposits and advance rentals are considered in the calculation of impairment as these can be used to offset unpaid receivables.

In most cases, recoveries are higher than the amount of receivable at default. As of March 31, 2021 and December 31, 2020, most of the Group's trade receivables are covered by security deposits and advances rentals. For the three months ended March 31, 2021 and 2020, allowance for ECL amounted to ₱0.3 million.

With respect to credit risk arising from cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Group 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 March 31, 2021 and December 31, 2020:

	March 31, 2021				
	Neither Past Due nor Impaired				
	High Grade	**Standard Grade**	**Past Due but not Impaired**	**Past Due and Impaired**	**Total**
Cash and cash equivalents*	**₱976,117,958**	**₱–**	**₱–**	**₱–**	**₱976,117,958**
Receivables	**1,239,132,988**	**–**	**33,565,154**	**285,258**	**1,272,983,400**
Deposits	**40,903,155**	**–**	**–**	**–**	**40,903,155**
	₱2,256,154,101	**₱–**	**₱33,565,154**	**₱285,258**	**₱2,290,004,513**

Excludes cash on hand amounting to ₱93,000.

	December 31, 2020				
	Neither Past Due nor Impaired				
	High Grade	Standard Grade	Past Due but not Impaired	Past Due and Impaired	Total
Cash and cash equivalents*	₱870,424,532	₱–	₱–	₱–	₱870,424,532
Receivables	685,656,893	–	144,487,561	285,258	830,429,712
Deposits	40,903,155	–	–	–	40,903,155
	₱1,596,984,580	₱–	₱144,487,561	₱285,258	₱1,741,757,399

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

The analysis of trade receivables which are past due but not impaired as of March 31, 2021 and December 31, 2020 follow:

	Past Due but not Impaired					
	< 30 days	30-60 days	61-90 days	91-120 days	>120 days	Total
March 31, 2021	**₱21,060,960**	**₱12,504,194**	–	–	–	**₱33,565,154**
December 31, 2020	₱55,829,258	₱11,488,079	₱12,931,946	₱6,343,156	₱57,895,122	₱144,487,561

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 March 31, 2021 and December 31, 2020:

	March 31, 2021							
	On demand	**< 30 days**	**30 - 60 days**	**61 - 90 days**	**> 90 days**	**Up to a year total**	**> 1 year but < 5 years**	**Total**
Cash and cash equivalents	**₱588,073,198**	**₱388,137,760**	**₱–**	**₱–**	**₱–**	**₱976,210,958**	**₱–**	**₱976,210,958**
Receivables	**1,239,418,246**	**21,060,960**	**12,504,194**	**–**	**–**	**1,272,983,400**	**–**	**1,272,983,400**
Deposits	**–**	**–**	**–**	**–**	**–**	**–**	**40,903,155**	**40,903,155**
	₱1,827,491,444	**₱409,198,720**	**₱12,504,194**	**₱–**	**₱–**	**₱2,249,194,358**	**₱40,903,155**	**₱2,290,097,513**

	December 31, 2020							
	On demand	< 30 days	30 - 60 days	61 - 90 days	> 90 days	Up to a year total	> 1 year but < 5 years	Total
Cash and cash equivalents	₱602,644,513	₱267,873,019	₱–	₱–	₱–	₱870,517,532	₱–	₱870,517,532
Receivables	795,250,212	35,179,500	–	–	–	830,429,712	–	830,429,712
Deposits	–	–	–	–	–	–	40,903,155	40,903,155
	₱1,397,894,725	₱303,052,519	₱–	₱–	₱–	₱1,700,947,244	₱40,903,155	₱1,741,850,399

Maturity profile of the Group's financial liabilities, as at March 31, 2021 and December 31, 2020 is shown below (in thousands):

	March 31, 2021									
	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**
Bonds Payable	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱6,000,000**	**₱–**	**₱6,000,000**
Lease Liabilities	**–**	**147**	**147**	**147**	**1,386**	**1,827**	**1,917**	**4,127**	**64,857**	**72,728**
Interest on long-term debt*	**–**	**25,248**	**25,248**	**25,248**	**227,232**	**302,976**	**227,232**	**–**	**–**	**530,208**
Accounts payable and accrued expenses	**1,368,289**	**–**	**–**	**–**	**–**	**1,368,289**	**–**	**–**	**–**	**1,368,289**
Security and other deposits	**–**	**–**	**134,344**	**–**	**–**	**134,344**	**259,242**	**444,488**	**–**	**838,074**
	₱1,368,289	**₱25,395**	**₱159,739**	**₱25,395**	**₱228,618**	**₱1,807,436**	**₱488,391**	**₱6,448,615**	**₱64,857**	**₱8,809,299**

*Includes future interest payable.

	December 31, 2020									
	On demand	< 30 days	30 - 60 days	61 - 90 days	> 90 days	Up to a year total	> 1 – 3 years	> 3 – 5 Years	Over 5 years	Total
Loans payable	₱–	₱17,500	₱12,500	₱20,833	₱693,334	₱744,167	₱400,000	₱1,200,000	₱–	₱2,344,167
Bonds payable	–	–	–	–	–	–	–	6,000,000	–	6,000,000
Lease liabilities	–	6,842	12,326	17,819	55,630	92,617	232,749	401,374	1,463,375	2,190,115
Interest on long-term debt*	15,921	5,556	5,509	22,109	79,030	128,125	185,397	56,876	–	370,398
Accounts payable and accrued expenses	1,583,712	–	–	–	–	1,583,712	–	–	–	1,583,712
Security and other deposits	–	–	116,415	–	–	116,415	259,242	473,417	–	849,074
	₱1,599,633	₱29,898	₱146,750	₱60,761	₱827,994	₱2,665,036	₱1,077,388	₱8,131,667	₱1,463,375	₱ 13,337,466

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

Results of operations for the three months ended March 31, 2021 compared to three months ended March 31, 2020

The Group's net income increased by 26%. Movement is attributable to Parent Company's cost savings during the year as a result of the pandemic and the gain recognized from derecognition of lease liabilities.

Revenues and Income
Decrease by 8% in rental revenues and other income was caused by the pre-termination of few tenants during the 2nd half of 2020. New tenants are already expected to lease out the vacant office spaces.

Expenses
Cost and expenses decreased by 8%. Decrease is attributable to lower manpower costs, utilities and rental expenses as a result of the community quarantine measures implemented in Metro Manila in the first quarter of 2021.

Financial Condition as of March 31, 2021 compared to as of December 31, 2020

As of March 31, 2021 CPI's total assets is valued at ₱23.1 billion, lower by 8% or by ₱2.1 billion than the ₱25.2 billion total assets as of December 31, 2020. The following are the material changes in account balances:

12% Increase in Cash and Cash Equivalents
Increase in cash as of March 31, 2021 was due to higher collections and lower spending of cost and expenses, including interest and other financing charges. As of March 31, 2021, all loans of the Company were assigned to FLI, its Parent.

53.3% Increase in Receivables
Increase in receivables is primarily due to advances made by the Company for costs and expenses of projects held for distribution to FLI.

4% Decrease in Other Current Assets
The decrease was due to the offset of the Company's input VAT against output VAT in relation to the assignment of BTO rights for Cebu Towers 3 and 4.

29% Increase in Noncurrent Assets held for distribution
On February 11, 2021, the BOD approved the declaration of operational buildings to FLI Edsa, IT School, Concentrix (Convergys Building) and Cebu Tower 2 as property dividends. The aggregate carrying value of the properties amounted to ₱1,690.4 million. Said properties were classified as noncurrent assets held for distribution in the Company's books until the distribution of these properties are approved by the SEC.

19% Decrease in Investment Properties and Property, Plant and Equipment
Decrease is attributable to the property dividends declared in the first quarter of 2021.

61% Decrease in Intangible Assets and other non-current asset
Movement is due to the inclusion of Filinvest Cebu Tower 2 in the properties declared for dividend distribution and the assignment of Filinvest Cebu Towers 3 and 4 to FLI.

9% Increase in Total Current Liabilities
Increase was mainly due to additional property dividends for distribution which amounted to ₱1,690.4 million.

100% Increase in Liabilities directly related to noncurrent assets held for distribution
This account pertains to liabilities that will be transferred in relation to the assets declared for property dividend distribution by the Company.

100% Decrease in Bank Loans Payable
As of March 31, 2021, all loans of the Company were assigned to FLI as consideration for additional capital subscription to the Company amounting to ₱3,746.3 million.

99% Decrease in Lease Liability
Lease liabilities were derecognized at the time the related projects (FLI Edsa and Filinvest Cebu Towers 2, 3 and 4) were transferred thru dividend declaration and assignment.

9% 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 three months ended March 31, 2021	For the three months ended March 31, 2020
Earnings per Share	Net Income / Weighted Ave. number of outstanding shares	0.27	0.22
Debt to Equity Ratio	Long Term Debt / Total Stockholder's Equity	1.02 : 1	1.25 : 1
Current Ratio	Current Asset / Current Liability	1.22 : 1	0.66 : 1
Debt Service Coverage Ratio	Earnings before Interest Taxes and Depreciation / Debt service (*Loan principal + interest payments)*	10.68 : 1	1.43 : 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 March 31, 2021, there are nineteen (19) fully operational office buildings in Northgate Cyberzone as follows:

Existing Buildings					
No.	**Building Name**	**GLA (SQM Office and Retail**	**Occupancy Rate as of End March 2021 Office and Retail**	**PEZA Registered**	**LEED Certification**
1	Plaz@ A	10,860	100%	Yes	N.A.
2	Plaz@ B	6,488	85.2%	Yes	N.A.
3	Plaz@ C	6,540	100%	Yes	N.A.
4	Plaz@ D	10,860	83.2%	Yes	N.A.
5	Plaz@ E	14,859	100%	Yes	N.A.
6	IT School	2,594	100%	Yes	N.A.
7	Concentrix CVG Building	6,399	100%	Yes	N.A.
8	Capital One Building	18,000	100%	Yes	N.A.
9	5132 Building	9,409	100%	Yes	N.A.
10	iHub 1	9,480	70.7%	Yes	N.A.

11	iHub 2	14,181	100%	Yes	N.A.
12	Vector One	17,764	92%	Yes	N.A.
13	Vector Two	17,889	100%	Yes	N.A.
14	Vector Three	36,345	68.3%	Yes	LEED Gold
15	Filinvest One	19,637	100%	Yes	N.A.
16	Filinvest Two	23,784	100%	Yes	N.A.
17	Filinvest Three	23,784	66.5%	Yes	N.A.
18	Axis Tower One	40,869.4	89.6%	Yes	LEED Gold
19	Axis Tower Two	40,536	42.7%	Yes	LEED Gold

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

Building Name	**GLA (SQM) Office and Retail**	**Estimated Completion**	**PEZA Registered**	**LEED Certification**
Axis Tower Four	40,529	3Q2021	Yes	Pursuing LEED Gold
Axis Tower Three	41,375	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 March 2021, 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) Office and Retail**	**Occupancy Rate as of End March 2021 Office and Retail**	**PEZA Registered**
Cebu Tower 1	20,612	99.1%	Yes
Cebu Tower 2	28,927	46%	Yes

Currently under construction are Cebu Towers 3 and 4:

Building Name	**GLA (SQM) Office and Retail**	**Estimated Completion**	**PEZA Registered**
Cebu Tower 3	21,847	3Q2022	Yes
Cebu Tower 4	22,342	2Q2023	Yes

Filinvest Cyberzone Cebu complex has a retail component at ground and common podium with GLA of 6,944 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, 2020.

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

7. 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.

8. There are no known events that will trigger the settlement of a direct or contingent financial obligation that is material to the Group.

9. 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.

10. Please refer to Annex A for the Aging Schedule for the Company's receivables as of March 31, 2021. Annex B are Supplementary Information and Disclosures required on SRC rules 68 and 68.1 as amended for the three months ended March 31, 2021.

ANNEX A

CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY

Aging of Receivables
As of March 31, 2021

	Current	1-30 days	31-60 days	61-90 days	91-120 days	>120 days	Total
Trade Receivables	797,326,429	21,060,960	12,504,194				830,891,583
Others	441,806,559	-	-	-	-	-	441,806,559
Total	**1,239,132,988**	**21,060,960**	**12,504,194**	**-**	**-**	**-**	**1,272,698,142**

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

ANNEX B

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
March 31, 2021

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 March 31, 2021, the Company has Philippine Long Distance Telephone Company, Inc. (PLDT) shares amounting to ₱2,000 and Short term deposits amounting to ₱ 388,137,760 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 March 31, 2021, the Company has no non-current marketable equity securities, other long-term investments in stocks, and other investments.

Schedule C. Intangible Asset

As of March 31, 2021, 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.

	2021	2020
BTO rights	₱1,091,269,502	₱3,408,827,424

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..

On February 11, 2021, the BOD approved the transfer of Cebu Towers 3 and 4 to FLI by way of assignment of right to manage and operate. FLI will compensate the Parent Company at a consideration equivalent to the cost of the properties upon assignment. On March 31, 2021, CPI and FLI executed deed of assignment for the transfer of the properties. Hence, the cost of these properties, including the related right-of use assets and lease liabilities, were derecognized.

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 5.5-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	5,977,360	-	5,977,360
	₱5,977,360	₱	₱5,977,360

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 March 31, 2021, 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 March 31, 2021, the Company does not have advances from its related parties.

Schedule F. Guarantees of Securities of Other Issuers

The Company does not have guarantees of securities of other issuers as of March 31, 2021.

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, 2021		₱1,950,125,348
Less: Deferred tax assets as of December 31, 2020		(269,207,450)
Retained Earnings, as adjusted to amount available for dividend declaration, beginning		1,680,917,898
Net income based on the face of unaudited financial statements	639,107,292	
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, March 31, 2021		639,107,292
Add (less):		
Movement in deferred tax assets		160,040,073
Dividend declarations during the period		(1,690,426,790)
Appropriations of retained earnings during the period		-
Unappropriated Retained Earnings, as adjusted, March 31, 2021		₱789,638,473

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:

Maricel Brion-Lirio
President / Chief Executive Officer

Ana Venus A. Mejia
Chief Financial Officer

ANNEX "D-2"

C O V E R   S H E E T

SEC Registration Number

A	2	0	0	0	-	0	0	6	5	2

C O M P A N Y   N A M E

FILINVEST REIT CORP. (formerly CYBERZONE PROPERTIES INC,) AND A SUBSIDIARY

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

5th - 7th Floors Vector 1 Building, NortHgate Cyberzone, Filinvest Corporate City, Alabang, Muntinlupa City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17Q-2		

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	**8846-0278**	**N/A**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
8	**5/30**	**12/31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Venus A. Mejia	**venus.mejia@filinvestgroup.com**	**8846-0278**	**N/A**

CONTACT PERSON's ADDRESS

5^{th}-7^{th} 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.*

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATIONS CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **June 30, 2021**

2. SEC Identification Number **A2000-00652** 3. BIR Tax ID **204-863-416-000**

4. Exact name of issuer as specified in its charter **FILINVEST REIT CORP.**
(formerly CYBERZONE PROPERTIES, INC.)

5. Province, Country or other jurisdiction of incorporation or organization **Philippines**

6. Industry Classification Code: _______ (SEC Use Only)

7. Address of issuer's principal office Postal Code
5th – 7th Floors Vector 1 Building, Northgate Cyberzone, Filinvest Corporate City, Alabang, Muntinlupa City **1770**

8. Issuer's telephone number, including area code = **02-8846-0278**

9. Former name, former address, and former fiscal year, if changed since last report =
CYBERZONE PROPERTIES INC.

10. Securities registered pursuant to Section 8 and 12 of the SRC

Title of Each Class	Number of shares of Common Stock Outstanding	Amount of Debt Outstanding
Common Stock, ₱0.50[1] par value	4,892,777,994[2]	
Bonds Payable		6,000,000,000

11. Are any or all of these securities listed on the Philippine Stock Exchange?
Yes [X] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

The Philippine Stock Exchange, Inc. **Common shares**

12. Indicate by check mark whether the issuer:

(a) has filed reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA Rule 1(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);
Yes [X] No [ ]

(b) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

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[1] Based on the approval of the Securities and Exchange Commission of the Company's amended Articles of Incorporation dated July 2, 2021.

[2] Based on the approval of the Securities and Exchange Commission of the Company's amended Articles of Incorporation dated July 2, 2021.

TABLE OF CONTENTS

PART 1 – FINANCIAL INFORMATION

FILINVEST REIT CORP. (FORMERLY CYBERZONE PROPERTIES, INC.) AND A SUBSIDIARY

Unaudited Interim Consolidated
Financial Statements

As at June 30, 2021 and December 31, 2020
and
For the six months ended June 30, 2021 and 2020

FILINVEST REIT CORP. (formerly CYBERZONE PROPERTIES, INC.) and a SUBSIDIARY

Interim Consolidated Statements of Financial Position

	June 30, 2021	December 31 2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱1,297,504,668**	₱870,517,532
Receivables (Note 5)	**1,356,646,510**	830,144,454
Other current assets (Note 11)	**1,034,222,105**	1,171,332,106
	3,678,004,368	2,871,994,092
Noncurrent assets held for distribution (Note 6)	**8,999,760,780**	6,843,701,346
Total Current Assets	**12,688,134,063**	9,715,695,438
Noncurrent Assets		
Advances to contractors (Note 8)	**17,029,388**	18,393,179
Investment properties (Note 9)	**9,296,413,988**	11,629,804,872
Property and equipment (Note 10)	**74,307,365**	68,394,882
Intangible assets (Note 7)	**1,077,617,242**	3,408,827,424
Other noncurrent assets	**368,843,995**	388,417,886
Total Noncurrent Assets	**10,834,211,978**	15,513,838,243
Total Assets	**₱ 23,522,346,041**	₱25,229,533,681

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 12)	**₱1,359,072,895**	₱1,583,711,747
Current portion of:		
Loans payable (Notes 13)	–	744,166,667
Lease liabilities	**1,848,085**	92,617,060
Security and other deposits	**121,297,897**	116,414,891
Income Tax Payable	**28,524,298**	–
Dividends payable	**8,302,333,555**	6,611,906,765
	9,813,076,730	9,148,817,130
Liabilities directly related to noncurrent assets held for distribution	**185,977,113**	–
Total Current Liabilities	**9,999,053,843**	9,148,817,130
Noncurrent Liabilities		
Loans payable - net of current portion (Notes 13)	–	1,600,000,000
Bonds payable (Notes 14)	**5,980,567,424**	5,974,168,846
Lease liabilities - net of current portion	**25,738,855**	2,097,498,105
Security and other deposits - net of current portion	**731,453,029**	732,659,169
Deferred tax liability – net	**109,426,166**	269,939,889
Other noncurrent liabilities (Note 15)	**353,581,982**	300,385,682
Total Noncurrent Liabilities	**7,200,767,456**	10,974,651,691
Total Liabilities	**17,199,821,299**	20,123,468,821

(Forward)

	June 30, 2021	December 31, 2020
Equity		
Capital stock (Note 16)	**₱1,163,426,668**	₱1,163,426,668
Additional paid-in capital	**102,900,666**	102,900,666
Deposit for future stock subscription	**3,735,881,085**	1,889,583,333
Unappropriated retained earnings	**1,309,981,563**	1,950,125,348
Remeasurement gain on retirement plan	**(34,155)**	28,845
Total Equity	**6,322,524,742**	5,106,064,860
Total Liabilities and Equity	**₱ 23,522,346,041**	₱25,229,533,681

FILINVEST REIT CORP. (formerly CYBERZONE PROPERTIES, INC.) and a SUBSIDIARY
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six Months Period Ended June 30	
	2021	2020
REVENUES AND INCOME		
Rental revenue	**₱1,398,186,334**	₱1,509,384,722
Others (Notes 17)	**562,970,045**	616,705,146
	1,961,156,379	2,260,544,454
COSTS AND EXPENSES		
Utilities	**212,699,511**	214,962,434
Depreciation and amortization	**232,430,997**	227,991,878
Rental expense	**138,900,822**	156,482,876
Manpower and service cost	**118,652,878**	147,486,639
Repairs and maintenance	**93,643,442**	63,962,888
Taxes and licenses	**41,473,936**	35,664,045
Insurance	**10,527,271**	1,033,041
Service and management fees	**10,946,958**	5,190,900
Others	**3,732,136**	4,154,372
	863,007,951	991,383,661
OTHER INCOME (CHARGES)		
Gain on derecognition of lease liabilities	**85,175,124**	–
Interest income	**1,220,305,**	6,721,082
Interest and other financing charges	**(185,719,104)**	(139,131,162)
Other income (charges) – net	**(1,236,341)**	(2,393,232)
	(100,560,016)	(134,803,312)
INCOME BEFORE INCOME TAX	**997,588,412**	1,134,357,481
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**107,882,130**	117,527,856
Deferred	**(160,576,723)**	42,121,619
	(52,694,593)	159,649,475
NET INCOME	**1,050,283,005**	974,708,006
OTHER COMPREHENSIVE INCOME	**(63,000)**	–
TOTAL COMPREHENSIVE INCOME	**1,050,220,005**	₱974,708,006
Basic/Diluted Earnings Per Share	**₱0.45**	₱0.42

FILINVEST REIT CORP. (formerly CYBERZONE PROPERTIES, INC.) and a SUBSIDIARY
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Period Ended June 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱ 997,588,412**	₱1,134,357,481
Adjustments for:		
Depreciation and amortization	**232,430,997**	214,647,579
Interest expense and other financing changes	**185,719,104**	132,748,374
Gain on derecognition of lease liability	**(85,175,124)**	–
Interest income	**(1,220,305)**	(6,721,082)
Operating income before changes in operating assets and liabilities	**1,329,343,084**	1,475,032,352
Changes in operating assets and liabilities		
Decrease (increase) in:		
Receivables	**(550,244,116)**	(553,039,568)
Other current assets	**137,109,997**	(187,417,681)
Increase (decrease) in:		
Accounts payable and accrued expenses	**123,121,649**	(213,574,951)
Security and other deposits	**3,676,866**	45,807,947
Other noncurrent liabilities	**53,196,300**	189,765,986
Net cash generated from operations	**1,096,203,780**	756,574,085
Interest received	**1,220,305**	6,721,082
Income tax paid	**–**	(23,577,963)
Net cash provided by operating activities	**1,097,424,085**	739,717,204
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Noncurrent assets held for distribution or sale	**(383,663,449)**	–
Investment properties	**(48,594,674)**	(545,282,848)
Intangible assets	**(59,313,627)**	(209,577,137)
Property and equipment	**(15,066,465)**	(16,745,418)
Decrease (increase) in:		
Advances to contractors	**1,363,791**	24,418,423
Other noncurrent assets	**19,573,891**	(28,289,929)
Net cash used in investing activities	**(485,700,531)**	(775476909)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from availments of loans payable	–	1,000,000,000
Payments of:		
Principal portion of lease liability	**(13,473,099)**	(6,156,487)
Interest and transaction cost	**(171,263,319)**	(252,149,565)
Loans payable	–	(594,621,215)
Net cash provided by (used) in financing activities	**(184,736,418)**	147,072,733
NET INCREASE IN CASH AND CASH EQUIVALENTS	**426,987,136**	(111,313,028)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**870,517,532**	508,857,313
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱1,297,504,668**	₱620,170,341

FILINVEST REIT CORP. (formerly CYBERZONE PROPERTIES, INC.) and a SUBSIDIARY
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Six Months Period Ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
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
Deposit for future stock subscription	**3,746,250,000**	-
Remeasurement losses on retirement plan	**(34,155)**	1,083,935
Retained earnings		
Balance at beginning of the period	**1,950,125,348**	6,701,190,322
Net income	**1,050,283,005**	974,708,008
Dividends	**(1,690,426,790)**	-
Balance at end of the period	**1,309,981,563**	7,675,898,330
Equity attributable to equity holders of the parent	**6,322,524,742**	8,943,309,599
Noncontrolling interest	**-**	-
Total Equity	**6,322,524,742**	8,943,309,599

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 was 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. ProOffice has started its commercial operations on August 1, 2019. On December 23, 2020, the Parent Company entered into a Deed of Assignment to sell its interest in ProOffice to Filinvest Land, Inc. (FLI) for a total consideration of ₱17.16 million. Accordingly, the Parent Company lost control over ProOffice. The transaction has no material impact to the consolidated financial statements.

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.

On December 4, 2020, the Board of Directors (BOD) approved the amendments of the Parent Company's articles of incorporation to change the Parent Company's primary purpose to engage in the business of a real estate investment trust, as provided under Republic Act No. 9856 (the Real Estate Investment Trust Act of 2009), including the Revised Implementing Rules and Regulations of Republic Act No. 9856 (the "REIT Act"), and other applicable laws, which business includes the following: (1) to own, invest in, purchase, acquire, hold, possess, lease, construct, develop, alter, improve, operate, manage, administer, sell, assign, convey, encumber, in whole or in part, or otherwise deal in and dispose of, income-generating real estate, within or outside the Philippines, in accordance with applicable laws and regulations; (2) to invest in, purchase, acquire own, hold, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of (a) real estate and other related assets; and (b) managed funds; (3) to receive, collect, and dispose of the rent, interest, and such other income rising from its property and investments; (4) to guaranty the obligations, debt, or loans of its subsidiaries or affiliates or any entity in which the corporation has lawful interest; and (5) to exercise, carry on or undertake such other powers, acts, activities and transactions as may be deemed necessary, convenient, or incidental to or implied from the purposes herein mentioned.

On July 2, 2021, SEC approved and issued to the Company its certificate of filing of amended articles of incorporation to change its primary purpose to engage in the business of a real estate investment trust (REIT) and increased its capital stock from 2,000,000,000 shares with par value of P1.00 each, to 14,263,698,000 shares with par value of P0.50 each. The Company's name was also changed to Filinvest REIT Corp.

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.

The consolidated financial statements includes the balances of ProOffice until its disposal on December 23, 2020. As a result of the disposal, the Group derecognized the assets and liabilities of ProOffice and the remaining balances pertain only to the Parent Company.

Statement of Compliance

The consolidated financial statements of the Group are prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards (PAS) and Interpretations issued by the Philippine Interpretations Committee (PIC).

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the consolidated 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 Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group. The nature and impact of each new standard and amendment are described below:

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

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

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

  The Group shall also disclose information about:

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

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods.

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

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15 affecting the real estate industry. This includes PIC Q&A No. 2018-12-H which discussed accounting for CUSA charges wherein it was concluded that real estate developers are generally acting as principal for CUSA. On October 25, 2018, the SEC decided to provide relief to the real estate industry by deferring the application of the provisions of the PIC Q&A 2018-12-H for a period of three years or until December 31, 2020. The deferral will only be applicable for real estate transactions.

The Group previously availed of the reliefs provided by the SEC and have accounted for the related revenue net of costs and expenses. As at January 1, 2021, the Group adopted PIC Q&A 2018-12-H retrospectively. The initial adoption has no impact on the Groups's consolidated statement of financial position. The impact of initial adoption in the Group's consolidated statement of comprehensive income follows:

Statement of comprehensive income for the six months ended June 30, 2021

	Amounts prepared under		Increase
	PFRS 15	Previous PFRS	(Decrease)
Revenues and Income			
Others	**₱562,970,045**	**₱111,614,803**	**₱451,355,242**
Cost and Expenses			
Utilities	**212,699,511**	**-**	**212,699,511**
Depreciation	**232,430,997**	**212,524,079**	**19,906,918**
Repairs and maintenance	**93,643,442**	**–**	**93,643,442**
Manpower and service cost	**118,652,878**	**9,601,633**	**109,051,245**
Insurance	**10,527,271**	**–**	**10,527,271**
Others	**3,732,136**	**1,511,131**	**2,221,005**

Statement of comprehensive income for the six months ended June 30, 2020

	Amounts prepared under		Increase
	PFRS 15	Previous PFRS	(Decrease)
Revenues and Income			
Others	₱616,705,146	₱ 167,098,424	₱449,606,722
Cost and Expenses			
Depreciation	227,991,878	185,713,405	42,278,473
Utilities	214,962,434	–	214,962,434
Repairs and maintenance	63,962,888	–	63,962,888
Manpower and service cost	138,992,558	14,012,107	124,980,451
Insurance	1,033,041	–	1,033,041
Others	4,154,372	1,764,939	2,389,433

Future Changes in Accounting Policy

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 consolidated financial statements.

Effective beginning on or after January 1, 2022

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

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

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

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

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

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2023

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

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Consolidated Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

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

- PFRS 17, *Insurance Contracts*

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

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts. PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted. The amendments are not expected to have a material impact on the Group.

Deferred effectivity

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

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

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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

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

  On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of the following provisions of this PIC Q&A until December 31, 2023.
  - Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)
  - Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E

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

  In November 2020, the PIC issued the following Q&As which provide additional guidance on the real estate industry issues covered by the above SEC deferrals:
  - PIC Q&A 2020-04, which provides additional guidance on determining whether the transaction price includes a significant financing component
  - PIC Q&A 2020-02, which provides additional guidance on determining which uninstalled materials should not be included in calculating the POC

  After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. The above specific provisions of PIC Q&A No. 2018-12 is not applicable to the Group since it is not involve in the development of real estate projects for sale.

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

  In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under paragraph 35(c) of IFRS 15 (PFRS 15). IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under Philippine Accounting Standards (PAS) 23, *Borrowing Costs,* considering that these inventories are ready for their intended sale in their current condition.

  On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4-2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Further, on December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the Real Estate Industry until December 31, 2023. Effective January 1, 2024, the Real Estate

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

The IFRIC Agenda Decision has no impact to the Group.

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

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

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

  The PIC Q&A has no impact to the Group.

Significant Accounting Policies

Current versus Noncurrent Classification
The Group presents assets and liabilities in the 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 financial reporting period; or
d. Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the financial 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 12 months after the financial reporting period; or
d. There is no unconditional right to defer the settlement of the liability for at least 12 months after the financial 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 consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each financial reporting period.

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

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, fair value through other comprehensive income (FVTOCI), or at fair value through profit or loss (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 FVTPL, 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 (SPPI)' on the principal amount outstanding. This assessment is referred to as the 'SPPI test' and is performed at an instrument level.

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

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

The Group's financial assets comprise of financial assets at amortized cost.

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

- Financial assets at amortized cost (debt instruments);
- Financial assets at FVTOCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Financial assets at FVTPL.

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.

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.

Loans and borrowings consist primarily of accounts payable and accrued expenses, loans payable, bonds payable, lease liabilities, security and other deposits.

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 effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest 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 effective interest. The effective interest amortization is included as finance costs in the statement of comprehensive income.

<u>Impairment of Financial Assets</u>
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the 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 financial 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.

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from reputable rating agencies to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers receivables in default when contractual payments are sixty (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.

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

<u>Derecognition of Financial Assets and Financial Liabilities</u>
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 property and equipment or investment properties are presented as noncurrent assets.

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 initial cost of investment properties consists of any directly attributable costs of bringing the investment properties to their intended location and working condition, including borrowing 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 also include right-of-use assets involving real properties that are subleased to other entities. 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.

For those right-of-use assets that qualify as investment properties, i.e., those land that are subleased by the Group, these are classified under investment properties. Consistent with the Group’s policy regarding the measurement of investment properties, these assets are subsequently measured at cost less amortization and impairment in value.

Investment properties built on rented properties 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 economic useful lives of 40-50 years for the building and 15 years for equipment.

The economic useful lives and the depreciation is reviewed annually to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefit from items of investment properties.

Construction 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.

Investment properties also include prepaid commission representing 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.

Property and Equipment

Property and equipment consist 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, and overhaul costs 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 economic useful lives of these assets as follows:

	Years
Land improvements	5
Furniture and fixtures	3 - 5

The economic 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.

Property and equipment are derecognized when either they have been disposed of or when the property and equipment 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 property and equipment are recognized in the statement of comprehensive income in the year of retirement or disposal.

Intangible Assets

Intangible assets pertain to build, transfer and operate (BTO) rights and ROU assets. 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 economic 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 economic useful lives 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.

Other Assets
Other current and noncurrent 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.

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.

Noncurrent Assets Held for Distribution or Sale
A noncurrent asset (or disposal group) is classified as held for distribution to owners when the entity is committed to distribute the asset (or disposal group) to the owners. For this to be the case, the assets must be available for immediate distribution in their present condition and the distribution must be highly probable.

A noncurrent asset (or disposal group) is classified as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continuing use. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by paragraph 9, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. The probability of shareholders' approval (if required in the jurisdiction) should be considered as part of the assessment of whether the sale is highly probable.

Noncurrent asset (or disposal group) classified as held for distribution or sale is measured at the lower of its carrying amount and fair value less costs to distribute or cost to sell.

The Group presents the non-current asset classified as held for distribution and the assets of a disposal group classified as held for sale separately from other assets as "Noncurrent assets held for distribution or sale" in the statement of financial position. The liabilities related to the disposal group classified as held for distribution or sale are presented separately from other liabilities as "Liabilities directly related to noncurrent assets held for distribution or sale" in the statement of financial position.

Impairment of Nonfinancial Assets
The Group assesses at each financial reporting date whether there is an indication that its nonfinancial asset (e.g., advances to contractors, investment properties, property and equipment, intangible assets, and other assets) 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.

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 capital 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.

Deposits for Future Stock Subscription

Deposit for future stock subscription (DFFS) are recorded based on the subscription amount received and are presented under liabilities unless the following items were met for classification as part of equity:

- There is a lack or insufficiency of authorized unissued shares of stock to cover the deposit;
- The Parent Company's BOD and stockholders have approved an increase in authorized capital stock and amendment in the articles of incorporation to cover the shares corresponding to the amount of the DFFS; and
- The application for the approval of the increase in capital stock has been filed or has been presented for filing with the SEC

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 are deducted from unappropriated retained earnings when declared and approved by the Group's BOD. Dividends payable are recorded as liability until paid or upon distribution of related property held for distribution. Dividends for the year that are declared and approved after financial 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 considering the 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.

Rental Revenue

Rental revenue is recognized in the 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.

Common usage service area charges

Common usage service area charges 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 and are presented gross of related cost and expenses.

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 period 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 financial 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 (PUC). Under this method, the current service cost is the present value of retirement benefit payable in the future with respect to the services rendered in the current period.

Defined benefit costs comprise the following:
- Service cost;
- Net interest on the net defined benefit liability or asset; and
- 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, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in 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 12 months after the end of the annual financial reporting date is recognized for services rendered by employees up to the end of the reporting date.

Borrowing Costs
Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets (included in "Investment properties" account in the statement of financial position). Capitalization ceases when pre-selling of real estate inventories under construction commences. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross interest incurred on those borrowings less any investment income arising on the temporary investment of those borrowings.

The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

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 to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be used.

The carrying amount of deferred income tax assets is reviewed at each financial 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 financial 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

Company 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.

Company 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.

The Group classifies its right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned.

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 assets on land presented as part of investment properties and intangible assets ranges from 25 to 50 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.

The Group accounts for a lease modification (i.e., a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease) as a separate lease (i.e., separate from the original lease) when both of the following conditions are met:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets.
- The consideration for the lease increases commensurate with the standalone price for the increase in scope and any adjustments to that stand-alone price reflect the circumstances of the particular contract.

If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate new lease. Lessees account for the separate contract that contains a lease in the same manner as other new leases.

Short-term leases
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). Lease payments on short-term leases 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 financial 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 June 30, 2021 and December 31, 2020.

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 financial 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 consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Events After the Financial Reporting 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 financial reporting date (adjusting events) are reflected in the consolidated financial statements. Any year-end events that are not adjusting event is disclosed in the notes to the consolidated financial statements when material

3. **Significant Accounting Judgments and Estimates**

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

Determination of lease term of contracts with renewal and termination options - Group as a lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods

covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms equivalent to its original lease term. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The renewal options for leases of office spaces and land for certain real estate developments were not included as part of the lease term because the Group assessed that renewal is not reasonably certain.

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 investment property, that it retains all the significant risks and rewards of ownership of these properties and accounts for these contracts as operating lease.

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 Parent Company 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 the major part of its economic life. Accordingly, the related development cost and lease payments were recorded under “BTO rights” presented under intangible assets in the statement of financial position.

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 Parent Company 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 Parent Company during the term of the BOT agreement. Thus, the BOT agreement does not contain a lease within the scope of PFRS 16.

Classification of noncurrent assets held for distribution or sale
As of June 30, 2021 and December 31, 2020, the Parent Company has noncurrent assets held for distribution or sale amounting to ₱8,999.8 million and ₱6,843.7 million, respectively, related to property dividends declared by the Parent Company. These include property dividends declared on December 4, 2020 and February 11, 2021, additions to construction in progress under investment properties and intangible assets declared as property dividends from the date of declaration up to December 31, 2020 and June 30, 2021, and the related right of use assets for the land subleased by the Parent Company where these properties are constructed. As of June 30, 2021, the Parent Company also has identified lease liabilities directly related to noncurrent assets held for distribution or sale amounting to ₱186.0 million (nil as of December 31, 2020).

SEC issued the certificate of filing the notice of property dividend declaration on July 15, 2021. These investment properties will be derecognized in the consolidated financial statements on the date of SEC certification.

Impairment assessment of nonfinancial assets
The Group assesses at each financial reporting date whether there is any indication that the nonfinancial assets (investment properties and intangible assets) 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.
The Group has determined that COVID-19 pandemic has no impact and is not considered as an impairment indicator in the impairment assessment of nonfinancial assets. As of June 30, 2021 and December 31, 2020, no impairment indicators were identified for the Group's nonfinancial assets.

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 is calibrating the matrix to adjust the historical credit loss experience with forward-looking information. At every financial 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.

The Group has considered impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of expected credit loss. The Group assessed that the security deposit and advance rentals are sufficient to cover any exposure to credit loss. As of June 30, 2021, and December 31, 2020, the Group's allowance for ECL on its trade receivables amounted to ₱ 0.3 million.

Recognition of deferred tax asset
The Group reviews the carrying amounts of deferred income tax assets at each financial report date and reduces it to the extent that it is no longer probable that sufficient income will be available to allow all or part of the deferred income tax assets to be utilized. The Group believes that it will generate sufficient taxable profit to allow all or part of the deferred income tax assets to be utilized. As of June 30, 2021, and December 31, 2020, deferred tax assets amounted to ₱101.2 million and ₱269.2 million, respectively.

4. **Cash and Cash Equivalents**

This account consists of:

	June 30, 2021	December 31, 2020
Cash on hand and in banks	**₱308,979,778**	₱602,644,513
Cash equivalents	**908,524,890**	267,873,019
	₱1,297,504,668	₱870,517,532

Cash in banks earn interest at their respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, with original maturities of three (3) months or less from dates of placement and are subject to an insignificant risk and change in value and earned interest at prevailing short-term investment ranging from 0.10% to 3.75% and 0.13% to 4.50% for the six months ended June 30 2021 and 2020, respectively.

Interest earned from cash and cash equivalents amounted to ₱0.8 million and ₱4 million for the six months ended June 30, 2021 and 2020.

There is no restriction on the Company's cash and cash equivalents as at June 30, 2021 and December 31, 2020.

5. Receivables

This account consists of:

	March 31, 2021	December 31, 2020
Trade receivables (Note 17)	**₱782,216,842**	**₱799,278,543**
Due from related parties (Note 17)	**543,109,657**	**–**
Advances to officers and employees	**30,012,393**	29,632,452
Others	**1,592,876**	1,518,717
	1,356,931,768	830,429,712
Less expected credit loss	**285,258**	285,258
	₱1,356,646,510	₱830,144,454

Trade receivables represent charges to tenants for rentals and utilities which are normally collectible within 20 days from billing date. These include receivable earned but not yet billed arising from straight-line recognition of lease income from covered lessees. These are covered by security deposits by tenants equivalent to 3 months rent paid by the lessees. All overdue and unpaid rent, dues and charges,if any,are subject to interest at 18% per annum and penalty of 24% per annum. Interest and penalties from late payments amounted to ₱0.4 million and ₱0.5 million for the six months ended June 30, 2021 and 2020, respectively.

Due from Related Parties represent charges mainly for the assigned BTO rights.

Advances to officers and employees pertain to salary and loans granted by the Group which are collectible through salary deduction and are non-interest bearing. This also represents advances for project costs, marketing activities, travel and other expenses arising from the ordinary course of business which are liquidated upon the accomplishment of the purposes for which the advances were granted.

For the six months ended June 30, 2021 and 2020, the Company has not recognized additional provision for ECL on its trade receivables. Allowance for expected credit losses recorded amounted to ₱0.3 million as of June 30, 2021 and December 31, 2020.

6. Noncurrent Assets Held for Distribution

This account consists of:

	June 30, 2021	December 31, 2020
Net book value of investment properties		
Investment properties declared as		
property dividends (Notes 9 and 16)	**₱ 6,918,333,607**	₱6,611,906,765
Additions to construction in progress for the period	**617,862,565**	231,794,581
Right of use assets (Notes 9 and 20)	**54,463,438**	–
Net book value of intangible assets		

BTO rights declared as property dividends (Notes 7 and 16)	**1,383,999,947**	−
Deductions to BTO rights for the period	**(2,404,534)**	−
Right of use assets (Notes 7 and 20)	**27,505,758**	−
	₱8,999,760,780	₱6,843,701,346

Noncurrent assets held for distribution represent investment properties and BTO rights declared as property dividends, additions to construction in progress under investment properties and intangible assets declared as property dividends from the date of declaration up to December 31, 2020 and June 30, 2021 subject to reimbursement by FLI, and the related right of use assets for the land subleased by the Parent Company where these properties were constructed.

These noncurrent assets held for distribution will be derecognized in the interim consolidated financial statements once the SEC approves the distribution of the dividends, the Company is compensated for the additional construction costs incurred related to these properties from declaration date to June 30, Noncurrent assets held for distribution as of June 30, 2021 and December 31, 2020 amounts to ₱8,999.8 million and ₱6,843,7 million respectively.

On July 15, 2021, SEC issued the certificate of filing the notice of property dividend declaration.

7. Intangible Assets

On March 26, 2012, FLI entered into a BTO agreement with Cebu Province. This was subsequently assigned to the Group in August 2012.

"BTO rights" relate to the development cost, construction and operation of BPO Complex at the land properties owned by Cebu Province. As of March 31, 2021 and December 31, 2020, cost of completed portion pertaining to Cebu Towers 1 and 2 of the BTO project amounted to ₱2.6 billion. Construction of Cebu Towers 3 and 4 are still on-going and are expected to be completed in 2022 and 2023, respectively.

"Right-of-Use assets" pertain to the related lease payments required under the BTO agreement for the land where the buildings were constructed.

The rollforward analysis of intangible assets follows:

	June 30, 2021		
	BTO Rights	**Right-of-Use Assets**	**Total**
Cost			
Balance at beginning of period	**₱3,576,270,821**	**₱112,423,917**	**₱3,688,694,738**
Additions	5,582,253	-	5,582,253
Derecognition	(831,830,269)	(60,231,586)	(892,061,855)
Reclassification	(1,429,619,218)	(30,115,793)	(1,459,735,011)
Balance at end of period	1,320,403,588	22,076,538	1,342,480,126
Accumulated Depreciation			
Balance at beginning of period	**270,873,400**	**8,993,914**	**279,867,314**
Depreciation	28,455,437	1,043,846	29,499,283
Derecognition	(36,673,608)	(5,220,071)	(41,893,679)
Reclassification	-	(2,610,035)	(2,610,035)
Balance at end of period	262,655,230	2,207,654	264,862,884
Net Book Value	**₱1,057,748,358**	**₱19,868,884**	**₱1,077,617,242**

	December 31, 2020		
	BTO Rights	Right-of-Use Assets	Total
Cost			
Balance at beginning of year	₱2,960,031,844	₱112,423,917	₱3,072,455,761
Additions	607,835,586	−	607,835,586
Reclassification	8,403,391	−	8,403,391
Balance at end of year	3,576,270,821	112,423,917	3,688,694,738
Accumulated Depreciation			
Balance at beginning of year	178,271,697	4,496,957	182,768,654
Depreciation	77,559,890	4,496,957	82,056,847
Reclassification	15,041,813	−	15,041,813
Balance at end of year	270,873,400	8,993,914	279,867,314
Net Book Value	₱3,305,397,421	₱103,430,003	₱3,408,827,424

On February 11, 2021, the BOD approved the transfer of Cebu Towers 3 and 4 to FLI by way of assignment of right to manage and operate. FLI will compensate the Company at a consideration equivalent to the cost of the properties upon assignment. On February 26, 2021, CPI and FLI executed deed of assignment of rights for the transfer of the properties. Hence, the cost of these properties, including the related right-of use assets and lease liabilities, were derecognized.

8. Advances to Contractors

Advances to contractors represent advances for project costs and other disbursements related to buildings under construction. The advances shall be settled through recoupment against contractors' billings. Advances to contractors amounted to ₱17.0 million and ₱18.4 million as of June 30, 2021 and December 31, 2020, respectively.

9. **Investment Properties**

The rollforward analyses of this account follows:

	June 30, 2021					
	Land	**Buildings and Improvement**	**Construction in-progress**	**Right-of-use asset**	**Others**	**Total**
Cost						
Balance at beginning of period	**₱−**	**₱11,953,070,219**	**₱−**	**₱1,946,930,753**	**₱158,204,744**	**₱14,058,205,716**
Additions	**−**	**407,613,820**	**−**	**−**	**9,044,111**	**416,657,931**
Derecognition	**−**	**−**	**−**	**(1,884,771,395)**	**−**	**(1,884,771,395)**
Reclassification	**−**	**(931,166,542)**	**−**	**(62,159,358)**	**16,651,371**	**(976,674,528)**
Balance at end of period	**−**	**11,429,517,498**	**−**	**−**	**183,900,226**	**11,613,417,724**
Accumulated Depreciation						
Balance at beginning of period	**−**	**2,339,348,223**	**−**	**39,188,512**	**49,864,109**	**2,428,400,844**
Depreciation	**−**	**137,533,063**	**−**	**11,286,856**	**12,726,719**	**161,546,638**
Derecognition	**−**	**−**	**−**	**(42,779,448)**	**−**	**(42,779,448)**
Reclassification	**−**	**(238,671,715)**	**−**	**(7,695,920)**	**16,203,337**	**(230,164,298)**
Balance at end of period	**−**	**2,238,209,571**	**−**	**−**	**78,794,165**	**2,317,003,736**
Net Book Value	**₱−**	**₱9,242,965,227**	**₱−**	**₱−**	**₱107,163,190**	**₱9,296,413,988**

	December 31, 2020					
	Land	Buildings and Improvement	Construction in-progress	Right-of-use asset (Note 20)	Others	Total
Cost						
Balance at beginning of year	₱1,065,970,323	₱14,374,114,937	₱2,596,558,086	₱62,159,358	₱125,268,691	₱18,224,071,395
Additions	12,671,445	150,907,402	1,292,911,395	2,149,262,141	32,936,053	3,638,688,436
Disposals	(672,801,997)	−	−	−	−	(672,801,997)
Derecognition	−	−	−	(264,490,746)	−	(264,490,746)
Reclassification	(405,839,771)	(2,571,952,120)	(3,889,469,481)	−	−	(6,867,261,372)
Balance at end of year	−	11,953,070,219	−	1,946,930,753	158,204,744	14,058,205,716
Accumulated Depreciation						
Balance at beginning of year	−	2,042,662,904	−	3,551,963	21,083,279	2,067,298,146
Depreciation	−	320,245,345	−	39,033,505	28,780,830	388,059,680
Derecognition	−	−	−	(3,396,956)	−	(3,396,956)
Reclassification	−	(23,560,026)	−	−	−	(23,560,026)
Balance at end of year	−	2,339,348,223	−	39,188,512	49,864,109	2,428,400,844
Net Book Value	₱−	₱9,613,721,996	₱−	₱ 1,907,742,241	₱108,340,635	₱11,629,804,872

Others include prepaid commission costs directly attributable in obtaining the operating leases related to the Group’s office buildings.

Investment properties pertain to the Group’s land and buildings that are currently leased to third parties. Borrowing costs capitalized to investment properties amounted to nil and ₱177.5 million for the six months ended June 30, 2021 and 2020. The capitalization rates used range from 4.0% to 5.6% in 2020.

On October 7, 2020, the Group sold a portion of its South Road Properties with a carrying value of ₱672.8 million for a consideration of ₱737.8 million.

10. Property and Equipment

The rollforward analysis of this account follows:

	March 31, 2021		
	Land Improvements	**Furniture and Fixtures,**	**Total**
Cost			
Balance at beginning of period	**₱38,916,373**	**₱91,920,342**	**₱130,836,715**
Additions	**−**	**15,066,465**	**10,649,822**
Balance at end of period	**38,916,373**	**106,986,807**	**145,903,180**
Accumulated Depreciation			
Balance at beginning of period	**19,325,572**	**43,116,261**	**62,441,833**
Depreciation	**175,237**	**8,978,746**	**9,153,982**
Balance at end of period	**19,500,811**	**52,095,004**	**71,595,815**
Net Book Value	**₱19,415,562**	**₱54,891,803**	**₱74,307,365**

	December 31, 2020		
	Land Improvements	Furniture and Fixtures,	Total
Cost			
Balance at beginning of year	₱38,703,160	₱80,175,614	₱118,878,774
Additions	201,211	16,559,423	16,760,634
Reclassification (Notes 7 and 9)	12,002	(4,814,695)	(4,802,693)
Balance at end of year	38,916,373	91,920,342	130,836,715
Accumulated Depreciation			
Balance at beginning of year	18,975,099	44,953,352	63,928,451
Depreciation	350,473	15,598,150	15,948,623
Reclassification (Notes 7 and 9)	−	(17,435,241)	(17,435,241)
Balance at end of year	19,325,572	43,116,261	62,441,833
Net Book Value	₱19,590,801	₱48,804,081	₱68,394,882

As of June 30, 2021, property and equipment is not used as collateral and is not subject to any encumbrances.

11. Other Assets

Other current assets consist of:

	June 30, 2021	December 31, 2020
Input VAT - net	₱917,722,421	₱986,282,331
Creditable withholding tax	14,592,284	94,649,221
Prepayments	47,941,210	68,233,324
Others	53,966,190	33,658,745
	1,034,222,105	1,182,823,621
Less noncurrent portion of input VAT	−	11,491,515
	₱1,034,222,105	₱1,171,332,106

Input Value Added Tax (VAT) represents the taxes imposed to the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulation. This will be used against future output VAT liabilities or will be claimed as tax credits. Management has estimated that all input VAT are recoverable at its full amount.

Creditable withholding tax are attributable to taxes withheld by third parties arising from income which are fully realizable and will be applied against future taxes payable. The amounts represent the residual after application as credit against income tax payable.

Prepayments consist of prepaid expenses for financial charges, taxes and licenses, insurance and association dues.

Others include office and maintenance supplies.

12. Accounts Payable and Accrued Expenses

This account consists of:

	June 30,2021 (Unaudited)	December 31,2020 (Audited)
Advances from tenants	**₱566,296,412**	₱566,558,897
Accrued expenses	**298,194,808**	262,209,073
Retention payable - current portion	**171,950,485**	177,214,409
Payable to suppliers	**139,536,738**	121,453,381

Payable to contractors	**55,549,839**	123,491,053
Accrued interest payable	**98,854,610**	113,036,580
Withholding taxes payable	**28,690,003**	38,206,363
Due to related parties	**–**	181,541,991
	₱1,359,072,895	₱1,583,711,747

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.

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

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.

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 (1) month.

13. Long Term Debt

This account consists of:

	June 30, 2021 (Unaudited)	December 31,2020 (Audited)
Developmental loans from local banks	₱–	₱2,344,166,667
Less current portion of loans payable	–	744,166,667
Long-term portion of loans payable	₱–	₱1,600,000,000

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 ₱7.9 and nil for the six months ended June 30, 2021 and 2020, respectively.

14. 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 2021 which was capitalized relating to bonds payable amounted to nil.

Unamortized debt issuance cost on bonds payable amounted ₱19.4 million and ₱ 25.8 million as of June 30, 2021 and December 31, 2020, respectively. Amortization of transaction costs included under "Interest and other financing charges" in the statement of comprehensive income amounted to ₱6.4 million for the six months ended June 30, 2021 and 2020.

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 June 30, 2021, the Parent Company is not in breach of any of these debt covenants.

15. Other Noncurrent Liabilities

Security and other deposits
Security and other deposits are applied to any outstanding obligations of the tenants at the end of the lease term or upon pre-termination.

The current and noncurrent portion of security and other deposits follows:

	June 30, 2021	December 31, 2020
Current portion	**₱121,297,897**	₱116,414,891
Noncurrent portion	**731,453,029**	732,659,169
	₱852,750,926	₱849,074,060

Other noncurrent liabilities
This account consists of:

	June 30, 2021	December 31, 2020
Retention payable - net of current portion	**₱349,754,624**	₱296,558,325
Retirement liabilities	**3,827,357**	3,827,357
	₱353,581,981	₱300,385,682

16. Equity

Capital Stock, Additional Paid-in Capital and Deposit for Future Stock Subscription
Details of the Company's capital stock as of June 30, 2021 and December 31, 2020 follow:

Common stock - ₱1 par value	
Authorized - 2,000,000,000 shares	₱2,000,000,000
Issued and outstanding - 1,163,426,668 shares	1,163,426,668
Additional paid-in capital	102,900,666

On December 4, 2020, the BOD approved the increase in the Parent Company's authorized capital stock to ₱14,985.0 million divided into 10,800.0 million common shares with a par value of ₱1.00 per share and 4,185.0 million preferred shares with a par value of ₱1.00. The Parent Company filed the application for the increase in authorized capital stock with the SEC on December 22, 2020.

On December 15, 2020, FLI subscribed to 2,700.0 million common shares and 1,046.3 million preferred shares out of the Parent Company's proposed increase in authorized capital stock. The consideration for the subscription amounting to ₱3,746.3 million shall be taken from the loans payable assigned to FLI.

On March 5, 2021, the BOD and the stockholders approved the reduction of the par value of the common shares of the Parent Company, from ₱1.00 per share to ₱0.50, resulting in a stock split whereby every existing one (1) common share with par value of P1.00 each will become two (2) common shares with par value of ₱0.50 each. They further approved an amendment to the increase in authorized capital stock, from P2.0 billion divided into 2 billion common shares with a par value of ₱1.00 per share to ₱7,131,849,000 divided into 14,263,698,000 common shares with a par value of ₱0.50 per share.

As of June 30, 2021 and December 31, 2020, deposit for future stock subscription amounted to ₱3,735.9 million and ₱1,889.6 million, respectively, inclusive of the assigned loans payable amounting to

₱1,856.7 million and ₱1,518.8 million , respectively, and principal installments paid by FLI in December 2020 amounting to ₱370.8 million.

The SEC approved the increase in capital stock and the change in par value on on July 2, 2021

Retained Earnings

Appropriation

On December 4, 2020, the BOD approved the release of its previous appropriation from its retained earnings amounting to ₱6,300.0 million. This pertains to previous appropriations made to fund projects already completed or transferred, thus will not require any appropriations anymore.

Declaration of Dividend

On February 11, 2021, the BOD approved the declaration of the operational office buildings FLI Edsa, IT School, Concentrix Building (Convergys Building) and Cebu Tower 2 as property dividends. The aggregate carrying value of the properties amounted to ₱1,690.4 million.

On December 4, 2020, the Parent Company's BOD approved the declaration of buildings Filinvest Axis Towers 2, 3 and 4, and SRP Lot 2 with carrying value amounting to ₱6,611.9 million. Axis tower 3 and 4 are under construction

The distribution of these properties shall be made upon approval by the SEC of the declaration of the property dividends which was obtained on July 15.

After reconciling items, the Group's retained earnings available for dividend declaration as of June 30, 2021 and December 31, 2020 amounted to ₱1,045.8 million and ₱1,680.9 million, respectively.

The following table shows how the Group computes for its dividend per share:

	June 30, 2021	December 31, 2020
a. Dividends	₱1,690,426,790	**₱6,611,906,765**
b. Number of outstanding common shares	1,163,426,668	**1,163,426,668**
Dividends per share (a/b)	₱1.45	**₱5.68**

17. Other Income

The account consists of:

	June 30, 2021 (Unaudited)	June 30, 2020 (Audited)
Tenant dues	**₱521,606,794**	₱591,807,913
Service income	**35,928,341**	23,558,432
Miscellaneous	**5,434,910**	1,338,801
	₱562,970,045	₱616,705,146

18. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence (referred herein as affiliates). Related parties may be individuals or corporate entities.

All material Related Party Transactions ("RPT") with a transaction value that reaches ten percent (10%) of the Group's total assets shall be subject to the review by the RPT Committee.

Transactions that were entered into with an unrelated party that subsequently becomes a related party shall be excluded from the limits and approval of the Policy on Related Party Transactions ("Policy"). However, any renewal, change in the terms and conditions or increase in exposure level, related to these transactions after a non-related party becomes a related party, shall subject it to the provisions of the Policy.

In the event wherein there are changes in the RPT classification from non-material to material, the material RPT shall be subject to the provisions of the Policy.

Outstanding balances as at June 30, 2021 and December 31, 2020 are unsecured, interest free and require settlement in cash, unless otherwise stated. As of June 30, 2021 and December 31, 2020, the Group has not made any provision for impairment loss relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Significant related party transactions are as follows.

a) The Group maintains savings accounts and short-term deposits with East West Banking Corporation (EW), an affiliated bank. Cash and cash equivalents earn interest at the prevailing short-term investment rates.

b) *Lease agreements with related parties - Group as lessor*

- The Parent Company, as a lessor, entered into a space rental agreement with FLI, for the office space in one of the Parent Company's buildings. Lease period is from October 16, 2016 to October 15, 2021, renewable for another 10 years.
- The Parent Company, as a lessor, entered into a space rental agreement with Filinvest Alabang, Inc. (FAI), an entity under common control, for the office space in one of the Parent Company's buildings. Lease period is from September 2, 2019 to September 1, 2024.The Parent Company, as a lessor, entered into a space rental agreement with Pro-Excel Property Managers, Inc. (PEPMI), an affiliate, for the office space in one of the Parent Company's buildings. Lease period is from July 15, 2017 to July 14, 2020.

- The Parent Company, as a lessor, entered into a space rental agreement with PEPMI, an affiliate, for the office space in one of the Parent Company's buildings. Lease period is from July 15, 2020 to July 14, 2025.

- The Parent Company, as a lessor, entered into a space rental agreement with Dreambuilders Pro, Inc. (DPI), a fellow subsidiary under FLI, for the office space in one of the Parent Company's buildings. Lease period is from August 10, 2017 to October 9, 2022.

- The Parent Company, as a lessor, entered into a space rental agreement with Chroma Hospitality, Inc., a fellow subsidiary under FLI, for the office space in one of the Parent Company's buildings. Lease period is from June 2, 2017 to June 1, 2027.

- The Parent Company, as a lessor, entered into a lease agreement with Festival Supermall, Inc. (FSI), a fellow subsidiary under FLI, for the office space in one of the Parent Company's buildings. Lease period is from June 2, 2017 to June 1, 2027.

- The Parent Company, as a lessor, entered into a space rental agreement with Corporate Technologies Inc (CTI), for the office space in one of the Parent Company's buildings. Leasing period is from November 15, 2018 to November 14, 2023.

c) *Lease agreements with related parties - Group as lessee*

- The Parent Company, as a lessee, entered into a land lease agreement with FLI on the location of the buildings currently leased to third parties and on those still under construction. Rental expense is based on certain percentages of the Parent Company's gross rental income.

  In 2020, the Parent Company's lease agreement was amended as follows:
  - the Parent Company shall pay either a minimum guaranteed rent or a percentage share from Gross Lease, whichever is higher, effective July 1, 2020; and,
  - the lease terms were extended for an additional term of 25 years.

  In 2021, the Parent Company's lease agreement was amended as:
  - rental rates shall be solely variable (10% or 15% based on Gross Lease Income); and,

- in case of redevelopment, FLI and the Parent Company shall mutually agree on the minimum monthly rent during construction period.
- lease period shall be in full force and effect for a period of 50 years which shall commence on February 11, 2021 and shall expire on February 10, 2071.

- In addition, the Parent Company, as a lessee, entered into a land lease agreement with FAI on the location of the parking currently leased out to third parties. Rental is based on a certain percentage of income earned from the parking space.

d) *Service agreements with related parties*

- The Parent Company entered into a service agreement with FAI whereby the Parent Company shall pay service fees for general management services rendered by the latter for the operations of the Parent Company. FAI is also the provider of water services within the Filinvest City where majority of the buildings of the Parent Company are located.

- The Parent Company entered into a service agreement with Filinvest Cyberparks, Inc. (FCI), Filinvest Asia Corp. (FAC), and PEPMI , entities under common control, whereby the Parent Company shall lease out a portion of its office space and perform accounting and administrative services to the latter for a fee.

- The Parent Company entered into a service agreement with FDC Retail Electricity Sales, Corporation (FDC RES), an entity under common control, whereby the Parent Company shall engage and pay the services rendered by the latter to provide the electricity requirements of its facilities.

- The Parent Company entered into a service agreement with its affiliate, Parking Pro, Inc., to operate and maintain the Parent Company's parking facilities.

- The Parent Company entered into a serviceagreement with ProOffice, an affiliate, whereby the Parent Company shall engage and pay the services rendered by the latter to operate and manage the common areas of the properties owned by the Parent Company.

- The Parent Company entered into a facilities management agreement with Professional Operations and Maintenance Experts Incorporated (PROMEI), whereby the Parent Company shall engage and pay the services rendered by the latter to operate and maintain its equipment and premises.

- The Parent Company entered into a service agreement with CTI, whereby the Company shall engage and pay for varied information and technology services. Services shall include application development, apps support and system maintenance, system application, software licensing and administration, internet bandwidth allocation, network, database and server management plus desktop and telecom support.

e) On February 27, 2019, the Parent Company availed advances from FCI amounting ₱300.0 million. The Parent Company availed additional advances amounting to ₱50.0 million on April 1, 2020. These advances were all paid in 2020. Related interest amounting ₱6.0 million was incurred by the Parent Company.

f) *BOT Agreement*
In accordance with the terms of Build Operate and Transfer (BOT) agreement between the Parent Company and Philippine DCS Development Corporation (PDDC), the Parent Company paid prepaid DCS connection charges to PDDC amounting to ₱248.9 million, to be consumed by existing and future buildings within Northgate Cyberzone in Muntinlupa City over the service period of 20 years.

g) *Deed of Assignment of BTO rights to FLI*
On February 26, 2021, the Parent Company entered into an agreement with FLI assigning its right to manage and operate the Towers 3 and 4 of Filinvest Cebu Cyberzone Towers under the BTO Agreement and Agreement for Transfer and Conveyance. The consideration due was offset against outstanding payable to FLI. The excess shall be settled in cash.

Key Management Personnel
For the six months ended June 30, 2021 and 2020, compensation of key management personnel pertains to short-term employee benefit amounting ₱1.4 million and ₱2.1 million, respectively.

19. Impact of Covid 19

The COVID 19 impacted the company's operations and business in terms of work stoppage whether full or partial. In addition to building operations, our construction projects were delayed. However, our office buildings continue to be operational 24/7 due to the requirements of our multinational BPO locators.

It has been noted that the BPO market is one of the most resilient industries that thrived during the pandemic. This is evidenced by new leases and 99% of renewals during the height of the pandemic.

To continuously ensure the health and safety, the Company has implemented various measures for the safety of its customers, tenants, suppliers, service providers and employees in compliance with the World Health Organization's and the Department of Health's guidelines on COVID-19. The Company has instituted the following measures to ensure safe operation of its Properties:

Screening and minimizing contacts

- Screening of all entrants to its facilities and buildings through temperature scanning. Persons with low-grade fever and up (including employees who must take a sick leave) will be politely refused entry.

- Limiting face-to-face contact through online service desks, call center and e-payments for suppliers. Online platforms for customer and supplier transactions were also used.

- Provision of shuttle services to employees from designated pick-up points to the Company's offices, and from the Company's offices to designated pick-up points to minimize external contacts.

Keeping Office Safe – Reducing Office Density

- Implementation of alternative work arrangements to minimize face-to-face encounters and reduce density within work spaces by cutting work force density to 50% through alternate shifting schedules.

- Strict adherence to self-quarantine protocols for employees who travelled. Implementation of "No ID, No Face Mask and Face Shield, No Entry" policy.

- Sanitation of all areas and provision of hygiene supplies in all areas such as alcohol, hand sanitizers, hand soap and facemasks. Disinfection of high traffic areas is done every hour.

- Employee education on COVID-19 through circulars on the disease and protocols to be followed. Nurses are onsite to provide assistance.

20. 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
June 30, 2021	**+100**	**(₱0.00 million)**
	-100	**₱0.00 million**
December 31, 2020	+100	(₱23.4 million)
	-100	23.4 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.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based groupings of various customer segments with similar loss patterns (i.e., by market segment and collateral type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The credit risk exposure on the Group's lease receivables using a provision matrix results to ₱0.3 million expected credit loss. The expected credit loss rate has been set at zero rate because the historical collected within 20 days from the billing date. The loss given default is also set at zero since the security deposits and advance rentals are considered in the calculation of impairment as these can be used to offset unpaid receivables.

In most cases, recoveries are higher than the amount of receivable at default. As of June 30, 2021 and December 31, 2020, most of the Group's trade receivables are covered by security deposits and advances rentals. For the six months ended June 30, 2021 and 2020, allowance for ECL amounted to ₱0.3 million.

With respect to credit risk arising from cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Group 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 June 30, 2021 and December 31, 2020:

	June 30, 2021				
	Neither Past Due nor Impaired				
	High Grade	**Standard Grade**	**Past Due but not Impaired**	**Past Due and Impaired**	**Total**
Cash and cash equivalents*	**₱1,297,161,668**	**₱–**	**₱–**	**₱–**	**₱1,297,161,668**
Receivables	**1,230,804,348**	**–**	**125,842,162**	**285,258**	**1,356,931,768**
Deposits	**–**	**–**	**–**	**–**	**–**
	₱2,527,966,016	**₱–**	**₱125,842,162**	**₱285,258**	**₱2,654,093,436**

***Excludes cash on hand amounting to ₱343,000**.

	December 31, 2020				
	Neither Past Due nor Impaired				
	High Grade	Standard Grade	Past Due but not Impaired	Past Due and Impaired	Total
Cash and cash equivalents*	₱870,424,532	₱–	₱–	₱–	₱870,424,532
Receivables	685,656,893	–	144,487,561	285,258	830,429,712
Deposits	40,903,155	–	–	–	40,903,155
	₱1,596,984,580	₱–	₱144,487,561	₱285,258	₱1,741,757,399

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

The analysis of trade receivables which are past due but not impaired as of June 30, 2021 and December 31, 2020 follow:

Delays in collection were experienced as payment due dates have been extended to assist the tenants during the Community Quarantine. Subsequent collections have been made. Past due accounts are duly supported with security deposits which can be offset upon default on payment by the tenant.

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 June 30, 2021 and December 31, 2020:

	June 30, 2021							
	On demand	**< 30 days**	**30 - 60 days**	**61 - 90 days**	**> 90 days**	**Up to a year total**	**> 1 year but < 5 years**	**Total**
Cash and cash equivalents	**₱388,979,778**	**₱908,524,890**	**₱–**	**₱–**	**₱–**	**₱1,297,504,668**	**₱–**	**₱1,297,504,668**
Receivables	**1,230,804,348**	**27,673,856**	**5,020,899**	**16,659,800**	**76,487,607**	**₱1,356,931,768**	**–**	**₱1,356,931,768**
Deposits	**–**	**–**	**–**	**–**	**–**	**–**	**₱40,903,155**	**–**
	₱1,619,784,126	**₱936,198,746**	**₱5,020,899**	**₱ 16,659,800**	**₱76,487,607**	**₱2,654,436,436**	**₱40,903,155**	**₱2,695,339,591**

	December 31, 2020							
	On demand	< 30 days	30 - 60 days	61 - 90 days	> 90 days	Up to a year total	> 1 year but < 5 years	Total
Cash and cash Equivalents	₱602,644,513	₱267,873,019	₱–	₱–	₱–	₱870,517,532	₱–	₱870,517,532
Receivables	795,250,212	35,179,500	–	–	–	₱830,429,712	–	830,429,712
Deposits	–	–	–	–	–	–	₱40,903,155	40,903,155
	₱1,397,894,725	₱303,052,519	₱–	₱–	₱–	₱1,700,947,244	₱40,903,155	₱1,741,850,399

Maturity profile of the Group’s financial liabilities, as at June 30, 2021 and December 31, 2020 is shown below (in thousands):

	June 30, 2021									
	On demand	In 30 days	30 to 60 days	61 to 90 days	Over 90 days	Up to a year total	3-Jan years	> 3 - 5 Years	Over 5 years	Total
Loans Payable	–	–	–	–	–	–	–	–	–	–
Bonds Payable	–	–	–	–	–	–	6,000,000	–	–	6,000,000
Lease Liabilities	0	154	154	154	1,386	1,848	3,978	4,386	62,075	72,287
Interest on long-term debt*	–	77,006			231,019	308,025	154,013	–	–	462,038
Accounts payable and accrued expenses	1,359,073	–	–	–	–	1,359,073	–	–	–	1,359,073
Security and other deposits	–	–	121,298	-	-	121,298	731,453	–	–	852,751
	1,359,073	77,160	121,452	154	232,405	1,790,244	6,889,444	4,386	62,075	8,746,149

*Includes future interest payable.

	2020									
	On demand	< 30 days	30 - 60 days	61 - 90 days	> 90 days	Up to a year total	> 1 – 3 years	> 3 – 5 Years	Over 5 years	Total
Loans payable	₱–	₱17,500	₱12,500	₱20,833	₱693,334	₱744,167	₱400,000	₱1,200,000	₱–	₱2,344,167
Bonds payable	–	–	–	–	–	–	–	6,000,000	–	6,000,000
Lease liabilities	–	6,842	12,326	17,819	55,630	92,617	232,749	401,374	1,463,375	2,190,115
Interest on long-term debt*	15,921	5,556	5,509	22,109	79,030	128,125	185,397	56,876	–	370,398
Accounts payable and accrued expenses	1,583,712	–	–	–	–	1,583,712	–	–	–	1,583,712
Security and other deposits	–	–	116,415	–	–	116,415	259,242	473,417	–	849,074
	₱1,599,633	₱29,898	₱146,750	₱60,761	₱827,994	₱2,665,036	₱1,077,388	₱8,131,667	₱1,463,375	₱13,337,466

21. Events after Financial Reporting Date

- On July 2, 2021, SEC approved and issue to the Company its certificate of filing of amended articles of incorporation to change its primary purpose to engage in the business of a real estate trust investment and increased its capital stock from 2,000,000,000 shares with par value of P1.00 each, to 14,263,698,000 shares with par value of P0.50 each. The Company’s name was also changed to Filinvest REIT Corp.
- On July 15, 2021, SEC approved the Company’s dividend declaration consisting of property amounting to P6,611,906,765 payable to its stockholders of record as of November 30, 2020.
- On July 15, 2021, SEC approved the Company’s dividend declaration consisting of properties amounting to P1,690,426,790 payable to its stockholders of record as of February 15, 2021.
- The Company’s listing date of REIT shares is August 12, 2021

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

<u>Results of operations for the six months ended June 30, 2021 compared to six months ended June 30, 2020</u>

Revenues and Income

The Company's total revenues and income decreased by ₱190.9 million or 8.4% from ₱2,260.5 million for the six months ended June 30, 2020 to ₱2,069.8 million for the six months ended June 31, 2021.

The decline in total revenues was primarily due to the decrease in rental revenue by ₱111.2 million or 7.4% from ₱1,509.4 million for the six months ended June 30, 2020 to ₱1,398.2 million for the six months ended June 30, 2021, and the decrease in other income by ₱79.7 million or 10.6% from ₱751.2 million for the six months ended June 30, 2020 to ₱671.5 million for the six months ended June 30, 2021. The decrease in revenues and other income was caused by the pre-termination of leases primarily by POGO tenants in the second half of 2020. The Company expects new BPO tenants to lease out the vacated office spaces.

Cost and Expenses

The Company's consolidated costs and expenses decreased by ₱16.4 million or 2% from ₱991.4 million for the six months ended June 30, 2020 to ₱975.0 million for the six months ended June 30, 2021, primarily due to decrease in utilities expenses, rental expenses, and manpower and service costs

The Company's utilities expenses decreased by ₱2.3 million, or 1%, to ₱212.7 million for the six months ended June 30, 2021 compared to ₱215.0 million for the six months ended June 30, 2020. The decrease in utilities expenses was mainly due to lower utilities consumption resulting from a combination of energy efficiency programs and lower density on site in compliance to quarantine protocols.

The Company's depreciation and amortization expenses increased by ₱4.4 million, or 1.9%, to ₱232.4 million for the six months ended June 30, 2021 compared to ₱228.0 million for the six months ended June 30, 2020. The increase in depreciation was mainly due to additions of property and equipment and building improvements recognized during the year.

The Company's rental expense decreased by ₱17.6 million, or 11.2%, to ₱138.9 million for the six months ended June 30, 2021 compared to ₱156.5 million for the six months ended June 30, 2020. The decrease was primarily due to lower rent on the land lease with FLI which is based on a percentage of the Company's rent revenues.

The Company's taxes and licenses expenses increased by ₱5.8 million, or 16.3%, to ₱41.5 million for the six months ended June 30, 2021 compared to ₱35.7 million for the six months ended June 30, 2020. The increase was mainly due to higher business permit, real property tax and documentary stamp taxes paid in 2021.

The Company's service and management fees increased by ₱5.2 million, or 114.4%, to ₱11.1 million for the six months ended June 30, 2021 compared to ₱5.2 million for the six months ended June 30, 2020. The increase was mainly due to retroactive charges by Corporate Technologies Inc (CTI) for information and technology services and Filinvest Alabang Inc (FAI) for shared supply chain and procurement services.

The Company's manpower and service cost decreased by ₱28.8 million, or 19.6%, to ₱118.7 million for the six months ended June 30, 2021 compared to ₱147.5 million for the six months ended June 30, 2020. The decrease was due to transfer of the Company's employees to another affiliate. The company will only be charged for its proportion share in the manpower cost. Lower manpower cost was also incurred for expenses such as security and janitorial as a result of the cost management in relation to lower density on site in compliance to community quarantine measures implemented in Metro Manila.

The Company's repairs and maintenance increased by ₱29.7 million, or 46.4%, to ₱93.6 million for the six months ended June 30, 2021 compared to ₱64.0 million for the six months ended June 30, 2020. The increase was mainly due to comprehensive maintenance programs for the property equipment coupled with sanitation protocols. .

The Company's insurance increased by ₱9.5 million, or 919.1%, to ₱10.5 million for the six months ended June 30, 2021 compared to ₱1.0 million for the six months ended June 30, 2020. The increase was mainly due to insurance paid covering year 2020-2021 of the Company's buildings.

Other income (charges)
The Company recognized gain on derecognition of lease liabilities amounting to ₱85.2 million for the six months ended June 30, 2021, due to removal of the minimum guaranteed rent per the amended lease contract between FLI and the Company with respect to properties in Northgate Cyberzone, and the assignment of right-of use assets relating to Cebu Tower 3 and 4 to FLI.

The Company's interest income decreased by ₱5.5 million, or 81.8%, to ₱1.2 million for the six months ended June 30, 2021 compared to ₱6.7 million for the six months ended June 30, 2020. The decrease was mainly due to lower interest income from money market instruments and the Company's waiver of interest and penalties for late payment of rentals by tenants.

The Company's interest expense and other financing charges increased by ₱46.6 million, or 33.5%, to ₱185.7 million for the six months ended June 30, 2021 compared to ₱139.1 million for the six months ended June 30, 2020. The increase was mainly due to reduction of capitalized interest expense on the Company's bonds payable as the remaining projects under construction were already transferred in the form of dividends and assignment.

Income before Income Tax
The Company's income before income tax for the six months ended June 30, 2021 was ₱997.6 million, a decrease of ₱136.8 million or, 12.0%, from its income before income tax of ₱1,134.4 million recorded for the six months ended June 30, 2020 due to reasons stated above.

Provision for (benefit from) Income Tax
The Company recognized a benefit from income tax of ₱52.7 million for the six months ended June 30, 2021, and provision for income tax of ₱159.6 million for the six months ended June 30, 2020. The benefit mainly arose from the deferred tax liability derecognized in relation to property dividends and change in tax rate due to CREATE.

Net Income
As a result of the foregoing, net income increased by 6.6% or ₱75.6 million from ₱974.7 million for the six months ended June 30, 2020 to ₱1,050.3 million for the six months ended June 30, 2021.

Financial Condition as of June 30, 2021 compared to as of December 31, 2020

The Company's assets were ₱23,52230 million as of June 30, 2021, a decrease of ₱1,707.2 million, or 6.8%, from assets of ₱25,229.5 million as of December 31, 2020.

Assets

Cash and cash equivalents
The Company's cash and cash equivalents were ₱1,297.5 million as of June 30, 2021, an increase of ₱427.0 million, or 49.0%, from cash and cash equivalents of ₱870.5 million as of December 31, 2020, due to higher collections and lower cost and expenses, including interest and other financing charges

Receivables
The Company's receivables were ₱1,356.6 million as of June 30, 2021, an increase of ₱526.5 million, or 63.4%, from receivables of ₱830.1 million as of December 31, 2020, primarily due to advances made by the Company for costs and expenses of projects held for distribution to FLI, while awaiting SEC approval.

Other current assets
The Company's other current assets were ₱1,034.2 million as of June 30, 2021, a decrease of ₱137.1 million, or 11.7%, from other current assets of ₱1,171.3 million as of December 31, 2020. This decrease was due to the utilization of the Company's input VAT mainly in relation to the assignment of BTO rights for Cebu Towers 3 and 4.

Noncurrent assets held for distribution
The Company's other noncurrent assets held for distribution were ₱8,999.8 million as of June 30, 2021, an increase of ₱2,156.1 million, or 31.5%, from other noncurrent assets held for distribution of ₱6,843.7 million as of December 31, 2020. On February 11, 2021, the Company's Board also approved the declaration of property dividends to stockholders of record as of February 15, 2021, consisting of four existing buildings, (i) Concentrix Building in Northgate Cyberzone, (ii) IT School in Northgate Cyberzone, (iii) the Filinvest Building at EDSA, Wack Wack, Mandaluyong City, which have been identified for redevelopment , and (iv) Cebu Tower 2 in Filinvest Cyberzone Cebu which is yet to qualify for 3 year income generating period to qualify as a REIT asset.. The properties comprising the Property Dividend are classified as noncurrent assets held for distribution in the Company's books until the distribution of these properties is approved by the Philippine SEC, which was received in July 15, 2021.,

Advances to contractors
The Company's advances to contractors were ₱17.0 million as of June 30, 2021, a decrease of ₱1.4 million, or 7.4%, from advances to contractors of ₱18.4 million as of December 31, 2020, due to recoupment of down payment from progress billings made by the contractors .

Investment properties
The Company's investment properties were ₱9,296.4 million as of June 30, 2021, a decrease of ₱2,333.4 million, or 20.1%, from investment properties of ₱11,629.8 million as of December 31, 2020 primarily due to the property dividends declared in the first quarter of 2021.

Property and equipment
The Company's property and equipment was ₱74.3 million as of June 30, 2021, an increase of ₱5.9 million, or 8.6%, from property and equipment of ₱68.4 million as of December 31, 2020, due to additional purchases of machinery and equipment.

Intangible assets
The Company's intangible assets comprising BTO rights and the right-of-use assets from such BTO and land lease arrangements were ₱1,077.6 million as of June 30, 2021, a decrease of ₱2,331.2 million, or 68.4%, from intangible assets of ₱3,408.8 million as of December 31, 2020. The decrease was primarily driven by the inclusion of Cebu Tower 2 in the properties declared for dividend distribution and the assignment of Cebu Towers 3 and 4 to FLI.

Other noncurrent assets

The Company's other noncurrent assets were ₱368.8 million as of June 30, 2021, a decrease of ₱19.6 million, or 5.0%, from other noncurrent assets of ₱388.4 million as of December 31, 2020, primarily due to the amortization of DCS connection charges paid per the BOT agreement between the Company and PDDC.

<u>Liabilities</u>

The Company's liabilities were ₱17,199.8 million as of June 30, 2021, a decrease of ₱2,923.6 million, or 14.5%, from liabilities of ₱20,123.5 million as of December 31, 2020.

Accounts payable and accrued expenses
The Company's accounts payable and other current liabilities were ₱1,359.1 million as of June 30, 2021, a decrease of ₱224.6 million, or 14.2%, from accounts payable and other current liabilities of ₱1,583.7 million as of December 31, 2020, primarily due to payment of advances from related parties.

Loans payable – current portion
The Company's loan payables – current portion was nil as of June 30, 2021, compared to loan payables – current portion of ₱744.2 million as of December 31, 2020, as the Company's loans were assigned to FLI as consideration for additional capital subscription in the Company in the amount of ₱3,746.3 million.

Lease liabilities – current portion
The Company's lease liabilities – current portion were ₱1.8 million as of June 30, 2021, an decrease of ₱90.8 million, or 98.0%, from lease liabilities – current portion of ₱92.6 million as of December 31, 2020 due to derecognition of lease liabilities for the properties in Northgate Cyberzone per the Contract of Lease as amended on February 11, 2021 .

Security and other deposits – current portion
The Company's security and other deposits – current portion was ₱121.3 million as of June 30, 2021, an increase of ₱4.9 million, or 4.2%, from security and other deposits – current portion of ₱116.4 million as of December 31, 2020, due to the addition of a new tenant in Axis Tower 2 and the lease renewal of a tenant in Filinvest Two.

Dividend Payable
The Company recognized a dividend payable of ₱8,302.3 million as of June 30, 2021, an increase of ₱1,690.4 million, or 25.6%, from a dividend payable of ₱6,611.9 million as of December 31, 2020. This amount reflects the carrying value of the properties subject of the First Property Dividend and the Second Property Dividend. Distribution of the property dividends shall be made upon approval of the Philippine SEC, which was received in July 15, 2021

Income tax payable
The Company's income tax payable was ₱28.5 million, an increase of ₱28.2 million, or 100%, from income tax payable of nil as of December 31, 2020. In 2020, the Company still has enough creditable withholding tax applied to income tax payable

Loans payable – net of current portion
The Company's loans payable – net of current portion was nil as of June 30, 2021, compared to loans payable – net of current portion of ₱1,600.0 million as of December 31, 2020, as the Company's loans were assigned to FLI as consideration for additional capital subscription in the Company in the amount of ₱3,746.3 million.

Bonds payable
The Company's bonds payable were ₱5,980.6 million as of June 30, 2021, an increase of ₱6.4 million, or 0.1%, from bonds payable of ₱5,974.2 million as of December 31, 2020 due to amortization of bond issuance costs.

Lease Liabilities – net of current portion
The Company's lease liabilities – net of current portion were ₱25.7 million as of June 30, 2021, a decrease of ₱2,071.8 million, or 98.8%, from lease liabilities – net of current portion of ₱2,097.5 million as of December 31, 2020 due to the derecognition of lease liabilities for the properties in Northgate Cyberzone which are to be transferred to FLI and were presented as noncurrent assets held for distribution as of June 30, 2021.

Deferred tax liability – net
The Company's deferred tax liability – net was ₱109.4 million as of June 30, 2021, a decrease of ₱160.5 million, or 59.5%, from the deferred tax liability – net of ₱269.9 million as of December 31, 2020, primarily due to derecognition of deferred tax on lease liabilities related to property dividends.

Other noncurrent liabilities
The Company's other noncurrent liabilities were ₱353.6 million as of June 30, 2021, an increase of ₱53.2 million, or 17.7%, from other noncurrent liabilities of ₱300.4 million as of December 31, 2020, primarily driven by an increase in retention payable.

Performance Indicators

Financial Ratios	Particulars	Period ended June 30, 2021	Period ended Dec. 31, 2020
Earnings per Share	Net Income / Weighted Ave. number of outstanding shares	0.45	0.80
Current Ratio	Current Asset / Current Liabilities	1.27	1.06
Debt to Equity Ratio	Long Term Debt / Total Stockholder's Equity	0.95 : 1	1.63 : 1
Asset to Equity Ratio	Total Asset / Total Equity	3.72 : 1	4.94 : 1
Return on Asset	Net Income / Total Asset	0.04	0.07
Return on Equity	Net Income / Total Equity	0.17	0.36
Debt Service Coverage Ratio	Earnings before Interest Taxes and Depreciation / Debt service (*Loan principal + interest payments)*	7.77 : 1	1.48 : 1

PART II - OTHER INFORMATION

Item 3. Business Development/New Projects

CPI is one of the first companies to operate as a major BPO-centric lease provider outside Makati, Bonifacio Global City, and Ortigas., CPI developed buildings on the land owned by FLI in Alabang, Muntinlupa City which is part of the 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.

On July 2, 2021, SEC approved and issued to the Company its certificate of filing of amended articles of incorporation to change its primary purpose to engage in the business of a real estate investment trust (REIT). As part of its transformation to become a REIT company, certain assets are selected to remain in the company as income generating real estate (IGRE) and some buildings that primarily do not qualify to become REIT assets are transferred to its parent company FLI.

As of June 30, 2021, the Company has twenty two (22) fully operational office buildings and four towers under construction of which 17 buildings with stable income streams are identified to remain to be in the now reit company. Starting July 2, 2021, the company will own only the 17 handpicked buildings listed below:

No.	Building Name	GLA (SQM	Occupancy Rate	PEZA Registered	LEED Certification
	REIT Buildings				
1	Plaz@ A	10,860	100%	Yes	N.A.
2	Plaz@ B	6,488	81.1%	Yes	N.A.
3	Plaz@ C	6,540	100%	Yes	N.A.
4	Plaz@ D	10,860	83.2%	Yes	N.A.

5	Plaz@ E	14,859	100%	Yes	N.A.
6	Capital One Building	18,000	100%	Yes	N.A.
7	5132 Building	9,409	100%	Yes	N.A.
8	iHub 1	9,480	59.6%	Yes	N.A.
9	iHub 2	14,181	100%	Yes	N.A.
10	Vector One	17,764	92%	Yes	N.A.
11	Vector Two	17,889	100%	Yes	N.A.
12	Vector Three	36,345	74.6%	Yes	LEED Gold
13	Filinvest One	19,637	100%	Yes	N.A.
14	Filinvest Two	23,784	100%	Yes	N.A.
15	Filinvest Three	23,784	52.0%	Yes	N.A.
16	Axis Tower One	40,869	88.9%	Yes	LEED Gold
17	Cebu Tower 1	20,612	99.1%	Yes	N.A.

As of end June 2021, thirteen (13) out of seventeen (17) buildings 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 providing a more reliable and greener source of air conditioning for CPI's locators.

GLA refers to Gross leasable areas of the buildings for office and retail tenants. Occupancy rate refers to ongoing contract of leases including signed letter of intent.

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, 2020 (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, 2020.

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

7. 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.

8. There are no known events that will trigger the settlement of a direct or contingent financial

obligation that is material to the Group.

9. 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.

10. Please refer to Annex A for the Aging Schedule for the Company's receivables as of June 30, 2021. Annex B are Supplementary Information and Disclosures required on SRC rules 68 and 68.1 as amended for the six months ended June 30, 2021.

ANNEX A

CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY

Aging of Receivables
As of June 30, 2021

	Current	1-30 days	31-60 days	61-90 days	91-120 days	>120 days	Total
Trade Receivables	656,089,422	27,673,856	5,020,899	16,659,800	12,077,809	64,695,056	782,216,842
Others	574,714,926	-	-	-	-	-	574,714,926
Total	**1,230,804,348**	**27,673,856**	**5,020,899**	**16,659,800**	**12,077,809**	**64,695,056**	**1,356,931,768**

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

ANNEX B

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
June 30, 2021

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 June 30, 2021, the Company has Philippine Long Distance Telephone Company, Inc. (PLDT) shares amounting to ₱2,000 and Short term deposits amounting to ₱ 908,524,890 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 June 30, 2021, the Company has no non-current marketable equity securities, other long-term investments in stocks, and other investments.

Schedule C. Intangible Asset

As of June 30, 2021, 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.

	2021	2020
BTO rights	₱1,077,617,242	₱3,408,827,424

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..

On February 11, 2021, the BOD approved the transfer of Cebu Towers 3 and 4 to FLI by way of assignment of right to manage and operate. FLI will compensate the Parent Company at a consideration equivalent to the cost of the properties upon assignment. On March 31, 2021, CPI and FLI executed deed of assignment for the transfer of the properties. Hence, the cost of these properties, including the related right-of use assets and lease liabilities, were derecognized.

In July 2, 2021, the SEC approved the change in the purpose of the company to be a real estate investment trust, and as such will continue to own the first tower under this BTO agreement, while the Towers 2, 3 and 4, which still do not qualify to become REIT assets are transferred to the parent company FLI>

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 5.5-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	5,980,567	-	5,980,567
	₱5,980,567	₱	₱5,980,567

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 June 30, 2021, 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 June 30, 2021, the Company does not have advances from its related parties.

Schedule F. Guarantees of Securities of Other Issuers

The Company does not have guarantees of securities of other issuers as of June 30, 2021.

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, 2021		₱1,950,125,348
Less: Deferred tax assets as of December 31, 2020		(269,207,450)
Retained Earnings, as adjusted to amount available for dividend declaration, beginning		1,680,917,898
Net income based on the face of unaudited financial statements	1,050,283,005	
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	–	
Net income actually earned during the period		1,050,283,005
Add (less):		
Movement in deferred tax assets		7,606,168
Dividend declarations during the period		(1,690,426,790)
Appropriations of retained earnings during the period		-
Unappropriated Retained Earnings, as adjusted, June 30, 2021		₱1,048,380,281

Part III - SIGNATURES

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.

FILINVEST REIT CORP.
(FORMERLY CYBERZONE PROPERTIES, INC)

By:

Signature: ______________________
Maricel Brion-Lirio
Title: President/CEO
Date: August 13, 2021

Signature: ______________________
Ana Venus A. Mejia
Title: Chief Financial Officer
Date: August 13, 2021

ANNEX "E"

For approval by the stockholders at their annual meeting in 2021 stockholders' meeting

CYBERZONE PROPERTIES, INC.

MINUTES OF THE ANNUAL MEETING OF THE STOCKHOLDERS

Held on 30 September 2020
11:30 a.m.

Conducted virtually *via* Microsoft Teams

Stockholders Present / Represented:	**No. of Stocks Held**
Filinvest Land, Inc. *(by proxy)*	1, 163, 426, 661
L. Josephine Gotianun-Yap	1
Tristaneil D. Las Marias *(by proxy)*	1
Jonathan T. Gotianun	1
Val Antonio B. Suarez	1
Virginia T. Obcena	1
Francis Nathaniel C. Gotianun *(by proxy)*	1
Gemilo J. San Pedro *(by proxy)*	1
Total No. of Stocks Present/Represented	**1, 163, 426, 666**

Also Present:

Nelson M. Bona
Maricel Brion-Lirio
Ana Venus A. Mejia
Sharon P. Pagaling-Refuerzo
Yasmin M. Dy
Doris S. Te
Alma P. Casidsid

I. PRESIDING OFFICER AND SECRETARY

The Chairperson of the Board of Directors (the "Board"), **MRS. L. JOSEPHINE GOTIANUN-YAP,** presided over the meeting, while the Corporate Secretary, **ATTY. SHARON P. PAGALING-REFUERZO,** recorded the minutes thereof.

II. QUORUM AND CALL TO ORDER

At the request of the Chairperson, the Corporate Secretary certified that all of the stockholders were either present or duly represented by proxy at the meeting. Thereupon, the Chairman declared the presence of a quorum and called the meeting to order.

III. APPROVAL OF THE MINUTES OF THE ANNUAL MEETING OF THE STOCKHOLDERS HELD ON 17 JULY 2019

Upon motion made and duly seconded, and in the absence of any objection, the stockholders unanimously approved the minutes of the meeting of the stockholders held on 17 July 2019.

IV. RATIFICATION OF THE 2019 AUDITED FINANCIAL STATEMENTS

The Chairperson proceeded to the next item in the agenda which was the ratification of the 2019 Audited Financial Statements. She asked the Corporate Secretary if the stockholders were furnished a copy of the 2019 Audited Financial Statements.

The Corporate Secretary responded that an electronic copy of the 2019 Audited Financial Statements was sent to all stockholders.

Thus, on motion made and duly seconded, the 2019 Audited Financial Statements was approved, confirmed and ratified by the stockholders, and the following resolution was accordingly passed:

> "**RESOLVED,** That the Company's Audited Financial Statements as of and for the year ended 31 December 2019 be approved, confirmed and ratified."

V. RATIFICATION OF ALL THE ACTS, RESOLUTIONS AND PROCEEDINGS OF THE BOARD OF DIRECTORS, BOARD COMMITTEES AND MANAGEMENT UP TO 30 SEPTEMBER 2020

On motion made and duly seconded, all the acts, resolutions and proceedings of the Board of Directors and Management from the date of the last stockholders' meeting until 30 September 2020 was approved, confirmed and ratified, and the following resolution was accordingly passed:

> "**RESOLVED,** That all of the acts, resolutions, and proceedings of the Board of Directors, Board of Committees and Management from the date of the last annual stockholders' meeting until 30 September 2020 be, as they are hereby, approved, confirmed and ratified."

VI. ELECTION OF DIRECTORS

The Chairperson explained that in accordance with the Revised Corporation Code of the Philippines and the By-Laws of the Corporation, the stockholders must now elect the members of the Board of Directors of the Corporation, who shall hold office for a term of one (1) year, or until their successors shall have been duly elected and qualified. There were five (5) seats in the Board of Directors.

Whereupon, the following were nominated and unanimously elected as members of the Board of Directors to serve for the year 2020-2021 and until their successors shall have been elected and qualified:

L. JOSEPHINE GOTIANUN-YAP
JONATHAN T. GOTIANUN
TRISTANEIL D. LAS MARIAS
VAL ANTONIO B. SUAREZ (Independent Director)
VIRGINIA T.OBCENA (Independent Director)

VII. APPOINTMENT OF INDEPENDENT EXTERNAL AUDITOR

Upon motion made and duly seconded, and in the absence of any objection, the stockholders approved the re-appointment of Sycip Gorres Velayo & Co. as independent external auditor of the Corporation for the year 2020. The following resolution was accordingly passed:

> "**RESOLVED**, That the re-appointment of the accounting firm of Sycip Gorres Velayo & Co. as the independent external auditor of the Corporation for the year 2020 be, as it is hereby, approved."

VIII. OTHER MATTERS

On motion on the floor, a stockholder moved to include in the agenda the approval by the stockholders of the amendment of the Articles of Incorporation and By-Laws of the Corporation in view of the unanimous approval by the Board of Directors of such amendments in their meeting earlier that day and endorsed for approval by the stockholders. After discussion, the stockholders duly approved the motion to include in the agenda the approval by the stockholders of the amendment of the Articles of Incorporation and By-Laws of the Corporation

a) AMENDMENT OF ARTICLES OF INCORPORATION

The Corporate Secretary explained that the following articles were proposed to be amended and the amendments have been reviewed and unanimously approved by the Board of Directors in their meeting earlier that day and endorsed for approval of the stockholders:

Article	Amendments
Sixth Article	Increase in the number of directors from 5 to 7.
Seventh Article	Increase in authorized capital stock and denial of pre-emptive rights of the stockholders.
Tenth Article	Issuance of shares shall be subject to nationality restrictions and public ownership requirements.

Upon motion made and duly seconded, and in the absence of any objection, the stockholders unanimously approved the above-mentioned amendments of the Corporation's Articles of Incorporation, as endorsed by the Board of Directors in its meeting earlier that day.

b) AMENDMENT OF BY-LAWS

The Corporate Secretary discussed the following proposed amendments:

Article	Section	Amendments
I	4	Insertion of the word "Revised" with reference to the Revised Corporation Code.
	5	No certificate of stock shall be issued evidencing ownership of a fractional part of a share.
	6	Requirement that each stockholder shall designate to the Secretary

		of the Corporation an address and electronic mail address at which notices of meetings and all other corporate notices may be served upon, mailed or e-mailed to him.
II	1	Insertion of the phrase "for the purpose of electing directors and for the transaction of such business as may properly come before the meeting" as agenda items for annual/regular meeting of stockholders.
	3	Insertion of the phrase "if not practicable" in allowing alternative venues for meetings.
	4	Alternative modes of delivering notice of meeting by electronic mail or such other manner as the Securities and Exchange Commission ("SEC") shall allow.
	5	Determination of Quorum – to include stockholders present either in person, remote communication or in absentia as the SEC shall allow under its guidelines.
	6	Stockholders' meetings shall be presided over by the Chairman of the Board, or in his absence, by the President, or if none of the foregoing is in the office and present and acting, by a chairman to be chosen by the stockholders. Insertion of the phrase that "The chairman of the meeting may adjourn the meeting from time to time, without notice other than announced at the meeting."
	7	At all meetings of stockholders, a stockholder may vote in person (or through remote communication or in absentia as the SEC shall allow under its guidelines), or by proxy.
	8	For the purpose of determining the stockholders entitled to notice of, or to vote at, any meeting of stockholders or any adjournment thereof or to receive payment of any dividend, the Board of Directors may provide that the stock and transfer books be closed for a stated period or may fix in advance a date as the record date in accordance with existing laws, rules or regulations.
III	1	Insertion of statement on the authority of the Board that is the supreme authority in matters of governance and managing the business of the Corporation and the directors acting as a board have the fullest powers to regulate the concerns of the Corporation according to their best judgment.
	2	Increase in the number of directors from 5 to 7
	3	Inclusion of a general statement that all directors (including independent directors) shall have such qualifications and disqualifications provided for in the Revised Corporation Code, Securities Regulations Code, the Corporation's Manual on Corporate Governance and other relevant laws and regulations. The manner of electing and terminating the independent directors shall in accordance with the Corporation's Manual on Corporate Governance. Inclusion of a statement that no person shall qualify or be eligible for nomination or election to the Board of Directors if he is hostile or antagonistic to, or is engaged in any business which competes

		with or its antagonistic to that of, the corporation or any of its subsidiaries or affiliates, and an enumeration of when a person shall be considered antagonistic.
	5	Indicate that regular meetings of the Board of Directors shall be held quarterly.
	6	Alternative modes of sending notice of Board meeting - personally, or by telephone, telegram, or by written message, or by electronic mail.
	8	The Board of Directors may conduct their meetings through telephone conferencing, videoconferencing, or other alternative modes of communication that allow them reasonable opportunities to participate.
	9	A director, except an independent director, shall not be precluded from serving the Corporation in any other capacity such as an officer, agent or otherwise, and from receiving compensation thereof.
	10	A director may attend a meeting of the Board of Directors by teleconference, videoconference, or through similar modes of modern communication technology. If a director attends a meeting through teleconferencing or video conferencing, such meetings shall be properly recorded with appropriate tapes, discs, and/or other recording material which shall be properly stored for safekeeping, in addition to the secretary of such meeting maintaining written minutes thereof.
	11	To aid the Board of Directors in the promotion of and adherence to the principles of good corporate governance, the Board adopted a Manual on Corporate Governance, which may be amended from time to time as may be deemed by the Board and such Manual shall be suppletory to these By-Laws.
IV (new)	1	The Board may create such committees as may be required by applicable laws and regulations, such as but not limited to: (i) Executive Committee; (ii) Audit Committee; (iii) Board Risk Oversight Committee; (iv) Corporate Governance Committee; (v) Related Party Transactions Committee, and such other committees as the Board of Directors may determine to be necessary.
V	2	Chairman of the Board - The Chairman of the Board shall preside at the meetings of the directors and the stockholders. He shall also exercise such powers and perform such duties as the Board of Directors may assign to him.
	3	Additional powers of the President: a) To have general supervision and management of the business affairs and property of the corporation; b) To prepare such statements and reports of the Corporation as may be required of him by law; c) To execute on behalf of the Corporation all contracts, agreements and other instruments affecting the interest of the

		Corporation which require the approval of the Board of Directors, except as otherwise directed by the Board of Directors. The President may assign the exercise or performance of any of the foregoing powers, duties, and functions to any other officer(s), subject always to his supervision and control.
	4	Vice-President(s) - If one or more Vice-Presidents are appointed, he/they shall have such powers and shall perform such duties as may from time to time be assigned to him/them by the Board of Directors or by the President.
	5	Responsibility of the Corporate Secretary - He shall be the custodian of and shall maintain the corporate books and records and shall be the recorder of the Corporation's formal actions and transactions.
	7	Such officers may however be sooner removed for cause.
IX	1	The corporate seal shall be determined by the Board of Directors.

The Corporate Secretary confirmed that the amendments have been reviewed and unanimously approved by the Board of Directors in their meeting earlier that day and endorsed for approval of the stockholders.

Thereafter, upon motion made and duly seconded, and in the absence of any objection, the stockholders unanimously approved the above-mentioned amendments of the Corporation’s By-Laws, as endorsed by the Board of Directors in its meeting earlier that day.

c) ELECTION OF ADDITIONAL DIRECTORS

Since the stockholders just approved to increase the number of directors from five (5) to seven (7), on motion on the floor and upon nomination of a stockholder, the stockholders elected the following additional two directors to take office only upon approval of the Securities and Exchange Commission on the amendments of the Articles of Incorporation and By-Laws:

FRANCIS NATHANIEL C. GOTIANUN*
GEMILO J. SAN PEDRO (Independent Director)*

**Effectivity of appointment is upon SEC’s approval of the amendment of the Articles of Incorporation to increase the number of directors from 5 to 7.*

IX. ADJOURNMENT

There being no further business to transact, and upon motion made and duly seconded, the meeting was thereupon adjourned.

CERTIFIED CORRECT:

SHARON P. PAGALING-REFUERZO
Corporate Secretary

ATTESTED BY:

L. JOSEPHINE GOTIANUN-YAP
Chairperson of the Board

ANNEX "F"

2021 ANNUAL SHAREHOLDERS' MEETING

FILINVEST REIT CORP.

REQUIREMENTS AND PROCEDURE FOR ELECTRONIC VOTING *IN ABSENTIA* AND PARTICIPATION BY REMOTE COMMUNICATION

I. REGISTRATION

Filinvest REIT Corp. (the "Company") established a designated website in order to facilitate the registration of and voting *in absentia* by the stockholders at the annual meeting, as provided under Sections 23 and 57 of the Revised Corporation Code.

a. Shareholders of record as of October 22, 2021 may access the shareholder registration system at the web address: https://filreit-asm.filinvest.com.ph/register. The deadline for registration is November 10, 2021.

b. To register, the shareholders are required to provide the following supporting documents:
   i. For Individual Stockholders:
      1. A scanned copy of the stockholder's valid government-issued ID showing photo, signature and personal details, preferably with residential address (in JPG format). The file size should be no larger than 2MB;
      2. A valid and active e-mail address; and
      3. A valid and active contact number.
   ii. For Individual Stockholders with Joint Accounts:
      1. A scanned copy of an authorization letter signed by all stockholders, identifying who among them is authorized to cast the vote for the account;
      2. A scanned copy of the authorized stockholder's valid government-issued ID showing photo, signature and personal details, preferably with residential address (in JPG format). The file size should be no larger than 2MB;
      3. A valid and active e-mail address; and
      4. A valid and active contact number.
   iii. For Individual Stockholders:
      1. A broker's certification on the stockholder's number of shareholdings.
      2. A scanned copy of the stockholder's valid government-issued ID showing photo, signature and personal details, preferably with residential address (in JPG format). The file size should be no larger than 2MB;
      3. A valid and active e-mail address; and
      4. A valid and active contact number.

iv. For Corporate Stockholders:
    1. A secretary's certificate attesting to the authority of the representative to vote for, and on behalf of the corporation;
    2. A scanned copy of a valid government-issued ID of the stockholder's representative showing photo, signature and personal details, preferably with residential address (in JPG format). The file size should be no larger than 2MB;
    3. A valid and active e-mail address of the shareholder's representative; and
    4. A valid and active contact number of the shareholder's representative.

Important Note: Incomplete or inconsistent information may result in an unsuccessful registration. As a result, shareholders will not be able to access to vote electronically in absentia, but may still vote through a proxy, by submitting a duly accomplished proxy form on or before November 10, 2021.

c. After registration, the Company will conduct the validation process. Upon validation, the Company will send an email to the shareholder, which shall be sent to the email address of the shareholder indicated in the registration form, containing instructions for voting *in absentia* and remote attendance for the meeting.

II. ELECTRONIC VOTING IN ABSENTIA

a. Registered stockholders have until November 11, 2021, 11:59 PM (Philippine time) to cast their votes *in absentia*.

b. All agenda items indicated in the Notice of Meeting will be set out in the digital absentee ballot and the registered stockholder may vote as follows:
    i. For items other than the election of directors, the registered shareholder has the option to vote: For, Against, or Abstain. The vote is considered cast for all the stockholder's shares.
    ii. For the election of directors, the registered stockholder has the option to:
        1. Distribute his votes equally among all the candidates;
        2. Abstain; or
        3. Cast such number of votes for each nominee as preferred by the stockholder, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected. Should the votes cast by the stockholder exceed the number of votes he is entitled to, the votes for each nominee shall be reduced in equal proportion, rounded down to the nearest whole number. Any balance shall be considered abstained.

Once voting on the agenda items is finished, the registered stockholder can proceed to submit the accomplished ballot by clicking the "Submit" button.

c. The Office of the Corporate Secretary of the Company, with the assistance of representatives of the Company's stock transfer agent, Stock Transfer Service, Inc. (STSI), will count and tabulate the votes cast *in absentia* together with the votes cast by proxy.

d. During the meeting, the Corporate Secretary shall report the votes received and inform the shareholders if the particular agenda item is carried or disapproved. The total number of votes cast for each item for approval and/or ratification under the agenda will be shown on the screen.

III. PARTICIPATION BY REMOTE COMMUNICATION

a. Prior to the meeting, the Company will send email instructions to those stockholders who have successfully registered, which shall be sent to the email address of the stockholder indicated in the registration form, on how they can attend the meeting through remote communication and have access to the livestream of the meeting.

b. Only those stockholders who successfully registered in the shareholder registration system, together with the stockholders who voted *in absentia* or by proxy, will be included in determining the existence of a quorum.

c. Stockholders may send any questions and/or comments relating to the agenda on or before November 11, 2021 to FILRTASM2021@filinvestreit.com. Questions or comments received on or before November 11, 2021 may be responded to during the meeting. Any questions not answered during the meeting may be answered *via* email.

d. Stockholders who register and vote on the website for voting *in absentia* are hereby deemed to have given their consent to the collection, use, storing, disclosure, transfer, sharing and general processing of their personal data by the Company and by any other relevant third party for the purpose of electronic voting *in absentia* for the Annual Shareholders' Meeting and for all other purposes for which the shareholder can cast his/her/its vote as a stockholder of the Company.

For any clarifications, please contact us through FILRTASM2021@filinvestreit.com.