alphaland
CORPORATION

Jo-ann Mercado <jlmercado@alphaland.com.ph>

# ALPHALAND CORPORATION_SEC FORM 17A_25MAY2021

2 messages

**Jo-ann Mercado** <jlmercado@alphaland.com.ph> Tue, May 25, 2021 at 8:15 AM
To: ictdsubmission@sec.gov.ph
Cc: CGFD Account <cgfd@sec.gov.ph>

Gentlemen,

In compliance with the directive sent via automated reply of the Commission that our OST submission for SEC Form 17-A must be filed together with AFS for parent and consolidated before ictdsubmission@sec.gov.ph, please find attached for submission.

Thank you.

**ALPHA_AC SEC 17A (period covered 31Dec20)_for f...**

**ICTD Submission** <ictdsubmission+canned.response@sec.gov.ph> Tue, May 25, 2021 at 8:15 AM
To: jlmercado@alphaland.com.ph

Dear Customer,

SUCCESSFULLY ACCEPTED
(subject to verification and review of the quality of the attached document)

Thank you.

SEC ICTD.

# COVER SHEET
# for
# FORM 17-A

SEC Registration Number

| 0 | 0 | 0 | 0 | 0 | 1 | 8 | 3 | 8 | 3 | 5 |
|---|---|---|---|---|---|---|---|---|---|---|

**COMPANY NAME**

ALPHALAND CORPORATION

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

AlPhaland Makati Place, 7232 Ayala Ave. eXt. cor. Malugay Street, Makati City

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

**COMPANYINFORMATION**

| Company's Email Address | Company's Telephone Number | Mobile Number |
|---|---|---|
| **corpsec@alphaland.com.ph** | **(632) 5-337-2031** | **(0917) 100 4805** |

| No. of Stockholders | Annual Meeting | Calendar Year (Month / Day) |
|---|---|---|
| **87** | **Last Wednesday of May** | **December 31** |

**CONTACT PERSON INFORMATION**

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

| Name of Contact Person | Email Address | Telephone Number | Mobile Number |
|---|---|---|---|
| **Ms. Cristina B. Zapanta** | **cbzapanta@alphaland.com.ph** | **(632) 5-337-2031** | **(0917) 807 4700** |

**CONTACT PERSON'S ADDRESS**

**Alphaland Makati Place, 7232 Ayala Ave. ext. cor. Malugay Street, Makati City**

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

***2:*** *All boxes must be properly and completely filled-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 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 REGULATION CODE AND SECTION 141**
**OF THE CORPORATION CODE**

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

2. SEC Identification No. **183835** 3.BIR Tax Identification No. **001-746-612**

4. Exact Name of Issuer as specified in its charter **Alphaland Corporation**

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

6. (SEC Use Only) Industry Classification Code

7. **Alphaland Makati Place, 7232 Ayala Avenue corner Malugay St. Makati City 1209**
   Address of Principal Office Postal Code

8. **(632) 5-337-2031**
   Issuer's telephone number, including area code

9. **N/A**
   Former name, former address, and former fiscal year, if changed since last report

10. Securities registered pursuant to Section 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock Outstanding | Amount of Debt/ Liabilities Outstanding |
|---|---|---|
| **Common** | **26,914,687,441 (exclusive of 98,545,279 in treasury)** | **Nil** |

11. Are any of the securities listed on the Philippine Stock Exchange?

    Yes ☐ No ☑

12. Check whether the issuer:
    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporate 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 ☑ No ☐
    (b) has been subject to such filing requirements for the past ninety (90) days.
    Yes ☑ No ☐

13. The aggregate market value of the voting stock held by non-affiliates of the registrant.

| Shares held by Non-affiliates | Book value Per Share as of December 31, 2020 | Total Book Value |
|---|---|---|
| **3,879,840,995** | **P6.268** | **P24,318,843,357** |

# PART I - BUSINESS AND GENERAL INFORMATION

**Item 1. Business**

**(A) Description of Business**

Alphaland Corporation (ALPHA or the "Company"), formerly Macondray Plastics, Inc. (MPI) is a holding company incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC). The principal business of ALPHA and its subsidiaries (collectively referred to as the "Group") is real property development.

**(1) Business Development**

(a) On November, 19, 1990, the Company was incorporated as Agro Plastics, Inc under Securities and Exchange Commission No. 18385 with Pioneer Ventures, Inc. as the controlling shareholder. Until 1994, the Company's sole business was to supply the requirements of the Lapanday Group's banana plantations.

Sometime in March 1995, the Company was sold to Macondray & Co., Inc. ("MCI") and was subsequently renamed Macondray Plastics, Inc. (MPI). In 1997, the Company embarked on a program to reduce its total dependence on the banana industry by further expanding its customer base to commercial/industrial accounts. In November 2000, the Company braved the sluggish stock market and became the first Davao-based, Davao-oriented company to list in the Philippine Stock Exchange ("PSE" or the "Exchange"). The proceeds of the initial public offering were used to expand the Company's production capacity and capabilities. In September 2009, the Company decided to spin off the operations and maintenance of its plastics manufacturing interest to a separate juridical entity. Thus, Macondray Plastics Products, Inc. (MPPI) was then incorporated and registered with the SEC on September 25, 2009 and became a wholly owned subsidiary of the Company. Immediately thereafter, a deed of conveyance was executed on October 13, 2009 where the Company shall transfer all of its assets and liabilities relating to the plastics manufacturing interest to MPPI with effect upon the approval by the SEC of MPPI's application for increase in authorized capital stock (the "Assignment"). Accordingly, MPPI assumed the management of the Company's plastic products manufacturing operations and absorbed all the employees of the Company who were all connected to the plastics manufacturing business at that time.

On October 1, 2009, a Share Purchase Agreement (the "SPA") was executed between RVO Capital Ventures Corporation ("RVO Capital") and MCI. The transaction involves the acquisition by RVO Capital of MCI's 99,444,000 shares in the Company which represents MCI's entire interest in the Company. Since MCI's interest represents approximately 66% of the Company's outstanding capital stock, the acquisition thereof triggered the application of the mandatory tender offer rule of the Securities Regulation Code ("SRC"). After the conduct of the tender offer, RVO Capital acquired a total of 142,656,748 shares representing 95% of the Company's then issued and outstanding capital stock.

On November 18, 2009, the Company and all the stockholders of Alphaland Development, Inc. (ADI) entered into a Share Swap Agreement (SSA) for a share-for-share swap of all of ADI's issued and outstanding shares (as well as existing shareholders' advances/deposits for future stock subscriptions) in exchange for new shares to be issued by ALPHA. Each ADI share was exchanged for approximately 5.08 ALPHA shares, or a total of 1,269,734,041 shares of ALPHA. After the share-for-share swap, ADI became a wholly owned subsidiary of ALPHA thereby allowing the diversification into the property development sector. In view of the foregoing, the

Company applied for the amendment of its Articles of Incorporation involving the (a) change in corporate name from "Macondray Plastics, Inc." to "Alphaland Corporation", (b) change in primary purpose from plastics manufacturing to that of a holding company, (c) change in principal place of business from Davao City to Makati City, and (d) increase in its authorized capital stock from P400.0 million to P5.0 billion, among others. These amendments were approved by the SEC on April 7, 2010.

On December 23, 2010, ALPHA signed a Memorandum of Understanding ("MOU") with Macondray Philippines Co., Inc. ("MPCI"), where the latter is offering to buy ALPHA's entire interest in MPPI upon completion of the Assignment and which ALPHA accepted for a reasonable consideration to be determined nearer to the Assignment.

On April 29, 2011, the SEC approved the increase in authorized capital stock of MPPI that completed the Assignment and total spinoff of MPPI. It paved the way for the Company's eventual sale of MPPI to MPCI. A Deed of Absolute Sale was executed on October 28, 2011 for a consideration of ₱254.0 million.

(b) For the past three years, the Company does not have any bankruptcy, receivership or similar proceedings.

(c) The Company has likewise not undergone any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business for the past three years.

**(2) <u>Business of the Company</u>**

**(a) <u>Description of Registrant</u>**

<u>ALPHA's Significant Legal Subsidiaries as at December 31, 2020</u>

a. *Alphaland Balesin Island Resort Corporation (ABIRC), 100%-owned by ALPHA,* was incorporated in the Philippines and registered with the Philippine SEC on May 26, 2010. ABIRC's primary purpose is to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, and exchange or otherwise dispose, as may be permitted by law, of real and personal property of every kind and description.

   ABIRC has investment in preferred shares of Alphaland Balesin Island Club, Inc. (ABICI).

b. *Alphaland Southgate Tower, Inc. (ASTI), 100%-owned by ALPHA,* was incorporated in the Philippines and registered with the Philippine SEC on May 29, 2007. ASTI's primary purpose is to engage in real property acquisition and development. ASTI's acquired property pertains to a 20-storey office tower building with a 6-storey podium shopping mall known as Alphaland Southgate Tower. In March 2019, ALPHA sold the property for net proceeds of P4.5 billion to pay off all of its bank debt..

c. *Alphaland Makati Place, Inc. (AMPI), 100%-owned byASTI,* was incorporated in the Philippines and registered with the Philippine SEC on March 6, 1991 as Silvertown Property Development Corporation. On February 26, 2010, the Philippine SEC approved the change in corporate name from "Silvertown Property Development Corporation" to "Alphaland Makati Place, Inc."

AMPI's primary purpose is to acquire by exchange of shares, purchase, lease that specific property described as three storey building with basement of strong materials together with the warehouse, other land improvements and machinery and equipment as well as the leasehold rights on the land, which is situated at Ayala Avenue corner Malugay Street, Makati, Metro Manila.

AMPI entered into a joint venture with Boy Scouts of the Philippines (BSP) to develop the Malugay Property into a first class commercial development now known as Alphaland Makati Place. It is a mixed-use property development consisting of three (3) high end residential towers atop an upscale six-storey podium with a shopping center and a City Club, including a Boy Scout Convention Center.

AMPI has investment in preferred shares of The City Club at Alphaland Makati Place, Inc. (TCCAMPI).

d. *Alphaland Reclamation Corporation (ARC), 100%-owned by ALPHA,* was incorporated in the Philippines and registered with the Philippine SEC on April 5, 2011, and primarily engaged in the construction of reclamation projects and to contract for and perform reclamation works.

e. *Alphaland Balesin International Gateway, Inc. (ABIGI), 100%-owned by ALPHA,* was incorporated in the Philippines and registered with the SEC on May 19, 2010, and primarily engaged to invest in, purchase or otherwise acquire and own, hold use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose, as may be permitted by law, of real and personal property of every kind and description.

f. *Alphaland Aviation, Inc. (AAI), 100%-owned by ALPHA,* was incorporated in the Philippines and registered with the Philippine SEC on July 31, 2012 and is primarily engaged in the aviation industry and its related businesses, including but not limited to, the provision of hangarage and moorage, parking and landing operations, aircraft maintenance, supply of parts, oils, and lubricants and other related businesses.

g. *Alphaland Baguio Mountain Log Homes, Inc.. (ABMLHI), 100%-owned by ALPHA,* was incorporated in the Philippines and registered with the Philippine SEC on January 17, 2013 and its primary purpose is to purchase, own and hold the stock of other corporations, and to do every act and thing covered generally by the denomination of "holding corporation," especially to direct the operations of other corporations through the ownership of stock therein.

h. *2258 Blue Holdings, Inc. (Blue Holdings), 100%-owned by ASTI,* was incorporated in the Philippines and registered with the Philippine SEC on November 17, 2012 and its primary purpose is to purchase, own and hold the stock of other corporations, and to do every act and thing covered generally by the denomination of "holding corporation," especially to direct the operations of other corporations through the ownership of stock therein.

i. *Alphaland Southgate Restaurants, Inc. (ASRI), 100%-owned by ASTI,* was incorporated in the Philippines and registered with the Philippine SEC on March 28, 2011 as Alphaland Ukiyo, Inc. It was renamed as ASRI on June 27, 2013. Its primary purpose is to establish, maintain and operate restaurants, coffee shops, refreshment parlors and cocktail lounge. ADI initially subscribed to 4,999,998 common shares of ASRI representing 50% of its outstanding shares in March 2011, which was then accounted for as an associate. In September 2013, ADI purchased the other 50% from existing shareholders for ₱3.3 million. Consequently, ASRI became a 100%-owned subsidiary effective September 2013.

j. *Alphaland International, Inc. (AII), 100%-owned byASTI,* was incorporated in the Philippines and registered with the Philippine SEC on January 29, 2014 and its primary purpose is to sell assets, including club shares and condominium units of the Group outside the Philippine market.

k. *Choice Insurance Brokerage, Inc. (CIBI), 100%-owned by Blue Holdings,* was incorporated in the Philippines and registered with the SEC on November 6, 2012, and is primarily engaged to, conduct, carry on and maintain insurance business, to act as a broker, and to do other related activities. In November 2012, Blue Holdings subscribed to 70% of CIBI's shares of stock for a cash consideration of ₱14.0 million. In 2013, CIBI issued additional 2,500,000 shares of stock to its shareholders at par value to maintain the required capitalization needed for its application as an insurance broker. Blue Holdings acquired additional 750,000 shares for ₱0.8 million and 6,000,000 shares for ₱5.0 million from an existing shareholder in 2018 and 2017, respectively. As at December 31, 2018, CIBI is 100% owned by Blue Holdings.

(i) For the years ended December 31, 2020, 2019 and 2018, there were no revenue transactions entered into by the Group with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

(ii) The Group operates its business in the Philippines and has no revenues contributed by foreign sales. Its network of high-end clienteles are the members of the Club who are largely Filipinos.

(iii) **Distribution Methods of Products or Services**
Being a holding company, the Company does not have any products or services to distribute.

(iv) **New Product or Service**

As of December 31, 2020, the Company has not made public-announcements on the launching of any new product or service.

(v) **Competition**

The Company is subject to significant competition in each of the industry segments where its subsidiaries operate.

In terms of the property development sector, there are a number of real estate developers, some with greater financial and other resources and more attractive locations, that compete with the Group in seeking properties for acquisition, resources for development, and prospective clients. The Group believes that in an emerging market like the Philippines, a bold, well-capitalized developer is best positioned to acquire and reinvent prime but underdeveloped sites. In less than a year, the Group has built an inventory of incomparable properties. The Group stands for development done right, with attention to detail and focus on quality for the long term that delights its customers, and gives its shareholders the best return.

**Strategy**

The Group positions itself as a selective property investor and operator focusing on very few, large, premium projects. Recognizing opportunity in an emerging market, the Group's strategy is to acquire and revitalize prime sites that have languished due to volatile economic cycles. This strategy has proven successful since while being one of the youngest in the industry, the Group can already boast of major development projects.

(vi) **Sources and Availability of Raw Materials and Name of Principal Suppliers**
This is not relevant to the operations of the Group.

(vii) **Dependence on Customers or a Few Customers**

The Group is not dependent on one or few major customers. AMPI sells club shares and residential condominium units to a large network of high-end clientele while leasing out mall space to several dining and retail clients. ABIRC also sells club shares to a targeted customer base of high net worth individuals.

(viii) **Transactions with and/or Dependence on Related Parties**

The Group, in its regular conduct of business, has transactions with its related companies. The following tables summarize the transactions with the related companies and outstanding balance arising from these transactions.

| | | (In Thousands) | | | |
|---|---|---|---|---|---|
| | | **2020** | | 2019 | |
| | Nature of Transactions | **Amount of Transactions** | **Outstanding Balances** | Amount of Transactions | Outstanding Balances |
| **Trade and other receivables** | | | | | |
| **Trade** | | | | | |
| *Related companies under common key management* | Air transport services | **₱89,889** | **₱311,012** | ₱187,227 | ₱324,166 |
| | Real estate sales | **–** | **–** | 102,554 | – |
| | | | **311,012** | | 324,166 |
| (Forward) | | | | | |
| **Nontrade** | | | | | |
| *Related companies under common key management* | Capital expenditures, debt servicing | **–** | **52,465** | 144,822 | 200,098 |
| | | | **₱363,477** | | ₱524,264 |
| **Advances to** | | | | | |
| *Associate -* | | | | | |
| AHEC | Reimbursement of expenses | **₱–** | **₱1,023** | ₱– | ₱1,023 |
| *Related companies under common key management* | Reimbursement of expenses | **₱584,598** | **₱4,111,702** | ₱407,725 | ₱3,527,104 |
| **Trade and other payables** | | | | | |
| **Trade** | | | | | |
| *Related companies under common key management* | Acquisition of properties | **₱–** | **₱647,301** | ₱– | ₱647,301 |
| **Advances from related companies** | | | | | |
| *Related companies under common key management* | Advances | **₱–** | **₱2,023,976** | ₱2,302,676 | ₱2,192,676 |
| | Association dues | **162,514** | **162,514** | – | – |
| | Purchase of assets and reimbursement of expenses | **–** | **155,621** | 111,290 | 356,542 |
| | | | **₱2,342,111** | | ₱2,549,218 |

Other transactions of the Group with its related companies are as follows:

- RVO is the beneficial owner of the investment properties (e.i. Baguio Property) acquired by the Group during 2015.

- In April 2013, ABICI and the ABIRC executed a Letter Agreement wherein the parties agreed that the difference between the budget under the Supplementary DA and the actual construction costs incurred will be treated as advances to ABICI. Advances to ABICI related to this agreement amounting to ₱1,575.5 million as at December 31, 2020 and 2019 is due and demandable.

**Terms and Conditions of Transactions with Related Companies**
Outstanding balances as of year-end are unsecured, noninterest-bearing and settlement occurs in cash or equity. The Group has not made any provision for impairment losses relating to the amounts owed by related companies.

(ix) **Intellectual Property Rights**

ALPHA is the owner of the following registered marks:

1. THE ALPHA and logo, with IPO Registration No. 4-2011-002902 dated 7 July 2011.
2. THE CITY CLUB and logo, with IPO Registration No. 4-2011-002993 dated 20 October 2011 (re-filed May 13, 2014)
3. A TASTE OF FRANCE and logo, with IPO Registration No. 4-2014-00012033 dated 25 June 2015
4. BALESIN ISLANDER and logo, with IPO Registration No. 4-2014-00012034 dated 25 June 2015
5. COSTA DEL SOL and logo, with IPO Registration No. 4-2014-00012035 dated 1 January 2016

ASTI is the registered owner of the following trademarks:

1. "alphaland", with IPO Registration No. 42008002299 dated 11 August 2008.
2. "alphaland SOUTHGATE" , with IPO Registration No. 4/2012/00009729 dated 16 May 2013
3. THE ALPHA TENTS and logo, with IPO Registration No. 4/2012/00009730 dated 16 May 2013
4. ALPHALAND TOWER and logo, with IPO Registration No. 4/2012/00009731 dated 14 June 2013
5. ALPHALAND MAKATI PLACE and logo, with IPO Registration No. 4/2012/00009732 dated 14 June 2013
6. THE ALPHALAND BALESIN CLUB and logo, with IPO Registration No. 4/2012/00009733 dated 14 June 2013
7. ALPHALAND MARINA CLUB and logo, with IPO Registration No. 4/2012/00009734 dated 14 June 2013
8. MARK'S PRIME RIB and logo, with IPO Registration No. 4-2014-00012036 dated 25 June 2015
9. TOSCANA and logo, with IPO Registration No. 4-2014-00012037 dated 16 July 2015
10. MARK'S STEAKHOUSE and logo, with IPO Registration No. 4-2018-00005196 dated 20 September 2018
11. THE ALPHA and logo, with IPO Registration No. 4-2014-0005916 dated 11 September 2014
12. ALPHALAND BALESIN ISLAND GATEWAY and logo, with IPO No. 4-2015-00009149 dated 3 March 2016
13. TANG PALACE and logo, with IPO Registration No. 4-2018-00016729 dated 7 July 2019

AMPI is the registered owner of the following trademarks:

1. UPMARKET AT MAKATI PLACE and logo, with IPO Registration No. 4-2016-00013168 dated 17 October 2019

AWCI is the registered owner of the following trademarks:

1. AEGLE DRUGSTORE and logo, with IPO Registration No. 4-2017-00017323 dated 13 October 2019

(x) **Need for any Government Approval of Principal Products or Services**

The Group's operating units are required to secure permits and licenses from the different agencies of the national government and local government units. These permits include business permits, environmental compliance certificate, building permits and occupancy permits. The Group incurs expenses for the purposes of complying with environmental laws that consist primarily of payments for government regulatory fees. Such fees are standard in the industry and are minimal.

(xi) **Effect or Probable Governmental Regulations on The Business**

The Group complies with all existing government regulations applicable to the business of each company and secures all government approvals for each registered activity. Currently, there are no known probable governmental regulations that may significantly affect the business of the Group.

(xii) **Amount Spent on Research and Development**

The Group engages in research and development activities focusing on the types of construction of materials, construction methodology, value-engineering, and quality assurance for its projects. The expenses incurred by the Group in connection with these activities are not material.

(xiii) **Cost of Compliance with Environmental Laws**

The Company complies with all existing government regulations and environmental laws, the costs of which are not material. As a holding company, it has no material development activities.

(xiv) **Employees**

ASTI provides the management and administrative support such as legal, finance, marketing, and human resource requirements of the Group. ASTI has a total manpower complement of 187 employees as of December 31, 2020 classified as follows:

| | |
|---|---|
| Executives and Managers | 102 |
| Staff | 85 |

ASTI has not experienced any disruptive labor disputes, strikes, or threats of strikes, and ASTI believes that its relationship with its employees in general is satisfactory. ASTI's employees are not unionized.

## Item 2. Properties

Alphaland Southgate Tower

In January 2008, ASTI acquired from South China Resources, Inc. and the Puyat family two parcels of land measuring a total of 9,497 square meters, more or less, at the corner of EDSA and Chino Roces Avenue in Makati City together with the existing improvements thereon. The property is now a fully developed and operational 20-storey office tower building with a 6-storey podium known as Alphaland Southgate Tower. It was declared an Information Technology Zone on January 12, 2009 by the Philippine Economic Zone Authority, pursuant to Presidential Proclamation No. 1692 dated December 22, 2008.

The property secured the long-term loan facility of ALPHA under OLSA with BDO, which was later assigned by BDO to the PBCOM Trust and Wealth Management Group on January 23, 2019. Subsequently, the property was sold on March 15, 2019 to prepay the entire balance of the loan.

Alphaland Makati Place

This represents the Podium and Tower 3 at the Alphaland Makati Place. The Podium is currently operated as a mall and is for lease to third parties. In 2017, the Group reclassified Tower 3 from "Land

and development costs” to “Investment Property” due to change in intention over the property from condominium units for sale to a property held for leasing. The change in management’s intention was evidenced by actual change in the use of property.

The property secured the long-term loan facility of ALPHA under OLSA with BDO, which was later assigned by BDO to the PBCOM Trust and Wealth Management Group on January 23, 2019 and subsequently prepaid in full on March 15, 2019.

Alphaland Balesin Island Property
ABIRC acquired approximately 394 hectares of land in Balesin Island, Polillo, Quezon. Additional 12 hectares were also acquired via land-for-share swaps with existing Balesin Island landowners. This brings the total land ownership to approximately 406 hectares. Of this total, approximately 98 hectares were already conveyed to ABICI. The transfer of certificates of title is currently being processed.

In 2017, ABIRC started the development of certain portions of its land for sale. Accordingly, these portions were reclassified to “Land and development costs”.

Certain lots and improvements in Balesin Island secured the long-term loan facility of ALPHA under OLSA with BDO, which was later assigned by BDO to the PBCOM Trust and Wealth Management Group on January 23, 2019 and subsequently prepaid in full on March 15, 2019.

Silang Property
ASTI’s three parcels of land in Silang, Cavite, measuring a total of 300,000 square meters, more or less, is reserved for future development. The property secured the long-term loan facility of ALPHA under OLSA with BDO, which was later assigned by BDO to the PBCOM Trust and Wealth Management Group on January 23, 2019 and subsequently prepaid in full on March 15, 2019.

Baguio Property
This consists of parcels of land and related transaction costs acquired by the Group (through a wholly-owned subsidiary) from various sellers in July 2015. The beneficial owner of the entire property is RVO, the majority shareholder and Chairman of ALPHA.

These parcels of land, measuring approximately 73.4 hectares as of the end of 2015, of rolling terrains are situated in Itogon, Benguet, just ten minutes from Baguio City by land. RVO likewise transferred to the Group rights to another 2.9 hectares of land to complete the total area at 76.3 hectares. The Group is developing the property into the Alphaland Baguio Mountain Lodges.

The fair value of the property based on an independent appraiser’s report dated January 8, 2021, January 21, 2020, October 22, 2018 is at ₱11,900 per square meter or a total of ₱7.4 billion, ₱10,500 per square meter or a total of ₱6.5 billion, and ₱9,000 per square meter or a total of ₱4.7 billion, respectively.

The Group acquired the property in 2015 at its zonal value, or a total acquisition cost of ₱106.0 million, which is substantially below the appraised value. As a consideration to RVO for having sold the property at its zonal value, RVO shall have a 15% interest in the project without need of any further investment or equity infusion. The Group will shoulder all development costs required for the project.

In 2016, due to the management’s decision to develop the property as horizontal condominium for sale, 13.1 hectare of the property that is currently being developed for such purpose, was reclassified to land and development costs. Additional 7.7 hectares and 3.7 hectares were reclassified to land and development costs in 2018 and 2017, respectively.

In 2017, the Group started the development for the initial phase of the project and the Group also acquired additional land, measuring 4.2 hectares.

In 2019, the Group acquired additional land measuring 9.2 hectares. The total land area of the property approximates 86.7 hectares as at December 31, 2020 and 2019.

Patnanungan Property
As at December 31, 2016 and 2015, respectively, the Group acquired parcels of land aggregating approximately 385.6 hectares and 325.3 hectares of land, respectively, in Patnanungan, Quezon. This brings the total land ownership to 711.0 hectares, more or less, which is reserved for future development.

In December 2018, the Group acquired 42.2 hectares with a carrying amount of P31.7 million. This brings the total land ownership to 753.2 hectares as at December 31, 2020 and 2019.

Atimonan Property
ABIRC's land in Atimonan, Quezon Province, measuring a total of 21,000.5 square meters, more or less, is reserved for future development.

The fair value of the investment properties is based on valuations performed by accredited independent appraisers. As at December 31, 2020 the management evaluated that the carrying value of the investment property approximates the fair value as at reporting date since there were no significant changes in the condition of this property and economic environment between those dates

**Item 3. Legal Proceedings**

Except as disclosed herein or in the Definitive Information Statements (DIS) of the Company or its Subsidiaries, which are themselves public companies, or as has been otherwise publicly disclosed, there are no material legal proceedings, bankruptcy petition, conviction by final judgment, order, judgment or decree or any violation of a securities or commodities law for the past five years to which the Company or any of its subsidiaries or its directors or executive officers is a party or of which any of its material properties is subject in any court or administrative government agency.

Below are the significant legal proceedings involving the Company for the past five years:

*a.* *Airbus Helicopters Philippines, Inc. v. Alphaland Corporation Inc., Alphaland Development Inc., and Alphaland Aviation, Inc*., docketed as Civil Case No. R-PSY-19-00912-CV. This is a Sum of Money case filed by plaintiff for the recovery of allegedly unpaid charges amounting to P6,875,613.64 along with damages. A Consolidated Answer with Counterclaims has was filed on 20 May 2019. The case is due for re-raffling to another sala due to the retirement of the Presiding Judge.

*b.* *Alphaland Corporation, et al. vs. Ernesto Mercado,* pending with the Makati Regional Trial Court Branch 147 docketed as Civil Case No. 15-1172. This is a complaint for Damages filed by complainant Alphaland Corporation (AC), Alphaland Makati Place, Inc. (AMPI) and Alphaland Southgate Tower. Inc. (ASTI). Complainant prayed for the Honorable Court that judgment be rendered finding defendant to have defamed/libeled complainant and ordering defendant to pay Php25,000,000 in moral damages, Php25,000,000 in exemplary damages and Php1,000,000 in attorney's fees and costs of suit. Case is at the trial stage.

*c.* *Redentor Y. Agustin vs. Alphaland Corporation,* with the Supreme Court docketed as G.R. No. 218282 with the Supreme Court (2nd Division). This is a complaint for Illegal Dismissal filed by complainant Redentor Y. Agustin ("Agustin") before Labor Arbiter Marita Padolina ("LA

Padolina") docketed as NLRC-NCR No. 00-1116616-2011. LA Padolina issued a Decision declaring that complainant Agustin was illegally dismissed and ordering the Corporation to pay him the total amount of P336,875.00. This was affirmed by the National Labor Relations Commission (4th Division) and the Court of Appeals ("CA"). Since the CA denied the Corporation's application for the issuance of a restraining order, it was constrained to pay the said judgment award, inclusive of execution fees. Both parties elevated the Decision of the CA to the Supreme Court in separate Petitions for Review. The Petition for Review filed by the Corporation was docketed as SC G.R. No. 217946, which was denied with finality, while the one filed by complainant Agustin, which is this case, is pending resolution.

*d.* *Jose Edwin G. Esico vs. Alphaland Corporation and Alphaland Development, Inc.*, with the Supreme Court docketed as G.R. No. 134512 (1st Division). This case arose from the consolidated cases of: a. Illegal Dismissal filed by complainant Jose Edwin G. Esico ("Esico"); and, b. wrongful resignation, training reimbursement amounting to P977,720.00 and damages filed by Alphaland Development, Inc. (now Alphaland Southgate Tower, Inc.) ("ADI") before Labor Arbiter Lilia S. Savari ("LA Savari"). LA Savari dismissed the complaint for illegal dismissal and ordered the reimbursement of training expenses amounting to P997,700.00. This was reversed by the NLRC (1st Division), and awarded complainant Esico P2,205,000.00 as full backwages, P690,000.00 as separation pay, P 3,680,000.00 as unpaid salaries and 10 % of all monetary awards as Attorney's fees, and affirmed the award of P45,450.00 as proportionate 13th month pay. The Corporation and ADI elevated the case before the Court of Appeals, which reversed the NLRC decision and reinstated the ruling of Labor Arbiter Savari (DISMISSING the complaint against the Corporation and granting the latter's claim for reimbursement of training expenses against Esico) with modification as to the amount of training expenses from P997,700.00 to P977,720.00. Complainant Esico elevated the case to the Supreme Court by way of a Petition for Review on *Certiorari*, which petition is presently pending resolution.

As of December 31, 2020, the Company's subsidiaries are involved with the following legal proceedings:

a. *Don P. Sudasena vs. Alphaland Makati Place, Inc.*, docketed as Civil Case No. R-MKT-16-03299-CV. This is a case for breach of trust with prayer for issuance of a writ of replevin filed in connection with the BP22 case that AMPI filed against Sudasena entitled *Alphaland Makati Place, Inc. v. Don Sudasena*, docketed as NPS IS No. XV-05-INV-16J-3630. Sudasena is praying for actual damages in the amount of P1,000,000.00, moral damages for P200,000.00 exemplary damages for P50,000.00, attorney's fees and legal expenses P600,000.00 plus P5,000.00 appearance fee, reimbursement of expenses on the writ and bond for P350,000.00. The case was dismissed for lack of jurisdiction prompting the plaintiff to appeal with the Court of Appeals. The court of appeals denied Sudasana's Appeal. Sudasena elevated the case to the Supreme Court by way of Petition for Review on Certiorari, which is presently pending decision.

b. *Sps. Robert Michael Doty and Beverly Doty, represented by their Attorney-in-fact, Charmaine Yasay v. Alphaland Makati Place, Inc.*, docketed as HLURB Case No. REM-061616-15993 of the Housing and Land Use Regulatory Board Expanded National Capital Region Field Office. This is a case for rescission of Contract/Refund with prayer for damages (P2,680,404.00 with 12% interest from payment until fully paid, moral damages of P100,000.00, exemplary damages of P100,000.00, Attorney's fees of P100,000.00, cost of suit and expenses of litigation) filed by Sps. Doty against AMPI. AMPI filed on 29 July 2016 its Verified Answer with compulsory counterclaim (compensatory damages of no less than P1,000,000.00, exemplary damages of no less than P1,000,000.00, attorney's fees of no less than P500,000.00 and expenses of litigation of P100,000.00). The Housing and Land Use Arbiter ruled in favor of Sps. Doty but reduced the recoverable amount to P1,624,824.00 with interest at the rate of 6% per annum reckoned from the date of the filing of the instant action until fully paid. Both parties appealed the said ruling before the Board of Commissioners. The Board of Commissioners ruled in favor of Sps. Doty and amended the recoverable amount in its ruling. The Corporation filed a Notice of Appeal on 02 August 2018 and an Appeal Memorandum dated 17 September 2018 to the Office of the President, which is presently pending decision.

c. *Alphaland Makati Place, Inc. vs. Commissioner of Internal Revenue,* docketed as CTA Case No. 9609. This is an appeal filed by Alphaland Makati Place, Inc. (Petitioner) before the Court of Tax Appeals in relation to the Final Decision on Disputed Assessment ("FDDA") dated 20 June 2016 issued by the Bureau of Internal Revenue-Large Tax Payers Division finding the Corporation liable for deficiency Value Added Tax in the amount of P10,391,816.14 and imposing an administrative penalty of P50,000.00. In a Decision dated January 15, 2020, the CTA decided in favor of AMPI and cancelled the FDDA. The CIR moved for reconsideration, which is presently pending resolution by the CTA.

d. *Datem Incorporated vs. Alphaland Makati Place, Inc. and/or Alphaland Development, Inc.*, docketed as Case No. 21-2017. This is a complaint for arbitration filed before the Construction Industry Arbitration Commission ("CIAC") to resolve the alleged dispute between parties. Claimant Datem Incorporated ("Datem") seeks to recover from the respondents its retention money amounting to Php121,930,996.35, and payment for: (1) extended preliminaries – Php153,109,616.92, (2) progress billings – Php34,076,747.09, (3) extended use of formworks – Php15,480,038.67, (4) unjustified deductions – Php1,131,687.56, (5) exemplary damages – Php1,000,000.00, (6) attorney's fees – Php15,000,000.00, (7) arbitration cost – Php3,000,000.00, and (8) 6% interest. Respondent moved to dismiss the case for failure of the claimant to comply with preconditions to arbitration in accordance with the CIAC Rules. The Motion to Dismiss was denied by the Arbitral Tribunal causing the respondents to elevate the matter to the Court of Appeals *on 3 October 2018* by way of a Petition for *Certiorari (Alphaland Makati Place, Inc. and/or Alphaland Southgate Tower, Inc. vs. Datem Incorporated and Construction Industry Arbitration Commission,* docketed as C.A. GR SP No. 152827). On 5 April 2018, CIAC rendered a Final Award in favor of Datem amounting to Php235,901,940.49, causing the respondents to file Petition for Review before the Court of Appeals on 24 April 2018 (*Alphaland Makati Place, Inc. and/or Alphaland Southgate Tower, Inc. vs. Datem Incorporated and Construction Industry Arbitration Commission,* docketed as CA G.R. SP No. 155448). The former case (C.A. GR SP No. 152827) has been consolidated with AMPI/ASTI's Petition for Review (CA G.R. SP No. 155448), as per ASTI/AMPI's own motion. On 25 October 2018 the Court of Appeals ruled in favor of the AMPI and ASTI by granting the Consolidated Petitions and dismissing the arbitration case. Datem filed a Petition for Review dated 28 November 2018 assailing the Court of Appeals' Decision before the Supreme Court, which has been dismissed. Datem once more filed a Petition for Review before Supreme Court assailing the Court of Appeal decision in favor of AMPI/ASTI, which is presently pending decision.

e. *Alphaland Makati Place, Inc. represented by Atty. Jason J. Alba vs. Canadian American Education Foundation, Inc*., docketed as NPS No. 18-04069-CV. This is a case seeking the payment of CAEFI's unpaid rentals and other obligations arising from its breach of its lease contract with AMPI in the amount of Php4,271,733.95, to which the opposing party filed a counterclaim for the amount of P3,881,376.51, along with damages. The case is currently at the trial stage.

f. *Alphaforce Security Agency, Inc. vs. National Labor Relations Commission, Jordan Loterte Donor et. al.*, docketed as G.R. No. 236413. This case arose from a complaint for Illegal Dismissal with claims for: a. Non-payment of Service Incentive Leave Pay (SILP), 13th Month Pay, and Separation Pay; b. Underpayment of Salaries/Wages, Overtime Pay, and 13th Month Pay; and, c. Moral and Exemplary Damages and Allowance & Conditional Temporary Allowance/Productivity filed by complainants Jordan Donor, Alberto Jalbuna, Rodriguez Cabus, Virgilio Velasco, Eduardo Panzo with the National Labor Relations Commission (NLRC), which was assigned to Labor Arbiter Remedios T. Capinig ("LA Capinig"). LA Capinig declared as illegal the dismissal of the complainants. On the Corporation's appeal, the National Labor Relations Commission ("NLRC") reversed the decision of LA Capinig as to complainants Panzo, Cabus and Velasco holding that they were not illegally dismissed and directing the Corporation to look for security assignments where they could be assigned. On the other hand, the NLRC affirmed the decision as to complainants Donor and Jalbuna finding the Corporation liable for separation pay, backwages, and attorney's fees in the total amount of P150,352.49. The Corporation elevated the case to the Court of Appeals by way of Petition for Certiorari, which was denied in its order dated 6 June 2017. The Corporation filed a motion for reconsideration but was also denied by the Court of Appeals. On 25 January 2018, the Corporation elevated the case to the Supreme Court through petition for review, which the Court denied on September 4, 2019 and subsequently denied the Corporation's MR on July 13, 2020. Entry of Judgment was issued on even date.

g. *Alphaforce Security Agency, Inc. vs. Robert S. Elarde*, docketed as CA-G.R. SP. No.157573. This case arose from a complaint for a) actual illegal dismissal, b) illegal suspension c) non- payment of salaries/wages, Overtime Pay, Holiday Pay, SIL, 13th month pay, and separation pay c) moral and exemplary damages, filed by complainant Robert S. Elarde on 4 February 2016. Labor Arbiter Santos ruled in favor of the complainant in a Decision dated 3 November 2017, ordering ASAI to pay P597,060.00 as backwages, P96,300.00 as separation pay and P69,236.00 as Attorney's fees. The Corporation elevated the case to the NLRC, which affirmed the decision of LA Santos on the Decision dated 31 May 2018. ASAI filed on 2 July 2018 its Motion for Reconsideration but also denied by the NLRC. On 15 November 2018, ASAI elevated the case to the Court of Appeals by way of Petition for *Certiorari,* but was denied. ASAI filed a motion for reconsideration on 29 May 2019, which the Court denied in its Resolution dated September 5, 2019. ASAI elevate the case to the Supreme Court through Petition for Review on October 3, 2019. The Court denied the Petition in its Resolution dated February 26, 2020. ASAI filed a motion for reconsideration which subsequently denied in the SC Resolution dated September 21, 2020. Entry of Judgment was issued on even date.

h. *Elmer C. Jandugan vs. Alphaforce Security Agency, Inc., Mr. Carl Arroyo and Mr. Noel Cheung*, docketed as NLRC CASE NO. RAB-IV-06-01153-18-Q. This is a complaint for alleged underpayment of salaries/wages and 13th month pay filed with the Arbitration Division of the National Labor Relations Commission by Elmer C. Jandugan against Alphaforce Security Agency, Inc., Mr. Carl Arroyo and Mr. Noel Cheung. The Labor Arbiter dismissed the claim for underpayment of salaries but awarded Jandugan Php31,174.04 as 13th month pay differential. On 19 August 2019, ASAI filed its Memorandum of Partial Appeal, which the Court dismissed in its Decision dated November 27, 2019. ASAI did not elevate the case to the Court of Appeals

i. *Richard Nunez vs. Alphaforce Security Agency, Inc. et al.*, docketed as NLRC NCR Case No. 08-01453-19. This is a complaint for alleged Illegal Dismissal with money claims filed with the Arbitration Division of the National Labor Relations Commission by Richardo Nunez against Alphaforce Security Agency, Inc. Mandatory Conferences was terminated without settlement. The decision of the NLRC in favor of the complainant was issued on January 9, 2020. ASAI filed its Memorandum of Appeal before the NLRC Commission on February 3, 2020 which the Honorable Commission denied in its Decision dated September 23, 2020. Motion for Reconsideration filed was also denied on January 29, 2021.

ALPHALAND SOUTHGATE TOWER, INC.

j. *Roberto V. Ongpin and Alphaland Southgate Tower, Inc. (formerly Alphaland Development, Inc.) vs. Philipp Richard Koeppel.*, docketed as R-MKT 16-02043-CV. This is a case for damages that arose from serious breach of amended contract of engagement (actual damages in the aggregate amount of P2,340,391.32, temperate damages of not less than P4,000,000.00, moral damages of not less than P3,800,000.00 and expenses and cost of not less than P150,000.00). In a Decision dated 7 July 2018, Makati-RTC Branch 132 ruled in favor of the plaintiffs and ordered the defendant to pay the plaintiffs a.) Php2,216,930.66 as actual damages, b.) Php4,000,000.00 as moral damages, and c.) Php150,000.00 as attorney's fees and litigation expenses.

k. *Alphaland Balesin Island Resort Corporation and Alphaland Southgate Tower, Inc. represented by Atty. Cliburn Anthony A. Orbe vs. Philipp Otto Koeppel,* docketed as NPS No. XV-05-INV-161-3537. This is a case charging the respondent with Qualified Theft before the City Prosecution Office of Makati City. Alphaland Balesin Island Resort Corporation and Alphaland Southgate Tower, Inc. seek to recover the misappropriated amount amounting to P2,681,931.68. The City Prosecutor dismissed the case in the Resolution dated 19 April 2017. Complainants filed their Motion for Reconsideration which was granted in an Order dated 13 October 2017 recommending respondent to be indicted for three (3) counts of estafa under The Revised Penal Code Art. 315 (2)(a). In an Order dated 23 November 2017, a Warrant was issued for the arrest of the accused Philipp Otto Koeppel.

l. *Timecargo Logistics Corporation*, represented by Sharina Amor Tipay vs. Alphaland Development, Inc., docketed as Civil Case No. R-MKT-17-02124-CV. This is a complaint for Sum of Money filed by Timecargo Logistics Corporation against the Corporation seeking the recovery of P3,001,344.70. The Corporation filed its Answer with Affirmative Defenses and Permissive Counterclaim. In an Order dated 5 March 2018, the court denied the Corporation's Affirmative Defenses. The case is currently at the trial stage.

m. *Alphaland Southgate Tower, Inc. vs. Clarence Martinez Edu,* docketed as CA SP G.R. No. 156379. This arose from a complaint for Illegal Dismissal with unspecified money claims filed with the National Labor Relations Commission (NLRC), which was assigned to Executive Labor Arbiter Jenneth B. Napisa (ELA Napisa). ELA Napisa ruled in favor of the complainant and ordered ASTI to pay the total amount of P749,162.21 representing separation pay, backwages and attorney's fees. ASTI appealed the case to the NLRC, which denied said appeal and the motion for reconsideration filed by ASTI thereafter. On 29 June 2018, ASTI elevated the case to the Court of Appeals by way of Petition for *Certiorari*, which was denied. ASTI moved for reconsideration, which is presently pending action by the CA.

n. *Alphaland Development, Inc., Alphaland Aviation, Inc vs. Primitivo Victorio Dispo, Jr.*, docketed as CA-G.R. SP. NO. 158280. This is a complaint for Illegal Dismissal filed with the National

Labor Relations Commission (NLRC), which was assigned to Labor Arbiter Romelita N. Riofloride (LA Riofloride). LA Riofloride declared Dispo to have been illegally dismissed and ordered ASTI and AAI, jointly and solidarily, to pay Dispo (a) Backwages at P1,386,000.00; and, (b) Separation Pay of P231,000.00. ASTI and AAI elevated the case to the NLRC, which denied the same, including the motion for reconsideration filed thereafter. ASTI and AAI elevated the case to the Court of Appeals, through petition for certiorari, which the latter denied. On 17 May 2019, ASTI and AAI filed a motion for reconsideration of the order of the Court of Appeals, which was denied. The adverse decision was elevated to the Supreme Court on June 30, 2020 and was denied on January 12, 2021. ASTI and AAI filed its Motion for Reconsideration on January 27, 2021, which is presently pending action by the SC.

o. *Alphaland Southgate Tower, Inc. vs. Commissioner of Internal Revenue,* docketed as CTA Case No. 9610. This is an appeal filed by Alphaland Southgate Tower, Inc. before the Court of Tax Appeals in relation to the Bureau of Internal Revenue's ("BIR") Final Decision on Disputed Assessment ("FDDA") dated 20 June 2016 finding the Corporation liable for P20,436,979.98 in the form of deficiency Value Added Tax ("VAT") and Compromise Penalty. In a Decision dated December 13, 2019, the CTA dismissed ASTI's Petition. ASTI appealed the adverse decision to the CTA, which appeal is presently pending action.

p. *Alphaland Development, Inc. vs. Juanito Tadit Jr, et al.*, docketed as SC. G.R. No. 246290. This arose from the consolidated complaints for Illegal Dismissal with unspecified money claims filed by eight (8) complainants with the National Labor Relations Commision, which was assigned to Labor Arbiter Eduardo J. Carpio (LA Carpio). LA Carpio dismissed the complaint of one of the 8 complainants for not filing a position paper. The 7 remaining complainants were declared illegally dismissed and ordered ASTI to pay them full Backwages, Separation Pay and attorney's fees in the total amount of P1,610,783.72. On 29 January 2018, ASTI elevated the case to the NLRC through partial appeal. The NLRC granted the partial appeal, reversed the decision of the labor arbiter and dismissed complainants' illegal dismissal complaint for lack of merit on 30 April 2018. The complainants thereafter elevated the case to the Court of Appeals by way of Petition for *Certiorari*, which reversed the ruling of the NLRC. ASTI filed a motion for reconsideration but was denied by the Court of Appeals. On 22 April 2019, ASTI filed its petition for review on *certiorari* with the Supreme Court. The Court denied its Petition on September 4, 2019. A motion for reconsideration was filed which subsequently denied in its Resolution dated July 13, 2020. Entry of Judgement was issued on even date.

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

Except for matters taken up during the annual meeting of stockholders held on May 7, 2019, there were no other matters submitted to a vote of security holders during the period covered by this report.

# PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

**(A) Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters**

**(1) Market Information**

(a) The Company’s common shares were listed on the PSE on November 23, 2000 but on September 8, 2014, the PSE already issued a resolution delisting the Company as discussed on Part 1 – Business and General Information.

**(2) Holders**

(a) The total number of shareholders of common shares, as of December 31, 2020, is 87 and shares outstanding are 26,914,687,441 (exclusive of 98,545,279 in treasury).

The top 20 registered stockholders of the Company as of December 31, 2020 are as follows:

| | *Name* | *No. of Shares* | *%* |
|---|---|---|---|
| 1. | Alphaland Development, Inc. | 13,792,109,780 | 51.24% |
| 2. | RVO Capital Ventures Corporation | 8,426,567,460 | 31.31% |
| 3. | Boerstar Corporation | 1,677,884,300 | 6.23% |
| 4. | Red Epoch Group Ltd. | 961,134,130 | 3.57% |
| 5. | Fine Land Limited | 890,000,000 | 3.31% |
| 6. | Azurestar Corporation | 280,626,360 | 1.04% |
| 7. | Noble Care Management Corporation | 145,916,470 | 0.54% |
| 8. | Arculli, Derek | 100,000,000 | 0.37% |
| 9. | Citadel Investments Limited | 100,000,000 | 0.37% |
| 10. | Major Holdings Corporation | 90,118,820 | 0.33% |
| 11. | Major Properties, Inc. | 73,881,180 | 0.27% |
| 12. | Loustar Corporation | 55,641,840 | 0.21% |
| 13. | Powerventures, Inc. | 54,900,230 | 0.20% |
| 14. | Galaxyhouse, Inc. | 47,575,450 | 0.18% |
| 15. | Crystalventures, Inc. | 47,198,420 | 0.18% |
| 16. | Towermill Capital Ventures Corporation | 47,112,770 | 0.18% |
| 17. | Summer Wind Capital Ventures Corporation | 41,791,630 | 0.16% |
| 18. | Mega Access Capital Ventures, Inc. | 25,205,630 | 0.09% |
| 19. | Globalcentric Corporation | 25,118,000 | 0.09% |
| 20. | Regentstar Holdings Corporation | 25,034,140 | 0.09% |

**(3) Dividends**

(a) The Company has not declared any dividends during the two (2) most recent fiscal years and any subsequent interim period for which financial statements are required to be presented by SRC Rule 68.

(b) The Company is not aware of any restriction that limits, or is likely to limit in the future, its ability to pay dividends.

**(4) Recent Sale of Unregistered or Exempt Securities Including Recent Issuance of Securities Constituting an Exempt Transaction**

As at December 31, 2020, the Company entered into the following share subscription agreements:

**Revised Deed of Subscription**

| *Date of Subscription* | *Subscriber* | *Number of Shares Subscribed* | *Total Subscription Price (in PhP)* |
|---|---|---|---|
| January 2, 2020 | Crystalventures, Inc. | 47,198,420 | 224,479,349 |
| January 2, 2020 | Earthlight, Inc. | 25,061,400 | 119,294,209 |
| January 2, 2020 | Galaxyhouse, Inc. | 47,575,450 | 226,082,227 |
| January 2, 2020 | Gemsplace Resources, Inc. | 46,877,410 | 222,765,069 |
| January 2, 2020 | Globalcentric Corporation | 25,118,000 | 119,463,179 |
| January 2, 2020 | Loustar Corporation | 55,641,840 | 264,414,318 |
| January 2, 2020 | Mega Access Capital Ventures, Inc. | 25,205,930 | 119,982,187 |
| January 2, 2020 | Powerventures, Inc. | 54,900,230 | 260,890,144 |
| January 2, 2020 | Redcrest Holdings Corporation | 24,641,230 | 117,097,022 |
| January 2, 2020 | Regenstar Holdings Corporation | 25,034,140 | 119,164,443 |
| January 2, 2020 | Summer Wind Capital Ventures Corporation | 41,791,630 | 198,597,048 |
| January 2, 2020 | Towermill Capital Ventures Corporation | 47,112,770 | 223,883,517 |

**Initial Deed of Subscription**

| *Date of Subscription* | *Subscriber* | *Number of Shares Subscribed* | *Total Subscription Price (in PhP)* |
|---|---|---|---|
| June 11, 2018 | Crystalventures, Inc. | 18,879,676 | 224,479,349 |
| June 11, 2018 | Earthlight, Inc. | 10,024,723 | 119,294,209 |
| June 11, 2018 | Galaxyhouse, Inc. | 19,030,490 | 226,082,227 |
| June 11, 2018 | Gemsplace Resources, Inc. | 18,751,268 | 222,765,069 |
| June 11, 2018 | Globalcentric Corporation | 10,047,366 | 119,463,179 |
| June 11, 2018 | Loustar Corporation | 22,257,097 | 264,414,318 |
| June 11, 2018 | Mega Access Capital Ventures, Inc. | 10,082,537 | 119,982,187 |
| June 11, 2018 | Powerventures, Inc. | 21,960,450 | 260,890,144 |
| June 11, 2018 | Redcrest Holdings Corporation | 9,856,652 | 117,097,022 |
| June 11, 2018 | Regenstar Holdings Corporation | 10,013,819 | 119,164,443 |
| June 11, 2018 | Summer Wind Capital Ventures Corporation | 16,716,923 | 198,597,048 |
| June 11, 2018 | Towermill Capital Ventures Corporation | 18,845,414 | 223,883,517 |

Other than the foregoing, there were no recent sales of unregistered or exempt securities within the past three (3) years.

**(B) Capital Stock:**

| | *Number of Shares* | *Amount* |
|---|---|---|
| **Authorized capital stock** (₱0.10 Par Value) | 50,000,000,000 | ₱5,000,000,000 |
| | | |
| **Issued** | | |
| Beginning of year | 28,411,738,420 | ₱2,842,173,842 |
| Revisions to deed of subscriptions | (1,398,505,700) | (139,850,570) |
| End of year | 27,013,232,720 | 2,702,323,272 |
| | | |
| **Treasury** | | |
| Balance at beginning of year | (4,239,000) | (1,213,526) |
| Additions | (94,306,279) | (523,069,376) |
| Balance at end of year | (98,545,279) | (524,282,902) |
| | 26,914,687,441 | ₱2,178,040,370 |

**Stock Split**

On December 10, 2018, the SEC approved the Company's application for a 10-for-1 stock split, whereby its capital stock would be divided into ₱50.0 billion common shares with a par value ₱0.10 each share. The stock split has no dilutive effect on the proportionate percentage ownership of the shareholders.

## Item 6. Management Discussion and Analysis or Plan of Operations

### Management's Discussion and Analysis

Results of Operations (in thousands)

| | Years Ended December 31 | | Variance | |
|---|---|---|---|---|
| | **2020 (Audited)** | 2019 (Audited) | Amount | % |
| **REVENUES** | | | | |
| Real estate sold | **₱1,034,902** | ₱1,115,616 | (₱80,714) | -7% |
| Rental income | **491,802** | 853,183 | (361,381) | -42% |
| Service income | **399,695** | 530,538 | (130,843) | -25% |
| Interest income | **28,072** | 26,545 | 1,527 | 6% |
| Others | **43,702** | 50,454 | (6,752) | -13% |
| | **1,998,173** | 2,576,336 | (578,163) | -22% |
| **COSTS AND EXPENSES** | | | | |
| Cost of services | **608,213** | 761,631 | (153,418) | -20% |
| Cost of real estate sold | **452,170** | 552,587 | (100,417) | -18% |
| General and administrative | **964,780** | 1,121,855 | (157,075) | -14% |
| | **2,025,163** | 2,436,073 | (410,910) | -17% |
| **OTHER INCOME (EXPENSES)** | | | | |
| Gain on fair value changes of investment properties | **4,131,609** | 18,286,157 | (14,154,548) | -77% |
| Net accounting loss on sale of Southgate | - | (7,003,266) | 7,003,266 | -100% |
| Finance costs | - | (190,870) | 190,870 | -100% |
| Other gains (losses) - net | **30,109** | (7,472) | 37,581 | -503% |
| | **4,161,718** | 11,084,549 | (6,922,831) | -62% |
| **INCOME BEFORE INCOME TAX** | **4,134,728** | 11,224,812 | (7,090,084) | -63% |
| **PROVISION FOR INCOME TAX** | | | | |
| Current | **154,250** | 826,587 | (672,337) | -81% |
| Deferred | **1,285,165** | 2,565,137 | (1,279,972) | -50% |
| | **1,439,415** | 3,391,724 | (1,952,309) | -58% |
| **NET INCOME (LOSS)** | **2,695,313** | 7,833,088 | (5,137,775) | -66% |
| **OTHER COMPREHENSIVE INCOME** | | | | |
| *Not to be reclassified to profit or loss in subsequent years:* | | | | |
| Revaluation increase | - | 768,967 | (768,967) | -100% |
| Income tax effect | - | (230,690) | 230,690 | -100% |
| | - | 538,277 | (538,277) | -100% |
| Unrealized valuation gain on club shares for sale | **(1,328,240)** | 2,732,624 | (4,060,864) | -149% |
| Income tax effect | **199,236** | (409,894) | 609,130 | -149% |
| | **(1,129,004)** | 2,322,730 | (3,451,734) | -149% |
| Remeasurement gain(loss) on retirement liability | **5,368** | (4,393) | 9,761 | -222% |
| | **(1,123,636)** | 2,856,614 | (3,980,250) | -139% |
| **TOTAL COMPREHENSIVE INCOME** | **₱1,571,677** | ₱10,689,702 | (₱9,118,025) | -85% |

| | Years Ended December 31 | | Variance | |
|---|---|---|---|---|
| | **2020 (Audited)** | 2019 (Audited) | Amount | % |
| *(forward)* | | | | |
| Net income attributable to: | | | | |
| Equity holders of the Parent Company | **₱2,701,823** | ₱7,831,868 | (₱5,130,045) | -66% |
| Noncontrolling interests | **(6,510)** | 1,220 | (7,730) | -634% |
| | **₱2,695,313** | ₱7,833,088 | (₱5,137,775) | -66% |
| Total comprehensive income attributable to: | | | | |
| Equity holders of the Parent Company | **₱1,578,187** | ₱10,688,482 | (₱9,110,295) | -85% |
| Noncontrolling interests | **(6,510)** | 1,220 | (7,730) | -634% |
| | **₱1,571,677** | ₱10,689,702 | (₱9,118,025) | -85% |

The Group's net income in 2020 and 2019 amounted to ₱2,695.3 million and ₱7,833.1 million, respectively. Total comprehensive income of the Group is ₱1,571.7 million in 2020 and ₱10,689.7 million in 2019.

*22% Decrease in Revenues*
The Group showed total revenues amounting to ₱1,998.2 million and ₱2,576.3 million for the years ended December 31, 2020 and 2019, respectively.

This is mainly attributable to effects of the COVID pandemic, which started in March 2020, resulting to decrease in the number of tenants of AMPI, passengers of AAI and clients of ASAI. The sale of Southgate in March 2019 also contributed to the decrease. However, the increase in occupancy rate of TAS in 2020 partially compensated the total decrease in revenues.

*17% Decrease in Costs and Expenses*
The Group showed total costs and expenses amounting to ₱2,025.2 million and ₱2,436.1 million for the years ended December 31, 2020 and 2019, respectively.

Correspondingly, due to effects of the pandemic, the costs and expenses attributable to the revenues affected also decreased. The costs and expenses in operating the Southgate, which was sold in March 2019, contributed also to the decrease.

*62% Decrease in Other Income (Expenses)*
Other income (expense) increased by ₱6,922.8 million from ₱11,084.5 million in 2019 to ₱4,161.7 million in 2020. The significant decrease is attributable to lower fair value increment of Silang, Makati Place, Baguio, Patnanungan and Balesin properties in 2020 as compared to 2019. Decrease is also attributable to net accounting loss on sale of Southgate in 2019.

*58% Decrease in Provision for Income Tax*
Decrease in provision for income tax from ₱3,391.7 million in 2019 to ₱1,439.4 million in 2020 is mainly from the lower deferred income tax due to lower fair value increment on the Group's properties in 2020. Decrease is also attributable to current income tax on the sale of Southgate in 2019.

| | Years Ended December 31 | | Variance | |
|---|---|---|---|---|
| | **2019 (Audited)** | 2018 (Audited) | Amount | % |
| **REVENUES** | | | | |
| Real estate sold | **₱1,115,616** | ₱1,346,526 | (₱230,910) | -17% |
| Rental income | **853,183** | 1,173,732 | (320,549) | -27% |
| Service income | **530,538** | 306,838 | 223,700 | 73% |
| Interest income | **26,545** | 17,033 | 9,512 | 56% |
| Others | **50,454** | 33,690 | 16,764 | 50% |
| | **2,576,336** | 2,877,819 | (301,483) | -10% |
| **COSTS AND EXPENSES** | | | | |
| Cost of services | **761,631** | 646,589 | 115,042 | 18% |
| Cost of real estate sold | **552,587** | 859,354 | (306,767) | -36% |
| General and administrative | **1,121,855** | 1,237,330 | (115,475) | -9% |
| | **2,436,073** | 2,743,273 | (307,200) | -11% |
| **OTHER INCOME (EXPENSES)** | | | | |
| Gain on fair value changes of investment properties | **18,286,157** | 7,453,516 | 10,832,641 | 145% |
| Net accounting loss on sale of Southgate | **(7,003,266)** | - | (7,003,266) | 0% |
| Finance costs | **(190,870)** | (321,345) | 130,475 | -41% |
| Other gains (losses) - net | **(7,472)** | (100,857) | 93,385 | -93% |
| | **11,084,549** | 7,031,314 | 4,053,235 | 58% |
| **INCOME BEFORE INCOME TAX** | **11,224,812** | 7,165,860 | 4,058,952 | 57% |
| **PROVISION FOR INCOME TAX** | | | | |
| Current | **826,587** | 68,380 | 758,207 | 1109% |
| Deferred | **2,565,137** | 2,369,177 | 195,960 | 8% |
| | **3,391,724** | 2,437,557 | 954,167 | 39% |
| **NET INCOME (LOSS)** | **7,833,088** | 4,728,303 | 3,104,785 | 66% |
| **OTHER COMPREHENSIVE INCOME** | | | | |
| *Not to be reclassified to profit or loss in subsequent years:* | | | | |
| Revaluation increase | **768,967** | 4,365,148 | (3,596,181) | -82% |
| Income tax effect | **(230,690)** | (1,287,956) | 1,057,266 | -82% |
| | **538,277** | 3,077,192 | (2,538,915) | -83% |
| Unrealized valuation gain on club shares for sale | **2,732,624** | 1,084,338 | 1,648,286 | 152% |
| Income tax effect | **(409,894)** | (162,651) | (247,243) | 152% |
| | **2,322,730** | 921,687 | 1,401,043 | 152% |
| Remeasurement gain(loss) on retirement liability | **(4,393)** | - | (4,393) | 0% |
| | **2,856,614** | 3,998,879 | (1,142,265) | -29% |
| **TOTAL COMPREHENSIVE INCOME** | **₱10,689,702** | ₱8,727,182 | ₱1,962,520 | 22% |
| | | | | |
| Net income attributable to: | | | | |
| Equity holders of the Parent Company | **₱7,831,868** | ₱4,727,912 | ₱3,103,956 | 66% |
| Noncontrolling interests | **1,220** | 391 | 829 | 212% |
| | **₱7,833,088** | ₱4,728,303 | ₱3,104,785 | 66% |
| Total comprehensive income attributable to: | | | | |
| Equity holders of the Parent Company | **₱10,688,482** | ₱8,726,791 | ₱1,961,691 | 22% |
| Noncontrolling interests | **1,220** | 391 | 829 | 212% |
| | **₱10,689,702** | ₱8,727,182 | ₱1,962,520 | 22% |

The Group's net income in 2019 and 2018 amounted to ₱7,833.1 million and ₱4,728.3 million, respectively. Total comprehensive income of the Group is ₱10,689.7 million in 2019 and ₱8,727.2 million in 2018.

*10% Decrease in Revenues*
The Group showed total revenues amounting to ₱2,576.3 million and ₱2,877.8 million for the years ended December 31, 2019 and 2018, respectively.

The decrease is mainly attributable to the decrease in rental income following the sale of Southgate in March 2019 and in the number of condominium units sold by AMPI in 2019. However, the increase in villas sold by ABIRC and the increase in occupancy rate of TAS in 2019 compensated the total decrease in revenues.

*11% Decrease in Costs and Expenses*
The sale of Southgate in March 2019 and the decrease in number of condominium units sold by AMPI in 2019 brought about a decrease in costs and expenses from ₱2,743.7 million in 2018 to ₱2,436.1 million in 2019

*58% Increase in Other Income (Expenses)*
Other income (expense) increased by ₱4,053.3 million from ₱7,031.3 million in 2018 to ₱11,084.5 million in 2019. The significant increase is attributable to the increase in fair value of Silang, Makati Place, Baguio, Patnanungan and Balesin properties. Increase is also attributable to the decrease in finance costs as a result of the full pre-termination of the loans of the Group in the first quarter of 2019.

*39% Increase in Provision for Income Tax*
Increase in provision for income tax from ₱2,437.6 million in 2018 to ₱3,391.7 million in 2019 is mainly from the income tax on the sale of Southgate property.

Financial Condition (in thousands)

| | As of December 31 | | Variance | |
|---|---|---|---|---|
| | **2020 (audited)** | 2019 (audited) | Amount | % |
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| Cash and cash equivalents | **₱769,657** | ₱494,184 | 275,473 | 56% |
| Trade and other receivables | **1,110,323** | 1,589,758 | (479,435) | -30% |
| Land and development costs and parking lots for sale | **3,193,200** | 3,310,222 | (117,022) | -4% |
| Advances to related companies | **4,111,702** | 3,527,104 | 584,598 | 17% |
| Club shares for sale | **1,074,311** | 1,062,311 | 12,000 | 1% |
| Other current assets | **1,204,504** | 1,337,541 | (133,037) | -10% |
| Total Current Assets | **11,463,697** | 11,321,120 | 142,577 | 1% |
| **Noncurrent Assets** | | | | |
| Investment in and advances to an associate | **12,349** | 12,349 | - | 0% |
| Club shares for sale - net of current portion | **30,437,589** | 32,496,589 | (2,059,000) | -6% |
| Investment properties | **58,776,917** | 54,642,253 | 4,134,664 | 8% |
| Property and equipment | **10,006,474** | 10,698,168 | (691,694) | -6% |
| Other noncurrent assets | **155,496** | 198,764 | (43,268) | -22% |
| Total Noncurrent Assets | **99,388,825** | 98,048,123 | 1,340,702 | 1% |
| | **₱110,852,522** | ₱109,369,243 | 1,483,279 | 1% |
| **LIABILITIES AND EQUITY** | | | | |
| **Current Liabilities** | | | | |
| Trade and other payables | **₱2,939,216** | ₱3,419,359 | (480,143) | -14% |
| Advances from related companies | **2,342,111** | 2,549,218 | (207,107) | -8% |
| Current portion of customers' deposits | **107,980** | 83,927 | 24,053 | 29% |
| Income tax payable | **453,828** | 505,775 | (51,947) | -10% |
| Total Current Liabilities | **5,843,135** | 6,558,279 | (715,144) | -11% |
| **Noncurrent Liabilities** | | | | |
| Customers' deposits - net of current portion | **120,519** | 192,877 | (72,358) | -38% |
| Retirement liability | **73,258** | 65,784 | 7,474 | 11% |
| Net deferred tax liabilities | **22,641,102** | 21,672,232 | 968,870 | 4% |
| Other noncurrent liabilities | **183,221** | 49,743 | 133,478 | 268% |
| Total Noncurrent Liabilities | **23,018,100** | 21,980,636 | 1,037,464 | 5% |
| Total Liabilities | **28,861,235** | 28,538,915 | 322,320 | 1% |
| **Equity Attributable to Equity Holders of the Parent Company** | | | | |
| Capital stock | **2,702,323** | 2,842,174 | (139,851) | -5% |
| Additional paid-in capital | **12,909,581** | 12,769,730 | 139,851 | 1% |
| Retained earnings | **56,828,021** | 53,419,451 | 3,408,570 | 6% |
| Other comprehensive income: | | | | |
| Cumulative unrealized valuation gain on club shares for sale | **23,482,648** | 25,057,294 | (1,574,646) | -6% |
| Revaluation surplus | **3,428,674** | 3,577,428 | (148,754) | -4% |
| Accumulated remeasurement gain on retirement liability | **46,325** | 40,957 | 5,368 | 13% |
| | **99,397,572** | 97,707,034 | 1,690,538 | 2% |
| Less: | | | | |
| Parent Company's shares held by a subsidiary | **16,881,220** | 16,881,220 | - | 0% |
| Cost of treasury shares | **524,283** | 1,214 | 523,069 | 43086% |
| | **81,992,069** | 80,824,600 | 1,167,469 | 1% |
| Noncontrolling interests | **(782)** | 5,728 | (6,510) | -114% |
| Total Equity | **81,991,287** | 80,830,328 | 1,160,959 | 1% |
| | **₱110,852,522** | ₱109,369,243 | 1,483,279 | 1% |

Total assets of the Group increased by ₱1,483.3 million or 1% from ₱109,369.2 million as of December 31, 2019 to ₱110,852.5 million as of December 31, 2020.

*56% Increase in Cash and Cash Equivalents*
The increase in cash and cash equivalents is mainly attributable to collections of receivables and cash sales from buyers of villas, log homes and club shares.

*30% Decrease in Trade and Other Receivables*
The decrease in trade and other receivable is mainly due to collections of receivables from buyers of villas, log homes and club shares.

*4% Decrease in Land and Development Costs and Parking Lots for Sale*
Decrease in land and development and parking lots for sale is attributable to costs of real estate sold in 2020 but was offset by the additional costs to complete the unsold villas and log homes.

*17% Increase in Advances to Related Companies*
Increase is due to cash advances to and reimbursement of expenses from related companies in the ordinary course of business.

*39% Decrease in Other Current Assets*
Decrease in other current assets is due to input tax and creditable withholding tax applied against the taxes on the sale of log homes and villas.

*6% Decrease in Club Shares for Sale*
Decrease in club shares for sale is due to decrease in fair value per "B1" Balesin club share from ₱4.5 million to ₱3.0 million. Decrease is also attributable to the club shares sold in 2020.

*15% Increase in Investment Properties*
This pertains to increase in the fair value of Silang, Makati Place, Baguio, Patnanungan and Balesin properties in 2020.

*6% Decrease in Property and Equipment*
Decrease in property and equipment mainly pertains to the aircraft sold in 2020. Depreciation of the Group also contributed to the decrease.

*22% Decrease in Other Noncurrent Assets*
Decrease in other noncurrent assets mainly pertains to receivables from sale of club shares which were reclassified to current portion.

Total liabilities of the Group amounted to ₱28,861.2 million and ₱28,538.9 million as of December 31, 2020 and 2019, respectively.

*14% Decrease in Trade and Other Payables*
Decrease is attributable to payment of various payable to suppliers especially those related to construction of log homes and villas.

*8% Decrease in Advances from Related Parties*
Decrease is attributable to net payment to the Group's advances from related parties.

*29% Increase in Current Portion of Customers' Deposits and 38% Decrease in Customers' Deposits - Net of Current Portion*
The net change in customer's deposits mainly pertains to forfeited customer's deposits of the Group in 2020.

*10% Decrease in Income Tax Payable*
The decrease is mainly attributable to tax payable relative to the sale of Southgate property, net of any creditable taxes, in 2019.

*11% Increase in Retirement Liability*
The increase is attributable to additional retirement costs for the year 2020.

*4% Increase in Net Deferred Tax Liabilities*
The increase in fair values of investment properties and club shares for sale brought about the increase in net deferred tax liabilities. This was reduced by the deferred tax benefit from the unrealized valuation loss on club shares for sale in 2020.

*268% Increase in Other Noncurrent Liabilities*
Increase is mainly due to deferred output tax of the uncollected portion from the sale of log homes and villas.

Total equity of the Group jumped by 1% or by ₱1,161.0 million from ₱80,830.3 million as of December 31, 2019 to ₱81,991.3 million as of December 31, 2020.

*5% Decrease in Capital Stock and 1% Additional Paid-in Capital*
This pertains to reclassification from capital stock to additional paid-in capital due to revision of the deed of subscriptions of a group of stockholders.

*6% Increase in Retained Earnings*
The increase is brought about by the net income of the Group, amortization of revaluation surplus to retained earnings and reclassification adjustments on disposal of club shares for sale in 2020.

*6% Decrease in Cumulative Unrealized Valuation Gain on Club Shares for Sale*
The decrease is attributable to unrealized valuation loss due decrease in the fair value per "B1" Balesin club share from ₱4.5 million to ₱3.0 million. Reclassification adjustments from this account to retained earnings relative to the sale of club shares also contributed to the decrease.

*4% Decrease in Revaluation Surplus*
This pertains to amortization of revaluation surplus of The Alpha Suites and the aircrafts of the Group in 2020.

*43086% Increase in Cost of Treasury Shares*
This pertains to ALPHA shares reacquired through the sale of one of the Group's aircrafts to its stockholder.

**Comparative Key Performance Indicators**

| | **2020 (audited)** | 2019 (audited) | 2018 (audited) |
|---|---|---|---|
| (a) Total comprehensive income attributable to equity holders of the Parent Company (in thousands) | **₱1,578,187** | ₱10,688,482 | ₱8,726,791 |
| (b) Weighted average number of shares outstanding after the effect of stock split | **13,166,860,073** | 14,573,224,623 | 13,640,892,500 |
| Basic/diluted earnings per share (a/b) | **₱0.120** | ₱0.733 | ₱0.640 |
| | | | |
| (a) Total equity (in thousands) | **₱81,991,287** | ₱80,830,328 | ₱70,070,138 |
| (b) Total number of shares outstanding at end of year before the effect of stock split | **13,080,412,651** | 14,573,224,630 | 14,573,224,620 |
| Book value per share (a/b) | **₱6.268** | ₱5.546 | ₱4,808 |
| | | | |
| (a) Total long-term debt (in thousands) | **₱–** | ₱– | ₱6,198,931 |
| (b) Total equity (in thousands) | **81,991,287** | 80,830,328 | 70,070,138 |
| Debt-to-equity ratio (a/b) | **₱–** | ₱– | ₱0.088 |

| | 2020 (audited) | 2019 (audited) | 2018 (audited) |
|---|---|---|---|
| (a) Total comprehensive income attributable to equity holders of the Parent Company (in thousands) | **₱1,578,187** | ₱10,688,482 | ₱8,726,791 |
| (b) Average total equity (in thousands) | **81,410,808** | 75,450,233 | 65,242,826 |
| Return on equity (a/b) | **₱0.019** | ₱0.142 | ₱0.134 |

No material off-balance sheet transactions, arrangements, obligations, and other relationships of the Group with unconsolidated entities were created during the year.

As of December 31, 2020, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Group;
- Material commitments for capital expenditures that are reasonably expected to have a material impact on the Group's short-term or long-term liquidity;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- Significant elements of income or loss that did not arise from the Group's results of operations; and
- Material changes in the financial statements of the Group for the year ended December 31, 2020.

**Commitments**

a. Corporate Guaranty

AMPI, a wholly owned subsidiary through ASTI, entered into a Joint Venture Agreement with BSP to develop the Alphaland Makati Place Project. Pursuant to the Joint Venture Agreement, ALPHA has issued a corporate guaranty in favor of BSP whereby, in the event AMPI is unable to complete the Project (for reasons attributable to the fault of AMPI), ALPHA shall pay BSP the amount of ₱600.0 million in exchange for BSP's 15% share in the sharing scheme as defined in the Joint Venture Agreement.

b. Construction Contracts

The Group entered into various construction contracts for the development of its projects. Total advances to contractors amounted to ₱413.2 million and ₱429.6 million as at December 31, 2020 and 2019, respectively.

The significant construction contracts that gave rise to the advances are as follows:

| | (In Thousands) | | |
|---|---|---|---|
| Subsidiary | **2020** | 2019 | Nature |
| ABMLHI | **₱207,776** | ₱203,827 | Supply of labor, materials, equipment and all related construction works for Alphaland Baguio Mountain Lodges Project |
| AMPI | **94,417** | 98,009 | Civil, structural, masonry works and supply and installation of materials forAlphaland Makati Place |

**Retention Payable**
Retention payable is based upon specifically identified construction contracts that stipulate the right of the Group to retain a portion of the progress billings of contractors. Depending on the terms of the contract, all retention payable shall be released to contractors upon 100% completion and acceptance of works normally within one year after completion. Total retention payable amounted to ₱384.0 million and ₱379.6 million as at December 31, 20120 and 2019, respectively. Significant contract with retention clause arises from the civil, structural and masonry works for Towers 1 to 3 and the construction of the Podium.

**Contingencies**
As a result of the dispute between the Group and with the WG, cases have been filed against each other. However, the agreement signed by the major shareholders of ALPHA (as discussed in Note 1 of the Consolidated Financial Statements), includes the assumption by BDC of the responsibility of handling all litigation and/or disputes with the WG.

*Deficiency VAT Assessment for ASTI and AMPI.* The Bureau of Internal Revenue (BIR) issued a Final Decision on Disputed Assessment (FDDA) to ASTI and AMPI on June 20, 2016 covering the taxable year 2014 amounting to ₱30.9 million. ASTI and AMPI filed their respective motions for reconsideration, which were subsequently denied by the BIR. ASTI and AMPI elevated the cases to the Court of Tax Appeals (CTA). For the case against ASTI, in a Decision dated December 13, 2020, the CTA dismissed ASTI's Petition. ASTI moved for reconsideration, which was denied by the CTA. ASTI's appeal is currently pending before the CTA En Banc. For the case against AMPI, in a Decision dated January 15, 2020, the CTA decided in favor of AMPI and cancelled the Commissioner of Internal Revenue's Decision holding AMPI liable for deficiency VAT (and compromise penalty) for the period covering January 1, 2014 and June 30, 2014. The Commissioner of Internal Revenue moved for reconsideration, which is pending resolution by the CTA.

*Other Legal Cases.* There are certain lawsuits and claims filed by third parties against the Group which are either pending decision by the proper judicial bodies or under negotiation, the outcome of which are presently undeterminable. In the opinion of the Group's management, the ultimate disposition of these cases, disputes and assessments will not have a material adverse effect on the financial position or results of operations of the Group.

**Plan of Operation**
After a successful 2013 for ALPHA that saw the substantial completion of Alphaland Tower and the first phase of Alphaland Makati Place that includes The City Club, the year 2014 will be similarly busy as we focus on the second phase of Alphaland Makati Place , and the newest project in our pipeline, the Alphaland Baguio Mountain Log Homes. The last of Alphaland Balesin Island Club, whose development has significantly expanded in scope from when we first broke ground in 2011, will also be completed in 2014.

The second phase of Alphaland Makati Place will see the rising of 2 residential towers, each with 51 and 46 storeys, and a 33-storey 3rd tower that will be a hotel. The Residences at Makati Place will consist of close to 500 fully-furnished and smart units, split among 1-bedroom, 2-bedroom, and 3-bedroom units, occupying approximately 60 square meters, 90 to 120 square meters and 153 square meters, respectively. Topping off of all 3 towers is expected to be completed by October 2014 while the construction is expected to be done by October 2015.

In 2013, Alphaland Balesin Island Club, our project situated at Polillo, Quezon saw its first full year of operations and a significant growth in the number of visitors especially during the busy seasons of summer and Christmas, which prompted us to lease additional planes on top of the 4 we currently own. The construction also started to wind down during the year. For 2014, we expect the focus to shift to operations as we complete the little that is left of construction including Toscana and the Royal Suites. Furthermore, we expect our international exposure to increase as we expand our share offering to neighboring Asian countries such as Hong Kong, Japan and Indonesia.

Among the projects to be undertaken in 2014 is the Alphaland Baguio Mountain Log Homes Project, which covers approximately 70 hectares of rolling terrain in Itogon, Benguet. The Company aims to transform the property into high-end log cabin homes, prefabricated and imported from the United States of America. Each log homes will have a full panoramic view of Baguio or the northern - mountains beyond.

ALPHALAND BAGUIO MOUNTAIN LODGES

The Alphaland Baguio Mountain Lodges is a master-planned development of 300 lodgestyle log homes, situated on an 82-hectare property. The development is just 9 kilometers north of Baguio City on Ambuklao Road, which is now fully paved and is only a 15-minute drive from Baguio City proper. The development also offers two helipads

The site enjoys lush Benguet pine forest and totally pollution-free mountain air. In addition to about 10,000 Benguet pine trees on the property (some over a hundred years old), we maintain a nursery for another 50,000 pine trees, all of which will be eventually planted all over the property, making it one of the most lush pine forests in all of Benguet.

There are 7 designs and floor plans to choose from, and the homes are sited to maximize the views of the surrounding pine-forested mountains. The free-standing, individual log homes range in size from 4 to 6 bedrooms, while quadruplexes house the 2- and 3-bedroom homes; all are fully furnished. Each home is constructed from western cedar or pine logs imported from Scandinavia. The entire property is secured by an 8-foot concrete perimeter fence, with 12 security outposts.

The master plan was completed by EcoPlan of Florida in the U.S., the same master planner for Balesin Island. The lodges are sold individually as horizontal condominiums, where the land is proportionately owned by all 300 homeowners. This allows for the optimization of the locations and views of all of the home sites.

Each quadruplex or cluster of 5 to 8 individual homes has its own water cistern that collects rainwater from the roof of each building. Landscaping is provided and maintained by Alphaland, to the usual superior Alphaland standard.

On the main Ambuklao Road part of the property, we will construct a commercial center consisting of several pine log units, which we will provide rent-free to the best restaurants and popular shops in Baguio, as well as a laundromat for the convenience of our homeowners.

We have also completed the mini sports center, which has been used for wedding receptions in addition to sports and recreation. In addition, we have a 2 km hiking trail. We also have a horseback riding trail with ponies from Wright Park.

ALPHALAND MAKATI PLACE

Recent years' economic growth has resulted in the expansion of Makati's vibrant Central Business District. Alphaland Makati Place, located on a premium one-hectare property along Ayala Avenue Extension, near office buildings, schools, shopping centers, hospitals, and community areas, leads the charge.

Alphaland Makati Place is a state-of-the-art office, residential, and leisure complex that offers an integrated lifestyle solution in one dynamic complex. Every detail is planned for efficiency, sustainability, and enjoyment.

It consists of 1 corporate and 2 residential/hotel towers atop the six-storey podium. The first three floors of the podium are home to an upscale public shopping center, high-end supermarket, world-class restaurants, and service hubs. The upper three floors of the podium house The City Club, an exclusive urban sport and leisure membership club and business haven. The City Club also houses Aegle Wellness Center, a center for longevity and holistic health. Atop the sixstorey podium are the

256 units that compose The Alpha Suites luxury serviced residences, the 244 condominium units that make up The Residences at Alphaland Makati Place, and the 34-storey Alphaland Corporate Tower.

Alphaland Makati Place is the only complex in the Central Business District to present such a comprehensive living solution. It is designed by the well-established Hong Kong architectural and engineering practice, Wong & Ouyang, and the leading architectural firm in the Philippines, Casas + Architects. This complete community is designed to cut down on commuting to enable residents and guests to save time and energy, and minimize traffic, all in secure, private surroundings.

Alphaland Makati Place is designed from the ground up with state-of-the-art building management, automation, and security, as well as energy-efficient mechanical, electrical, and sanitary systems. The complex consumes far less water and energy than comparable buildings, minimizing carbon emissions and unnecessary costs, while still achieving a high level of comfort. Moreover, the complex offers five levels of underground parking, which reduces the urban "heat island effect". The project is registered under the United States Green Building Council (USGBC) rating system, which administers the Leadership in Energy and Environmental Design (LEED).

To keep Alphaland Makati Place 100% free from COVID-19, the following have been implemented:

• Continuous monitoring of the guidelines of Philippine and global public health authorities (including the World Health Organization) for health and safety protocols

• Screening all City Club members and guests, and Aegle Wellness Center clients, for COVID-19 risks by having them complete travel and health questionnaires prior to entering, and Alpha Suites guests prior to check-in

• Alpha Suites guests are also required to present a negative same-day antigen swab test result prior to check-in

• Mandatory temperature check, hand sanitization, and use of disinfecting footbath upon entry

• Compulsory wearing of face masks and face shields by all staff and guests within the building complex

• Provision of hand sanitizers at the Front Desk and at our restaurant takeout stations

• Enforcement of physical distancing in elevators and common areas of the hotel

• Heightened sanitation of all public areas and surfaces every 30 minutes

**ALPHALAND CORPORATE TOWER**

The Alphaland Corporate Tower is a 34-storey, Grade AAA office building located in the heart of Makati's Central Business District on prestigious Ayala Avenue. Part of the Alphaland Makati Place complex, it offers total leasable space of 26,582 sqm, a panoramic view from each floor, and a total of 27 floors, each with a floor plate of 950 sqm.

Completed in early 2018, the Corporate Tower was fully leased by mid-2018. Each tenant is entitled to ten City Club shares (worth Php 1.5 million each for a total of Php 15 million) at no cost. The tower offers four high-speed elevators, an all-granite and marble entrance lobby, 100% backup genset, and the exclusive Top of the Alpha events venue on the penthouse floor, with its own private elevator..

**THE ALPHA SUITES LUXURY SERVICED RESIDENCES**

In late 2017, Alphaland decided to convert its unsold inventory in The Residences at Alphaland Makati Place into luxury serviced apartments. The Alpha Suites serviced residences was launched in May 2018, and is wholly owned and operated by Alphaland Corporation. Composed of 256 suites, it offers several different room types: 1-Bedroom, 2-Bedroom, 2-Bedroom Deluxe, 3-Bedroom, two Penthouses, and a two-level Presidential Suite.

Each suite offers bespoke furniture, top-ofthe-line appliances, and premium bathroom fixtures. Every unit has a fully equipped kitchen with dishwasher as well as automated lights, window shades, TV lift, and air conditioning; laundry washer and dryer; minibar; and a safe, with the larger units also including a wine chiller. Fixtures for the suites were handpicked from leading global brands, such as Philippe Starck and Electrolux.

Guests of The Alpha Suites have full access to the 50+ facilities and amenities of The City Club, located in the same building, including the nine world-class restaurants, expansive swimming pool, indoor tennis, badminton, basketball and squash courts, 500-square meter gym, business facilities, etc.

Despite its very recent entry into the hotel market as an independent, non-affiliated property, The Alpha Suites has been ranked the #1 hotel in Makati and Metro Manila on Tripadvisor, the world's leading travel platform, since July 2019.

As we navigate through the new normal of travel, The Alpha Suites remains committed to maintaining the highest standards of hospitality while reinventing the way we deliver guest experiences for a safe and worry-free stay at your five-star home in the city.

Here are the specific steps that we are implementing as part of our commitment to keeping The Alpha Suites 100% free of COVID-19:

• Continuous monitoring of the guidelines of Philippine and global public health authorities (including the World Health Organization) for health and safety protocols

• Screening all guests for COVID-19 risks by having them complete travel and health questionnaires prior to check-in

• COVID-19 antigen swab testing of guests according to the existing guidelines

• Mandatory temperature check, hand sanitization, and use of disinfecting footbath upon entry to hotel

• Compulsory wearing of face masks and face shields by all staff and guests within the building complex, and wearing of disposable gloves by our front-line staff

• Provision of hand sanitizers at the Front Desk and at our restaurant takeout stations

• Enforcement of physical distancing in elevators and common areas of the hotel

• Heightened sanitation of all public areas and surfaces every 30 minutes

• UV treatment of all suites prior to checkin to ensure the elimination of harmful pathogens on room surfaces

• Increased frequency of disinfection of all high-touch areas in the suites

• Application of door seal to ensure that the suite has not been accessed by anyone after sanitation by Housekeeping

**THE RESIDENCES AT ALPHALAND MAKATI PLACE**

Dubbed "the home of the future", The Residences at Alphaland Makati Place incorporates the limitless possibilities of futurereceptive technology into residents' daily lives through the incorporation of fiber optic infrastructure.

The Residences at Alphaland Makati Place, a meticulously designed complex that ensures a natural fusion of aesthetics and efficiency, offers fully fitted and fully furnished, stateof-the-art Ayala Avenue apartments. The strategic location of the complex makes it a perfect home for dynamic executives, young families, and upwardly mobile singles. The complex incorporates high-speed fiber optic infrastructure, ensuring that it will be technologically advanced for years to come.

Each unit in The Residences at Alphaland Makati Place comes with a resident membership in The City Club, whose top-of-the-line facilities are dedicated to fulfilling the most demanding lifestyle needs.

**TOP OF THE ALPHA**

The Top of the Alpha is Manila's premier destination for upscale bar & lounge entertainment and private events. The venue features a magnificent view from every part of the 34th floor penthouse of the Alphaland Corporate Tower in Makati.

Top of the Alpha has an L-shaped music lounge where well-known jazz bands have performed, a Tabacalera Cigar Divan featuring the country's finest hand-rolled cigars and single-malt Scotch and Cognac pairings, and an open-air wraparound terrace for dining and lounging with a spectacular view of the metropolis. It also has three beautifully designed private rooms featuring large TV monitors where you can view the live bands or your choice of music in a plush, private setting.

Top of the Alpha is also a premier private events venue serving refined continental cuisine and fine wines and spirits, with live acoustic music and the beautiful view of the metro as its backdrop

**AEGLE WELLNESS CENTER**

Aegle Wellness Center is a state-of-the-art integrative health and wellness center purposely set in two complementary sites—a five-star citycenter facility and an exclusive island resort setting—to nurture and sustain our unique and bespoke wellness programs.

Named after the Greek goddess of radiant good health, Aegle illustrates the marriage of science and health—Aegle being the daughter of Aesculapius, the god of medicine, and Epione, the goddess of soothing of pain. Aegle is the sister of Panacea, the goddess of medicines, and Hygeia, goddess of health.

Aegle is devoted to the maintenance of health through lifestyle modification based on cuttingedge technology from the basic sciences such as cell physiology, molecular biology, and human genomics. Protocols are hinged on the four foundations of wellness: natural detoxification, weight management, ageing medicine, and holistic health.

Complementing the limitations of Western medicine with the preventive health values of traditional healing, Aegle provides multi-faceted programs to address health concerns ranging from treatment of lifestyle diseases, to enhancing function and athletic performance, to providing support for prevention of terminal illness.

Leading Aegle's acclaimed medical team is Dr. Benedict Valdecañas, the country's leading authority in the field of Sports and Regenerative Medicine. The city-center facility of Aegle Wellness Center, which is located at The City Club, began operations in late 2015, while its second center, located adjacent to the Mykonos Beach Villas in Balesin Island Club, opened its doors in April 2016. The Aegle facility at Balesin offers Thalassotherapy as a centerpiece of its wellness programs.

SERVICES AND PROGRAMS

- Professional Assessment & Evaluation
- Professional Age Management Consults
- Exercise Instruction, Initiation, Integration and Physical Therapy
- Nutritional Consults, Weight Management and Support
- Life Coaching
- Mindfulness Coaching
- Thalassotherapy (Aegle - Balesin only)

• Laboratory Assessment
- COVID-19 Reverse Transcription Polymerase Chain Reaction, Rapid Antigen, and Rapid Antibody Testing
- Complete Blood Analysis and Serum Chemistry
- Body Composition Analysis (BCA)
- Metabolic Analysis Testing
- Food Sensitivity Testing
- Genomic Analysis
- Hormonal Assay
- Micronutrient Assay
- Cancer Markers
- Toxicology Scan
- Gut Microbiome Analysis
- Oxidative Stress
- Neurotransmitter Assay
- Amino Acid Assay
- Cardiovascular
- Chronic Fatigue Syndrome
- Ancillary Assessment
- Plethysmography
- Live Blood Analysis

TREATMENTS
• Hyperbaric Oxygen Therapy (HBOT)
• Colon Hydrotherapy
• Intravenous Detoxification
• Intravenous Supplementation

AESTHETIC TREATMENTS
• Skin Renewals
• Skin Regeneration & Remodeling
• Body Reshaping
• FaceFitness and FaceFitness Luxe

**BALESIN INTERNATIONAL GATEWAY**

Alphaland has acquired 732 hectares on Patnanungan Island, which is only 21 nautical miles north of Balesin. Between Balesin and Patnanungan it takes only ten minutes by helicopter, five minutes by our Cessnas, and half an hour by a fast ferry.

We plan to build a full international airport facility with a runway of 2,500 meters, which will accommodate even wide-body jets, although we are targeting only the Airbus 320s that fly around the region.

We have always envisioned making Balesin directly accessible to international flights. With the establishment of the Balesin Gateway International Airport, our international members and guests will be able to bypass the congestion of NAIA in Manila and fly directly to Balesin from Tokyo, Seoul, Taipei, Hong Kong, Bangkok, Singapore, and Jakarta, and even Sydney, all cities that will be the target of our aggressive international marketing of Balesin Island Club.

Because the island has fresh ground water, we also plan to build an 18-hole championship golf course and 5 luxury hotels, as well as 1,834 beachfront and golf course homes. So that we do not end up with a mish-mash of designs and are able to preserve the pristine character of the land, we will design and build each individual home. The homes can be directly owned by individuals and companies who would like to acquire their own beach houses. We have partnered with EcoPlan (the same master planner of Balesin Island) to finalize the master plan for the island, and continue to work on obtaining the necessary permits and regulatory approvals.

**ALPHALAND AVIATION**

Alphaland Aviation's fleet of aircraft includes two 68-seater ATR 72-500s, two 9-seater Cessna 208B Grand Caravans, and a 12-passenger Dassault Falcon 900EX, as well as a 5-passenger Eurocopter EC-130B4 helicopter.

ALPHALAND CLARK HANGAR AND LOUNGE

Alphaland's private hangar and lounge at Clark International Airport in Pampanga has allowed us to offer additional and more convenient flights for Balesin members who live in the northern part of Metro Manila and in Central Luzon. In addition to our usual service from NAIA, we now schedule flights to and from Clark to avoid the air traffic and runway congestion at NAIA.

**Item 7. Financial Statements**

The audited financial statements of the Group as of and for the year ended December 31, 2020 are filed as part of this Form 17-A.

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

In 2020, the Company engaged Reyes Tacandong & Co. as its external auditor for the year. There were no changes in or disagreements with accountants on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure during the past calendar year.

## PART III - CONTROL AND COMPENSATION INFORMATION

**Item 9. Directors and Executive Officers of the Issuer**

**(1) Board of Directors and Executive Officers**

The names of the Directors and Executive Officers of the Corporation as of December 31, 2020, and their respective ages, positions held, and periods of service are as follows:

| *Name* | *Age* | *Position* | *Period During Which the Individual has Served as Such* |
|---|---|---|---|
| Roberto V. Ongpin | 84 | Chairman of the Board, Chief Executive Officer and Director | November 11, 2009 to present |
| Anna Bettina Ongpin | 56 | Vice-Chairman<br>and Director | February 1, 2020 to present;<br>March 19, 2014 to present |
| Eric O. Recto | 57 | Vice Chairman and Director | June 20, 2018 to present |
| Dennis O. Valdes | 59 | President<br>and Director | February 1, 2020 to present;<br>November 11, 2009 to present |
| Lorenzo V. Tan | 59 | Director | June 20, 2018 |
| Mario A. Oreta | 74 | Director | November 11, 2009 to present |
| Dennis A. Uy | 47 | Director | June 20, 2018 |
| Francisco Ed. Lim | 66 | Director | June 20, 2018 |
| Juan Edgardo M. Angara | 49 | Director | June 20, 2018 |
| Margarito B. Teves | 77 | Independent Director | August 31, 2011 to present |
| Jose Ramon T. Villarin | 61 | Independent Director | June 20, 2018 |
| Gilberto Eduardo | 57 | Independent Director | June 20, 2018 |

| *Name* | *Age* | *Position* | *Period During Which the Individual has Served as Such* |
|---|---|---|---|
| Gerardo C. Teodoro, Jr. | | | |
| Florentino M. Herrera III | 70 | Independent Director | June 20, 2018 |
| Gregorio T. Yu | 64 | Independent Director | June 20, 2018 |
| Jaime G. Bautista | 64 | Director | September 17, 2019 to present |
| Michael Angelo Patrick M. Asperin | 62 | Chief Operating Officer | May 31, 2016 |
| Cristina B. Zapanta | 57 | Treasurer and Senior Vice President for Finance | As Treasurer: May 17, 2016<br>As SVP for Finance: June 1, 2017 |
| Jason J. Alba | 47 | Corporate Secretary | June 14, 2017 |
| Jonamel G. Israel-Orbe | 48 | Assistant Corporate Secretary | May 2016 up to present |

Following are information on the educational attainment, business experience and credentials of each of the above-named Directors and Officers of the Corporation:

**ROBERTO V. ONGPIN,** *Chairman of the Board, Chief Executive Officer and Director*
Mr. Ongpin, Filipino, 84 years old, was elected Director and Chairman of the Board in November 11, 2009. He is also the Chairman of Atok-Big Wedge Company, Inc. (AB) and Alphaland Balesin Island Club, Inc. and former Director of San Miguel Corporation (SMC), PAL Holdings, Inc. (PAL) and Petron Corporation (PCOR). In Hong Kong, he was the Non-Executive Director of Shangri-La Asis and was the Deputy Chairman of the South China Morning Post, both listed in the Hong Kong Stock Exchange. He was also a Non-Executive Director of Forum Energy PLC (United Kingdom). Mr. Ongpin graduated cum laude in Business Administration from the Ateneo de Manila University, is a Certified Public Accountant, and has an MBA from Harvard Business School.

**ANNA BETTINA ONGPIN,** *Vice Chairman and Director*
Ms. Ongpin, Filipino, 56 years old was elected Director on March 19, 2014 and elected as President on May 31, 2016. She has more than 20 years of communications, marketing, project management, and operations experience in the management consulting and media fields. She has a bachelor's degree in Political Science from Wellesley College.

**ERIC O. RECTO,** *Vice Chairman and Director*
Mr. Recto, Filipino, 57 years old, was elected Director on 12 November 2009 and appointed as Director on 10 December 2009. He is presently the President of Atok-Big Wedge Co., Inc. He is also the Chairman of the Philippine Bank of Communications; Director of ISM Communications Corporation; Chairman and President of Bedfordbury Development Corporation; Vice-Chairman of Alphaland Corporation; Independent Director of Aboitiz Power Corporation, Manila Water Corporation and Philippine H2O; Independent Director of Manila Water Corporation and a Member of the Board of Supervisors of Acentic GmbH. Mr. Recto served as Undersecretary of Finance of the Republic of the Philippines from 2002 to 2005, in charge of handling both the International Finance Group and the Privatization Office. Before his stint with the government, he was Chief Finance Officer of Alaska Milk Corporation and Belle Corporation. Mr. Recto has a degree in Industrial Engineering from the University of the Philippines as well as an MBA from the Johnson School, Cornell University.

**LORENZO V. TAN,** *Vice Chairman and Director*
Mr. Tan, Filipino, 59 years old, was elected Vice Chairman and Director on June 20, 2018. He is also a director of Atok-Big Wedge Company, Inc. He is a prominent banker who served as the President and Chief Executive Officer of Rizal Commercial Banking Corporation from 2007 to 2016; President of the Bankers Association of the Philippines from 2013 to 2016; and Chairman of the Philippine Dealing System Holdings Corp. until April 8, 2016. Mr. Tan is a

member of the Board of Directors of Smart Communications, Inc.; an Independent Director of Philippine Realty and Holdings Corporation (RLT) since July 13, 2016; a director of EEI Corporation (EEI) since June 16, 2017. Mr. Tan is a Certified Public Accountant in Pennsylvania, USA and in the Philippines. Mr. Tan graduated from De La Salle University, with a Bachelor of Science degree in Accounting and Commerce and holds a Master of Management degree from the J.L. Kellog Graduate School of Management in Evanston, Northwestern University.

**DENNIS O. VALDES,** *Director and President*
Mr. Valdes, Filipino, 59 years old, was elected Director on November 11, 2009. He is presently the President of WEB and a director of AB. His previous work experience includes 10 years with the Inquirer Group of Companies, as a Director of the newspaper, and he was also in charge of expanding their Internet, printing, and ink-making operations. Prior to that, he spent six years with The Nutra Sweet company developing its businesses in Asia. He is a certified public accountant, graduated magna cum laude in Business Administration and Accountancy from the University of the Philippines and has an MBA degree from the Kellogg School of Management, Northwestern University.

**JAIME J. BAUTISTA,** *Director*
Mr. Baustista, Filipino, 64 years old, was elected Director on September 17, 2019. He is also the Chairman and President of Basic Capital Investments Corp.; Chairman of Macroasia Airport Services Corp.; President of Cube Factor Holdings, Inc. and Treasurer and Director at MacroAsia Catering Services, Inc. Mr. Bautista was the former President, Director and Chief Operating Officer of PAL Holdings, Inc. and Finance Director for Allied Banking Corp. Mr. Bautista received an undergraduate degree from Letran College

**MARIO A. ORETA**, *Director*
Mr. Oreta, Filipino, 74 years old, was elected Director on November 11, 2009. He served as President of the company from 2009 to 2016. He graduated with honors from the Ateneo De Manila University with a degree in Bachelor of Laws and immediately joined the law firm of Siguion Reyna, Montecillo and Ongsiako after graduating from law school. He is the managing partner of The Law Firm of Mario A. Oreta and Partners.

**DENNIS A. UY,** *Director*
Mr. Uy, Filipino, 47 years old, was elected Director on June 20, 2018. He is also the Chairman and President of Udenna Corporation; Chief Executive Officer and President of Phoenix Petroleum Philippines, Inc. (PNX) since 2002, Comstech Integration Alliance, Inc., Chelsea Shipping Corporation, Global Synergy Trade and Distribution Corporation, Udenna Development Corporation, Value Leases Inc., and Udenna Foundation, Inc.; Chairman of 2Go Group, Inc. (2GO), Chelsea Logistics Holdings Corp. (CLC), Oilink Mindanao Distribution, Mindanao Media Dynamics, Le Don Printers and Bohemian Promotions and Training Center, Phoenix Petroleum Holdings, Inc. F2 Logistics, and Phoenix Philippines Foundation, Inc. He is also an Independent Director of Apex Mining Company, Inc. (APX) and a Director of First Oriental Packaging, Señorita Famrs, Aquamines Philippines, Bulbscor Minerals Corporation and Blucor Minerals Corporation. Mr. Uy is the Honorary Consul of Kazakhstan to the Philippines since November 2011. He holds a Bachelor of Science Degree in Business Management at the De La Salle University in Manila.

**FRANCISCO ED. LIM,** *Director*
Atty. Lim, Filipino, 66 years old, was elected Director on June 20, 2018. He is presently the Senior Partner and a member of the Executive and Special Committees of the Angara Abello Concepcion Regala & Cruz law Officers (ACCRALAW). He served as President and Chief Executive Office of the Philippine Stock Exchange, Inc. from September 16, 2004 to February 10, 2010. He is the incumbent President of the Shareholders' Association of the Philippines (SharePHIL). He is also a trustee of the CIBI Foundation, Inc. and the Judicial Reform Initiative, Inc. and a Fellow of the Institute of Corporate Directors. He is also a member of the American Bar Association, FINEX Research Foundation, Inc., International Insolvency Institute ("III"), Advisory committee for the Asian Principles of Business Restructuring Project of the III and the Asian Business Law Institute.

Atty. Lim is a columnist of The Philippine Daily Inquirer and a law professor in the Ateneo de Manila University, San Beda Graduate School of Law and a professional lecturer and the Vice-Chair of the Commercial Law Department of the Philippine Judicial Academy. He is a director of several public companies, among which are the Union Bank of the Philippines, Energy Development Corporation, The Insular Life Assurance Co., Ltd., and Producers Savings Bank Corporation. He is also director of private corporations like the Financial Executives Institute of the Philippines and Camerton Holdings. He is a member of both the Philippine Bar and the New York State Bar.

**JUAN EDGARDO M. ANGARA,** *Director*
Mr. Angara, Filipino, 49 years old, was elected Director on June 20, 2018. He was elected to the Senate of the Philippines in 2013 were he placed $6^{th}$. Prior to joining the company, he worked as a trainee at the Metopolitan Bank and Trust Company in 1991, as news reporter for The Philippine Star in 1992. He served as an apprentice and member of the delegation in the Philippine Mission to the United Nations in New York in 1994. He worked as an associate attorney at the Angara Abello Concepcion Regala and Cruz (ACCRA) law firm from 2001 to 2003. He finished his law degree at the University of the Philippines College of Law, and earned his Master of Laws degree from Harvard Law School in Cambridge, Massachusetts, United States.

**MARGARITO B. TEVES**, *Independent Director*
Mr. Teves, Filipino, 77 years old, was elected Independent Director on August 31, 2011. He is also an Independent Director of AB, Alphaland Balesin Island Club, Inc., and The City Club at Alphaland Makati Place, Inc. He was formerly Secretary of the Department of Finance, Landbank President and CEO, and a Member of the House of Representatives (representing the 3rd District of Negros Oriental). He obtained a Higher National Diploma (HND) in Business Studies, equivalent to a BSC in Business Economics, from the City of London College, and a Master of Arts (MA) in Development Economics from the Center for Development Economics, Williams College, Massachusetts, USA. He was recently conferred an Honorary Degree, Doctor of Laws, by Williams College, and named Senior Adviser to the China-Asean Economic and Culture Research Center and Visiting Professor at the Guilin University of Electronic Technology in China.

**JOSE RAMON T. VILLARIN, SJ,** *Independent Director*
Mr. Villarin, Filipino, 61 years old, was elected Independent Director on June 20, 2018. He is presently the President of Ateneo de Manila University. He is also the Vice-Chairman of the Scientific Community/Academe of the National Resilience Council. He is also a member of the Board of Governors of Asian Institute of Management (AIM) and Chairman of the Board of Trustees of Synergia, Manila Observatory and Confucius Institute. Mr. Villarin is also a member of the Board of Trustees of various private institutions among which are the Philippine Institute of Pure and Applied Chemistry, Loyola School of Theology and Ateneo de Naga University. Mr. Villarin has a degree in Physics from the Ateneo de Manila University and graduated Magna Cum Laude, Class Valedictorian and Physics Department Award of the Ateneo de Manila University.

**FLORENTINO M. HERRERA III,** *Independent Director*
Mr. Herrera, Filipino, 70 years old, was elected Independent Director on June 20, 2018. He is presently the founding partner of Herrera Teehankee & Cabrera Law Offices. He is also a director of Philippine Airlines, Inc., Rizal Commercial Banking Corporation (RCBC) and Lufthansa Technik Philippines, Inc. Mr. Herrera is the Corporate Secretary of Macro Asia Corporation and Allianz PNB Life Insurance, Inc.

**GREGORIO T. YU,** *Independent Director*
Mr. Yu, Filipino, 64 years old was elected Independent Director on June 20, 2018. He is presently the Chairman of Auto Nation Group, Inc., Cats Automobile Corp. and American Motorcycles, Inc. He is also the Vice Chairman and Director of Sterling Bank of Asia and the Chairman and President of lucky Star Network Communications, Inc. Mr. Yu is also a director of various private institutions, among which are, PAL Holdings, Inc., Philippine Bank of Communications, Philippine Airlines, Inc., Philequity Management, Inc. and CATS Asian Cars, Inc. He is a board member of Ballet Philippines and Manila Symphony Orchestra and an independent director of IRemit, Inc. and E-Business

Services, Inc.

**GILBERTO EDUARDO GERARDO C. TEODORO, JR.,** *(Independent)*
Mr. Teodoro, Filipino, 57 years old, was elected Independent Director for the company on June 20, 2018. He is also a Director of Canlubang Sugar Estate from 1991 to present and Philippine Geothermal Production Co., Inc. from 2012 to present. He is currently the Chairman and President of Bolam Holdings, Inc., Branko Holdings, Inc. and WIPSIAE Holdings, Inc. He studied law at the University of the Philippines and finished at the top of his class. He obtained his Masters of Laws degree from Harvard Law School in Cambridge, Massachusetts, United States and passed the State Bar of New York.

## OFFICERS

**MICHAEL ANGELO PATRICK M. ASPERIN**, *Chief Operating Officer*
Mr. Asperin, Filipino, 62 years old, was elected Chief Operating Officer on May 31, 2016. He is also the President and Chief Executive Officer of Alphaland Balesin Island Club, Inc. (ABICI) and handles various matters for the Group including the development of the Balesin Island Club project, as well as the operations of the aviation and security divisions of the Alphaland Group. Prior to joining ALPHA, he served as Senior Vice President for Security for WEB from 2009 to 2012, and as Enterprise Risk and Security Management Officer of PCOR from 2007-2009. He graduated from the Philippine Military Academy in 1981.

**JASON J. ALBA**, *Corporate Secretary*
Mr. Alba, Filipino, 47 years old, is also the Corporate Secretary and General Counsel of the Company and its subsidiaries. He obtained his Business Administration and Law degrees from the University of the Philippines and was admitted to the Philippine Bar in 2002. Prior to joining Alphaland, Mr. Alba was an Associate at Romulo Mabanta Buenaventura Sayoc & Delos Angeles, thereafter, he served as Vice President of Standard Chartered Bank and First Vice President of the Philippine Bank of Communications.

**CRISTINA B. ZAPANTA**, *Treasurer and Senior Vice President for Finance*
Ms. Zapanta, Filipino, 57 years old was appointed Treasurer on May 17, 2016 and Senior Vice President for Finance of the Company and its subsidiaries on June 1, 2017. She is also the Senior Vice President for Finance of Atok-Big Wedge Co., Inc. she has more than 30 years of solid experience in Finance, of which over half is in the real estate industry. She is a Certified Public Accountant.

**JONAMEL G. ISRAEL-ORBE**, *Assistant Corporate Secretary*
Ms. Israel-Orbe, Filipino, 48 years old, was appointed Assistant Corporate Secretary of the Company since May 2016 to present. She also serves as Corporate Information Officer, Deputy Compliance Officer and Assistant Corporate Secretary of Atok-Big Wedge Co., Inc., and Assistant Corporate Secretary of Alphaland Balesin Island Club, Inc., The City Club at Alphaland Makati Place, Inc. She is a member of the Philippine Bar.

**Directorship in other Reporting Companies for the last five (5) years:**

Mr. Roberto V. Ongpin is also a director and the Chairman of Atok-Big Wedge Co., Inc. (AB).

Mr. Mario A. Oreta is also a director of Atok-Big Wedge Co., Inc. (AB).

Mr. Dennis O. Valdes is also a Director of Atok-Big Wedge Co., Inc. and President of The City Club at Alphaland Makati Place, Inc. and Alphaland Balesin Island Club, Inc.

Mr. Eric O. Recto is also a director and the Chairman of PBC; director of DITO, director and the President of AB; and independent director of Aboitiz Power Corporation, Manila Water Corporation and Philippine H2O.

Atty. Lim is also director of Union Bank of the Philippines, Inc. (UBP) and Energy Development Corporation (EDC).

Mr. Herrera is also a director of Rizal Commercial Banking Corporation (RCBC).

Mr. Yu is also director of PAL Holdings, Inc. (PAL), and Philippine Bank of Communications (PBCOM), and an independent director of I-Remit, Inc. (I)

Shares of AB, DITO, PBC, WEB, UBP, EDC, RCBC, PAL and I are listed in the Philippine Stock Exchange, Inc. Shares of The City Club at Alphaland Makati Place, Inc. and Alphaland Balesin Island Club, Inc. are covered by Registration Statements filed with the SEC.

**(2) Significant Employees**

The Company considers its entire manpower complement (including that of its subsidiaries) as significant employees, expected to contribute positively to the Company's goals and objectives in line with the Company's mission, vision and objectives through the implementation of its core and foundational values.

**(3) Family Relationships**

Ms. Anna Bettina Ongpin is the daughter of Mr. Roberto V. Ongpin. Messrs. Dennis O. Valdes and Eric O. Recto are nephews of Mr. Ongpin. Other than the foregoing, the persons nominated or chosen by the Company to become Directors or Executive Officers are not related to each other up to the fourth civil degree either by consanguinity or affinity.

**(4) Involvement in Certain Legal Proceedings**

1. *Atty. Zenaida Ongkiko-Acorda, as attorney in fact of Atty. Mario E. Ongkiko and in behalf of Philex Mining Corporation vs. Roberto V. Ongpin, et al., SEC Case No. 11-166, Branch 158, Regional Trial Court of Pasig.* This involves a purported "derivative suit" filed on behalf of Philex against RVO and other companies beneficially owned by RVO in connection with Section 23.2 of the Securities Regulation Code and in order to recover the "short-swing profits" which were allegedly realized from supposed transactions involving Philex shares. A related Petition for Review on Certiorari is also pending before the Supreme Court in G.R. No. 204166, entitled *Roberto V. Ongpin, et al. vs. Acorda, et al.* There is a Petition for Certiorari which is related to this case pending with the Court of Appeals docketed as CA-G.R. SP No. 159604 (entitled Roberto V. Ongpin, et al. vs Honorable Elma M. Rafallo-Lingan, in her capacity as the presiding Judge of Branch 159 of the Regional Trial Court of Pasig City, et al.).

2. *People vs. Roberto V. Ongpin, et al., S.B.-13-CRM-0105 and S.B.-13-CRIM-0106, Sandiganbayan (Third Division).* This case was filed against RVO and others in connection with two loans obtained by Deltaventure Resources, Inc. (DVRI) from DBP. The Informations in both cases for violations of Section 3 € of R.A. No. 3019 were filed on 10 January 2013. In a Resolution promulgated on 28 May 2014, the Third Division of the Sandiganbayan granted the Accused's Motions to Quash and DISMISSED Criminal Case Nos. S.B.-13-CRM-0105 and S.B.-13-CRIM-0106. A related Petition for Review on Certiorari is pending before the Supreme Court in G.R. Nos. 217417 and 21791, entitled "*People of the Philippines vs. Reynaldo G. David, et al.*"

3. *In the matter of: Roberto V. Ongpin, Mario A. Oreta, Margarito B. Teves, et al.*, SEC-EIPD Case No. 14-3039.This concerns the findings of the Enforcement and Investor Protection Department on the liability of respondents for violation of Section 26(3) of the Securities Regulation Code (SRC) in connection with the issuance of shares of Alphaland Corporation in a capital call, stock rights offering and property for share swap which were approved and ratified by respondents as officers and members of the Board of Alphaland Corporation. On August 24, 2015, Respondents elevated the matter through notice of appeal to the SEC En Banc, where the matter is presently pending resolution. The appeal is docketed as SEC En

Banc Case No. 08-15-384, entitled "Roberto V. Ongpin, Mario A. Oreta, Margarito B. Teves, et al. vs. Enforcement and Investor Protection Department".

4. *In the Matter of: Philex Mining Corporation*, SEC-EIPD Case No. 14-3044. This concerns the findings of the Enforcement and Investor Protection Department against Mr. Roberto V. Ongpin for allegedly committing Insider Trading when he purchased Philex shares at Php19.25 to Php 19.50 per share from the open market in the morning of 02 December 2009 without disclosing to the public that the group of Mr. Manuel V. Pangilinan had agreed to purchase the said shares from him at P21.00 per share. RVO appealed the case to the SEC En Banc but the latter affirmed the findings of the EIPD. Mr. Ongpin elevated the case to the Court of Appeals by way of a Petition for Review docketed as CA-G.R. SP. No. 146704, entitled "Roberto V. Ongpin v. Enforcement and Investor Protection Department". On December 1, 2017, the Court of Appeals issued a decision in favor of RVO, reversing the SEC and finding that RVO did not commit insider trading. EIPD filed a Motion for Reconsideration, which was denied by the Court of Appeals on July 2, 2018. EIPD elevated the case to the Supreme Court by way of a Petition for Review. On September 30, 2020, The Supreme Court issued a resolution dismissing the Petition for Review filed by the SEC-EIPD. A motion for reconsideration of the dismissal is pending resolution by the Supreme Court.

Other than as stated above, the Company is not aware of any other legal proceeding including without limitation any (a) bankruptcy petition, (b) conviction by final judgment, (c) order, judgment or decree, or (d) violation of a securities or commodities law, during the last five (5) years up to the date of the filing of this Statement, to which any of its Directors and Executive Officers is a party and which is material to an evaluation of their ability or integrity to act as such.

**Item 10. Executive Compensation**

The aggregate compensation (including bonuses) paid or accrued during the last two (2) completed fiscal years and the ensuing year to the Company's Chief Executive Officers and the key officers named below, as a group, are:

| Name and Principal Position | Year | Salary (PhP) | Bonus (PhP) | Other Compensation | Aggregate Compensation (PhP) |
|---|---|---|---|---|---|
| CEO and Top 4 Highest Paid Executives<br>1. Roberto V. Ongpin, Chairman & CEO<br>2. Anna Bettina Ongpin, President<br>3. Michael A. P. M. Asperin, EVP<br>4. Enrico Sison, SVP<br>5. Mark Biddle, Executive Chef | 2019 | 127,400,000.00* | 0 | 0 | 127,400,000.00* |
| All Directors and Officers as a Group Unnamed | 2019 | 129,800,000.00 | 0 | 0 | 129,800,000.00 |
| CEO and Top 4 Highest Paid Executives | 2020 | 135,500,000.00 | 0 | 0 | 135,500,000.00 |

| | | | | | |
|---|---|---|---|---|---|
| 1. Roberto V. Ongpin, Chairman & CEO<br>2. Anna Bettina Ongpin, Vice-Chairman<br>3. Paul Dennis O. Valdes, President<br>4. Michael Angelo Patrick M. Asperin, EVP/COO<br>5. Enrico M. Sison, SVP | | | | | |
| All Directors and Officers as a Group Unnamed | 2020 | 137,900,000.00 | 0 | 0 | 137,900,00.00 |
| CEO and Top 4 Highest Paid Executives<br>1. Roberto V. Ongpin, Chairman & CEO<br>2. Anna Bettina Ongpin, Vice-Chairman<br>3. Paul Dennis O. Valdes, President<br>4. Michael Angelo Patrick M. Asperin, EVP/COO<br>5. Enrico M. Sison, SVP | 2021 | 135,500,000.00* | 0 | 0 | 135,500,000.00* |
| All Directors and Officers as a Group Unnamed | 2021 | 137,900,000.00 | 0 | 0 | 137,900,00.00* |

**Estimated aggregate compensation for the whole year 2021*

The above executive officers, aside from their compensation and bonus, are entitled to reimburse certain expenses which they incur as part of the ordinary course of business (i.e. gasoline, representation and travel expenses). There are no special terms or compensatory plans or arrangements with respect to the resignation, termination of employment of such executive officers between the Company and any of its executive officers. Likewise, there are no warrants or options held by the Company's officers or directors either singly or collectively.

The non-executive members of the Board of Directors do not receive any direct compensation from the Company. None of these directors, in their personal capacity, has been contracted and compensated by the Company for services other than those provided as a director. The members of the Board of Directors, upon attendance at each Board Meeting, is authorized under the Company's Articles of Incorporation to receive a per diem of ₱40,000.00.

The Company is being managed by the management team of its wholly-owned subsidiary, ASTI.

**Item 11. Security Ownership of Certain Record and Beneficial Owners – as of <u>December 31, 2020</u>**

**(1) <u>Security Ownership of Certain Record and Beneficial Owners</u>**

Other than those enumerated below, the Company does not know any person (including any group) to be directly or indirectly the record and/or beneficial owner of more than 5% of any class of the Company's voting securities:

| *Title of Class* | *Name and Address of Record Owner and relationship with Issuer* | *Name of Beneficial Owner and relationship with Record Owner* | *Citizenship* | *No. of Shares* | *% Held* |
|---|---|---|---|---|---|
| Common | Alphaland Development, Inc. (now Alphaland Southgate Tower, Inc.) (Alphaland Makati Place, 7232 Ayala Avenue, Bel-Air, Makati City ) Stockholder | Alphaland Corporation – Controlling Stockholder | Filipino | 13,792,109,780 | 48.55% |
| Common | RVO Capital Ventures Corporation Alphaland Makati Place, 7232 Ayala Ave. cor. Malugay St., Makati City Stockholder | Roberto V. Ongpin Benificial Owner | Filipino | 8,426,567,460 | 29.66% |
| Common | Boerstar Corporation Alphland Makati Place, 7232 Ayala Ave. cor. Malugay St. Makati City Stockholder | Roberto V. Ongpin Benificial Owner | Filipino | 1,677,884,300 | 5.91% |

**(2) Security Ownership of Management**

Other than those enumerated below, the Company's Directors and executive Officers do not beneficially own any of the Company's securities:

| *Name* | *Direct* | *Indirect* | *% to Total Outstanding Shares* |
|---|---|---|---|
| Roberto V. Ongpin | 10 | 10,385,078,120 | 36.56%% |
| Anna Bettina Ongpin | 100 | 0 | Nil |
| Eric O. Recto | 10 | 0 | Nil |
| Dennis O. Valdes | 100 | 0 | Nil |
| Mario A. Oreta | 10 | 16,400,000 | 0.58% |
| Lorenzo V. Tan | 10 | 0 | nil |
| Margarito B. Teves | 100 | 0 | Nil |
| Juan Edgardo M. Angara | 10 | 0 | Nil |
| Jaime G. Bautista | 10 | 0 | Nil |
| Florentino M. Herrera III | 10 | 0 | Nil |
| Francisco Ed. Lim | 10 | 0 | Nil |
| Gilberto Eduardo Gerardo C. Tedoro, Jr. | 10 | 0 | Nil |
| Dennis A. Uy | 10 | 0 | Nil |
| Jose Ramon T. Villarin | 10 | 0 | Nil |

| | | | |
|---|---|---|---|
| Gregorio T. Yu | 10 | 0 | Nil |

**Voting Trust Holders of 5% or More**

The Company is unaware of any person holding more than 5% of the Company's securities under a voting trust or similar arrangement. There are no voting trust agreements or any other similar agreement that may result in a change in control of the Company of which the Company has any knowledge.

**(3) Changes in Control**

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

**Item 12. Certain Relationships and Related Transactions**

The Company is not aware of any transaction in the last two (2) years, or proposed transaction to which the registrant is a party, in which the following persons have direct or indirect material interest, that were out of the ordinary course of business:

1. any director or executive officer
2. any nominee for election as director
3. any security holder named above
4. any member of the immediate family of the above-named persons

Except as disclosed in the Company's notes to financial statements contained in the Company's audited financial statements, there has been no material transaction to which the Company was or is to be a party in which any of the incumbent directors or nominee director or executive officer of the Company or owners of more than ten percent of the Company's voting shares has or is to have a direct or indirect material interest. In the ordinary course of business, the Company has transactions with other companies in which some of such persons may have an interest. Such transactions are negotiated on an arm's length basis comparable or better than that which can be provided by independent third parties.

The transactions with related parties/affiliates are carried out under commercial terms and conditions. Pricing for the sales of products are market driven. For purchases and other services, the Company's practice is to solicit competitive quotes from third parties. Transactions from any related party are evaluated on arm's length commercial terms and subject to bidding against third party suppliers. Purchases and services are usually awarded on the basis of lowest cost provider. The Company also receives/grants cash advances and other financial support from/to affiliated companies and stockholders. These cash advances to and from affiliates bear interest rate based on current bank rates and with no definite repayment period.

No director has resigned or declined to stand for re-election to the board of directors since the date of the last annual meeting of security holders because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

## PART IV. - CORPORATE GOVERNANCE

**Item 13. Corporate Governance**

The Board of Directors and Management of the Company recognize that good corporate governance is key to achieving the Company's objective of maximizing shareholder value. The institution of the Code on Corporate Governance seeks to provide the process and structure by which the business and affairs of the Company are directed and managed, in order to enhance long-term shareholder value through the enhancement of corporate performance and accountability.

Compliance with the Code of Corporate Governance is ensured by the Corporate Compliance Officer in coordination with the Chairman and President of the Company. Regular meetings are made between Management and the Board of Directors, to review and evaluate the Company's performance and address key policy matters. The Board is provided with timely and complete information for each meeting. Each director has direct access to the advice and services of management and the corporate secretary, and in appropriate circumstances, seek independent professional advice concerning the Company's affairs.

All directors are required to submit themselves for re-election every year. In consideration for their re-election, the nomination committee reviews and presents attendance and participation in meetings of the Company.

All directors are briefed by Management on the Company's business operations as well as a regular tour of the Company's manufacturing operations.

The audit committee first reviews the Company's audited financials, who then recommends approval from the board of directors before they are presented to the stockholders of the Company. It is also the audit committee which ensures independence and objectivity of the external auditors.

The Company is continually seeking measures of improving its corporate governance to further enhance corporate performance and accountability. The Directors and Management have been encouraged to regularly attend corporate governance seminars and corporate governance consultants on methods by which it can enhance its corporate performance and accountability.

No deviation from the Company's Manual Code of Corporate Governance has been noted.

## PART V. - EXHIBITS AND SCHEDULES

**Item 14. Exhibits and Current Reports under Section 17 of the Securities Regulation Code**

**(a) Exhibits**

See Accompanying Index to Financial Statements and Supplementary Schedules.

**(b) Reports on SEC Form 17-C**

During the period covered by this report, the following material events and changes in the Company were reported by the Company on SEC Form 17-C:

**28 May 2020**

Notice of Potponement of the Annual Stockholders' Meeting.

**17 June 2020**

Notice of Annual Sotckholders Meeting.

**20 July 2020**

List of Stockholders entitled to vote

**30 July 2020**

Results of Annual Stockholders Meeting

**SIGNATURES**

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned, thereunto duly authorized, in the City of Makati on MAY 12 2021

**DENNIS O. VALDES**
President

**CRISTINA B. ZAPANTA**
Senior Vice President for Finance

**JASON J. ALBA**
Corporate Secretary

SUBSCRIBED AND SWORN to before me on MAY 12 2021 at Makati City, affiants exhibited to me their Identification Documents/Community Tax Certificate Nos. as follows

| Name | I.D. | Date & Placed Issued |
|---|---|---|
| Dennis O. Valdes | TN 140-808-056 | |
| Cristina B. Zapanta | TIN 102-116-723 | |
| Jason J. Alba | TIN 127-577-540 | |

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Book No 31
Series of 2021.

GEORGE DAVID D. SITON
Appointment No. M-332
Notary Public for Makati City
Until December 31, 2022
Executive Bldg. Center Makati Ave.
cor. Jupiter St., Makati City
Roll of Attorneys No. 68402
MCLE Compliance No. VI-0021936-3-29-2019
IBP No. 002282 / Lifetime Member / 5-8-17
PTR No. 2235859 / 01.05.2021 / Parañaque City

**ALPHALAND CORPORATION AND SUBSIDIARIES**
**SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-E**

**Schedule A. Financial Assets**

| Name of Issuing entity and association of each issue (i) | Number of shares or principal amount of bonds and notes | Amount shown in the balance sheet (ii) | Valued based on market quotation at end of reporting period (iii) | Income received and accrued |
|---|---|---|---|---|
| | | | | |
| The Group has no FVPL as of December 31, 2020. | | | | |
| | | | | |
| | | | | |

(i) Each issue shall be stated separately, except that reasonable grouping, without enumeration may be made of (a) securities issued or guaranteed by the Philippine Government or its agencies and (b) securities issued by others for which the amounts in the aggregate are not more than two percent of total assets.
(ii) State the basis of determining the amounts shown in the column. This column shall be totaled to correspond to the respective balance sheet caption or captions
(iii) This column may be omitted if all amounts that would be shown are the same as those in the immediately preceding column.

**Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)**

| Name and Designation of debtor (i) | Balance at beginning of period | Additions | Amounts collected (ii) | Amounts written off (iii) | Current | Non Current | Balance at end of period |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| The Group has no receivables from directors, officers, employees, related parties and principal stockholders that did not arise from ordinary course of business. | | | | | | | |
| | | | | | | | |
| | | | | | | | |

(i) Show separately accounts receivables and notes receivable. In case of notes receivable, indicate pertinent information such as the due date, interest rate, terms of repayment and collateral, if any.

(ii) If collection was other than in cash, explain.

(iii) Give reasons for write off.

**Schedule C. Amounts Receivable from Related Companies which are eliminated during the consolidation of financial statements**

| | Name and Designation of debtor | Balance at beginning of period | Additions | Amounts collected (i) | Amounts written off (ii) | Current | Non Current | Balance at end of period |
|---|---|---|---|---|---|---|---|---|
| 1. | Alphaland Corporation | 2,685,534 | 156,680,524 | - | - | 159,366,058 | - | 159,366,058 |
| 2 | Alphaland Southgate Tower Inc. | 371,255,929 | 400,681,367 | - | - | 771,937,296 | - | 771,937,296 |
| 3 | Alphaland Balesin Island Resort Corporation | 4,870,452,058 | - | (569,004,469) | - | 4,301,447,589 | - | 4,301,447,589 |
| 4 | Alphaland Reclamation Corp. | 4,888,258 | 1,587 | - | - | 4,889,845 | - | 4,889,845 |
| 5 | Alphaland Makati Place Inc. | 6,467,005,570 | 649,313,657 | - | - | 7,116,319,227 | - | 7,116,319,227 |
| 6 | Alphaland Aviation, Inc. | 1,077,056,628 | - | (266,725,017) | - | 810,331,611 | - | 810,331,611 |
| 7 | Alphaland Aviation Pampanga, Inc. | 199,174,787 | 10,407,343 | - | - | 209,582,130 | - | 209,582,130 |
| 8 | 2258 Blue Holdings, Inc. | 26,224,172 | 26,411 | - | - | 26,250,583 | - | 26,250,583 |
| 9 | Choice Insurance Brokerage, Inc. | 16,028,025 | - | (1,338,959) | - | 14,689,066 | - | 14,689,066 |
| 10 | Alphaland Baguio Mountain Log Homes, Inc. | 1,590,187,825 | - | (425,066,585) | - | 1,165,121,240 | - | 1,165,121,240 |
| 11 | Alphaland Balesin International Gateway, Inc. | 184,942,110 | 5,932,658 | - | - | 190,874,768 | - | 190,874,768 |
| 12 | Alphaland Southgate Restaurants, Inc | 12,646,763 | 30,617 | - | - | 12,677,380 | - | 12,677,380 |
| 13 | Alphaland International, Inc. | 813,053 | - | - | - | 813,053 | - | 813,053 |
| 14 | Alphaland Wellness Center, Inc. | 128,496,572 | - | (13,860,209) | - | 114,636,363 | - | 114,636,363 |
| 15 | Aegle Drugstore, Inc. | 4,851,410 | 2,575,878 | - | - | 7,427,288 | - | 7,427,288 |
| 16 | Alphaforce Secuirty Agency, Inc. | 9,920,121 | 1,160,300 | - | - | 11,080,421 | - | 11,080,421 |
| 17 | The Alpha Suites, Inc. | 65,812,028 | 81,293,975 | - | - | 147,106,004 | - | 147,106,004 |
| 18 | Top of the Alpha, Inc. | 29,441,992 | - | (2,316,745) | - | 27,125,248 | - | 27,125,248 |
| 19 | Red Mountain Holdings, Inc. | 1,467 | 16,046 | - | - | 17,513 | - | 17,513 |
| 20 | Lodgepole Holdings, Inc. | 17,038 | 42,043 | - | - | 59,081 | - | 59,081 |
| 21 | Mt. Baguio Holding Estates, Inc. | 22,081 | 69,405 | - | - | 91,486 | - | 91,486 |
| 22 | Pinecrest Holdings, Inc. | 14,660 | 23,511 | - | - | 38,171 | - | 38,171 |
| 23 | Digital Excel Developments Limited | 412,602 | - | - | - | 412,602 | - | 412,602 |
| | **TOTAL** | **15,062,350,683** | **1,308,255,322** | **(1,278,311,984)** | **-** | **15,092,294,023** | **-** | **15,092,294,023** |

(10,958,6

(i) If collection was other than in cash, explain.

(ii) Give reasons for write off.

**Schedule D. Intangible Assets- Other Assets**

| | Description (i) | Beginning balance | Additions at cost (ii) | Charged to cost and expenses | Charged to other accounts | Other changes additions (deductions) (iii) | Ending balance |
|---|---|---|---|---|---|---|---|
| 1 | Software | ₱5,164,482 | ₱1,105,873 | ₱2,865,004 | ₱- | ₱- | ₱3,405,351 |
| 2 | Goodwill | 2,000,024 | - | - | - | - | 2,000,024 |
| | **TOTAL** | **₱7,164,506** | **₱1,105,873** | **₱2,865,004** | **₱-** | **₱-** | **₱5,405,375** |

(i) The information required shall be grouped into (a) intangible shown under the caption intangible assets and (b) deferrals shown under the caption Other Assets in the related balance sheet. Show by major classifications.

(ii) For each change representing anything other than an acquisition, clearly state the nature of the change and the other accounts affected. Describe cost of additions representing other than cash expenditures.

(iii) If provision for amortization of intangible assets is credited in the books directly to the intangible asset account, the amounts shall be stated with explanations, including the accounts charged. Clearly state the nature of deductions if these represent anything other than regular amortization.

**Schedule E. Long Term Debt**

| | Title of issue and type of obligation (i) | 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) | Details |
|---|---|---|---|---|---|
| | | | | | |
| The Group has no outstanding long term debt as of December 31, 2020. | | | | | |
| | | | | | |
| | **TOTAL** | **-** | **-** | **-** | |

(i) Include in this column each type of obligation
authorized.

(ii) This column is to be totaled to correspond to the related balance sheet caption.

(iii) Include in this column details as to interest rates, amounts or number of periodic installements and maturity dates.

**Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)**

| Name of related party (i) | Balance at beginning of period | Balance at end of period (ii) |
|---|---|---|
| | | |
| The Group has no long-term loans/ indebtedness to related parties. | | |
| | | - |
| | | - |

(i) The related parties named shall be grouped as in Schedule D. The information called for shall be stated separately for any persons whose investments were shown separately in such related schedule.
(ii) For each affiliate named in the first column, explain in a note hereto the nature and purpose of any material increase during the period that is in excess of 10 percent of the related balance at either the beginning or end of the period.

**Schedule G. Guarantees of Securities of Other Issuers**

| Name of issuing entity of securities guaranteed by the company for which this statement is filed | Title of issue of each class of securities guaranteed | Total amount guaranteed and outstanding (i) | Amount owned by person for which statement is filed | Nature of guarantee (ii) |
|---|---|---|---|---|
| | | | | |
| The Group has no guarantees of securities of other issuing entities. | | | | |
| | | - | | |
| | | - | | |

(i) Indicate in a note any significant changes since the date of the last balance sheet filed. If this schedule is filed in support of consolidated financial statements, there shall be set forth guarantees by any person included in the consolidation except such guarantees of securities which are included in the consolidated balance sheet.

(ii) There must be a brief statement of the nature of the guarantee, such as "Guarantee of principal and interest", "Guarantee of Interest", or "Guarantee of dividends". If the guarantee is of interest, dividends, or both, state the annual aggregate amount of interest or dividends so guaranteed.

**Schedule H. Capital Stock**

| | *Title of issue (i)* | *Number of shares authorized* | *Number of shares issued and outstanding shown under related balance sheet caption* | *Number of shares reserved for options, warrants, conversion and other rights* | *Number of shares held by related parties (ii)* | *Directors, officers and employees* | *Others (iii)* |
|---|---|---|---|---|---|---|---|
| 1 | Common Shares | 50,000,000,000 | 26,914,687,441 | - | 13,792,109,780 | 10,735,547,635 * | - |
| | **TOTAL** | **50,000,000,000** | **26,914,687,441** | - | **13,792,109,780** | **10,735,547,635** | **-** |

(i) Include in this column each type of issue authorized.
(ii) Related parties referred to include persons for which separate financial statements are filed and those included in consolidated financial statements, other than the issuer of the particular security.
(iii) Indicate in a note any significant changes since the date of the last balance sheet filed.

* *Out of 10,735,547,635 shares beneficially owned by directors, officers and employees, only 3,120 is directly owned by the directors, officers and employees.*

## ALPHALAND CORPORATION AND SUBSIDIARIES

## PARENT COMPANY'S RECONCILIATON OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

### DECEMBER 31, 2020

| | Amount |
|---|---|
| Retained earnings at beginning of year | ₱4,353,969,525 |
| Treasury shares | (524,282,902) |
| Net loss during the year | (13,896,132) |
| Retained earnings at end of year* | ₱3,815,790,491 |

**On March 3, 2021, the Board of Directors of ALPHA resolved that ₱2.0 billion out of the retained earnings shall be appropriated to fund the corporate projects and programs approved by the Executive Committee of the Board of Directors.*

**ANNEX 68-E: SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**

ALPHALAND CORPORATION AND SUBSIDIARIES

As of December 31, 2020 and 2019

| Ratio | Manner of Calculation | **December 31, 2020** | December 31, 2019 |
|---|---|---|---|
| **Liquidity ratios** | | | |
| Acid test/ Quick ratio | Cash plus marketable securities plus accounts receivable over current liabilities | **0.32 :1.00** | 0.32 :1.00 |
| Current ratio | Current assets over current liabilities | **1.96 :1.00** | 1.73 :1.00 |
| Cash ratio | Cash and cash equivalents plus marketable securities over current liabilities | **0.13 :1.00** | 0.08 :1.00 |
| **Financial leverage ratios** | | | |
| Debt to assets ratio | Total liability over total assets | **0.26 :1.00** | 0.26 :1.00 |
| Capitalization ratio | Long-term debt over long-term debt plus shareholders' equity | **0.00 :1.00** | 0.00 :1.00 |
| Debt to equity ratio | Interest-bearing debt over shareholders' equity | **0.00 :1.00** | 0.74 :1.00 |
| Asset-to-equity ratio | Total assets over shareholders' equity | **1.35 :1.00** | 2.85 :1.00 |
| Long-term Debt to Net Working Capital | Long-term debt over current assets-current liabilities | **0.00 :1.00** | 0.00 :1.00 |
| Interest rate coverage ratio (Times interest earned) | Earnings before interest and taxes over interest expenses of the same period | **0.00 :1.00** | 59.67 :1.00 |
| **Profitability ratio** | | | |
| Net profit margin ratio/ return on sales | Net income over net sales | **1.35 :1.00** | 3.04 :1.00 |
| Return on assets ratio | Net income over average total assets during the period | **0.02 :1.00** | 0.08 :1.00 |
| Return on investment | Net income over long-term liabilities plus equity | **0.03 :1.00** | 0.20 :1.00 |
| Gross profit margin | Gross profit over net sales | **0.47 :1.00** | 0.05 :1.00 |

alphaland
CORPORATION

April 7, 2021

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

The management of **Alphaland Corporation** (the Company) 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.

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 to do so.

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

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

Reyes Tacandong & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

**ROBERTO V. ONGPIN**
Chairman and Chief Executive Officer

**PAUL DENNIS O. VALDES**
President

**CRISTINA B. ZAPANTA**
Senior Vice President for Finance

APR 2 6 2021

SUBSCRIBED AND SWORN to before me this APR 2 6 2021 at Makati City, affiants exhibiting to me their respective identification documents, and personally known to me, follows:

| NAME | PASSPORT ID NO. | DATE OF ISSUE | PLACE OF ISSUE |
|---|---|---|---|
| Roberto V. Ongpin | P0300707A | September 17, 2016 | DFA Manila |
| Paul Dennis O. Valdes | P9052625A | October 6, 2018 | DFA MANILA |
| Cristina B. Zapanta | P3451062A | June 22, 2017 | DFA NCR East |

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Series of 2021

ATTY. HENRY D. ADASA
NOTARY PUBLIC CITY OF MANILA
UNTIL DECEMBER 31, 2021
NOTARIAL COMMISSION 2020-097 MLA
IBP NO. 141253 - 01/04/2021, PASIG
PTR NO. 9825148 - 01/05/2021 MLA
ROLL NO. 29679, TIN: 172-525-620
MCLE COMPL. NO. VII-0000165
URBAN DECA HOME MANILA, B-2, UNIT 355

## REPORT OF INDEPENDENT AUDITORS
## TO ACCOMPANY SEPARATE FINANCIAL STATEMENTS FOR FILING WITH THE BUREAU OF INTERNAL REVENUE

The Stockholders and the Board of Directors
Alphaland Corporation
Alphaland Makati Place
7232 Ayala Ave. ext. cor. Malugay Street
Makati City

We have audited the accompanying separate financial statements of Alphaland Corporation (the Company) as at December 31, 2020 and 2019 and for the three years ended December 31, 2020, 2019 and 2018, on which we have rendered our report dated April 7, 2021.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

**REYES TACANDONG & CO.**

Belinda B. Fernando

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 81207-SEC Group A
Issued January 30, 2020
Valid for Financial Periods 2019 to 2023
BIR Accreditation No. 08-005144-004-2019
Valid until October 16, 2022
PTR No. 8534275
Issued January 5, 2021, Makati City

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAY 10 2021 TSIS
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RHEA ARAGON

April 7, 2021
Makati City, Metro Manila

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 29, 2022

BDO Towers Valero (formerly Citibank Tower)
8741 Paseo de Roxas
Makati City 1226 Philippines
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# INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Alphaland Corporation
Alphaland Makati Place
7232 Ayala Ave. ext. cor. Malugay Street
Makati City

BUREAU OF INTERNAL REVENUE
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## Report on the Separate Financial Statements

*Opinion*

We have audited the accompanying separate financial statements of Alphaland Corporation (the Company), which comprise the separate statements of financial position as at December 31, 2020 and 2019, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the three years ended December 31, 2020, 2019 and 2018, and notes to separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2020 and 2019, and its separate financial performance and its separate cash flows for the three years ended December 31, 2020, 2019 and 2018 in accordance with Philippine Financial Reporting Standards (PFRS).

*Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate 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 the audit of the separate 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 Separate Financial Statements*

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate 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 to do so.

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

*Auditors' Responsibilities for the Audit of the Separate Financial Statements*

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 PSA 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, these could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain evidence that is sufficient and appropriate to provide a basis 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 auditors' report to the related disclosures in the separate 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 the auditors' 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 separate financial statements, including the disclosures, and whether the separate 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 audits.

**Report on the Supplementary Information Required under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue**

Our audits were conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information on taxes and licenses in Note 19 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such supplementary information is the responsibility of the management of the Company. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic separate financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

**REYES TACANDONG & CO.**

Belinda B. Fernando
BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until August 15, 2021
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BUREAU OF INTERNAL REVENUE
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April 7, 2021
Makati City, Metro Manila

## ALPHALAND CORPORATION

## SEPARATE STATEMENTS OF FINANCIAL POSITION

| | Note | December 31 2020 | 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 4 | **₱93,731,617** | ₱253,868,632 |
| Nontrade receivables | 5 | **515,306** | 478,629 |
| Advances to related companies | 12 | **97,000,733** | 84,939,495 |
| Other current assets | 6 | **24,142,655** | 23,211,718 |
| Total Current Assets | | **215,390,311** | 362,498,474 |
| **Noncurrent Assets** | | | |
| Investments in and advances to subsidiaries | 7 | **23,089,388,529** | 23,798,159,813 |
| Aircraft | 8 | **68,624,143** | 72,913,152 |
| Total Noncurrent Assets | | **23,158,012,672** | 23,871,072,965 |
| | | **₱23,373,402,983** | ₱24,233,571,439 |
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Payables and other current liabilities | 9 | **₱41,331,184** | ₱42,046,380 |
| Advances from related companies | 12 | **1,204,811,065** | 1,527,191,219 |
| Total Current Liabilities | | **1,246,142,249** | 1,569,237,599 |
| **Noncurrent Liability** | | | |
| Deferred tax liability | 13 | **–** | 107,598 |
| Total Liabilities | | **1,246,142,249** | 1,569,345,197 |
| **Equity** | | | |
| Capital stock | 11 | **2,702,323,272** | 2,842,173,842 |
| Additional paid-in capital | | **15,609,146,971** | 15,469,296,401 |
| Retained earnings | 11 | **4,340,073,393** | 4,353,969,525 |
| | | **22,651,543,636** | 22,665,439,768 |
| Less cost of shares in treasury | 11 | **(524,282,902)** | (1,213,526) |
| Total Equity | | **22,127,260,734** | 22,664,226,242 |
| | | **₱23,373,402,983** | ₱24,233,571,439 |



*See accompanying Notes to Separate Financial Statements.*

## ALPHALAND CORPORATION

## SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

| | Note | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| | | Years Ended December 31 | | |
| **REVENUES** | | | | |
| Interest income | 4 | ₱2,110,484 | ₱2,833,567 | ₱1,011,440 |
| Dividend income | 7 | – | 4,776,785,714 | – |
| Other income | | – | 398,885 | 84,993 |
| | | 2,110,484 | 4,780,018,166 | 1,096,433 |
| **EXPENSES** | | | | |
| Foreign exchange losses | | 7,948,244 | – | – |
| Depreciation | 8 | 4,289,009 | 4,289,009 | 4,289,010 |
| Service and professional fees | | 3,035,158 | 6,498,362 | 5,149,453 |
| Office supplies and printing | | 375,313 | 397,033 | 62,824 |
| Outside services | | 233,962 | 1,111,309 | 597,600 |
| Bank charges | | 75,905 | 8,659 | 28,743 |
| Provision for probable losses | | 70,729 | 11,243,341 | – |
| Taxes and licenses | | 42,957 | 4,563,671 | 1,833,425 |
| Representation | | 26,535 | 109,561 | 47,721 |
| Others | | 16,402 | 453,271 | 228,817 |
| | | 16,114,214 | 28,674,216 | 12,237,593 |
| **INCOME (LOSS) BEFORE INCOME TAX** | | (14,003,730) | 4,751,343,950 | (11,141,160) |
| **PROVISION FOR (BENEFIT FROM) INCOME TAX** | 13 | | | |
| Current | | – | 805 | 1,700 |
| Deferred | | (107,598) | 107,598 | – |
| | | (107,598) | 108,403 | 1,700 |
| **NET INCOME (LOSS)** | | (13,896,132) | 4,751,235,547 | (11,142,860) |
| **OTHER COMPREHENSIVE INCOME** | | – | – | – |
| **TOTAL COMPREHENSIVE INCOME (LOSS)** | | (₱13,896,132) | ₱4,751,235,547 | (₱11,142,860) |
| **Total Comprehensive Income (Loss) Per Share*** | | | | |
| Based on weighted average number of shares outstanding after the effect of stock split | 14 | (₱0.001) | ₱0.167 | (₱0.000) |

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*See accompanying Notes to Separate Financial Statements.*

*Total comprehensive income (loss) per share is computed based on weighted average number of shares outstanding after the effect of stock split which was approved by the Securities and Exchange Commission on December 10, 2018. This is intended as additional information for management reporting purposes only.

## ALPHALAND CORPORATION

## SEPARATE STATEMENTS OF CHANGES IN EQUITY

| | Note | | Years Ended December 31 | |
|---|---|---|---|---|
| | | 2020 | 2019 | 2018 |
| **CAPITAL STOCK** - ₱0.1 par value | 11 | | | |
| Balance at beginning of year | | ₱2,842,173,842 | ₱2,842,173,841 | ₱2,655,707,417 |
| Reclassification to additional paid-in capital | | (139,850,570) | – | – |
| Additions | | – | 1 | 186,466,424 |
| Balance at end of year | | 2,702,323,272 | 2,842,173,842 | 2,842,173,841 |
| **ADDITIONAL PAID-IN CAPITAL** | | | | |
| Balance at beginning of year | | 15,469,296,401 | 15,469,296,354 | 13,439,645,478 |
| Reclassification from capital stock | 11 | 139,850,570 | – | – |
| Additions | 11 | – | 47 | 2,029,650,876 |
| Balance at end of year | | 15,609,146,971 | 15,469,296,401 | 15,469,296,354 |
| **RETAINED EARNINGS (DEFICIT)** | | | | |
| Balance at beginning of year | | 4,353,969,525 | (397,266,022) | (386,123,162) |
| Net income (loss) | | (13,896,132) | 4,751,235,547 | (11,142,860) |
| Balance at end of year | | 4,340,073,393 | 4,353,969,525 | (397,266,022) |
| **TREASURY SHARES** - at cost | | | | |
| Balance at beginning of year | | (1,213,526) | (1,213,526) | (1,213,526) |
| Additions | 11 | (523,069,376) | – | – |
| | | (524,282,902) | (1,213,526) | (1,213,526) |
| | | ₱22,127,260,734 | ₱22,664,226,242 | ₱17,912,990,647 |

*See accompanying Notes to Separate Financial Statements.*

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# ALPHALAND CORPORATION

## SEPARATE STATEMENTS OF CASH FLOWS

| | Note | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| | | Years Ended December 31 | | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Income (loss) before income tax | | **(₱14,003,730)** | ₱4,751,343,950 | (₱11,141,160) |
| Adjustments for: | | | | |
| Unrealized foreign exchange loss (gain) | | **7,948,244** | (358,659) | (1,957) |
| Depreciation | 8 | **4,289,009** | 4,289,009 | 4,289,010 |
| Interest income | 4 | **(2,110,484)** | (2,833,567) | (1,011,440) |
| Dividend income | 7 | – | (4,776,785,714) | – |
| Operating loss before changes in working capital | | **(3,876,961)** | (24,344,981) | (7,865,547) |
| Decrease (increase) in: | | | | |
| Nontrade receivables | | **(36,677)** | 868,395 | (1,272,314) |
| Other current assets | | **(930,937)** | (200,027) | (482,909) |
| Increase (decrease) in payables and other current liabilities | | **(715,196)** | 30,089,812 | (18,187,947) |
| Net cash generated from (used for) operations | | **(5,559,771)** | 6,413,199 | (27,808,717) |
| Interest received | | **2,110,484** | 2,833,567 | 1,011,440 |
| Net cash provided by (used in) operating activities | | **(3,449,287)** | 9,246,766 | (26,797,277) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Additional (collection) of: | | | | |
| Investments in and advances to subsidiaries | | **(189,020,910)** | (512,207,630) | (1,260,869,170) |
| Advances to related companies | | **(12,061,238)** | (63,998,684) | 10,392,018 |
| Dividends received | | – | 4,776,785,714 | – |
| Net cash provided by (used in) investing activities | | **(201,082,148)** | 4,200,579,400 | (1,250,477,152) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Payments of long-term debt | | – | (4,776,785,714) | (1,090,942,609) |
| Proceeds from: | | | | |
| Advances from related parties | | **52,342,664** | 438,780,826 | 117,160,988 |
| Issuance of new shares | | – | 48 | 2,216,117,300 |
| Availments of long-term debt | | – | – | 400,000,000 |
| Net cash provided by (used in) financing activities | | **52,342,664** | (4,338,004,840) | 1,642,335,679 |

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(Forward)

| | | Years Ended December 31 | | |
|---|---|---|---|---|
| | Note | 2020 | 2019 | 2018 |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | | **(₱7,948,244)** | ₱358,659 | ₱1,957 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **(160,137,015)** | (127,820,015) | 365,063,207 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | | | |
| Cash and cash equivalents | 4 | **253,868,632** | 2,853,751 | 16,625,440 |
| Restricted cash | 10 | **–** | 378,834,896 | – |
| | | **253,868,632** | 381,688,647 | 16,625,440 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | | | |
| Cash and cash equivalents | 4 | **93,731,617** | 253,868,632 | 2,853,751 |
| Restricted cash | 10 | **–** | – | 378,834,896 |
| | | **₱93,731,617** | ₱253,868,632 | ₱381,688,647 |

*See accompanying Notes to Separate Financial Statements.*

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION

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# ALPHALAND CORPORATION

## NOTES TO SEPARATE FINANCIAL STATEMENTS

### 1. Corporate Information

Alphaland Corporation (ALPHA or the Company) is a holding company incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 19, 1990 primarily to acquire by purchase, negotiation or otherwise and to hold for investment or mortgage, pledge or otherwise deal with or dispose of stocks, bonds or any other obligations or securities of any entity or entities. ALPHA and its subsidiaries are collectively referred herein as the "Group."

The registered office address of ALPHA is Alphaland Makati Place, 7232 Ayala Ave. ext. cor. Malugay Street, Makati City.

The separate financial statements as at December 31, 2020 and 2019 and for the three years ended December 31, 2020, 2019 and 2018 were approved and authorized by the Executive Committee of the Board of Directors (BOD) on April 7, 2021.

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### 2. Summary of Significant Accounting Policies

**Basis of Preparation**

The separate financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) issued and approved by the Philippine Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations from International Financial Reporting Interpretations Committee.

The Company also prepares and issues consolidated financial statements for the same period in accordance with PFRS. In the consolidated financial statements, the subsidiary undertakings have been fully consolidated. Users of these separate financial statements should read them together with the consolidated financial statements in order to obtain full information on the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group. The consolidated financial statements may be obtained at the Company's registered office address and at the SEC.

Certain prior period financial statement account balances have been reclassified to conform to current period presentation. These reclassifications have no effect on the reported results of operations.

**Measurement Bases**

The separate financial statements are presented in Philippine Peso (Peso), which is the Company's functional currency. All amounts represent absolute values unless otherwise stated.

The separate financial statements of the Company have been prepared on a historical cost basis, except for aircraft which is measured at revalued amount. Historical cost is generally based on the fair value of the consideration given in exchange of assets and fair value of the consideration received in exchange for incurring a liability.

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 Company uses market observable data as far as possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Notes 8 and 16.

**Adoption of Amendments to PFRS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendments to PFRS effective January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include new concepts affecting measurement, presentation and disclosure and derecognition; improved definitions and guidance-in particular the definition of an asset and a liability; and clarifications in important areas, such as the roles of stewardship, prudence, measurement uncertainty and substance over form in financial reporting.

- Amendments to PAS 1, *Presentation of Financial Statements,* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of "material" and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is "material" if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The adoption of the foregoing amendments to PFRS did not have any material effect on the separate financial statements. Additional disclosures were included in the notes to separate financial statements, as applicable.

**Amendments to PFRS in Issue But Not Yet Effective**
Relevant amendments to PFRS, which are not yet effective as at December 31, 2020 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments 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 an entity first applies the amendment.

- Amendments to PAS 37, *Provision, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are fist applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS 2018 to 2020 Cycle:

    - Amendments to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is 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 the lender on the other's behalf. The amendments apply 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 amendments. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2023 -

- Amendments to PAS 1 - *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.

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 a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing amendments to PFRS is not expected to have any material effect on the separate financial statements of the Company. Additional disclosures will be included in the notes to separate financial statements, as applicable.

**Financial Assets and Liabilities**

*Date of Recognition.* The Company recognizes a financial asset or a financial liability in the separate statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable is done using settlement date accounting.

*Initial Recognition and Measurement.* Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

*"Day 1" Difference.* Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

*Classification.* The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). The classification of a financial asset largely depends on the Company's business model and the instrument's contractual cash flow characteristics.

The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost.

As at December 31, 2020 and 2019, the Company does not have financial assets and liabilities at FVPL and financial assets at FVOCI.

*Financial Assets at Amortized Cost.* Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized, impaired and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

This category includes cash and cash equivalents, nontrade receivables (excluding advances to employees), advances to related companies and advances to subsidiaries.

*Financial Liabilities at Amortized Cost.* Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

This category includes payables and other current liabilities (excluding provisions and statutory payables), advances from related companies and long-term debt.

**Impairment of Financial Assets at Amortized Cost**

The Company records an allowance for expected credit loss (ECL) on financial assets at amortized cost 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. The difference is then discounted at an approximation to the asset's original effective interest rate.

The Company measures loss allowances at an amount equivalent to the 12-month ECL for financial assets on which credit risk has not increased significantly since initial recognition or that are determined to have low credit risk at reporting date. Otherwise, impairment loss will be based on lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at reporting date with the risk of a default occurring on the financial instrument on the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company considers a financial asset in default when contractual payments are 90 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.

Financial asset is written off when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

**Derecognition of Financial Assets and Liabilities**

*Financial Assets.* A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has 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 right 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 the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the 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 is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

**Offsetting Financial Assets and Liabilities**
Financial assets and liabilities are offset and the net amount is reported in the separate statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the separate statements of financial position.

**Classification of Financial Instrument between Liability and Equity**
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

**Other Current Assets**
This account consists mainly of input value-added tax (VAT), advances to a service provider and creditable withholding taxes (CWT).

*Input VAT.* Expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- payables that are stated with the amount of tax included.

*Advances to a Service Provider.* Advances to a service provider are amounts paid in advance for the purchase of services in connection with the Company's operations. These are charged to expense or capitalized in the separate statements of financial position, upon actual receipt of services. These are considered as nonfinancial assets as these will be applied against future billings from service provider.

*CWT.* CWT represents the amount withheld by the Company's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation. CWT is stated at its net realizable amount.

**Investments in Subsidiaries**
Subsidiaries are entities controlled by the Company. The Company has control when it is exposed, or has right, to variable returns from its investment with the investee and it has the ability to affect those returns through its powers over the investee. The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to elements evidencing control.

The Company recognizes dividends from its subsidiaries in profit or loss when its right to receive the dividend is established.

The Company carries its investment in subsidiaries using the cost method. Under the cost method, investments are carried in the Company's separate statements of financial position at cost less any impairment in value.

**Aircraft**

The Company adopted the revaluation model in measuring its aircraft. Under the revaluation model, aircraft is initially recorded at cost and subsequently measured at fair value less accumulated depreciation and impairment losses, if any. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Additions subsequent to the last appraisal date are stated at acquisition cost.

A revaluation increase is recorded initially in other comprehensive income and accumulated to the revaluation surplus in equity. However, the increase is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. A revaluation decrease is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in revaluation surplus in equity in which case the decrease is recognized in other comprehensive income.

Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Each part of the aircraft with a cost that is significant in relation to the total cost of the item is depreciated separately. Depreciation of aircraft is computed on a straight-line basis over the estimated useful life of 15 to 23 years.

The estimated useful life and depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of aircraft.

An item of aircraft is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

**Impairment of Nonfinancial Assets**

Nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the 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 (CGU) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU 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.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**Capital Stock and Additional Paid-in Capital**

Capital stock is measured at par value for all shares issued and outstanding. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital.

Incremental costs directly attributable to the issue of new capital stock are recognized as a deduction, net of tax, from the equity.

**Retained Earnings (Deficit)**

Retained earnings (deficit) represent accumulated earnings and losses of the Company and net of dividend distribution, if any.

**Treasury Shares**

Treasury shares are own equity instruments which are reacquired. These are recognized at cost and deducted from equity. No gain or loss is recognized in the profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as additional paid-in capital. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them.

**Interest Income**

Interest income is recognized as the interest accrues taking into account the effective yield on the assets.

**Dividend Income**

Dividend income is recognized when the Company's right to receive the dividend is established.

**Other Income**

Income from other sources is recognized when earned during the period.

**Expense Recognition**

Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletion of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. These are expensed as incurred.

**Income Taxes**

*Current Tax.* Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and the tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

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

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax credits (excess of minimum corporate income taxes or MCIT over regular corporate income taxes) and unused tax losses (net operating loss carryover or NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 assets to be utilized. Unrecognized deferred tax assets are re-assessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

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

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

Deferred tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity as other comprehensive income.

**Foreign Currency-Denominated Transactions**

Transactions denominated in foreign currencies are initially recorded in Peso using the exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency using the rate of exchange prevailing at the reporting date. Foreign exchange differences between the rate at transaction date and settlement date or reporting date are credited to or charged against profit or loss. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the dates of initial transactions.

**Related Parties and Transactions**

A related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity, or between, and/or among the reporting entity and its key management personnel, directors or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

**Provisions**

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

Provisions are made using the best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period these arise.

**Contingencies**

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

**Events after the Reporting Date**

Post year-end events that provide additional information about the Company's financial position at reporting date (adjusting events) are reflected in the separate financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to separate financial statements when material.

## 3. Significant Judgment, Accounting Estimates and Assumptions

The preparation of the separate financial statements in accordance with PFRS requires management to exercise judgment and make estimates and use assumptions that affect amounts of assets, liabilities, income and expenses reported in the separate financial statements. The judgment, estimates and assumptions used in the separate financial statements are based upon management's evaluation of relevant facts and circumstances as at reporting date. While management believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

**Judgment**

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

*Determining the Functional Currency.* Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be Peso. Peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the operations of the Company.

*Establishing Control over Subsidiaries.* The Company determined that it has control over its subsidiaries by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following were also considered:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual agreements
- The Company's voting rights and potential voting rights

*Evaluating Legal Contingencies.* There are ongoing litigations involving the Company which management believes would not have a material adverse impact on the Company's financial condition and results of operations. The estimate of the probable costs for the resolution of possible claims have been developed in consultation with legal counsel handling the Company's defense in these matters and is based upon an analysis of potential results (see Note 17).

**Estimates and Assumptions**

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

*Assessing ECL on Financial Assets at Amortized Cost.* Under PFRS 9, the Company determines allowance for impairment losses based on ECL. The Company assessed that cash and cash equivalents are deposited with reputable banks that possess good credit ratings.

Nontrade receivables, advances to related companies and advances to subsidiaries are noninterest-bearing and due and demandable. Under PFRS 9, these credit exposures are considered to be in default when there is evidence that the counterparty is in significant financial difficulty such that it will not have sufficient liquid assets to repay its obligation upon demand. This is assessed based on a number of factors, including key liquidity and solvency ratios. After taking into consideration the counterparties' ability to pay depending on the sufficiency of liquid assets, the risk of default is assessed to be minimal.

No impairment loss was recognized in 2020, 2019 and 2018. The carrying amounts of financial assets carried at amortized cost are as follows:

| | Note | 2020 | 2019 |
|---|---|---|---|
| Cash and cash equivalents | 4 | **₱93,731,617** | ₱253,868,632 |
| Nontrade receivables* | 5 | **485,816** | 270,148 |
| Advances to related companies | 12 | **97,000,733** | 84,939,495 |
| Advances to subsidiaries | 7 | **9,715,625,406** | 10,424,396,690 |

**Excluding advances to employees amounting to ₱29,490 and ₱208,481 at December 31, 2020 and 2019, respectively.*

*Estimating Useful Life of Aircraft.* The Company estimates the useful life based on the period over which these assets are expected to be available for use. The estimated useful life is reviewed periodically and is updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of these assets. In addition, estimation of the useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

There were no changes in the estimated useful life of aircraft in 2020, 2019, and 2018.

*Determining Fair Value of Aircraft Measured at Revalued Amount.* Management uses valuation techniques where active market quotes are not available to determine the fair value of nonfinancial assets. This includes developing estimates and assumptions consistent with how market participants would price the asset. As at reporting date, the management has assessed that the carrying amount of acquired aircraft approximates its fair value.

The carrying amount of aircraft amounted to ₱68.6 million and ₱72.9 million as at December 31, 2020 and 2019, respectively (see Note 8).

*Estimating Nonfinancial Assets for Impairment.* The Company assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that can materially affect the separate financial statements.

No impairment loss on nonfinancial assets was recognized in 2020, 2019 and 2018. The carrying amounts of nonfinancial assets are as follows:

| | Note | **2020** | 2019 |
|---|---|---|---|
| Other current assets | 6 | **₱24,142,655** | ₱23,211,718 |
| Investments in subsidiaries | 7 | **13,373,763,123** | 13,373,763,123 |
| Aircraft | 8 | **68,624,143** | 72,913,152 |

*Assessing Realizability of Deferred Tax Assets.* The Company reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The Company's assessment of the recognition of deferred tax assets is based on the projected taxable income in the following periods. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Management has assessed that it is not probable that sufficient taxable income will be available to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets amounted to ₱9.6 million and ₱8.6 million as at December 31, 2020 and 2019, respectively (see Note 13).

## 4. Cash and Cash Equivalents

This account consists of:

| | **2020** | 2019 |
|---|---|---|
| Cash in banks | **₱2,786,270** | ₱693,632 |
| Short-term investments | **90,945,347** | 253,175,000 |
| | **₱93,731,617** | ₱253,868,632 |

Cash in banks earn interest at prevailing bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Company, and earn interest at the prevailing short-term investment rates.

Interest earned amounted to ₱2.1 million, ₱2.8 million and ₱1.0 million in 2020, 2019 and 2018, respectively.

## 5. Nontrade Receivables

This account consists of:

| | **2020** | 2019 |
|---|---|---|
| Nontrade receivables | **₱485,816** | ₱270,148 |
| Advances to employees of a related company | **29,490** | 208,481 |
| | **₱515,306** | ₱478,629 |

Nontrade receivables are unsecured, noninterest-bearing and are generally collectible within one year.

Advances to employees of a related company are noninterest-bearing and are subject to liquidation for a specified period of time.

## 6. Other Current Assets

This account consists of:

| | 2020 | 2019 |
|---|---|---|
| Input VAT | **₱23,088,079** | ₱22,960,561 |
| Advances to a service provider | **814,669** | – |
| CWT | **57,364** | 57,364 |
| Others | **182,543** | 193,793 |
| | **₱24,142,655** | ₱23,211,718 |

## 7. Investments in and Advances to Subsidiaries

This account consists of:

| | Note | 2020 | 2019 |
|---|---|---|---|
| Investments in subsidiaries | | **₱13,373,763,123** | ₱13,373,763,123 |
| Advances to subsidiaries | 12 | **9,715,625,406** | 10,424,396,690 |
| | | **₱23,089,388,529** | ₱23,798,159,813 |

Acquisition costs of investments in subsidiaries are as follows:

| | 2020 | 2019 |
|---|---|---|
| Alphaland Southgate Tower, Inc. (ASTI) | **₱11,978,987,410** | ₱11,978,987,410 |
| Alphaland Balesin Island Resort Corporation (ABIRC) | **1,290,581,165** | 1,290,581,165 |
| Alphaland Aviation, Inc. (AAI) | **49,999,500** | 49,999,500 |
| Alphaforce Security Agency, Inc. (ASAI) | **19,158,843** | 19,158,843 |
| Aegle Wellness Center, Inc. (AWCI) | **18,750,000** | 18,750,000 |
| Alphaland Reclamation Corporation (ARC) | **6,663,705** | 6,663,705 |
| Alphaland International, Inc. (AII) | **6,250,000** | 6,250,000 |
| Alphaland International, Inc. - BVI (AIIBVI) | **800,000** | 800,000 |
| Lodgepole Holdings Inc. (LHI) | **625,000** | 625,000 |
| Redstone Mountain Holdings, Inc. (RMHI) | **625,000** | 625,000 |
| Mt. Baguio Holding Estates Inc. (MBHEI) | **625,000** | 625,000 |
| Pinecrest Holdings, Inc. (PHI) | **625,000** | 625,000 |
| Alphaland Baguio Mountain Log Homes, Inc. (ABMLHI) | **62,500** | 62,500 |
| Alphaland International Balesin Gateway, Inc. (ABIGI) | **10,000** | 10,000 |
| | **₱13,373,763,123** | ₱13,373,763,123 |

Details of the Company's unpaid subscription are as follows:

| | 2020 | 2019 |
|---|---|---|
| AWCI | **₱56,250,000** | ₱56,250,000 |
| AII | **18,750,000** | 18,750,000 |
| LHI | **1,875,000** | 1,875,000 |
| RMHI | **1,875,000** | 1,875,000 |
| MBHEI | **1,875,000** | 1,875,000 |
| PHI | **1,875,000** | 1,875,000 |
| ABMLHI | **187,500** | 187,500 |
| | **₱82,687,500** | ₱82,687,500 |

Further information about the subsidiaries of the Company is as follows:

| Company | Nature of Business | Percentage of Effective Ownership 2020 and 2019 |
|---|---|---|
| ASTI | Real property development | 100 |
| ABMLHI | Real property development | 100 |
| ABIGI | Real property development | 100 |
| ARC | Real property development | 100 |
| ABIRC | Real property development | 100 |
| AAI | Aviation | 100 |
| AWCI | Wellness center | 100 |
| AII | Holding company | 100 |
| AIIBVI | Holding company | 100 |
| RMHI | Holding company | 100 |
| LHI | Holding company | 100 |
| MBHEI | Holding company | 100 |
| PHI | Holding company | 100 |
| ASAI | Security agency | 80 |

- ASTI was incorporated and registered with the Philippine SEC on May 29, 2007 as Alphaland Corporation. The Philippine SEC approved the change in its corporate name to "Alphaland Development, Inc." on December 28, 2009 and then to "Alphaland Southgate Tower, Inc." on October 15, 2015.

  ASTI's main property is a 20-storey office tower building with a six-storey podium shopping mall known as Alphaland Southgate Tower. This property was sold in 2019 resulting to a loss of ₱7,003.3 million.

  In 2019, ASTI declared and paid dividends to the Company amounting to ₱18.91 per share for a total of ₱4,776.8 million (see Note 12).

- ABMLHI was incorporated and registered with the Philippine SEC on January 17, 2013 as Alphaland Holdings Company, Inc. On September 7, 2016, the Philippine SEC approved the change in its corporate name to "Alphaland Baguio Mountain Log Homes, Inc."

  ABMLHI's main project is the Alphaland Baguio Mountain Lodges Project which pertains to 24.5 hectares of land situated in Benguet that is currently being developed as horizontal condominium for sale.

- ABIGI was incorporated and registered with the Philippine SEC on May 19, 2010 as Aklan Boracay Properties, Inc. The Philippine SEC approved the change in the corporate name to "Alphaland Balesin Gateway, Inc." on October 17, 2016 then to "Alphaland Balesin International Gateway, Inc." on April 10, 2018.

- ARC was incorporated and registered with the Philippine SEC on April 5, 2011 primarily to engage in the construction of reclamation projects and to contract for and perform reclamation works.

- ABIRC was incorporated and registered with the Philippine SEC on May 26, 2010 primarily to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, and exchange or otherwise dispose, as may be permitted by law, of real and personal property of every kind and description.

- AAI was incorporated and registered with the Philippine SEC on July 31, 2012 primarily to engage in the aviation industry and its related businesses, including but not limited to, the provision of hangarage and moorage, parking and landing operations, aircraft maintenance, supply of parts, oils, and lubricants and other related businesses.

  In 2019, the Company applied its advances to AAI amounting to ₱0.8 million in exchange for additional shares of stocks of AAI.

  On November 30, 2020, the Company entered into a deed of conveyance with AAI covering the shares of stock owned by AAI to the Company consisting of 94,306,279 shares at a price amounting to ₱523.1 million (see Note 12).

- AWCI was incorporated and registered with the Philippine SEC on September 28, 2015 primarily to provide diagnostic, therapeutic and naturopathic services using formulated herbal supplements and natural health products and sale of such herbal supplements.

- AII was incorporated and registered with the Philippine SEC on January 29, 2014 primarily to market assets, including club shares and condominium units of the Group outside the Philippine market.

- AIIBVI was incorporated and registered in the British Virgin Islands on September 6, 2002 as a holding company.

- RMHI, LHI, MBHEI and PHI were incorporated and registered with the Philippine SEC in 2018 primarily to invest in, purchase, or otherwise acquire and own, hold, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose, as may be permitted by law, of real and personal property of every kind and description.

- ASAI was incorporated and registered with the Philippine SEC on March 18, 2011 primarily to engage in the business of providing security and investigation services to private institutions and government organizations.

## 8. Aircraft

Movements in this account are as follows:

| | 2020 | 2019 |
|---|---|---|
| **Cost** | | |
| Balance at beginning and end of year | **₱98,337,025** | ₱98,337,025 |
| **Accumulated Depreciation** | | |
| Balance at beginning of year | **25,423,873** | 21,134,864 |
| Depreciation | **4,289,009** | 4,289,009 |
| Balance at end of year | **29,712,882** | 25,423,873 |
| **Carrying Amount** | **₱68,624,143** | ₱72,913,152 |

The management evaluated that the carrying amount of the aircraft acquired in 2014 approximates the fair value as at December 31, 2020 and 2019.

## 9. Payables and Other Current Liabilities

This account consists of:

| | Note | 2020 | 2019 |
|---|---|---|---|
| Nontrade payables | 1 | **₱29,504,323** | ₱30,450,774 |
| Provisions | | **11,314,070** | 11,243,341 |
| Accrued expenses | | **510,292** | 256,007 |
| Statutory payables | | **2,499** | 96,258 |
| | | **₱41,331,184** | ₱42,046,380 |

Nontrade payables mainly pertain to liabilities assumed by the Company in favor of a related company (see Note 12). These are unsecured, noninterest-bearing and are due for payment within 30 to 120 days from the date of transaction.

Provisions pertain to probable losses in the normal course of business. In 2020 and 2019, the Company recognized provision for probable losses amounting to ₱70,729 and ₱11.2 million, respectively in the separate statements of comprehensive income.

Accrued expenses mainly pertain to accruals for normal operating expenses which are normally settled within the next financial reporting year.

Statutory payables are payables to government agencies which are normally settled within the next financial reporting year.

## 10. Long-Term Debt

The Company had an Omnibus Loan and Security Agreement (OLSA) with BDO for a loan facility aggregating ₱6,726.0 million from 2017 to refinance loans and to finance new projects and working capital requirements of the Group. The loan was payable in seven years, commencing one year after initial drawdown date. BDO then assigned the long-term loan under the OLSA with outstanding balance of ₱5,653.2 million, inclusive of interest and adjustments as of January 23, 2019, to the Philippine Bank of Communications - Trust and Wealth Management Group pursuant to an Assignment Agreement on the same date. The loan was fully settled in 2019.

Effective interest rates of the long-term debt range from 7.1% to 9.2% and 5.0% to 9.1% per annum in 2019 and 2018, respectively. No interest expense was charged to profit or loss in 2019 and 2018. Interest expense amounting to ₱199.9 million and ₱222.1 million in 2019 and 2018, respectively, was recognized by the Company's subsidiaries with refinanced loans (see Note 12).

The Company was required to maintain a Debt Service Reserve Account (DSRA) in relation to the OLSA entered into by the Company with BDO. The DSRA with balance of ₱378.8 million as at December 31, 2018 was released in 2019 upon full settlement of the loan.

## 11. Equity

### Capital Stock

This account consists of:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Number of Shares | Amount | Number of Shares | Amount |
| **Authorized capital stock** | | | | |
| (₱0.10 Par Value) | | | | |
| Balance at beginning and end of year | 50,000,000,000 | ₱5,000,000,000 | 50,000,000,000 | ₱5,000,000,000 |
| **Issued** | | | | |
| Beginning of year | 28,411,738,420 | ₱2,842,173,842 | 28,411,738,410 | ₱2,842,173,841 |
| Revisions to deed of subscription | (1,398,505,700) | (139,850,570) | – | – |
| Additions | – | – | 10 | 1 |
| End of year | 27,013,232,720 | 2,702,323,272 | 28,411,738,420 | 2,842,173,842 |
| **Treasury** | | | | |
| Beginning | (4,239,000) | (1,213,526) | (4,239,000) | (1,213,526) |
| Additions | (94,306,279) | (523,069,376) | – | – |
| End of year | (98,545,279) | (524,282,902) | (4,239,000) | (1,213,526) |
| Outstanding shares at end of the year | 26,914,687,441 | ₱2,178,040,370 | 28,407,499,420 | ₱2,840,960,316 |

On January 2, 2020, a group of shareholders reduced the number of their subscribed ALPHA shares from 1,864,664,150 to 466,158,450. ALPHA and the shareholders executed a new Deed of Subscriptions (Deed) to supersede the previous Deed executed by the parties on June 11, 2018. This resulted to a decrease in capital stock and increase in additional paid-in capital amounting to ₱139.9 million.

In 2019, the Company issued 10 common shares. The resulting additional paid-in capital amounted to ₱47.

The total number of shareholders, which includes PCD Nominee Corporation, is 87 and 89 as at December 31, 2020 and 2019, respectively.

**Stock Split**

On December 10, 2018, the SEC approved ALPHA's application for a 10-for-1 stock split, whereby its capital stock would be divided into 50.0 billion common shares at ₱0.10 par value per share. The stock split has no dilutive effect on the proportionate percentage ownership of the shareholders.

### Treasury Shares

In 2020, the Company acquired additional 94,306,279 treasury shares amounting to ₱523.1 million from AAI as covered by a deed of conveyance executed by both parties (see Note 12).

### Retained Earnings

Under the Revised Corporation Code of the Philippines (Code), stock corporations are prohibited from retaining surplus profits in excess of 100% of the paid-up capital, except under certain conditions as provided in the Code.

As at December 31, 2020, the Company's retained earnings is in excess of its paid-up capital. On March 3, 2021, the Board of Directors of the Company resolved that ₱2.0 billion out of its ₱3.8 billion retained earnings, net of treasury shares amounting to ₱524.3 million, shall be appropriated to fund the corporate projects and programs approved by the Executive Committee of the Board of Directors.

## 12. Related Party Transactions

The Company, in its regular conduct of business, has transactions with its related parties. The following table summarizes the transactions with the related parties and outstanding balance arising from these transactions.

| | Nature of Transactions | Amount of Transactions | | Outstanding Balance | |
|---|---|---|---|---|---|
| | | **2020** | 2019 | **2020** | 2019 |
| **Advances to Related Companies** | | | | | |
| Entities under common key management | Cash advances | **₱41,511,188** | ₱– | **₱41,511,188** | ₱– |
| | Reimbursements of expenses | **–** | 52,028,550 | **37,859,569** | 59,416,751 |
| Entities under common control | Cash advances | **–** | 21,605,382 | **13,712,614** | 21,605,382 |
| Stockholder | Cash advances | **–** | – | **3,917,362** | 3,917,362 |
| | | | | **₱97,000,733** | ₱84,939,495 |
| **Advances to Subsidiaries** | | | | | |
| Subsidiaries | Cash advances | **₱292,491,339** | ₱972,076,902 | **₱7,975,589,454** | ₱8,402,296,415 |
| | Reimbursement of expenses | **368,672** | 185,741,073 | **1,490,035,952** | 1,772,100,275 |
| | Deposit for future stock investment | **–** | 250,000,000 | **250,000,000** | 250,000,000 |
| | Dividend income | **–** | 4,776,785,714 | **–** | – |
| | Transfer of interest expense | **–** | 199,876,702 | **–** | – |
| | | | | **₱9,715,625,406** | ₱10,424,396,690 |
| **Nontrade Payables** | | | | | |
| Entity under common key management | Stock transfers service | **₱180,000** | ₱180,000 | **₱–** | ₱– |
| **Advances from Related Companies** | | | | | |
| Stockholder | Settlement of long-term debt and interest | **₱–** | ₱944,109,218 | **₱944,109,218** | ₱944,109,218 |
| | Cash advances | **–** | 551,879,219 | **19,094,204** | 551,879,219 |
| Subsidiaries | Treasury share acquisition | **523,069,376** | – | **158,062,197** | – |
| | Cash advances | **50,132,201** | – | **50,132,201** | – |
| Entities under common key management | Cash advances | **25,174,031** | – | **25,174,031** | – |
| | Reimbursements of expenses | **36,100** | 7,283,073 | **8,239,214** | 31,202,782 |
| | | | | **₱1,204,811,065** | ₱1,527,191,219 |

### Terms and Conditions of Transactions with Related Parties

Outstanding balances of transactions with related parties are noninterest-bearing, unsecured, settlement occurs in cash upon demand. No impairment loss was recognized on amounts receivable from related parties.

### Acquisition of Treasury Shares

On November 30, 2020, the Company entered into a deed of conveyance with AAI covering the shares of stock owned by AAI in the Company consisting of 94,306,279 shares at a price amounting to ₱523.1 million (see Note 11). In consideration for the acquisition price, the Company agreed to offset the advances made by the Company to AAI as of the transaction date amounting to ₱365.0 million and the balance amounting to ₱158.1 million be payable within five (5) years.

**Deposit for Future Stock Investment**

On September 9, 2019, AAI's BOD approved the amendment of its Articles of Incorporation increasing its authorized capital stock from 50,000,000 common shares with ₱1 par value per share to 300,000,000 common shares with ₱1 par value per share. The proposed increase in authorized capital stock was filed with the SEC in September 2019.

As at December 31, 2020, the application of AAI for the increase in authorized capital stock is still pending approval from the SEC.

Advances to AAI amounting to ₱250.0 million was earmarked as "Deposit for future stock investment" while awaiting the issuance of shares of stock.

**Nontrade Payables**

As at December 31, 2020 and 2019, the Company assumed liabilities of ABIGI amounting to ₱25.0 million (see Note 9).

**Stock Option Plan**

The Company's Stock Option Plan was approved by the BOD of the Company on June 5, 2013, and by stockholders representing more than 2/3 of the outstanding capital stock of the Company during the annual meeting held on December 3, 2014. On November 27, 2017, June 9, 2017, and December 19, 2016, the Stock Option Plan Committee awarded stock options to key officers and employees of the Group. Additional stock option awards were given on May 30, 2019, June 5, 2019, and September 18, 2019 to qualified personnel of the Group. The effectivity date of the grant is one year after an option is awarded to the employee. One-third (1/3) of the total number of shares covered by a grant to an employee shall vest upon the effectivity of the grant. Another 1/3 of the shares shall vest one year after the effectivity date and the remaining 1/3 of the shares shall vest two years after the effectivity date of the grant. The Stock Option Plan was approved by the SEC on July 24, 2019. Furthermore, the Stock Option Plan shall not vest until the listing of the Company in a stock exchange.

**Compensation of Key Management Personnel**

Key management personnel of the Company are also officers of ASTI. These key management personnel do not receive direct compensation from the Company, but from ASTI.

## 13. Income Taxes

There is no provision for current income tax in 2020 due to the Company's gross loss and tax loss position. The current provision for income tax represents the Company's MCIT in 2019 and 2018.

Deferred tax liability amounting to ₱107,598 as at December 31, 2019 arises from unrealized foreign exchange gain.

The following deferred tax assets were not recognized as it is not probable that sufficient taxable profit will be available to allow the benefit of the net deferred tax assets to be utilized in the future:

| | 2020 | 2019 |
|---|---|---|
| NOLCO | ₱7,261,616 | ₱8,563,392 |
| Unrealized foreign exchange loss | 2,384,473 | – |
| MCIT | 2,505 | 3,543 |
| | ₱9,648,594 | ₱8,566,935 |

The details of MCIT which can be claimed as deduction from income tax due are as follows:

| Year Incurred | Beginning Balance | Incurred | Expired | Ending Balance | Expiry Year |
|---|---|---|---|---|---|
| 2019 | ₱805 | ₱– | ₱– | ₱805 | 2022 |
| 2018 | 1,700 | – | – | 1,700 | 2021 |
| 2017 | 1,038 | – | (1,038) | – | 2020 |
| | ₱3,543 | ₱– | (₱1,038) | ₱2,505 | |

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations No. 25-2020 to implement Section 4 (bbbb) of Republic Act No. 11494, *Bayanihan to Recover as One Act*, allowing the Company's net operating losses for the taxable years 2020 and 2021 to be carried over for the next five (5) consecutive taxable years immediately following the year of such loss. Consequently, NOLCO incurred in 2020 amounting to ₱3.4 million are allowed as deduction from future taxable income until 2025.

The details of NOLCO incurred in each taxable year, which can be claimed as deduction from future taxable income is shown below:

| Year Incurred | Beginning Balance | Incurred | Expired | Ending Balance | Expiry Year |
|---|---|---|---|---|---|
| 2020 | ₱– | ₱3,421,038 | ₱– | ₱3,421,038 | 2025 |
| 2019 | 12,992,481 | – | – | 12,992,481 | 2022 |
| 2018 | 7,791,869 | – | – | 7,791,869 | 2021 |
| 2017 | 7,760,291 | – | (7,760,291) | – | 2020 |
| | ₱28,544,641 | ₱3,421,038 | (₱7,760,291) | ₱24,205,388 | |

The reconciliation of income tax computed at statutory tax rate to provision for income taxes shown in the separate statements of comprehensive income are as follows:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Income tax computed at statutory tax rate | **(₱4,201,119)** | ₱1,425,403,185 | (₱3,342,348) |
| Change in unrecognized deferred tax assets | **1,081,659** | (10,642,060) | (8,978,702) |
| Add (deduct) tax effects of: | | | |
| Expired NOLCO | **2,328,087** | 14,540,609 | 11,317,963 |
| Nondeductible expenses | **1,315,882** | 4,692,453 | 1,308,219 |
| Interest income subjected to final tax | **(633,145)** | (850,070) | (303,432) |
| Expired MCIT | **1,038** | – | – |
| Nontaxable income | **–** | (1,433,035,714) | – |
| Income tax computed at effective tax rate | **(₱107,598)** | ₱108,403 | ₱1,700 |

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises ("CREATE") was approved and signed into law by the country's President. Under the CREATE, the regular corporate income tax (RCIT) of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the minimum corporate income tax (MCIT) was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

The application of CREATE is not expected to have a significant impact on the Company's financial statements.

The enactment of CREATE subsequent to reporting date is considered as a non-adjusting subsequent event. Accordingly, the income tax rates used in preparing the financial statements as at and for the year ended December 31, 2020 are 30% and 2% for RCIT and MCIT, respectively.

## 14. Total Comprehensive Income (Loss) Per Share

Total comprehensive income (loss) per share is computed as follows:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| (a) Net income (loss) | **(₱13,896,132)** | ₱4,751,235,547 | (₱11,142,860) |
| (b) Weighted average number of shares outstanding after the effect of stock split | **27,001,134,863** | 28,411,738,413 | 27,479,406,290 |
| Total comprehensive income (loss) per share (a/b) | **(₱0.001)** | ₱0.167 | (₱0.000) |

The Company has no dilutive potential common shares outstanding, therefore basic earnings per share is the same as diluted earnings per share.

The information presented above are intended as additional information for management reporting purposes only.

## 15. Risk Management Objectives and Policies

The Company's financial instruments comprise of cash and cash equivalents, nontrade receivables (excluding advances to employees), advances to related companies, advances to subsidiaries, payables and other current liabilities (excluding statutory payables), advances from related companies and long-term debt. The main purpose of these financial instruments is to raise funds for the Company's operations.

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and manage the Company's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company has exposure to credit risk and liquidity risk from the use of its financial instruments. The BOD reviews and approves the policies for managing each of these risks.

**Credit Risk**

Credit risk represents the risk of loss the Company would incur if counterparties fail to perform their contractual obligations. The Company's credit risk arises principally from the Company's cash in banks and cash equivalents, nontrade receivables (excluding advances to employees), advances to related companies and advances to subsidiaries.

*Maximum Exposure to Credit Risk.* The carrying amounts of cash and cash equivalents, nontrade receivables (excluding advances to employees), advances to related companies and advances to subsidiaries generally represent the Company's maximum exposure to credit risk in relation to financial assets. The Company transacts only with recognized and creditworthy third parties and related companies, therefore, there is no requirement for collateral. There are no other concentrations of credit risk within the Company.

*Credit Quality of Financial Assets.* The credit quality of financial assets is managed by the Company using internal credit ratings such as high grade and standard grade.

High Grade - consists of financial assets from counterparties with good financial condition and with relatively low defaults, thus credit risk exposure is minimal. This normally includes large prime financial institutions and companies.

Standard Grade - pertains to financial assets having risks of default but are still collectible.

Past due but not impaired - pertains to financial assets where contractual payments are past due but the Company believes that impairment is not appropriate based on the probability of collection of amounts owed to the Company.

Impaired - pertains to financial assets for which the Company determines that it is probable that it will not be able to collect the amount due based on the contractual terms and agreements.

The Company's cash in banks and advances to a related companies are considered high grade as the cash in banks pertain to deposits in reputable banks and the related companies are not expected to default in settling its obligations.

The table below shows the credit quality by class of financial assets:

| | 2020 | | | | |
|---|---|---|---|---|---|
| | | Neither Past Due nor Impaired | | Past Due but | |
| | Total | High Grade | Standard Grade | not Impaired | Impaired |
| Cash in banks and cash equivalents | ₱93,731,617 | ₱93,731,617 | ₱– | ₱– | ₱– |
| Nontrade receivables* | 485,816 | – | 485,816 | – | – |
| Advances to related companies | 97,000,733 | 97,000,733 | – | – | – |
| Advances to subsidiaries | 9,715,625,406 | 9,715,625,406 | – | – | – |
| | ₱9,906,843,572 | ₱9,906,357,756 | ₱485,816 | ₱– | ₱– |

**Excluding advances to employees amounting to ₱29,490.*

| | 2019 | | | | |
|---|---|---|---|---|---|
| | | Neither Past Due nor Impaired | | Past Due but | |
| | Total | High Grade | Standard Grade | not Impaired | Impaired |
| Cash in banks and cash equivalents | ₱253,868,632 | ₱253,868,632 | ₱– | ₱– | ₱– |
| Nontrade receivables* | 270,148 | – | 270,148 | – | – |
| Advances to related companies | 84,939,495 | 84,939,495 | – | – | – |
| Advances to subsidiaries | 10,424,396,690 | 10,424,396,690 | – | – | – |
| | ₱10,763,474,965 | ₱10,763,204,817 | ₱270,148 | ₱– | ₱– |

**Excluding advances to employees amounting to ₱0.2 million.*

## Liquidity Risk

Liquidity risk is the risk that the Company will not be able to settle or meet its obligations on time or at a reasonable price. Management is responsible for liquidity, funding as well as settlement management. In addition, liquidity and funding risk, related processes and policies are overseen by the management. The Company manages its liquidity risk based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

The Company also maintains a balance between continuity of funding and flexibility. The policy of the Company is to first exhaust lines available from related companies before local bank lines are availed of. The Company seeks to manage its liquid funds through cash planning on a weekly basis. The Company uses historical figures and experiences and forecasts from its cash receipts and disbursements. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Also, the Company only places funds in the money market which are exceeding the Company's requirements. Placements are strictly made based on cash planning assumptions and covers only a short period of time.

The tables below summarize the maturity profile of the Company's financial liabilities based on undiscounted cash flows:

| | 2020 | | | | |
|---|---|---|---|---|---|
| | On Demand | Less than 1 Year | More than 1 Year up to 3 Years | More than 3 Years | Total |
| Payables and other current liabilities* | ₱– | ₱30,014,615 | ₱– | ₱– | ₱30,014,615 |
| Advances from related companies | 1,204,811,065 | – | – | – | 1,204,811,065 |
| | ₱1,204,811,065 | ₱30,014,615 | ₱– | ₱– | ₱1,234,825,680 |

*Excluding provisions and statutory payables amounting to ₱11.3 million and ₱2,499, respectively.*

| | 2019 | | | | |
|---|---|---|---|---|---|
| | On Demand | Less than 1 Year | More than 1 Year up to 3 Years | More than 3 Years | Total |
| Payables and other current liabilities* | ₱– | ₱30,706,781 | ₱– | ₱– | ₱30,706,781 |
| Advances from related companies | 1,527,191,219 | – | – | – | 1,527,191,219 |
| | ₱1,527,191,219 | ₱30,706,781 | ₱– | ₱– | ₱1,557,898,000 |

*Excluding provisions and statutory payables amounting to ₱11.2 million and ₱0.1 million, respectively.*

**Capital Management**

The primary objective of the Company's capital management is to ensure that the Company has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To manage or adjust the capital structure, the Company may obtain additional advances from stockholders, adjust the return of capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2020 and 2019. The Company monitors capital using the monthly cash position report and separate financial statements. The Company considers its equity as capital employed. The Company is not subject to externally imposed capital requirements.

## 16. Fair Value Measurement

The following tables present the carrying amount and fair value of the Company's assets and liabilities measured at fair value or for which fair value is disclosed, and the corresponding fair value hierarchy.

| | | 2020 | | | |
|---|---|---|---|---|---|
| | | | Fair Value | | |
| | Note | Carrying Amount | Quoted price in active markets (Level 1) | Significant observable Inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Asset for which fair value is disclosed | | | | | |
| Aircraft | 8 | ₱68,624,143 | ₱– | ₱68,624,143 | ₱– |

| | | 2019 | | | |
|---|---|---|---|---|---|
| | Note | Carrying Amount | Quoted price in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **Asset for which fair value is disclosed** | | | | | |
| Aircraft | 8 | ₱72,913,152 | ₱– | ₱72,913,152 | ₱– |

The following methods and assumptions were used to determine the fair value of each class for which it is practicable to estimate such value.

*Aircraft.* As at December 31, 2020, the management has assessed the carrying amount of the aircraft approximates its fair value.

There were no transfers between levels in the fair value hierarchy as at December 31, 2020 and 2019.

The table below presents the financial assets and liabilities of the Company whose carrying amounts approximate the fair values due to the short-term nature of the transactions:

| | Note | 2020 | 2019 |
|---|---|---|---|
| **Financial Assets** | | | |
| Cash and cash equivalents | 4 | **₱93,731,617** | ₱253,868,632 |
| Nontrade receivables* | 5 | **485,816** | 270,148 |
| Advances to related companies | 12 | **97,000,733** | 84,939,495 |
| Advances to subsidiaries | 7 | **9,715,625,406** | 10,424,396,690 |
| | | **₱9,906,843,572** | ₱10,763,474,965 |
| **Financial Liabilities** | | | |
| Payables and other current liabilities** | 9 | **₱30,014,615** | ₱30,706,781 |
| Advances from related companies | 12 | **1,204,811,065** | 1,527,191,219 |
| | | **₱1,234,825,680** | ₱1,557,898,000 |

**Excluding advances to employees amounting to ₱29,490 and ₱208,481 as at December 31, 2020 and 2019, respectively.*
***Excluding provisions and statutory payables aggregating ₱11.3 million as at December 31, 2020 and 2019.*

*Advances to Subsidiaries.* These advances are due and demandable but since the Company has no intention to collect these advances within one year, these are presented as noncurrent. However, since the timing and amounts of future cash flows cannot be reasonably and reliably estimated, these are presented at cost.

## 17. Contingencies

There are ongoing litigations involving the Company which are either pending decision by the proper judicial bodies or under negotiation, the outcome of which are presently undeterminable. The management has assessed, in consultation with their legal counsel, that the ultimate disposition of these cases, disputes and assessments will not have a material adverse effect on the financial position or results of operations of the Company.

## 18. Note to Statements of Cash Flow

The Company's noncash activities are presented below:

| | Note | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Application of advances to a subsidiary for treasury share acquisition | 12 | **₱365,007,179** | ₱– | ₱– |
| Transfer of interest expense to subsidiaries | 12 | **–** | 199,876,702 | 222,125,433 |
| Application of advances to subsidiaries for investment in subsidiaries | 12 | **–** | 750,000 | – |

The reconciliation of the Company's liabilities arising from financing activities is presented below:

| | 2019 | Cash Flows | Noncash Flows | 2020 |
|---|---|---|---|---|
| Advances from related companies | **₱1,527,191,219** | **₱52,342,664** | **(₱374,722,818)** | **₱1,204,811,065** |

| | 2018 | Cash Flows | Noncash Flows | 2019 |
|---|---|---|---|---|
| Long-term debt | ₱5,521,018,230 | (₱4,776,785,714) | (₱744,232,516) | ₱– |
| Advances from related companies | 144,301,175 | 438,780,826 | 944,109,218 | 1,527,191,219 |
| | ₱5,665,319,405 | (₱4,338,004,888) | ₱199,876,702 | ₱1,527,191,219 |

## 19. Supplementary Information Required Under Revenue Regulations No. 15-2010 of Bureau of Internal Revenue (BIR)

The information for 2020 required by the above regulations is presented below.

**Output VAT**
The Company has no transactions subject to output VAT in 2020.

**Input VAT**
The movements in input VAT paid for by the Company for the year ended December 31, 2020 are shown below:

| | |
|---|---|
| Balance at beginning of year | ₱22,960,561 |
| Add current year's importation and domestic purchases/payments for: | |
| Domestic purchases of services | 127,518 |
| Balance at end of year | ₱23,088,079 |

**Withholding Taxes**
Expanded withholding taxes paid and accrued for the year ended December 31, 2020 amounted to ₱250,333 and ₱2,499, respectively.

**All Other Local and National Taxes**
The Company's local and national taxes paid for the year ended December 31, 2020 consist of:

| | |
|---|---|
| Business and other permits | ₱41,257 |
| Barangay clearance | 1,200 |
| Registration fee | 500 |
| | ₱42,957 |

**Tax Assessments and Cases**
The Company has no outstanding tax assessments with the BIR and tax cases in courts or other regulatory bodies outside of the BIR as at December 31, 2020.

alphaland
CORPORATION

April 7, 2021

## "STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS"

The management of **Alphaland Corporation and Subsidiaries** (the Group) 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.

In preparing the 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.

The Board of Directors is responsible in overseeing the Group's financial reporting process.

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

Reyes Tacandong & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

**ROBERTO V. ONGPIN**
Chairman and Chief Executive Officer

**PAUL DENNIS O. VALDES**
President

**CRISTINA B. ZAPANTA**
Senior Vice President for Finance

The City Club at Alphaland Makati Place
7232 Ayala Avenue Ext., 1209 Makati City, Philippines
T: +632.337.2031 | E: info@alphaland.com.ph | www.alphaland.com.ph

APR 2 6 202[illegible]

SUBSCRIBED AND SWORN to before me this ________________ at Makati City, affiants exhibiting to me their respective identification documents, and personally known to me, follows:

| NAME | PASSPORT ID NO. | DATE OF ISSUE | PLACE OF ISSUE |
|---|---|---|---|
| Roberto V. Ongpin | P0300707A | September 17, 2016 | DFA Manila |
| Paul Dennis O. Valdes | P9052625A | October 6, 2018 | DFA MANILA |
| Cristina B. Zapanta | P3451062A | June 22, 2017 | DFA NCR East |

ATTY. [illegible] ADASA
NOTARY PUBLIC CITY OF MANILA
UNTIL DECEMBER 31, 2021
NOTARIAL COMMISSION 2020-097 MLA
IBP NO. 141250 - 01/0[illegible]/2021, PASIG
PTR NO. 98[illegible] - 01/[illegible]/2021 MLA
ROLL NO. 29070, TIN: 172-5[illegible]3-620
MCLE COMPL. NO. VII-0000165
URBAN DECA HOME MANILA, B-2, UNIT 355

Doc. No. 291
Page No. 60
Book No. IV
Series of 2021

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2018, valid until August 28, 2021

BDO Towers Valero (formerly Citibank Tower)
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone +632 8 982 9100
Fax +632 8 982 9111
Website www.reyestacandong.com

## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Alphaland Corporation

*Opinion*

We have audited the accompanying consolidated financial statements of Alphaland Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years ended December 31, 2020, 2019 and 2018, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years ended December 31, 2020, 2019 and 2018 in accordance with Philippine Financial Reporting Standards (PFRS).

*Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' 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 the 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.

*Other Information*

Management is responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report for the year ended December 31, 2020 is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

*Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with PFRS, 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.

*Auditors' 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 auditors' 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 PSA 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, these 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 PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess 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 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.

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- 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 auditors' 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 the auditors' 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 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 group 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 audits.

**REYES TACANDONG & CO.**

Belinda B. Fernando

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 81207-SEC Group A
Issued January 30, 2020
Valid for Financial Periods 2019 to 2023
BIR Accreditation No. 08-005144-004-2019
Valid until October 16, 2022
PTR No. 8534275
Issued January 5, 2021, Makati City

April 7, 2021
Makati City, Metro Manila

## ALPHALAND CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
**(Amounts in Thousands, Except for Book Value per Share)**

| | | December 31 | |
|---|---|---|---|
| | Note | 2020 | 2019 |
| ASSETS | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 5 | **₱769,657** | ₱494,184 |
| Trade and other receivables | 6 | **1,110,323** | 1,589,758 |
| Land and development costs and parking lots for sale | 7 | **3,193,200** | 3,310,222 |
| Advances to related companies | 17 | **4,111,702** | 3,527,104 |
| Club shares for sale | 10 | **1,074,311** | 1,062,311 |
| Other current assets | 8 | **1,204,504** | 1,337,541 |
| Total Current Assets | | **11,463,697** | 11,321,120 |
| **Noncurrent Assets** | | | |
| Investment in and advances to an associate | 9 | **12,349** | 12,349 |
| Club shares for sale - net of current portion | 10 | **30,437,589** | 32,496,589 |
| Investment properties | 11 | **58,776,917** | 54,642,253 |
| Property and equipment | 12 | **10,006,474** | 10,698,168 |
| Other noncurrent assets | 13 | **155,496** | 198,764 |
| Total Noncurrent Assets | | **99,388,825** | 98,048,123 |
| | | **₱110,852,522** | ₱109,369,243 |
| LIABILITIES AND EQUITY | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 14 | **₱2,939,216** | ₱3,419,359 |
| Advances from related companies | 17 | **2,342,111** | 2,549,218 |
| Current portion of customers' deposits | 18 | **107,980** | 83,927 |
| Income tax payable | | **453,828** | 505,775 |
| Total Current Liabilities | | **5,843,135** | 6,558,279 |
| **Noncurrent Liabilities** | | | |
| Customers' deposits - net of current portion | 18 | **120,519** | 192,877 |
| Retirement liability | 21 | **73,258** | 65,784 |
| Net deferred tax liabilities | 22 | **22,641,102** | 21,672,232 |
| Other noncurrent liabilities | | **183,221** | 49,743 |
| Total Noncurrent Liabilities | | **23,018,100** | 21,980,636 |
| Total Liabilities | | **28,861,235** | 28,538,915 |

(Forward)

| | Note | December 31 2020 | 2019 |
|---|---|---|---|
| **Equity Attributable to Equity Holders of the Parent Company** | | | |
| Capital stock | 16 | **₱2,702,323** | ₱2,842,174 |
| Additional paid-in capital | | **12,909,581** | 12,769,730 |
| Retained earnings | 16 | **56,828,021** | 53,419,451 |
| Other comprehensive income: | | | |
| Cumulative unrealized valuation gain on club shares for sale | 10 | **23,482,648** | 25,057,294 |
| Revaluation surplus | 12 | **3,428,674** | 3,577,428 |
| Accumulated remeasurement gain on retirement liability | 21 | **46,325** | 40,957 |
| | | **99,397,572** | 97,707,034 |
| Less: | | | |
| Parent Company's shares held by a subsidiary | 16 | **16,881,220** | 16,881,220 |
| Cost of treasury shares | 16 | **524,283** | 1,214 |
| | | **81,992,069** | 80,824,600 |
| Noncontrolling interests | | **(782)** | 5,728 |
| Total Equity | | **81,991,287** | 80,830,328 |
| | | **₱110,852,522** | ₱109,369,243 |
| **Book Value Per Share*** | 23 | **₱6.268** | ₱5.546 |

*See accompanying Notes to Consolidated Financial Statements.*

*The Securities and Exchange Commission approved the 10-for-1 Stock Split (Stock Split) of Alphaland Corporation on December 10, 2018. Book value per share is computed based on the total outstanding shares after the effect of the stock split. This information is intended as additional information for management reporting purposes only.

# ALPHALAND CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands, Except for Earnings per Share)

| | | Years Ended December 31 | | |
|---|---|---|---|---|
| | Note | 2020 | 2019 | 2018 |
| **REVENUES** | 19 | | | |
| Real estate sales | | ₱1,034,902 | ₱1,115,616 | ₱1,346,526 |
| Rental income | 18 | 491,802 | 853,183 | 1,173,732 |
| Service income | | 399,695 | 530,538 | 306,838 |
| Interest income | 5 | 28,072 | 26,545 | 17,033 |
| Others | | 43,702 | 50,454 | 33,690 |
| | | 1,998,173 | 2,576,336 | 2,877,819 |
| **COSTS AND EXPENSES** | 20 | | | |
| Cost of services | | 608,213 | 761,631 | 646,589 |
| Cost of real estate sold | | 452,170 | 552,587 | 859,354 |
| General and administrative | | 964,780 | 1,121,855 | 1,237,330 |
| | | 2,025,163 | 2,436,073 | 2,743,273 |
| **OTHER INCOME (EXPENSES)** | | | | |
| Gain on fair value changes of investment properties | 11 | 4,131,609 | 18,286,157 | 7,453,516 |
| Finance costs | 15 | – | (190,870) | (321,345) |
| Net accounting loss on sale of Southgate | 11 | – | (7,003,266) | – |
| Other gains (losses) - net | | 30,109 | (7,472) | (100,857) |
| | | 4,161,718 | 11,084,549 | 7,031,314 |
| **INCOME BEFORE INCOME TAX** | | 4,134,728 | 11,224,812 | 7,165,860 |
| **PROVISION FOR INCOME TAX** | 22 | | | |
| Current | | 154,250 | 826,587 | 68,380 |
| Deferred | | 1,285,165 | 2,565,137 | 2,369,177 |
| | | 1,439,415 | 3,391,724 | 2,437,557 |
| **NET INCOME** | | 2,695,313 | 7,833,088 | 4,728,303 |
| **OTHER COMPREHENSIVE INCOME** | | | | |
| *Not to be reclassified to profit or loss in subsequent years:* | | | | |
| Unrealized valuation gain (loss) on club shares for sale | 10 | (1,328,240) | 2,732,624 | 1,084,338 |
| Income tax effect | | 199,236 | (409,894) | (162,651) |
| | | (1,129,004) | 2,322,730 | 921,687 |
| Remeasurement gain (loss) on retirement liability | 21 | 5,368 | (4,393) | – |
| Revaluation increase | 12 | – | 768,967 | 4,365,148 |
| Income tax effect | | – | (230,690) | (1,287,956) |
| | | – | 538,277 | 3,077,192 |
| | | (1,123,636) | 2,856,614 | 3,998,879 |
| **TOTAL COMPREHENSIVE INCOME** | | ₱1,571,677 | ₱10,689,702 | ₱8,727,182 |

(Forward)

| | Note | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| | | Years Ended December 31 | | |
| Net income attributable to: | | | | |
| Equity holders of the Parent Company | | **₱2,701,823** | ₱7,831,868 | ₱4,727,912 |
| Noncontrolling interests | | **(6,510)** | 1,220 | 391 |
| | | **₱2,695,313** | ₱7,833,088 | ₱4,728,303 |
| Total comprehensive income attributable to: | | | | |
| Equity holders of the Parent Company | | **₱1,578,187** | ₱10,688,482 | ₱8,726,791 |
| Noncontrolling interests | | **(6,510)** | 1,220 | 391 |
| | | **₱1,571,677** | ₱10,689,702 | ₱8,727,182 |
| **Total Comprehensive Income Per Share*** | | | | |
| Based on weighted average number of shares outstanding after the effect of stock split | 23 | **₱0.120** | ₱0.733 | ₱0.640 |

*See accompanying Notes to Consolidated Financial Statements.*

*Total comprehensive income per share is computed based on weighted average number of shares outstanding after the effect of the stock split which was approved by the SEC on December 10, 2018. This information is intended as additional information for management reporting purposes only.

## ALPHALAND CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)

| | | Years Ended December 31 | | |
|---|---|---|---|---|
| | Note | 2020 | 2019 | 2018 |
| **CAPITAL STOCK** | 16 | | | |
| Balance at beginning of year | | ₱2,842,174 | ₱2,842,174 | ₱2,655,707 |
| Reclassification to additional paid-in capital | | (139,851) | – | – |
| Additions | | – | – | 186,467 |
| Balance at end of year | | 2,702,323 | 2,842,174 | 2,842,174 |
| **ADDITIONAL PAID-IN CAPITAL** | | | | |
| Balance at beginning of year | | 12,769,730 | 12,769,730 | 10,740,079 |
| Reclassification from capital stock | | 139,851 | – | – |
| Additions | | – | – | 2,029,651 |
| Balance at end of year | | 12,909,581 | 12,769,730 | 12,769,730 |
| **RETAINED EARNINGS** | | | | |
| Balance at beginning of year | | 53,419,451 | 45,295,494 | 40,343,598 |
| Net income | | 2,701,823 | 7,831,868 | 4,727,912 |
| Reclassification adjustments | 10 | 524,285 | 184,842 | 189,059 |
| Amortization of revaluation surplus | | 182,462 | 107,247 | 52,918 |
| Changes on initial application of PFRS 9, *Financial Instruments* | 6 | – | – | (17,993) |
| Balance at end of year | | 56,828,021 | 53,419,451 | 45,295,494 |
| **OTHER COMPREHENSIVE INCOME** | | | | |
| **Cumulative Unrealized Valuation Gain on Club Shares for Sale** | 10 | | | |
| Balance at beginning of year | | 25,057,294 | 22,891,678 | 23,432,497 |
| Unrealized valuation gain (loss) | | (1,129,004) | 2,322,730 | 921,687 |
| Reclassification adjustments | | (445,642) | (157,114) | (160,701) |
| Effect of change in tax rate | | – | – | (1,301,805) |
| Balance at end of year | | 23,482,648 | 25,057,294 | 22,891,678 |
| **Revaluation Surplus** | 12 | | | |
| Balance at beginning of year | | 3,577,428 | 3,103,638 | 75,850 |
| Amortization of revaluation surplus | | (148,754) | (64,487) | (49,404) |
| Revaluation gain | | – | 538,277 | 3,077,192 |
| Balance at end of year | | 3,428,674 | 3,577,428 | 3,103,638 |
| **Accumulated Remeasurement Gain on Retirement Liability** | 21 | | | |
| Balance at beginning of year | | 40,957 | 45,350 | 45,350 |
| Remeasurement gain (loss) | | 5,368 | (4,393) | – |
| Balance at end of year | | 46,325 | 40,957 | 45,350 |
| | | 26,957,647 | 28,675,679 | 26,040,666 |

(Forward)

| | Note | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| | | Years Ended December 31 | | |
| **PARENT COMPANY'S SHARES HELD BY A SUBSIDIARY** | | | | |
| Balance at beginning and end of year | 16 | **(₱16,881,220)** | (₱16,881,220) | (₱16,881,220) |
| **TREASURY SHARES** | | | | |
| Balance at beginning of year | 16 | **(1,214)** | (1,214) | (1,214) |
| Additions | | **(523,069)** | – | – |
| Balance at end of year | | **(524,283)** | (1,214) | (1,214) |
| **NONCONTROLLING INTERESTS** | | | | |
| Balance at beginning of year | | **5,728** | 4,508 | 4,867 |
| Share in net income (loss) | | **(6,510)** | 1,220 | 391 |
| Acquisition | | – | – | (750) |
| Balance at end of year | | **(782)** | 5,728 | 4,508 |
| | | **₱81,991,287** | ₱80,830,328 | ₱70,070,138 |

*See accompanying Notes to Consolidated Financial Statements.*

## ALPHALAND CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

| | | Years Ended December 31 | | |
|---|---|---|---|---|
| | Note | 2020 | 2019 | 2018 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Income before income tax | | ₱4,134,728 | ₱11,224,812 | ₱7,165,860 |
| Adjustments for: | | | | |
| Gain on fair value changes of investment properties | 11 | (4,131,609) | (18,286,157) | (7,453,516) |
| Depreciation and amortization | 12 | 372,591 | 350,084 | 296,100 |
| Interest income | 5 | (28,072) | (26,545) | (17,033) |
| Unrealized foreign exchange losses | | 8,240 | 741 | 3,584 |
| Gain on sale of aircraft | 12 | (4,430) | – | – |
| Finance costs | 15 | 1,584 | 190,870 | 321,345 |
| Net accounting loss from sale of Southgate | 11 | – | 7,003,266 | – |
| Loss on forfeitures and cancellation | 7 | – | – | 197,387 |
| Operating income before working capital changes | | 353,032 | 457,071 | 513,727 |
| Decrease (increase) in: | | | | |
| Trade and other receivables | | 474,541 | 179,276 | (232,876) |
| Land and development costs and parking lots for sale | | 46,260 | (188,706) | (153,290) |
| Other current assets | | 142,004 | 470,144 | (15,848) |
| Increase (decrease) in: | | | | |
| Trade and other payables | | (485,696) | (1,246,450) | 277,383 |
| Customers' deposits | | (48,305) | 4,064 | 98,594 |
| Retirement liability | | 15,142 | 14,999 | 20,058 |
| Net cash generated from operations | | 496,978 | (309,602) | 507,748 |
| Income taxes paid | | (206,198) | (387,761) | (46,718) |
| Interest received | | 32,966 | 31,439 | 11,893 |
| Net cash provided by operating activities | | 323,746 | (665,924) | 472,923 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Proceeds from: | | | | |
| Sale of club shares for sale | | 723,048 | 111,309 | 215,921 |
| Disposal of property and equipment | | – | 26,540 | 35,417 |
| Disposal of investment properties | 11 | – | 4,464,286 | – |
| Decrease (increase) in: | | | | |
| Advances to related companies | | (584,598) | (407,725) | (342,331) |
| Other noncurrent assets | | 34,501 | 5,820 | 134,658 |
| Investment in and advances to an associate | | – | – | (750) |
| Additions to: | | | | |
| Property and equipment | 12 | (120,355) | (129,596) | (1,633,160) |
| Club shares for sale | | (4,288) | (1,500) | (70,400) |
| Investment properties | 11 | (3,055) | (47,836) | (208,777) |
| Software | 13 | (1,106) | (3,458) | (5,796) |
| Net cash provided by (used in) investing activities | | 44,147 | 4,017,840 | (1,875,218) |

(Forward)

| | Note | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| | | Years Ended December 31 | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Increase (decrease) in: | | | | |
| Other noncurrent liabilities | | ₱133,478 | ₱351 | ₱9,792 |
| Advances from related companies | | (207,107) | 2,303,967 | 163,488 |
| Payments of: | | | | |
| Finance costs | | (1,584) | (330,808) | (296,078) |
| Long-term debt | | – | (5,322,427) | (1,193,853) |
| Proceeds from: | | | | |
| Issuance of new shares | | – | – | 2,216,118 |
| Availments of long-term debt | | – | – | 782,737 |
| Net cash provided by (used in) financing activities | | (75,213) | (3,348,917) | 1,682,204 |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | | (8,240) | (741) | (3,584) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | 284,440 | 2,258 | 276,325 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | | | |
| Cash and cash equivalents | 5 | 494,184 | 110,157 | 215,593 |
| Restricted cash | 8 | 1,175 | 382,944 | 1,183 |
| | | 495,359 | 493,101 | 216,776 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | | | |
| Cash and cash equivalents | 5 | 769,657 | 494,184 | 110,157 |
| Restricted cash | 8 | 10,142 | 1,175 | 382,944 |
| | | ₱779,799 | ₱495,359 | ₱493,101 |

*See accompanying Notes to Consolidated Financial Statements.*

# ALPHALAND CORPORATION AND SUBSIDIARIES

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. Corporate Matters

### Corporate Information

Alphaland Corporation (ALPHA or Parent Company) is a holding company incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 19, 1990. The principal business of ALPHA and its subsidiaries (collectively referred to as the "Group") is real property development.

The registered office address of ALPHA is at Alphaland Makati Place, 7232 Ayala Ave. ext. cor. Malugay Street, Makati City.

The consolidated financial statements as at December 31, 2020 and 2019 and for each of the three years ended December 31, 2020, 2019 and 2018 were approved and authorized for issuance by the Executive Committee of the Board of Directors (BOD) on April 7, 2021.

### ALPHA's Legal Subsidiaries as at December 31, 2020 and 2019

| Company | Place of Incorporation | Nature of Business | Percentage of Ownership 2020 | 2019 |
|---|---|---|---|---|
| Alphaland Southgate Tower, Inc. (ASTI) | Philippines | Real property development | 100 | 100 |
| Alphaland Balesin Island Resort Corporation (ABIRC) | Philippines | Real property development | 100 | 100 |
| Alphaland Makati Place, Inc. (AMPI) [a] | Philippines | Real property development | 100 | 100 |
| Alphaland Baguio Mountain Log Homes, Inc. (ABMLHI) | Philippines | Real property development | 100 | 100 |
| Alphaland Balesin International Gateway, Inc. (ABIGI) | Philippines | Real property development | 100 | 100 |
| Alphaland Reclamation Corporation (ARC) | Philippines | Real property development | 100 | 100 |
| 2258 Blue Holdings, Inc. (Blue Holdings) [a] | Philippines | Holding company | 100 | 100 |
| Alphaland Southgate Restaurants, Inc. (ASRI) [a] | Philippines | Restaurant operations | 100 | 100 |
| Alphaland International, Inc. (AII) | Philippines | Holding company | 100 | 100 |
| Alphaland Aviation, Inc. (AAI) | Philippines | Aviation | 100 | 100 |
| Alphaland Aviation - Pampanga, Inc. (AAPI) [b] | Philippines | Aviation | 100 | 100 |
| Aegle Wellness Center, Inc. (AWCI) | Philippines | Wellness center | 100 | 100 |
| Alphaland International, Inc. - BVI | British Virgin Islands | Holding company | 100 | 100 |
| Alphaland International, Inc. - Seychelles | Seychelles | Holding company | 100 | 100 |
| Superface Enterprises Limited | Hongkong | Holding company | 100 | 100 |
| Aegle Drugstore Inc. (ADI) | Philippines | Pharmacy | 100 | 100 |
| Choice Insurance Brokerage, Inc. (CIBI) [d] | Philippines | Insurance brokerage | 100 | 100 |
| Alphaforce Security Agency, Inc. (ASAI) | Philippines | Security agency | 80 | 80 |
| Redstone Mountain Holdings Inc. (RMHI) | Philippines | Holding company | 100 | 100 |
| Lodgepole Holdings, Inc. (LHI) | Philippines | Holding company | 100 | 100 |
| Mt. Baguio Holding Estates Inc. (MBHEI) | Philippines | Holding company | 100 | 100 |

(Forward)

| Company | Place of Incorporation | Nature of Business | Percentage of Ownership 2020 | 2019 |
|---|---|---|---|---|
| Top of the Alpha, Inc. (Top of the Alpha) [d] | Philippines | Restaurant operations | 100 | 100 |
| The Alpha Suites, Inc. (Alpha Suites) [c] | Philippines | Real estate company | 100 | 100 |
| Pinecrest Holdings, Inc. (PHI) | Philippines | Holding company | 100 | 100 |

*(a) Through ASTI*
*(b) Through AAI*
*(c) Through AMPI*
*(d) Through Blue Holdings*

In 2020, the country experienced the COVID-19 pandemic crisis, resulting in a slowdown in the Philippine economy because of mandated lockdowns all over the country. Management has assessed that the effect of the global pandemic in the country did not have a significant impact on the Group's operations and financial performance as at and for the year ended December 31, 2020. The Group's operations and financial performance is dependent on future developments, including the timeliness and effectiveness of government initiatives to control the spread of the virus and mitigate its impact.

## 2. Summary of Significant Accounting Policies

### Basis of Preparation and Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

SEC Memorandum Circular (MC) No. 14, Series of 2018, *Philippine Interpretation Committee Question and Answer (PIC Q&A) 2018-12 Implementation Issues Affecting the Real Estate Industry*, provides relief to the real estate industry by deferring the application of the provisions of the PIC Q&A 2018-12 with respect to the accounting for significant financing component, uninstalled materials and the exclusion of land in the calculation of percentage-of-completion (POC), for a period of three years. This deferral will only be applicable for real estate transactions. Effective January 1, 2021, real estate companies will adopt PIC Q&A 2018-12 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

SEC MC No. 34, Series of 2020, *Deferral of PIC Q&A No. 2018-12 and IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23-Borrowing Cost) for Real Estate Industry*, provides relief to the real estate industry by deferring the application of SEC MC No. 14, Series of 2018, for another period of three (3) years or until 2023.

The Group opted to avail the relief in connection with their real estate transactions. Adoption of the PIC Q&A 2018-12 will affect the Group's measurement of POC in relation to its revenue recognition for real estate transactions.

**Measurement Bases**

The consolidated financial statements are presented in Philippine Peso, the Group's functional currency. All amounts are rounded to the nearest thousands unless otherwise stated.

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for the following:

- Club shares for sale which are designated at fair value through other comprehensive income (FVOCI);
- Investment properties which are measured at fair value; and
- Serviced residences and aircrafts presented under "Property and equipment" account which are stated at revalued amount.

Historical cost is generally based on the fair value of the consideration given in exchange of assets and fair value of the consideration received in exchange for incurring a liability.

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 Group uses market observable data to a possible extent when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Notes 10, 11, 12 and 25.

**Adoption of Amendments to PFRS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendments to PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include new concepts affecting measurement, presentation and disclosure and derecognition; improved definitions and guidance-in particular the definition of an asset and a liability; and clarifications in important areas, such as the roles of stewardship, prudence, measurement uncertainty and substance over form in financial reporting.

- Amendments to PFRS 3 - *Definition of a Business* – This amendment provides an improved definition of a "business" which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. 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 an output'. The clarification is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of "material" and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is "material" if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Effective for annual periods beginning on or after June 1, 2020 -

- Amendments to PFRS 16, Leases - *Covid-19 Related Rent Concessions* – The amendments provide practical expedient to lessees from applying the requirements on lease modifications under PFRS 16 for eligible rent concessions that is a direct consequence of COVID-19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment. The amendments do not affect lessors. Earlier application of the amendments is permitted.

The adoption of the foregoing amendments to PFRS did not have any material effect on the consolidated financial statements. Additional disclosures were included in the notes to consolidated financial statements, as applicable.

**Amendments to PFRS in Issue But Not Yet Effective**

Relevant amendments to PFRS which are not yet effective for the year ended December 31, 2020 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendment included an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or IFRIC 21, *Levies*, instead of the Conceptual Framework. The requirement would ensure that the liabilities recognized in a business combination would remain the same as those recognized applying the current requirements in PFRS 3. The amendment also added an explicit statement that contingent assets acquired in a business combination should not be recognized by an acquirer. The amendments should be applied prospectively.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments 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 an entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are fist applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS 2018 to 2020 Cycle:

  - Amendments to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is 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 the lender on the other's behalf. The amendments apply 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 amendments. Earlier application is permitted.

  - Amendments to PFRS 16, *Leases - Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

Effective for annual periods beginning on or after January 1, 2023 -

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.

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 a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing amendments to PFRS is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the consolidated financial statements, as applicable.

**Basis of Consolidation**

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. Subsidiaries are entities controlled by the Parent Company. Control is achieved when the Parent Company is exposed, or has right, to variable returns from its investment with the investee and it has the ability to affect those returns through its powers over the investee.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to elements evidencing control.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Noncontrolling interests (NCI) represent the portion of net results and net assets not held by the Parent Company. These are presented in the consolidated statements of financial position within equity, apart from equity attributable to equity holders of the parent and are separately disclosed in the consolidated statements of comprehensive income. NCI pertains to the equity interest in ASAI as at December 31, 2020, 2019 and 2018.

Losses within a subsidiary are attributed to the NCI even if that results in a deficit balance.

If the Parent Company loses control over a subsidiary, it derecognizes the assets including goodwill, liabilities and NCI in the subsidiary. The Parent Company recognizes the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in the consolidated statements of comprehensive income.

*Business Combinations and Goodwill* - Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any resulting gain or loss is recognized in profit or loss.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

**Financial Assets and Liabilities**

*Date of Recognition.* The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable is done using settlement date accounting.

*Initial Recognition.* Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

*"Day 1" Difference.* Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transactions price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

*Classification of Financial Instruments.* The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and, (c) financial assets at FVOCI. The classification of a financial asset largely depends on the Group's business model and on the purpose for which the financial instruments are acquired or incurred and whether these are quoted in an active market.

Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost.

The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

As at December 31, 2020 and 2019, the Group does not have financial assets and liabilities at FVPL and debt instruments measured at FVOCI.

*Financial Assets at Amortized Cost.* A financial asset shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

Included in this category are cash and cash equivalents, trade and other receivables (excluding advances to officers and employees), advances to related companies, restricted cash (presented under "Other current assets" account), advances to an associate and refundable deposits (presented under "Other noncurrent assets" account).

*Financial Assets at FVOCI.* Equity securities which are not held for trading may be irrevocably designated at initial recognition under the FVOCI category.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, financial assets at FVOCI are measured at fair value with unrealized gains or losses recognized in OCI and are included under "Other comprehensive income" account in the equity section of the consolidated statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods. On disposal of these equity securities, any cumulative valuation gains or losses will be reclassified to retained earnings.

Classified under this category are the Group's club shares for sale.

*Financial Liabilities at Amortized Cost.* Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

This category includes trade and other payables (excluding deposits from sale, unearned income and statutory payables), advances from related companies and customers' deposits.

**Impairment of Financial Assets at Amortized Cost**

The Group records an allowance for expected credit loss (ECL) on financial assets at amortized cost 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. The difference is then discounted at an approximation to the asset's original effective interest rate.

The Group measures loss allowances at an amount equivalent to the 12-month ECL for financial assets on which credit risk has not increased significantly since initial recognition or that are determined to have low credit risk at reporting date. Otherwise, impairment loss will be based on lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at reporting date with the risk of a default occurring on the financial instrument on the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost at reversal date.

*Trade Receivables.* The Group has applied the simplified approach in measuring the ECL on trade receivables. Simplified approach requires that ECL should always be based on the lifetime ECL. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date.

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

*Other Financial Instruments Measured at Amortized Cost.* For these financial assets, the Group applies the general approach in determining ECL. The Group recognizes an allowance based on either the 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition.

A financial asset is written off when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

**Derecognition of Financial Assets and Liabilities**

*Financial Assets.* A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has 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 right 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 the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the 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 is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

**Offsetting Financial Assets and Liabilities**
Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

**Classification of Financial Instrument between Liability and Equity**
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or

- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

**Land and Development Costs and Parking Lots for Sale**

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

Costs include:

- Cost of the land;
- Construction and development costs; and
- Borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated specifically identifiable costs to complete and the estimated costs to sell.

**Other Current Assets**

This account mainly consists of the excess of input value-added tax (VAT) over output VAT, advances to contractors and suppliers, creditable withholding taxes (CWT), prepayments and supplies.

*VAT.* Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from the taxation authority is included as part of "Other current assets" account in the consolidated statements of financial position.

*Advances to Contractors and Suppliers.* Advances to contractors and suppliers represent advance payments on goods and services to be incurred in connection with the Group's projects and operations. These are charged to expense or capitalized to projects in the consolidated statements of financial position, upon actual receipt of services or goods. These are considered as nonfinancial instruments as these will be applied against future billings from contractors and suppliers. Advance payments to contractors and suppliers, relating to the portion of projects that are classified as investment property and advance payments that will be applied against future billings beyond 12 months from the reporting date, are presented as part of "Other noncurrent assets" account in the consolidated statements of financial position.

*CWT.* CWT represents the amount withheld by the Group's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation. CWT is stated at its net realizable amount.

*Supplies.* Supplies are valued at the lower of cost and net realizable value. Cost is determined using the weighted average method and includes expenditures incurred in acquiring the supplies and bringing them to their existing location and condition. Net realizable value is the current replacement cost.

*Prepayments.* Prepayments are expenses not yet incurred but paid in advance. Prepayments are apportioned over the period covered by the payment and charged to the appropriate account in profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current asset. Otherwise, these are classified as noncurrent asset.

**Interests in Joint Operations**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities relating to the arrangement.

The Group recognizes in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

**Investment in an Associate**

The Group's investment in an associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, investment in an associate is carried in the consolidated statements of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate.

The consolidated statements of comprehensive income reflect the share in the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statements of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share in net income of the associate is shown under "Other gains (losses) - net" account in the consolidated statements of comprehensive income.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over an associate, the Group measures and recognizes any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognized in profit or loss.

**Investment Properties**

Investment properties comprise of completed properties and land for future development held by the Group to earn rentals or for capital appreciation, or both. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of existing investment properties at the time that cost is incurred and if the recognition criteria are met, and excludes the costs of day-to-day servicing of investment properties. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date as determined by independent appraisers. Gains and losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which these arise.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy on property and equipment up to the date of change in use.

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

<u>Property and Equipment</u>

Property and equipment, except land, serviced residences and aircrafts, are stated at cost less accumulated depreciation, amortization and impairment in value, if any. Land is stated at cost less any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, nonrefundable taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to profit or loss in the period when 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 additional cost of property and equipment.

The Group adopted the revaluation model in measuring its serviced residences and aircrafts.

Under the revaluation model, serviced residences and aircrafts are initially recorded at cost and subsequently measured at fair value. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Additions subsequent to the last appraisal date are stated at acquisition cost.

A revaluation increase is recorded initially in OCI and accumulated to the revaluation surplus in equity. However, the increase is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. A revaluation decrease is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in revaluation surplus in equity in which case the decrease is recognized in OCI.

Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Each part of the property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the depreciable assets. The depreciation and amortization periods for property and equipment, based on the above policies, are as follows:

| Asset Type | Number of Years |
|---|---|
| Serviced residences | 50 |
| Aircrafts | 15 to 25 |
| Buildings | 20 to 40 |
| Transportation equipment | 2 to 5 |
| Machinery, equipment and tools | 2 to 15 |
| Office furniture and equipment | 2 to 5 |
| Leasehold improvements | 2 to 10 or lease term, whichever is shorter |

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization is consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Construction in progress, which includes cost of construction and other direct costs, is stated at cost and is not depreciated until such time as the relevant assets are completed and put into operational use. Assets under construction are reclassified to a specific category of property and equipment when the construction and other related activities necessary to prepare the assets for their intended use are completed and the assets are available for use.

Fully depreciated assets are retained in the accounts until these are no longer in use.

**Deferred Input VAT**

In accordance with the Revenue Regulation No. 16-2005, input VAT on purchases or imports of the Group of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of input VAT) in each of the calendar months exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods whichever is higher.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

Deferred input VAT also includes the VAT on the unpaid portion of availed services. Deferred input VAT that is expected to be realized within 12 months after the financial reporting period are classified as current assets, otherwise these are classified as noncurrent assets.

**Software**

Software is measured initially at cost. Software is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. After initial recognition, software is measured at cost less accumulated amortization and any impairment loss.

Amortization of software is computed on a straight-line basis over the estimated useful life of five (5) years.

The amortization period and method are reviewed periodically to ensure that these are consistent with expected pattern of economic benefits from the intangible assets.

**Impairment of Nonfinancial Assets**

Nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. 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.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

*Goodwill.* The Group assesses whether there are any indicators that goodwill is impaired at each financial reporting date. Goodwill is tested for impairment annually and when circumstances indicate that the carrying amount may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU, to which the goodwill relates.

Where the recoverable amount of the CGU is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

*Investment in an Associate.* After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on the Group's investment in its associate. The Group determines at each financial reporting date whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount and recognizes the amount in profit or loss under the "Equity in net income (loss) of an associate" account.

**Capital Stock and Additional Paid-in Capital**

Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital.

Incremental costs directly attributable to the issue of new capital stock are recognized as a deduction, net of tax, from the equity.

Retained Earnings
Retained earnings represent the cumulative balance of the Group's results of operations, reclassification adjustments on disposal of club shares for sale, amortization of revaluation surplus, and net of dividend distribution, if any.

OCI
OCI comprises of items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRS. OCI of the Group pertains to unrealized valuation on club shares for sale, revaluation surplus and remeasurement on retirement liability.

Treasury Shares
Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statements of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them.

Parent Company's Shares Held by a Subsidiary
Parent's shares which are held by a subsidiary are treated similar to treasury shares and recognized and deducted from equity at cost. No gain or loss is recognized in the consolidated statements of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognized as additional paid-in capital.

Revenue Recognition
Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group has generally concluded that it is the principal in its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized.

*Real Estate Sales.* Revenue from sale of completed projects is recognized at a point in time when the customer obtains control of the assets. Revenue from sale of real estate projects that are under pre-completion stage are generally recognized over time during the construction period (or POC). In measuring the progress of its performance obligation over time, the Group uses the output method, i.e. revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical portion of the contract work.

The Group accounts for any cash received from buyers as "Contract liabilities" account in the consolidated statements of financial position when the related performance obligation for which payment was made has not yet been performed. Excess of collections over satisfied performance obligation is also classified as contract liabilities. Contract liabilities are reduced by the amount of revenue recognized during the reporting period. Receivables that are conditional upon the performance of other obligations are recognized as "Contract assets" (presented under "Trade and other receivables" account) in the consolidated statements of financial position. Contract assets are reclassified to trade receivables upon completion of the performance obligation.

For sale of condominium units and preferred shares under a single contract to sell, the selling price is allocated to each component. Collections received are applied pro-rata based on the selling price of the condominium unit, net of VAT and interest, and the selling price of the preferred share.

*Rent.* Rent income from operating leases is recognized on a straight-line basis over the term of the lease. Contingent rent income is recognized when it arises. This also includes common utilities, services and maintenance charges, as well as other incidental income in providing the service.

*Air Transport, Medical and Security Services.* These are recognized at a point in time when the related service has been rendered.

*Room Revenues.* Revenue is recognized at a point in time i.e., when the room facilities are used and the related services are rendered.

*Gain on Sale of Club Shares for Sale.* Gain on sale of club shares for sale is recognized upon transfer of risks and rewards to the buyer.

*Interest income.* Interest income is recognized as the interest accrues taking into account the effective yield on the assets.

*Other Income.* Income from other sources is recognized at a point in time i.e., when earned during the period.

**Cost and Expense Recognition**

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants.

*Cost of Services.* Cost of services is recognized as expense when services are rendered.

*Cost of Real Estate Sold.* Cost of real estate sold is recognized consistent with the revenue recognition method applied. Cost of condominium units sold before the completion of the project is determined based on actual costs and project estimates of building contractors and technical staff.

Contract costs include all direct materials and labor costs and those direct costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

*General and Administrative Expenses.* General and administrative expenses constitute costs of administering the business. These are expensed as incurred.

*Finance Costs.* Finance costs are recognized as they accrue. This includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated in an effective interest rate basis.

**Employee Benefits**

*Short-term Benefits.* The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

*Retirement Benefit Costs.* The Group has an unfunded, non-contributory defined benefit plan covering all qualified employees. Retirement benefit costs are actuarially determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and nonroutine settlements, and interest expense in profit or loss. Interest is calculated by applying the discount rate to the retirement liability.

Current service costs pertain to the increase in the present value of a defined benefit obligation resulting from employee service in the current period.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognizes restructuring-related costs.

Remeasurements comprising actuarial gains and losses and return on plan assets are recognized immediately in OCI in the period in which these arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The defined retirement benefits obligation is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets out of which the obligations are to be settled directly. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

Leases

**Accounting policies applicable beginning January 1, 2019**

The Group assesses whether the contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Group assesses whether, throughout the period of use, it has both of the following:

a) the right to obtain substantially all of the economic benefits from the use of the identified asset; and
b) the right to direct the use of the identified asset.

*The Group as a Lessee.* At the commencement date, the Group recognizes ROU assets and lease liabilities for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value, in which case the lease payments associated with those leases are recognized as an expense in profit or loss on a straight-line basis. For leases with lease terms of 12 months or less but with an option to extend the lease, the management assesses whether there is reasonable certainty that the Group will extend the lease, by considering all relevant facts and circumstances that create an economic incentive for the lessee to extend or terminate the lease, to determine the appropriate lease term.

*ROU Assets.* At commencement date, the Group measures ROU assets at cost which is comprised of the following:

a) the amount of the initial measurement of lease liabilities;
b) any lease payments made at or before the commencement date less any lease incentives received;
c) any initial direct costs; and
d) an estimation of costs to be incurred by the Group in dismantling and removing the underlying asset, when applicable.

After the commencement date, the ROU assets are carried at cost less any accumulated amortization and accumulated impairment losses, and adjusted for any remeasurement of the related lease liabilities. The ROU assets are amortized over the shorter of the lease terms or the useful lives of the underlying assets.

*Lease Liabilities.* At commencement date, the Group measures a lease liability at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of a lease liability consist of the following:

a) fixed payments, including in-substance fixed payments;
b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
c) amounts expected to be payable by the lessee under residual value guarantees; and
d) the exercise price under a purchase option that the Group is reasonably certain to exercise; lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

A lease liability is subsequently measured at amortized cost. Interest on the lease liability and any variable lease payments not included in the measurement of lease liability are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of the lease liability are recognized in profit or loss when the event or condition that triggers those payments occurs.

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liability is remeasured using a revised discount rate considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option. The lease liability is also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

*Group as a Lessor.* Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rent income. Contingent rents are recognized as revenue in the period in which these are earned.

**Accounting policies applicable prior to January 1, 2019**
The determination of whether a contract is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d) there is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (b) or (d) and at the date of renewal or extension period for scenario (d).

*Group as a Lessee.* Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

*Group as a Lessor.* Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rent income. Contingent rents are recognized as revenue in the period in which these are earned.

**Borrowing Costs**

Borrowing costs are capitalized if these are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its estimated recoverable amount, an impairment loss is recorded. All other borrowing costs are expensed in the period these occur.

**Foreign Currency Denominated Transactions**

Transactions denominated in foreign currencies are initially recorded in Philippine Peso using the exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency using the rate of exchange prevailing at the reporting date. Foreign exchange differences between the rate at transaction date and settlement date or reporting date are credited to or charged against profit or loss. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the dates of initial transactions.

**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 the tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

*Deferred Tax.* Deferred tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes except for:

- When it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; or

- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits (excess of minimum corporate income taxes or MCIT over regular corporate income taxes or RCIT) and unused tax losses (net operating loss carryover or NOLCO), only if it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 assets to be utilized. Unrecognized deferred tax assets are re-assessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in relation to the underlying transaction either in OCI or directly in equity.

**Related Parties and Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

**Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are made using the best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period these arise.

**Contingencies**

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

**Events after the Reporting Date**

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

## 3. Significant Judgment, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to exercise judgment, make estimates and use assumptions that affect amounts of assets, liabilities, income and expenses reported in the consolidated financial statements. The judgment, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. While management believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

### Judgment

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

*Recognizing Revenue from Real Estate Sales.* The recognition of revenue at a point in time requires certain judgment on when the customer obtains control over the promised goods and services. In determining whether control has been transferred to the customer, the Group considers the following indicators:

- The Group has a present right to payment for the asset.
- The customer has legal title to the asset.
- The Group has transferred physical possession of the asset.
- The customer has the significant risks and rewards of ownership of the asset.
- The customer has accepted the asset.

For real estate sales recognized over time, the Group recognizes revenue using POC method. This method requires certain judgments based on the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and completion of development. The buyer's commitment is evaluated based on collections and credit standing of the buyers. The POC of development is determined based on engineer's judgment and estimates on the physical portion of contract work done and that the development is beyond the preliminary stage.

Real estate sales recognized amounted to ₱1,034.9 million, ₱1,115.6 million and ₱1,346.5 million in 2020, 2019 and 2018, respectively (see Note 19).

*Determining the Functional Currency.* Based on the economic substance of the underlying circumstances relevant to the Group, functional currency has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates.

*Determining the Classification of Lease Commitments - The Group as a Lessor.* The Group entered into a number of operating lease agreements as a lessor. The Group has determined that it retains substantially all the risks and rewards of ownership of the assets being leased out under operating lease agreements.

The Group recognized rent income amounting to ₱491.8 million, ₱853.2 million and ₱1,173.7 million in 2020, 2019 and 2018, respectively (see Note 18).

*Determining the Classification of Lease Commitments and Appropriate Lease Term - The Group as a Lessee.* The Group has lease agreements for the use hangar premises. Effective January 1, 2019, the Group recognizes ROU assets and lease liabilities based on the present value of lease payments over the lease term using the Group's incremental borrowing rate, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

The Group has exercised significant judgment in determining 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 in any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

ROU assets amounted to ₱10.4 million and ₱14.9 million as at December 31, 2020 and 2019, respectively. Lease liabilities amounted to ₱12.1 million and ₱16.3 million as at December 31, 2020 and 2019, respectively (see Note 18).

Prior to January 1, 2019, the Group evaluated the terms and conditions of its lease agreements if there will be transfer of ownership of assets to the Group at the end of the lease term. The Group has determined that all significant risks and rewards of ownership are retained by the lessors. Thus, the leases were classified as operating leases.

Rent expense amounted to ₱4.4 million in 2018 (see Note 18).

*Determining the Classification of Financial Instruments.* The Group exercises judgments in classifying a financial instrument on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

*Determining the Fair Value of Financial Instruments.* PFRS requires certain financial assets and liabilities to be carried at fair value, which requires extensive use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group utilized different valuation methodologies. Any changes in fair value of these financial assets would affect profit and loss and equity.

The fair value of the Group's financial assets and liabilities are disclosed in Note 25.

*Determining the Fair Value of Investments in Clubs' Preferred Shares.* The Group establishes fair value by using recent arm's length market transactions between market participants. The fair value of investments in preferred shares of the Clubs is determined based on the current cash selling price to third parties.

The Group's club shares for sale amounted to ₱31,511.9 million and ₱33,558.9 million as at December 31, 2020 and 2019, respectively (see Note 10).

*Determining Control, Joint Control or Significant Influence over an Investee Company.* Control is presumed to exist when an investor has power over the investee, 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. On the other hand, joint control is presumed to exist when the investors contractually agreed to share control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group has assessed it has control over its subsidiaries and joint control in all joint arrangements.

The Group has a 50% interest in Alphaland Heavy Equipment Corporation (AHEC) as at December 31, 2020 and 2019. The Group accounts for these investments as associate since management has assessed that there is no joint control between the parties.

*Determining the Classification of Joint Arrangements.* The joint venture agreement with Boy Scouts of the Philippines (BSP) is accounted for as a joint operation since the parties that have joint control of the arrangement, have rights to the assets, and obligations for the liabilities, relating to the arrangement.

*Classifying Investment Properties and Owner-Occupied Properties.* The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in the production or supply process.

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

*Determining Transfers.* Transfers between investment properties, land and development costs and property and equipment of the Group are made after determining that 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 commencement of development with a view to sale. These transfers are recorded using the carrying amounts of the investment properties, land and development costs and property and equipment at the date of change in use.

*Evaluating Legal Contingencies.* There are on-going litigations involving the Group which management believes would not have a material adverse impact on the Group's financial condition and results of operations. The estimate of the probable costs for the resolution of possible claims have been developed in consultation with legal counsel handling the Group's defense in these matters and is based upon an analysis of potential results (see Note 26).

<u>Estimates and Assumptions</u>

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

*Recognizing Revenue and Cost.* The Group's revenue and cost recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and cost. Revenue and cost from sale of real estate recognized based on the POC are measured principally on the basis of the estimated completion of physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project.

Revenue from AMPI's sale of condominium units and preferred shares, ABIRC's sale of private villa and land and ABMLHI's sale of log homes and land under a single contract to sell are allocated to each component using the residual method.

The fair value of the preferred shares is measured at its current cash selling price to third parties on a stand-alone basis and the fair value of the condominium unit is the residual amount of the transaction price.

Revenue recognized based on POC amounted to ₱1,034.9 million, ₱1,115.6 million and ₱1,346.5 million in 2020, 2019 and 2018, respectively (see Note 19). Cost recognized based on POC amounted to ₱452.2 million, ₱552.6 million and ₱859.4 million in 2020, 2019 and 2018, respectively (see Note 20).

*Assessing the Impairment Losses on Trade and Other Receivables and Advances to an Associate and Related Companies.* The Group determines allowance for impairment losses based on ECL.

The Group estimates ECL on trade receivables and contract assets using a provision matrix that is based on days past due for groupings of various customer segments that have similar loss patterns. Depending on the diversity of its debtor's base, the Group uses its historical credit loss experience adjusted for forward-looking factors, as appropriate.

The Group's advances to an associate and related companies are noninterest-bearing and repayable on demand. These credit exposures are considered to be in default when there is evidence that the related party is in significant financial difficulty such that it will not have sufficient liquid assets to repay its obligation upon demand. This is assessed based on a number of factors including key liquidity and solvency ratios. After taking into consideration the associate and related parties' ability to pay depending on the sufficiency of liquid assets, financial support from stockholders, and available forward-looking information, the risk of default of the related parties are assessed to be minimal.

Impairment losses recognized on trade and other receivables amounted to ₱17.3 million, ₱6.7 million and ₱4.5 million in 2020, 2019 and 2018, respectively. The Group recognized a reversal of allowance for impairment losses amounting to ₱8.8 million and ₱104.6 million in 2020 and 2018, respectively (see Note 6).

Allowance for impairment loss on trade and other receivables amounted to ₱44.9 million and ₱36.5 million as at December 31, 2020 and 2019, respectively (see Note 6). Management believes that the allowance is sufficient to cover receivable balances which are specifically identified to be doubtful of collection.

The aggregate carrying amount of trade and other receivables and advances to an associate and related companies amounted to ₱5,223.0 million and ₱5,117.9 million as at December 31, 2020 and 2019, respectively (see Notes 6, 9 and 17).

*Determining the NRV of Land and Development Costs and Parking Lots for Sale.* The Group writes down the carrying amount of land and development costs and parking lots for sale whenever the NRV becomes lower than cost due to changes in market prices or other causes. The NRV of projects under construction is assessed with reference to market price at reporting date for similar completed property, less estimated costs to complete the construction and estimated costs to sell. The carrying amount is reviewed regularly for any decline in value.

The carrying amount of land and development costs and parking lots for sale amounted to ₱3,193.2 million and ₱3,310.2 million as at December 31, 2020 and 2019, respectively (see Note 7).

*Assessing the Club Shares for Sale for Impairment.* The Group assesses club shares for sale as impaired when there has been a significant or prolonged decline in the fair value below its cost or whether there are other objective evidence of impairment. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more of the original cost of investment, and 'prolonged' as a period more than 12 months. In addition, the Group evaluates other factors, including future cash flows and the discount factors for unquoted equities.

The Group's club shares for sale amounted to ₱31,511.9 million and ₱33,558.9 million as at December 31, 2020 and 2019, respectively (see Note 10).

*Estimating the Useful Lives of Property and Equipment and ROU Assets.* The Group estimates the useful lives of the property and equipment and ROU assets based on the period over which these assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of these assets. In addition, estimation of the useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

In 2019, the estimated useful life of serviced residences was changed from 35 years to 50 years to reflect the change in the Group's assessment of the expected economic benefits of the serviced residences and to align the useful life adopted by the industry. This resulted to a reduction of ₱8.3 million in depreciation expense of the Group in 2019 (see Note 12).

There is no change in the estimated useful lives of other depreciable property and equipment and ROU assets in 2020, 2019 and 2018. The aggregate carrying amount of property and equipment and ROU assets amounted to ₱10,016.9 million and ₱10,713.1 million as at December 31, 2020 and 2019, respectively (see Notes 12 and 13).

*Estimating the Impairment of Nonfinancial Assets.* The Group assesses impairment on nonfinancial assets other than investment properties whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;

- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and,
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

No impairment loss on nonfinancial assets was recognized in 2020, 2019 and 2018. The carrying amounts of nonfinancial assets are as follows:

| | | (In Thousands) | |
|---|---|---|---|
| | Note | 2020 | 2019 |
| Other current assets* | 8 | **₱1,194,362** | ₱1,336,366 |
| Investment in an associate | 9 | **11,326** | 11,326 |
| Property and equipment | 12 | **10,006,474** | 10,698,168 |
| Other noncurrent assets** | 13 | **125,149** | 133,033 |

**Excluding restricted cash.*
***Excluding noncurrent portion of trade receivables and refundable deposits.*

*Determining the Fair Value of Investment Properties.* The Group engaged an independent appraiser to determine the fair value of its investment properties. The fair values of investment properties were based on the valuation performed in 2020, 2019 and 2018. The fair values of the land were determined using sales comparison and land development approach. Sales comparison approach involves the comparison of the land to those that are more or less located within the vicinity of the appraised property and are subject of recent sales and offerings. If there is limited data within the area, the independent appraiser considers the expansion of the research on properties considered comparable. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element. Land development approach is basically a discounting process wherein the present worth of the potential value of the property as "raw" land for subdivision purposes may be estimated. The fair value of properties held for lease was determined using income capitalization approach which considers income and expense data relating to the property being valued and estimated it through capitalization process. Capitalization relates income, usually a net income figure, and a defined value type by converting an income amount into a value estimate.

Further information about the assumptions made in measuring fair values of investment properties are discussed in Note 11.

Gain on fair value changes which was recognized in the consolidated statements of comprehensive income amounted to ₱4,131.6 million, ₱18,286.2 million and ₱7,453.5 million in 2020, 2019 and 2018, respectively. Carrying amounts of investment properties amounted to ₱58,776.9 million and ₱54,642.3 million as at December 31, 2020 and 2019, respectively (see Note 11).

*Determining the Fair Value of Property and Equipment Measured at Revalued Amount.* The Group engaged an independent appraiser to determine the fair value of its serviced residences and aircrafts. The fair value of the serviced residences was determined by an independent appraiser using income capitalization approach which considers income and expense data relating to the property being valued and estimated it through capitalization process. Capitalization relates income, usually a net income figure, and a defined value type by converting an income amount into a value estimate. The fair value of aircraft was determined using the cost approach which involves gathering of cost data from original import commercial invoices as well as comparable sources of similar aircraft.

Further information about the assumptions made in measuring fair values of serviced residences and aircrafts are discussed in Note 12.

The revaluation surplus recognized in the equity section of the consolidated statements of financial position amounted to ₱3,428.7 million and ₱3,577.4 million as at December 31, 2020 and 2019, respectively. The aggregate carrying amount of serviced residences and aircraft carried at fair value amounted to ₱9,704.5 million and ₱10,335.7 million as at December 31, 2020 and 2019, respectively (see Note 12).

*Determining Retirement Benefit Costs.* The determination of the Group's obligation and cost for retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 21 to the consolidated financial statements.

Retirement benefit expense amounted to ₱17.1 million, ₱15.0 million and ₱20.1 million in 2020, 2019 and 2018, respectively. Retirement liability amounted to ₱73.3 million and ₱65.8 million as at December 31, 2020 and 2019, respectively (see Note 21).

*Assessing the Realizability of Deferred Tax Assets.* The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The amount of deferred income tax assets that are recognized is based upon the likely timing and level of future taxable profits together with future tax planning strategies to which the deferred tax assets can be utilized.

Recognized deferred tax assets of the Group amounted to ₱90.2 million and ₱106.0 million as at December 31, 2020 and 2019, respectively. Unrecognized deferred tax assets amounted to ₱202.7 million and ₱186.3 million as at December 31, 2020 and 2019, respectively (see Note 22). Management believes that it is not probable that sufficient taxable income will be available to allow all these deferred tax assets to be utilized.

## 4. Joint Operation

On June 30, 2008, AMPI and BSP entered into a Joint Venture Agreement to develop the Malugay Property into a first class commercial development to be known as Alphaland Makati Place (the "Project") whereby BSP shall contribute the Malugay Property while AMPI shall contribute the improvements (the "Development Costs") and its exclusive right (the "Leasehold Rights") over the Malugay Property, as well as to provide all necessary funds, equipment, materials, construction works, expertise and related undertakings for the development of the Project.

The Project consists of three high-end residential towers atop an upscale six-storey podium, the bottom half of which is a shopping center and the top half a City Club for urban sports and leisure. The Project also includes a Boy Scout Convention Center as provided in the Joint Venture Agreement. Towers 1 and 2 were completed in 2016 while Tower 3 was completed in 2017.

AMPI and BSP agreed to share at 85% and 15%, respectively, of the total gross floor area of completed and disposable units in the Project. The 85% share of AMPI shall include The City Club and the 15% share of BSP shall include the Boy Scout Convention Center.

On June 2, 2011, BSP sold the Malugay Property to AMPI for a total consideration of ₱600.0 million. The amount of consideration paid to BSP was then contributed by BSP to the development of the Project. The Leasehold Right was effectively terminated when AMPI acquired the land from BSP in June 2011. Despite the sale, the Joint Venture remained and the partners continued the 85:15 Sharing Scheme. The partners have amended the Joint Venture Agreement accordingly.

The Group accounts for the joint venture arrangement as a joint operation. As at December 31, 2020 and 2019, the Group recognized its share in the development costs of the Project (excluding the costs related to the City Club - see Note 7) in the following accounts:

| | | (In Thousands) | |
|---|---|---|---|
| | Note | **2020** | 2019 |
| Land and development costs and parking lots for sale | 7 | **₱504,448** | ₱499,633 |
| Investment properties | 11 | **13,820,220** | 13,806,542 |
| | | **₱14,324,668** | ₱14,306,175 |

On September 8, 2015, the Parties executed a Supplement to the Joint Venture Agreement. The Supplement expressly enumerates the specific units in the Project that constitute the BSP Share with respect to the Podium, Tower 1, Tower 2 and Parking Slots. The Supplement further provides that the BSP Share in Tower 3 shall be determined in another Supplement.

## 5. Cash and Cash Equivalents

This account consists of:

| | (In Thousands) | |
|---|---|---|
| | **2020** | 2019 |
| Cash on hand and in banks | **₱99,506** | ₱91,250 |
| Short-term placements | **670,151** | 402,934 |
| | **₱769,657** | ₱494,184 |

Cash in banks earn interest at prevailing bank deposit rates.

Short-term placements are made for varying periods of up to three months, depending on the immediate cash requirements of the Group and earn interest ranging from 0.75% to 2.5%, 2.0% to 6.5% and 1.05% to 1.5% in 2020, 2019 and 2018, respectively.

Sources of interest income recognized by the Group are as follows (see Note 19):

| | | (In Thousands) | | |
|---|---|---|---|---|
| | Note | 2020 | 2019 | 2018 |
| In-house financing | 7 | ₱13,102 | ₱20,172 | ₱13,280 |
| Trade and other receivables | 6 | 10,108 | 1,909 | 1,998 |
| Cash and cash equivalents | | 3,934 | 4,154 | 804 |
| Restricted cash | 8 | 928 | 310 | 951 |
| | | ₱28,072 | ₱26,545 | ₱17,033 |

## 6. Trade and Other Receivables

This account consists of:

| | | (In Thousands) | |
|---|---|---|---|
| | Note | 2020 | 2019 |
| Trade receivables from: | | | |
| Real estate sales | | ₱469,078 | ₱889,143 |
| Air transport services | | 311,012 | 324,166 |
| Sale of club shares | 10 | 119,970 | 44,174 |
| Tenants | 18 | 50,468 | 51,713 |
| Nontrade | 17 | 52,465 | 200,098 |
| Contract assets | | 75,331 | – |
| Advances to officers and employees | | 11,587 | 15,198 |
| Others | | 65,326 | 101,723 |
| | | 1,155,237 | 1,626,215 |
| Less allowance for impairment losses | | (44,914) | (36,457) |
| | | ₱1,110,323 | ₱1,589,758 |

Receivables from sale of real estate are interest-bearing and have terms of up to five years.

Receivables from air transport services are unsecured, noninterest-bearing and are due and demandable. The receivables from related companies included in receivable from air transport services amounted to ₱311.0 million and ₱324.2 million as at December 31, 2020 and 2019 (see Note 17).

Receivables from the sale of the club shares have terms ranging from one to five years. Noncurrent portion of these receivables are presented under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 13). Amortization of interest on these receivables amounting to ₱10.1 million, ₱1.9 million and ₱2.0 million in 2020, 2019 and 2018, respectively (see Note 5).

Receivables from tenants are noninterest-bearing and are generally on a 30-day term.

Nontrade receivables pertain to advances to related companies. Advances to related companies are unsecured, noninterest-bearing and are due and demandable (see Note 17).

Contract assets are reclassified to trade receivables when payment is due from customers.

Advances to officers and employees are for business purposes, noninterest-bearing and are subject to liquidation.

Other receivables mainly consist of SSS claims and miscellaneous receivables.

Allowance for impairment losses pertain to receivables from several lessees of ASTI and unit buyers of AMPI that are at least 90 days past due.

Movements of allowance for impairment losses are as follows:

| | (In Thousands) | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| Balance at beginning of year | **₱36,457** | ₱29,725 | ₱111,846 |
| Provisions | **17,286** | 6,732 | 4,495 |
| Reversal of impairment loss | **(8,829)** | – | (104,609) |
| Changes on initial application of PFRS 9 | – | – | 17,993 |
| Balance at end of year | **₱44,914** | ₱36,457 | ₱29,725 |

Reversal of impairment loss in 2020 pertains to receivables from tenants assigned to the buyer of Alphaland Southgate Tower. Reversal in 2018 pertains to forfeited sales of AMPI condominium unit, parking lots and club shares for sale with related costs amounting to ₱172.5 million, ₱12.5 million and ₱2.8 million, respectively (see Notes 7 and 10). As a result of the forfeitures, the Group recognized loss on forfeited sales amounting to ₱104.6 million (see Note 7).

## 7. Land and Development Costs and Parking Lots for Sale

This account consists of the following:

| | (In Thousands) | |
|---|---|---|
| | **2020** | 2019 |
| Land and development costs: | | |
| Alphaland Baguio Mountain Lodges | **₱2,380,708** | ₱2,438,378 |
| Balesin Private Villa | **308,044** | 372,211 |
| Alphaland Makati Place | **226,938** | 226,938 |
| Parking lots for sale | **277,510** | 272,695 |
| | **₱3,193,200** | ₱3,310,222 |

Deposit from the sale of real estate amounted to ₱411.6 million and ₱62.4 million as at December 31, 2020 and 2019, respectively (see Note 14).

**Alphaland Baguio Mountain Lodges**

Movements in the land and development costs pertaining to the Alphaland Baguio Mountain Lodges Project are as follows:

| | | (In Thousands) | |
|---|---|---|---|
| | Note | **2020** | 2019 |
| Balance at beginning of year | | **₱2,438,378** | ₱2,143,236 |
| Cost of real estate sold | 20 | **(108,850)** | (157,594) |
| Additions: | | | |
| Development costs | | **51,180** | 422,979 |
| Capitalized borrowing costs | 15 | **–** | 29,757 |
| Balance at end of year | | **₱2,380,708** | ₱2,438,378 |

The Alphaland Baguio Mountain Lodges Project pertains to 24.5 hectares of land situated in Benguet that is currently being developed as horizontal condominium for sale.

In 2016, due to management's decision to develop the property as horizontal condominium for sale, 13.1 hectares of the property was reclassified from "Investment properties" to "Land and development costs." In 2018 and 2017, additional 7.7 hectares and 3.7 hectares, respectively, were reclassified to this account (see Note 11).

In 2020, 2019 and 2018, capitalized depreciation expense included as part of development costs amounted to ₱4.1 million, ₱5.2 million and ₱4.8 million, respectively (see Note 12).

On October 25, 2018, the Housing and Land Use Regulatory Board (HLURB) issued a license to sell (LTS) the Alphaland Baguio Mountain Lodges Phase I project. In 2020, the Group applied for a certificate of registration and LTS with the Department of Human Settlements and Urban Development - Cordillera Administrative Region Office in relation to the Alphaland Baguio Mountain Lodges Phase II project.

In November 2018, ABMLHI started to sell log homes under an in-house financing arrangement at 30% down payment, payable monthly over a maximum of 5 years with interest rate at 9% per annum.

As at December 31, 2020, ABMLHI has already sold 35 full-sized log homes and 15 quadruplex units. Interest earned from real estate sales under the in-house financing arrangement amounted to ₱13.1 million, ₱20.2 million and ₱11.7 million in 2020, 2019 and 2018, respectively (see Note 5).

**Balesin Private Villa**

Movements in land and development costs pertaining to the Balesin Private Villa project are as follows:

| | | (In Thousands) | |
|---|---|---|---|
| | Note | **2020** | 2019 |
| Balance at beginning of year | | **₱372,211** | ₱438,771 |
| Cost of real estate sold | 20 | **(255,962)** | (394,993) |
| Additions: | | | |
| Development costs | | **109,301** | 321,973 |
| Forfeited sales | | **82,494** | – |
| Capitalized borrowing costs | 15 | **–** | 6,460 |
| Balance at end of year | | **₱308,044** | ₱372,211 |

The Balesin Private Villa pertains to 4.4 hectares of land situated in Balesin Island that is currently being developed as properties for sale.

In 2020 and 2018, the Group forfeited a sale with related cost amounting to ₱82.5 million and ₱57.2 million respectively, resulting to a loss on forfeiture amounting to ₱67.6 million and ₱92.8 million, respectively, recognized in the consolidated statements of comprehensive income under "Other gains (losses)" account.

**Alphaland Makati Place**

Movements in land and development costs pertaining to the Alphaland Makati Place project are as follows:

| | Note | (In Thousands) 2020 | 2019 |
|---|---|---|---|
| Balance at beginning of year | | ₱226,938 | ₱226,938 |
| Forfeited sales | | 75,921 | – |
| Transfer to property and equipment | 12 | (75,921) | – |
| Balance at end of year | | ₱226,938 | ₱226,938 |

The Alphaland Makati Place Project, which is a joint venture with BSP (see Note 4), is located on a one-hectare lot along Ayala Avenue Extension corner Malugay Street, Makati City. Alphaland Makati Place consists of three residential towers atop a six-storey podium comprising of a shopping center and the City Club for sports and leisure (see Note 11). Towers 1 and 2 were completed in 2016 while Tower 3 was completed in 2017.

Project costs classified as land and development costs pertains to the Group's proportionate interest in the three residential towers of Alphaland Makati Place that are intended for sale. In 2017, the Group changed its intention to lease Tower 3 to third parties instead of selling it as a condominium unit. Accordingly, the cost of Tower 3 was reclassified to "Investment properties" (see Note 11).

In May 2018, AMPI started its serviced residences operations under "The Alpha Suites." A number of condominium units of AMPI were utilized for its serviced residences. Accordingly, the costs of these units were transferred to "Property and equipment" account (see Note 12).

In 2020, AMPI forfeited sales of condominium units with related costs amounting to ₱75.9 million. These were utilized for its serviced residences and were subsequently transferred to "Property and equipment" account (see Note 12).

The Group started the pre-selling of condominium units in October 2011 for Tower 1 and in November 2013 for Tower 2. The terms and conditions of the contract to sell (CTS) involve the sale of one condominium unit and one City Club share, i.e., a preferred share of The City Club at Alphaland Makati Place, Inc. (TCCAMPI), in which ownership of the condominium unit and the City Club share are inseparable. Under the CTS, the components are sold under a single selling price with downpayment payable upon signing of the CTS and the unpaid balance payable in monthly installments for a period of three years from date of CTS. Ownership of the City Club share will allow the buyer to enjoy the amenities and facilities of the City Club.

The HLURB issued the permanent LTS to AMPI for the sale of condominium units in Tower 1 of Alphaland Makati Place on October 9, 2012 and for the sale of condominium units in Tower 2 on May 27, 2014.

As discussed in Note 4, on September 8, 2015, the Parties executed a Supplement to the Joint Venture Agreement enumerating the specific units in the Project that constitute the BSP Share with respect to the Podium, Tower 1, Tower 2 and Parking Slots.

In 2020 and 2018, the Group forfeited a sale with related cost amounting to ₱75.9 million and ₱172.5 million, respectively, and recognized loss on forfeiture amounting to ₱19.1 million and ₱104.6 million, respectively, in the consolidated statements of comprehensive income under "Other gains (losses)" account (see Note 6).

<u>Parking Lots for Sale</u>

Movements in parking lots for sale are as follows:

| | (In Thousands) | |
|---|---|---|
| | 2020 | 2019 |
| Balance at beginning of year | ₱272,695 | ₱271,195 |
| Additions due to forfeited sales | 4,815 | – |
| Purchases | – | 1,500 |
| Balance at end of year | ₱277,510 | ₱272,695 |

In May 2016, AMPI started to sell condominium units and parking lots under the in-house financing arrangement at 5% down payment, payable monthly over a maximum of 10 years with interest rate at 8% per annum.

As at December 31, 2020, AMPI has sold 209 and 226 condominium units and parking lots, respectively. Interest earned from real estate sales under in-house financing arrangement amounted to ₱1.6 million in 2018 (see Note 5).

## 8. Other Current Assets

This account consists of:

| | | (In Thousands) | |
|---|---|---|---|
| | Note | 2020 | 2019 |
| Input VAT | | ₱504,972 | ₱534,600 |
| Advances to contractors and suppliers | 26 | 409,047 | 426,568 |
| CWT | | 112,031 | 154,262 |
| Supplies | | 77,395 | 64,935 |
| Accrued rent | | 57,008 | 90,600 |
| Prepayments | | 33,909 | 65,401 |
| Restricted cash | | 10,142 | 1,175 |
| | | ₱1,204,504 | ₱1,337,541 |

**Input VAT**

Input VAT arises from the acquisition of land and payments to suppliers and contractors for the acquisition of goods and development of the Group's projects.

**Advances to Contractors and Suppliers**

Advances to contractors and suppliers represent advance payments to contractors for the construction and development of the Group's projects and are recouped upon every progress billing payment depending on the percentage of accomplishment. Advances to contractors and suppliers, relating to the portion of the project that is classified as investment property and to advance payments that will be applied against future billings beyond 12 months from the reporting date, amounting to ₱4.1 million and ₱3.1 million as at December 31, 2020 and 2019, respectively, are presented under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 13).

**Prepayments**

Prepayments include prepaid rent, insurance and commissioning fees.

**Restricted Cash**

Restricted cash amounting to ₱1.2 million as at December 31, 2020 and 2019 represents cash deposited with Philippine Bank of Communications (PBCom), pursuant to the Environmental Compliance Certificate issued to ABIRC relating to the rehabilitation of the Project-affected area throughout the construction and maintenance of the Island Club. The funds shall be replenished annually or whenever the amount goes below 50% of the initial deposit.

The cash deposited with Sterling Bank of Asia, Inc., pursuant to the license to sell issued by HLURB to ABMLHI in relation to the completion of Alphaland Baguio Mountain Lodges project (see Note 7), was released in 2019 upon the approval of the termination of the escrow agreement by HLURB.

In 2020, the Group deposited cash amounting to ₱9.0 million with Sterling Bank of Asia, Inc. pursuant to ABMLHI's application for a certificate of registration and LTS with the Department of Human Settlements and Urban Development - Cordillera Administrative Region Office in relation to the completion of Alphaland Baguio Mountain Lodges Phase II project (see Note 7).

Interest income earned from restricted cash amounted to ₱0.9 million, ₱0.3 million and ₱1.0 million in 2020, 2019 and 2018, respectively (see Note 5).

## 9. Investment in and Advances to an Associate

This account consists of:

| | | (In Thousands) | |
|---|---|---|---|
| | Note | 2020 | 2019 |
| Investment in an associate | | ₱11,326 | ₱11,326 |
| Advances to an associate | 17 | 1,023 | 1,023 |
| | | ₱12,349 | ₱12,349 |

Investment in an associate comprises of a 50% interest in AHEC whose principal activity is sale and lease of heavy equipment as at December 31, 2020 and 2019. The Group recognized its equity in net income of an associate in 2017 amounting to ₱1.4 million.

On April 5, 2013, the BOD of AHEC approved a resolution to shorten the corporate life of AHEC to four years. As at December 31, 2020, AHEC's liquidation is still in progress. The remaining carrying amount represents the Group's share in the residual net assets of AHEC.

Details of the investment are as follows:

| | (In Thousands) | |
|---|---|---|
| | 2020 | 2019 |
| Acquisition costs: | | |
| Balance at beginning and end of year | ₱50,000 | ₱50,000 |
| Accumulated equity in net loss: | | |
| Balance at beginning and end of year | (38,674) | (38,674) |
| | ₱11,326 | ₱11,326 |

Condensed financial information of the associate prepared on the historical basis of accounting are as follows:

| | (In Thousands) | |
|---|---|---|
| | 2020 | 2019 |
| Current assets | ₱46,532 | ₱46,532 |
| Current liabilities | 23,888 | 23,888 |
| Net equity | ₱22,644 | ₱22,644 |

The Group has not incurred any contingent liabilities in relation to this investment nor does the associate itself has any contingent liabilities for which the Group is contingently liable as at December 31, 2020 and 2019.

The Group has not entered into any capital commitments in relation to its investment in AHEC and did not receive any dividends from the associate in 2020, 2019 and 2018.

## 10. Club Shares for Sale

This account consists of:

| | (In Thousands) | |
|---|---|---|
| | 2020 | 2019 |
| Unquoted Clubs' preferred shares: | | |
| Alphaland Balesin Island Club, Inc. (ABICI) | ₱25,846,400 | ₱27,905,400 |
| TCCAMPI | 5,665,500 | 5,653,500 |
| | ₱31,511,900 | ₱33,558,900 |
| Current | ₱1,074,311 | ₱1,062,311 |
| Noncurrent | 30,437,589 | 32,496,589 |
| | ₱31,511,900 | ₱33,558,900 |

The preferred shares held by the Group are not required to gain control of the Clubs and are intended to be disposed of over time to third parties. The preferred shareholders are entitled to name one to ten nominee per share, depending on the class of preferred share, to become a member and avail of the amenities and facilities of the Clubs, unless otherwise required by applicable laws. They are not entitled to vote and be voted for in all meetings of the shareholders of the Clubs. The preferred shares have preference over the issued common shares in the distribution of assets in case of dissolution and liquidation.

The cost of the Group's investments in the preferred shares of ABICI and TCCAMPI includes the cash consideration and the cost incurred to complete the Clubs' facilities.

a. ABICI

On February 10, 2011, ALPHA, ABIRC and ABICI entered into a Development Agreement (DA) for the development and construction of a resort club (the "Island Club"). It is agreed that ABIRC will develop and construct the Island Club with ALPHA extending any financing required for the completion of the Island Club and its amenities in exchange for the ABICI shares. ABICI agrees that the excess of the construction costs over the par value of the shares issued by ABICI shall be treated as additional paid-in capital. Furthermore, it was clarified that the ownership of the Island Club, its facilities and amenities will be transferred to ABICI as cost is incurred. In 2015, approximately 98 hectares were committed for transfer to ABICI. The transfer of certificate of title was completed in 2018 (see Note 11).

On February 24, 2011, the SEC approved ABICI's Registration Statement on the Island Club Offer Shares for the primary offering of 391 of its Class "B" preferred shares and secondary offering of its 3,519 Class "B" preferred shares (Offer Shares or Tranche 1). In 2013, the SEC approved ABICI's Amended Registration Statement to increase its offer price from ₱2,000,000 per share to ₱3,000,000 per share. ABICI filed in 2013 a Second Amended Registration Statement to further increase its offer price to ₱5,000,000. As at December 31, 2020, the Group already withdrew its application with the SEC.

In 2012, ABIRC subscribed to additional Class "B" preferred shares of ABICI totaling 3,090 shares. As a consideration for the additional acquisitions of ABICI preferred shares, ABIRC entered into a Supplemental DA with ABICI in June 2012 increasing its obligation to complete the Island Club's facilities. By virtue of these additional subscriptions, ABIRC transferred investment properties to ABICI amounting to ₱453.3 million.

On November 12, 2012, the shareholders of ABICI approved an amendment to the ABICI's shareholder structure whereby the additional 3,090 shares with par value of ₱100 were split into 6,180 shares (Tranche 2) with a par value of ₱50 per share. As a result, ABIRC's subscription to the above 3,090 shares was converted to 6,180 shares. On January 21, 2013, the stock split was approved by the SEC.

On January 5, 2017, the SEC approved the increase in authorized capital stock of ABICI from ₱2.1 million divided into 14,000 common shares with par value of ₱100 per share, and 10,090 Class "B" preferred shares divided further into 3,910 Class "B-1" preferred shares with par value of ₱100 a share and 6,180 Class "B-2" preferred shares with par value of ₱50 a share to ₱3.0 million divided into 20,000 common shares with par value of ₱100 per share, and 15,000 Class "B" preferred shares divided further into 2,000 Class "B-1" preferred shares with par value of ₱100 per share, 12,000 Class "B-2" preferred shares with par value of ₱50 per share, and 1,000 Class "B-3" preferred shares with par value of ₱200 per share.

On May 31, 2017, ABIRC subscribed to additional 2,000 Class "B-2" preferred shares and 1,000 Class "B-3" (Tranche 3) preferred shares at a subscription price of ₱100 per share and ₱200 per share, respectively, or an aggregate amount of ₱0.4 million.

In April 2013, ABICI and ABIRC executed a Letter Agreement wherein the parties agreed that the difference between the budget under the Supplementary DA and the actual construction costs incurred will be treated as advances to ABICI. Advances to ABICI related to this agreement amounted to ₱1,575.5 million as at December 31, 2020 and 2019 (see Note 17). In 2015, ABICI already financed its own construction in the Island Club.

In 2019, sales of club shares for sale includes 25 Class "B-1" preferred shares with carrying amount of ₱100.0 million at the date of transaction transferred to existing Balesin Island landowners under land-for-share swap in exchange for 5 hectares of land in Balesin Island, Polillo, Quezon (see Note 11).

ABICI's Tranche 1 and Tranche 2 preferred shares entitle the holders to 14 and 7 free villa night stay in the Island Club, respectively.

The fair values of unsold shares as at December 31, 2020 and 2019 are as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Number of Shares | Amount* | Number of Shares | Amount* |
| Tranche 1 | 312 | ₱936,000 | [illegible] | [illegible] |
| Tranche 2 | 11,964 | 24,910,200 | [illegible] | [illegible] |
| Tranche 3 | 1,000 | 200 | [illegible] | [illegible] |
| | | ₱25,846,400 | | [illegible] |

*Amounts in thousands.*

b. TCCAMPI

In October 2010, ASTI, AMPI and TCCAMPI entered into a DA for the development and construction of a City Club in Alphaland Makati Place. It is agreed that ASTI and/or AMPI will develop and construct the City Club with AMPI extending all the necessary requirements for its completion and amenities in exchange for the TCCAMPI shares.

On December 9, 2010, the SEC approved TCCAMPI's registration of an aggregate of 5,000 preferred shares, with issue price of ₱100 per share, consisting of 500 shares to be offered by way of primary offering and 4,500 shares by way of secondary offering.

In December 2010, ASTI, AMPI and TCCAMPI entered into a Supplemental DA to clarify that under the DA, it is AMPI who has the primary obligation to develop and construct the City Club. Moreover, it was clarified that, in consideration for the City Club's construction, TCCAMPI agrees to convert any and all advances provided by ASTI and AMPI to additional paid-in capital as cost is incurred. Furthermore, it was clarified that the ownership of the City Club, its facilities and amenities will be transferred to TCCAMPI as cost is incurred.

The City Club was fully completed in January 2014.

AMPI's club shares for sale are marked to market using the fair value [illegible] on p[illegible] as at December 31, 2020 and 2019. There are 3,777 and 3,769 unsold sh[illegible] ecem[illegible] 2020 and 2019, respectively. As at December 31, 2020 and 2019, th[illegible] of [illegible] shares amounted to ₱5,664.8 million and ₱5,653.5 million, respectively.

**Unrealized Valuation Gain on Club Shares for Sale**

The Group's club shares for sale is marked to market using the fair [illegible] alent [illegible] cash selling price of a recent sale to the public for the unquoted preferred [illegible]

Movements in the unrealized gain on club shares for sale, net of relat[illegible], are [illegible]

| | [illegible]nds) | |
|---|---|---|
| | [illegible] | [illegible] |
| Balance at beginning of year | ₱25,05[illegible] | ₱22,[illegible] |
| Unrealized valuation gain (loss) | (1,12[illegible] | 2,[illegible] |
| Reclassification adjustments | (44[illegible] | ([illegible]114) |
| Balance at end of year | ₱23,48[illegible] | ₱25,[illegible] |

The Group reclassified to retained earnings the cumulative valuatio[illegible] s of [illegible] tax, amounting to P524.3 million covering 354 shares and P184.8 million c[illegible] hare[illegible] and 2019, respectively. The related carrying amount of the shares in [illegible] 019 [illegible] ed to ₱723.0 million and ₱211.3 million, respectively. Receivable arising [illegible] shares amounted to ₱131.1 million and ₱83.0 million as at December 31 [illegible] 2019, [illegible] ctively (see Notes 6 and 13). No dividends were recognized in 2020, 2019 a[illegible] mula[illegible] ation gain on club shares is reclassified to retained earnings upon recogniti[illegible]

## 11. Investment Properties

Movements in this account are as follows:

| | [illegible]nds) | |
|---|---|---|
| | [illegible] | [illegible] |
| Balance at beginning of year | ₱54,64[illegible] | ₱47,[illegible] |
| Fair value change | 4,13[illegible] | 18,[illegible] |
| Additions: | | |
| Capital expenditures | 3,[illegible] | [illegible] |
| Purchases | - | 1[illegible]715 |
| Disposals | | (11,[illegible]2) |
| Balance at end of year | ₱58,7[illegible] | ₱54,[illegible] |

Investment properties carried at fair value consist of the following:

| | [illegible] | |
|---|---|---|
| | 2[illegible] | [illegible]19 |
| Alphaland Balesin Island Property | ₱24,462,[illegible] | ₱21,[illegible]715 |
| Alphaland Makati Place: | | |
| Tower 3 | 10,269,[illegible] | 10,[illegible]768 |
| Podium | 3,550,[illegible] | 3,[illegible]774 |
| Baguio Property | 7,361,[illegible] | [illegible]2 |
| Patnangunan Property | 7,178,[illegible] | 6,[illegible]0 |
| Silang Property | 5,940,[illegible] | 5,[illegible]0 |
| Atimonan Property | 14,[illegible] | [illegible]4 |
| | ₱58,776,[illegible] | ₱54,[illegible]3 |

As at December 31, 2020 and 2019, the cumulative gain on fair va[illegible] Group's investment properties, net of tax, amounted to ₱39,860.2 mil[illegible] million, respectively.

**Alphaland Balesin Island Property**

ABIRC acquired approximately 394 hectares of land in Balesin Islan[illegible] Quezon. [illegible]itional 12 hectares were also acquired via land-for-share swaps with existing [illegible] Island [illegible]ers in 2012. In 2019, additional 13 hectares were acquired. Of the total lan[illegible], 5 hectares were acquired via land-for-share swap with existing Balesin Island la[illegible] in exchange for 25 Class "B-1" preferred shares with carrying amount of ₱100.0 mil[illegible] the date of [illegible]action (see Note 10). This brings the total land ownership to 419 hectares a[illegible] December 31, 20[illegible]20 and 2019. Of this total, approximately 98 hectares were committed for tr[illegible] ABICI [illegible]5. The transfer of certificate of title was completed in 2018 (see Note 10).

In 2017, ABIRC started the development of certain portions of its land[illegible] Accord[illegible], these portions were reclassified to "Land and development costs" account ([illegible]

**Alphaland Makati Place**

This represents the Podium and Tower 3 at the Alphaland Makati Pl[illegible] Podium [illegible]rently operated as a mall and is for lease to third parties (see Notes 4 [illegible] In 2017 [illegible] Group reclassified Tower 3 from "Land and development costs" to "Investme[illegible]" acc[illegible] due to the change in intention over the property from condominium units fo[illegible] property [illegible]eld for leasing. The change in management's intention was evidenced by [illegible] use of property (see Note 7).

Rent income earned from Alphaland Makati Place amounted to ₱491[illegible] ₱88[illegible]on and ₱393.9 million in 2020, 2019 and 2018, respectively. Direct costs rela[illegible] income [illegible]unted to ₱86.9 million, ₱118.7 million and ₱42.5 million in 2020, 2019 and 20[illegible] respectively, w[illegible] mainly comprised of utilities and commissary costs (see Note 18).

**Patnanungan Property**

In 2016 and 2015, the Group acquired parcels of land aggregating approximately 385.6 hectares and 325.3 hectares of land, respectively, in Patnanungan, Quezon.

In December 2017, the Group sold 2.0 hectares to Red Sun Capital Holdings Corporation for ₱8.0 million, resulting to a gain amounting to ₱2.1 million. In 2018, the contract to sell was rescinded resulting to a loss amounting to ₱2.1 million. In December 2018, the Group acquired 42.7 hectares with a carrying amount of ₱31.7 million.

In March 2019, the Group acquired 0.06 hectares for ₱1.9 million. The total land area of the property approximates 753.2 hectares as at December 31, 2020 and 2019.

**Baguio Property**

This consists of parcels of land and related transaction costs acquired by the Group (through a wholly-owned subsidiary) from various sellers in July 2015. The beneficial owner of the entire property is RVO, the majority shareholder and Chairman of ALPHA.

These parcels of land, measuring approximately 73.4 hectares as of the end of 2015 of rolling terrains are situated in Itogon, Benguet, just ten minutes from Baguio City by land. RVO likewise transferred to the Group rights to another 2.9 hectares of land to completing the total area at 76.3 hectares. The Group is developing the property into the Alphaland Baguio Mountain Lodges.

The Group acquired the property in 2015 at zonal value, or at acquisition cost of ₱[illegible] million, which is substantially below the appraised value. As a consideration to RVO for having sold the property at zonal value, RVO shall have a 15% interest, to be finalized upon conclusion of the project, without need of any further investment or equity infusion. [illegible] will shoulder all development costs required for the project.

In 2016, due to management's decision to develop the property as a horizontal condominium for sale, 13.1 hectare of the property was reclassified to land and development costs. Additional 7.7 hectares and 3.7 hectares were reclassified to land and development costs in 2018 and 2017, respectively (see Note 7). In 2017, 0.3 hectares were reclassified to property and equipment account due to development of clubhouse, chapel and other amenities.

In 2017, the Group started the development for the initial phase of the project and the Group also acquired additional land, measuring 4.2 hectares.

In 2019, the Group acquired additional land measuring 9.2 hectares. The total land area of the property approximates 86.7 hectares as at December 31, 2020 and 2019. Of the total land area, 61.9 hectares are allocated to investment property as at December 31, 2020 and 2019.

The fair value of the property based on an independent appraiser's report dated January [illegible], 2021, January 21, 2020, October 22, 2018 is at ₱11,900 per square meter or a total of ₱[illegible] billion, ₱10,500 per square meter or a total of ₱6.5 billion, and ₱9,000 per square meter or a total of ₱4.7 billion, respectively.

**Silang Property**

ASTI's three parcels of land in Silang, Cavite, measuring a total of [illegible], more or less, is reserved for future development.

**Atimonan Property**

ABIRC's land in Atimonan, Quezon Province, measuring a total of 21,[illegible] square meters, more or less, is reserved for future development.

The fair value of the property as at December 31, 2015 is based on valuations performed by accredited independent appraisers. As at December 31, 2020 and 2019, management evaluated that the carrying amount of the investment property approximates the fair value as at reporting date since there were no significant changes in the condition of [illegible] economic environment between those dates.

**Alphaland Southgate Tower**

In January 2008, ASTI acquired from South China Resources, Inc. and [illegible] parcels of land measuring a total of 9,497 square meters, more or less, at the corner of [illegible] Roces Avenue in Makati City together with the existing improvements thereon. [illegible] is now a fully developed and operational 20-storey office tower building with a [illegible] podium known as Alphaland Southgate Tower. It was declared an Information Technology [illegible] 2009 by the Philippine Economic Zone Authority, pursuant to Presidential [illegible] dated December 22, 2008.

Rent income from Alphaland Southgate Tower including common utilities [illegible] charges amounted to ₱164.7 million and ₱779.8 million in 2019 and 2018, respectively. Direct costs related to rent income amounted to ₱35.4 million and ₱186.7 million in 2019 and 2018, respectively, which mainly comprised of utilities and commissary costs (see Note 18).

In March 2019, the Group sold the property for net proceeds of ₱4,[illegible] net accounting loss of ₱7,003.3 million.

The description of the valuation techniques used and key inputs to fair [illegible]

**Income Capitalization Approach**

Alphaland Makati Place Tower 3 and Podium are valued using income capitalization approach. Income capitalization approach is a comparative approach, which [illegible] expense data relating to the property being valued and estimated the value through a [illegible] process. Capitalization relates income and a defined value type by converting an [illegible] value estimate. This process may consider direct relationships (known as [illegible] yield or discount rates (reflecting measures of return on investment), or both.

The significant unobservable inputs used in the fair value measurement [illegible] within Level 3 of the fair value hierarchy of the entity's portfolios of investment properties [illegible]

- *Stabilized NOI:* calculation used to identify performance of [illegible] that produces stable income. Stabilized NOI of Tower 3 ranges from ₱5[illegible] in 2020 and ₱602.5 million in 2019. Stabilized NOI of Podium amounts [illegible] and 2019.

- *Capitalization rate:* rate used to estimate the potential return [illegible] property. Capitalization rate for Tower 3 and Podium is 5% and 2%, respect[illegible]

*Sensitivity Analysis.* Generally, an increase (decrease) in stabilized NOI will result in an increase (decrease) to the fair value of investment property. An increase (decrease) in the capitalization rate will result in a decrease (increase) to the fair value of an investment property. The capitalization rate magnifies the effect of a change in stabilized NOI, with a lower capitalization rate resulting in a greater impact of a change in stabilized NOI than a higher capitalization rate.

There was a decline in level of activities for these properties in 2020 primarily due to the pandemic. The estimation uncertainty caused by the pandemic resulted in a fair value within a wide range of values. The Group considers the appropriate risk adjustment considering both the short-term and long-term impact of the pandemic to determine the point within the range that is most representative of fair value under current market conditions.

**Market Data Approach**

| Project | Class of Property | Significant Unobservable Inputs | Range 2020 | 2019 |
|---|---|---|---|---|
| Alphaland Balesin Island | Land | Price per square meter | [illegible] | [illegible]1,500 |
| | | Value adjustments (for development) | -10%[illegible] | [illegible]5% |
| Atimonan | Land | Price per square meter | ₱1,200–₱[illegible] | [illegible]₱1,600 |
| | | Value adjustments | [illegible] | [illegible]80% |
| Patnanungan | Land | Price per square meter | ₱85[illegible]–₱1,000 | ₱[illegible]–₱1,708 |
| | | Value adjustments | [illegible]5% | [illegible]5%-10% |

The significant unobservable inputs to fair valuation are as follows:

*Price per square meter:* estimated value prevailing in the real estate market based on the location, area, shape and time element.

*Value adjustments:* adjustments are made to bring the comparative values in accordance to the investment properties taking into account external factors (market conditions, competitiveness, economic condition/demand/growth, time element) and internal factors (location, size/shape/prospective utility/terrain and development).

In valuing the land using sales comparison approach, records of recent sales and listings of similar land are analyzed and comparisons were made for such factors as size, shape, condition of the lot, location, quality and prospective use.

*Sensitivity Analysis.* The following factors were considered in determining the market value of the subject property:

- property location and neighborhood data
- present use of the property is either commercial/residential/agricultural
- quantitative market value adjustments based on external and internal factors
- highest and best use (commercial and residential building/resort and [illegible])

Significant increase (decrease) in price per square meter would result in a higher (lower) fair value measurement. Significant increase (decrease) in value adjustments would result in a lower (higher) fair value measurement.

**Land Development Approach**

| Significant Unobservable Input | December 31, 2020 | |
|---|---|---|
| | Baguio | Silang |
| Period of land development and selling program | 5 years | [illegible] years |
| Administrative/marketing cost | 7% of gross sales | [illegible] of gross sales |
| Interest rate selected for discounting | 10% | [illegible]2% |
| Developer's profit | 20% of development cost | 20% of development cost |
| Proposed selling price | ₱32,000 - ₱65,000 per unit* | ₱29,000 - [illegible] per sqm** |
| Calculated no. of subdivision lots | 300 lots | [illegible] lots |
| Land value/annual increment of land value | 25% | [illegible]-20% |

*In thousands.
**In absolute amounts.

| Significant Unobservable Input | December 31, 2019 | |
|---|---|---|
| | Baguio | Silang |
| Period of land development and selling program | 5 years | [illegible] years |
| Administrative/marketing cost | 7% of gross sales | [illegible] sales |
| Interest rate selected for discounting | 10% | [illegible]2% |
| Developer's profit | 20% of development cost | 20% of development cost |
| Proposed selling price | ₱22,000 - ₱60,000 per unit* | ₱28,000 - [illegible] per sqm** |
| Calculated no. of subdivision lots | 300 lots | [illegible] lots |
| Land value/annual increment of land value | 25% | [illegible]-20% |

*In thousands.
**In absolute amounts.

Using the land development approach, the properties are treated as mixed [illegible] subdivision development and the gross sales that may be expected from the proposed sale [illegible] then estimated in accordance with the prevailing prices of comparable development [illegible] lots within the immediate vicinity. Overhead and sales expenses, and developer's [illegible] residual sales income is then attributed to the "raw" land value.

The valuation process consists of the following:

- Preparation of a subdivision study in accordance with the highest and [illegible] concept (i.e. residential subdivision development) of the land;
- Establishment of total revenue or proceeds of sales of subdivision lots on [illegible] of what ready-to-build sites in similar subdivisions are selling;
- Determination of development costs consisting of clearing and grading, surv[illegible] services, construction of access roads, roadways, curbs and gutters, sewerage and [illegible] system, water supply and electrical distribution, rip-rapping and supervision and [illegible]ency items considering current prices for construction materials, [illegible], con[illegible] and overhead expenses;
- Estimation of overhead and sales expenses such as broker's commission [illegible] and advertisement, administrative and collection, taxes and miscellaneous expen[illegible]

*Sensitivity Analysis.* Significant increase (decrease) in land value, proposed [illegible] and calculated no. of lots would result in a significantly higher (lower) fair va[illegible]ent. Significant increase (decrease) in administrative and marketing costs and deve[illegible] would result in a lower (higher) fair value measurement.

## 12. Property and Equipment

The composition and movements of this account are presented below (in thousands):

| | | 2020 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Serviced Residences* | Aircrafts* | Buildings | Transportation Equipment | Machinery, Equipment and Tools | Office Furniture, and Equipment | Leasehold Improvements | Land | Construction in Progress | Total |
| **Cost** | | | | | | | | | | | |
| Balance at beginning of year | | ₱9,068,155 | ₱1,985,792 | ₱137,061 | ₱69,972 | ₱344,752 | ₱182,778 | ₱78,561 | ₱21,715 | ₱3,741 | ₱11,892,527 |
| Additions | | 50,000 | 57,763 | – | 3,705 | 1,214 | 6,020 | 329 | – | 1,324 | 120,355 |
| Disposal | | – | (647,756) | – | – | – | – | – | – | – | (647,756) |
| Transfer from land and development costs | 7 | 75,921 | – | – | – | – | – | – | – | – | 75,921 |
| Balance at end of year | | 9,194,076 | 1,395,799 | 137,061 | 73,677 | 345,966 | 188,798 | 78,890 | 21,715 | 5,065 | 11,441,047 |
| **Accumulated Depreciation and Amortization** | | | | | | | | | | | |
| Balance at beginning of year | | 298,498 | 419,756 | 26,376 | 46,743 | 245,401 | 103,547 | 54,038 | – | – | 1,194,359 |
| Depreciation and amortization | | 185,006 | 111,246 | 3,194 | 10,575 | 11,557 | 25,150 | 22,603 | – | – | 369,331 |
| Disposals | | – | (129,117) | – | – | – | – | – | – | – | (129,117) |
| Balance at end of year | | 483,504 | 401,885 | 29,570 | 57,318 | 256,958 | 128,697 | 76,641 | – | – | 1,434,573 |
| **Net Carrying Amount** | | ₱8,710,572 | ₱993,914 | ₱107,491 | ₱16,359 | ₱89,008 | ₱60,101 | ₱2,249 | ₱21,715 | ₱5,065 | ₱10,006,474 |

*At revalued amounts.

| | 2019 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Serviced Residences* | Aircrafts* | Buildings | Transportation Equipment | Machinery, Equipment and Tools | Office Furniture, and Equipment | Leasehold Improvements | Land | Construction in Progress | Total |
| **Cost** | | | | | | | | | | |
| Balance at beginning of year | ₱8,274,316 | ₱1,955,669 | ₱133,280 | ₱90,059 | ₱344,393 | ₱130,210 | ₱74,947 | ₱21,715 | ₱3,784 | ₱11,028,373 |
| Additions | 24,872 | 63,887 | – | 8,103 | 359 | 25,023 | 3,614 | – | 3,738 | 129,596 |
| Revaluation increase | 768,967 | – | – | – | – | – | – | – | – | 768,967 |
| Disposal | – | (33,764) | – | – | – | (645) | – | – | – | (34,409) |
| Reclassifications | | – | 3,781 | (28,190) | – | 28,190 | – | – | (3,781) | – |
| Balance at end of year | 9,068,155 | 1,985,792 | 137,061 | 69,972 | 344,752 | 182,778 | 78,561 | 21,715 | 3,741 | 11,892,527 |
| **Accumulated Depreciation and Amortization** | | | | | | | | | | |
| Balance at beginning of year | 124,464 | 319,210 | 21,228 | 42,039 | 234,536 | 78,719 | 33,365 | – | – | 853,561 |
| Depreciation and amortization | 174,034 | 108,289 | 5,148 | 6,521 | 10,865 | 23,137 | 20,673 | – | – | 348,667 |
| Disposals | – | (7,743) | – | – | – | (126) | – | – | – | (7,869) |
| Reclassifications | – | – | – | (1,817) | – | 1,817 | – | – | – | – |
| Balance at end of year | 298,498 | 419,756 | 26,376 | 46,743 | 245,401 | 103,547 | 54,038 | – | – | 1,194,359 |
| **Net Carrying Amount** | ₱8,769,657 | ₱1,566,036 | ₱110,685 | ₱23,229 | ₱99,351 | ₱79,231 | ₱24,523 | ₱21,715 | ₱3,741 | ₱10,698,168 |

*At revalued amounts.

In 2019, the Group changed the useful life of serviced residences from 35 years to 50 years, to reflect the change in the Group's assessment of the expected economic benefits of the asset and to align the useful life adopted by the industry. This resulted to a reduction of ₱[illegible] million in depreciation expense.

In 2020, the Group reclassified a number of condominium units of AMPI from "Land and development costs" to "Property and equipment" account due to the change in intention over the property from condominium units for sale to a property operated as serviced residences. The change in management's intention was evidenced by an actual change in use of the property (see Note 7).

Also in 2020, the Group sold one of its aircrafts with a carrying amount of ₱518.6 million to its stockholder. The consideration received for the aircraft was 94,306,279 ALPHA shares amounting to ₱523.1 million, resulting to a gain of ₱4.4 million (see Note 16).

**Fair Value Measurement**

In 2018, the Group adopted the revaluation model for the measurement of its serviced residences. The fair value of the Group's serviced residences as determined by an independent appraiser on June 27, 2019 using the Income Capitalization Approach amounted to ₱8,835.8 million. The difference between the fair value and the carrying amount of the serviced residences amounting to ₱769.0 million in 2019 was recognized as revaluation increase. The fair value measurement for serviced residences has been categorized as Level 3 (significant unobservable inputs).

In 2016, the Group adopted the revaluation model for the subsequent measurement of its aircrafts. The fair value of the Group's aircrafts as determined by an independent appraiser on December 12, 2018 using Cost Approach amounted to ₱1,446.1 million. The difference between the fair value and the carrying amount of the aircrafts amounting to ₱120.1 million was recognized as revaluation increase in 2018. The fair value measurement for the Group's aircraft has been categorized as Level 3 (significant unobservable inputs).

The revaluation surplus recognized in the equity section of the consolidated statements of financial position amounted to ₱3,428.7 million and ₱3,577.4 million as at December 31, 2020 and 2019, respectively.

The carrying amount of property and equipment measured at revalued amounts had they been recognized at cost are as follows:

| | (In Thousands) | |
|---|---|---|
| | 2020 | 2019 |
| Serviced residences | ₱3,977,454 | ₱[illegible] |
| Aircrafts | 931,469 | [illegible] |
| | ₱4,908,923 | ₱[illegible] |

**Income Capitalization Approach**

Serviced residences was valued using income capitalization approach. Income capitalization approach is a comparative approach, which considers income and expense data relating to the property being valued and estimated the value through a capitalization process. Capitalization relates income and a defined value type by converting an income amount into a value estimate. This process may consider direct relationships (known as capitalization rates), yield or discount rates (reflecting measures of return on investment), or both.

The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy of the entity's serviced residences are:

- *Stabilized NOI:* calculation used to identify performance of a property that produces stable income. Stabilized NOI ranges from ₱378.4 million to ₱443.3 million in 2020 and ₱[illegible] million in 2019.

- *Capitalization rate:* rate used to estimate the potential return of the property. The capitalization rate in the fair valuation is 5% in 2020 and 2019.

*Sensitivity Analysis.* Generally, an increase (decrease) in stabilized NOI will result in an increase (decrease) to the fair value of serviced residences. An increase (decrease) in the capitalization rate will result in a decrease (increase) to the fair value of serviced residences. The capitalization rate magnifies the effect of a change in stabilized NOI, with a lower capitalization rate resulting in a greater impact of a change in stabilized NOI than a higher capitalization rate.

There was a decline in level of activities for these properties in 2020 primarily due to the pandemic. The estimation uncertainty caused by the pandemic resulted in a fair valuation with [illegible] range of values. The Group considers the appropriate risk adjustment considering both the short and long-term impact of the pandemic to determine the point within the range that is most representative of fair value under current market conditions.

**Cost Approach**

In determining the fair value of aircrafts, cost data were gathered from original [illegible] commercial invoices and as well as the comparable sources of similar machinery and equipment and use of prices and other relevant information generated by market transaction involving similar asset. The fair value was determined by reference to the replacement cost translated at the current foreign exchange rate.

*Sensitivity Analysis.* Significant increase (decrease) in replacement cost and exchange rate would result in a significantly higher (lower) fair value measurement.

Further information about the assumptions made in measuring fair values is included in Note 25.

Depreciation and amortization is recognized under the following accounts:

| | | (In Thousands) | | |
|---|---|---|---|---|
| | Note | 2020 | 2019 | [illegible] |
| Property and equipment | | ₱369,331 | ₱348,667 | [illegible] |
| Right-of-use asset | 18 | 4,535 | 4,535 | – |
| Software | 13 | 2,865 | 2,041 | [illegible] |
| | | ₱376,731 | ₱355,243 | [illegible] |

Depreciation and amortization are allocated as follows:

| | Note | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| | | (In Thousands) | | |
| Cost of services | 20 | ₱294,157 | ₱276,648 | [illegible] |
| General and administrative expenses | 20 | 78,434 | 73,436 | [illegible] |
| Capitalized as part of land and development costs | 7 | 4,140 | 5,159 | [illegible] |
| | | ₱376,731 | ₱355,243 | [illegible] |

## 13. Other Noncurrent Assets

This account consists of:

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | (In Thousands) | |
| Deferred input VAT | | [illegible] | [illegible] |
| Refundable deposits | | 19,248 | [illegible] |
| Prepayments | | [illegible] | [illegible] |
| Receivables from sale of club shares | 10 | 11,099 | [illegible] |
| Right-of-use assets | 18 | 10,412 | [illegible] |
| Advances to contractors and suppliers - net of current portion | 8 | 4,149 | [illegible] |
| Software | | 3,405 | [illegible] |
| Others | | 2,000 | [illegible] |
| | | [illegible] | [illegible] |

Refundable deposits include billing and meter deposits to Manila Electric Company (Meralco). These are refundable upon termination of service of Meralco.

The movements in software are as follow:

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | (In Thousands) | |
| **Cost** | | | |
| Balance at beginning of year | | [illegible] | [illegible] |
| Additions | | [illegible] | [illegible] |
| Balance at end of year | | [illegible] | [illegible] |
| **Accumulated Amortization** | | | |
| Balance at beginning of year | | 12,130 | [illegible] |
| Amortization | 12 | 2,865 | [illegible] |
| Balance at end of year | | 14,995 | [illegible] |
| **Net Carrying Amount** | | [illegible] | [illegible] |

## 14. Trade and Other Payables

This account consists of:

| | Note | (In Thousands) 2020 | 2019 |
|---|---|---|---|
| Trade | | ₱1,46[illegible],131 | ₱[illegible] |
| Accrued expenses: | | | |
| Construction costs | | 322,601 | [illegible] |
| Interest | | 15,119 | [illegible] |
| Others | | 115,722 | [illegible] |
| Deposits from sale of: | | | |
| Real estate | 7 | [illegible] | [illegible] |
| Preferred shares | | – | [illegible] |
| Retention payable | 26 | [illegible] | [illegible] |
| Statutory payables | | [illegible] | [illegible] |
| Unearned rental income | 18 | [illegible] | [illegible] |
| Lease liability | 18 | [illegible] | [illegible] |
| Others | | [illegible] | [illegible] |
| | | ₱2,[illegible],216 | ₱[illegible] |

Trade payables are noninterest-bearing and are due for payment within [illegible] to 120 days.

Accrued expenses mainly pertain to accruals for development costs and general and administrative expenses which are generally settled within one year.

Noncurrent portion of deposit from sale of real estate amounted to ₱[illegible] as at December 31, 2020 and 2019 presented under "Other noncurrent liabilities" account in the consolidated statements of financial position.

Statutory payables consist of expanded withholding taxes and contributions to [illegible] agencies. These are normally settled within the following month.

## 15. Long-term Debt

**ALPHA**

*Omnibus Loan and Security Agreement with BDO*

ALPHA had an OLSA with BDO for a loan facility aggregating ₱6,726.0 million from [illegible] finance loans and to finance new projects and working capital requirements of the Group. The loan was payable in seven years, commencing one year after initial drawdown date. [illegible] drawdowns aggregated ₱400.0 million and ₱6,286.0 million in 2018 and 2017.

BDO assigned the long-term loan under the OLSA with outstanding balance of ₱[illegible] million inclusive of interest and adjustments as of January 23, 201[illegible] to the [illegible] Bank of Communications - Trust and Wealth Management Group pursuant to [illegible] Assignment Agreement on the same date.

The loan was fully settled in 2019.

Effective interest rates of the long-term debt range from 7.1% to 9.2[illegible] and 5.0% [illegible] annum in 2019 and 2018, respectively. Interest recognized from the [illegible] to ₱163.7 million and ₱292.3 million in 2019 and 2018, respectively.

Capitalized interest and other financing costs on the loans amounted to [illegible] and ₱146.0 million in 2019 and 2018, respectively (see Note 7).

The rate used to determine the amount of borrowing cost eligible for capitalization [illegible] and 6.5% as at December 31, 2019 and 2018, respectively.

**AAPI**

AAPI had an Amortized Commercial Loan (ACL) agreement in 2017 [illegible] BDO [illegible] Finance, Inc. (BDOLFI) for a loan facility aggregating ₱265.2 million for the ac[illegible] of [illegible] prop Aircraft, MSN 678 and its replacement engine. Loan drawdowns ag[illegible] ₱2[illegible] 2017 at a fixed interest rate of 7.0% to 8.0% per annum.

Interest expense recognized in the consolidated statements of comp[illegible]nsive [illegible] ted to ₱5.1 million and ₱16.4 million in 2019 and 2018, respectively. The [illegible] payab[illegible] months from the date of initial borrowing.

The loan was fully settled in 2019.

**AAI**

AAI also had an ACL agreement with BDOLFI for a loan facility of ₱30[illegible] million [illegible] tion of ATR72 Turboprop Aircraft, MSN 666. AAI made a drawdown amount[illegible] ₱266.[illegible]

Interest rate of the long-term debt in 2019 is 7.04% per annum an[illegible] 2018 [illegible] 82% to 7.04% per annum. Interest expense recognized in the consolidated [illegible] nsive income amounted to ₱3.6 million and ₱10.2 million in 2019 and 2018 [illegible]

The loan was fully settled in 2019.

**ABMLHI**

ABMLHI had a memorandum of agreement with BDO Unibank, Inc [illegible] CTS [illegible] purchase facility of ₱500.0 million to refinance existing CTS receivables.

The notes payable represents liability from assigned receivables [illegible] which bears an effective rate of 7% and has a term of 5 years payable. Int[illegible] in the consolidated statements of comprehensive income amounted to ₱[illegible] million [illegible] on in 2019 and 2018, respectively.

The loan was fully settled in 2019.

Finance costs recognized in the consolidated statements of compreh[illegible] incom[illegible]:

| | [illegible] Thou[illegible] | | |
|---|---|---|---|
| | 2020 | 20[illegible] | [illegible] |
| Long-term debt | ₱– | ₱178,4[illegible] | [illegible] |
| Finance charges | – | 9,4[illegible] | [illegible] |
| Accretion of customers' deposits | – | 3,0[illegible] | – |
| | ₱– | ₱190,8[illegible] | [illegible] |

16. **Equity**

**Capital Stock**

The composition of ALPHA's capital stock consisting of all common sh[illegible] are as [illegible]

| | 2020 | | [illegible] | |
|---|---|---|---|---|
| | Number of Shares | Amount* | Numb[illegible] Sh[illegible] | [illegible]nt* |
| Authorized - ₱0.1 Par Value | 50,000,000,000 | ₱5,000,000 | [illegible] | [illegible] |
| **Issued** | | | | |
| Beginning of year | 28,411,738,420 | ₱2,842,174 | [illegible] | [illegible] |
| Revisions to deed of subscriptions | (1,398,505,700) | (139,851) | | – |
| Additions | – | – | | – |
| End of year | 27,013,232,720 | ₱2,702,323 | [illegible] | [illegible] |
| **Parent Company's shares held by a subsidiary** | | | | |
| Beginning and end of year | (13,834,274,790) | (₱16,881,220) | [illegible] | [illegible] |
| **Treasury** | | | | |
| Beginning of year | (4,239,000) | (₱1,214) | [illegible] | [illegible] |
| Additions | (94,306,279) | (523,069) | | – |
| End of year | (98,545,279) | (₱524,283) | [illegible] | [illegible] |
| | 13,080,412,651 | | [illegible] | |

**In thousands.*

The total number of shareholders, which includes PCD Nominee C[illegible] as at December 31, 2020 and 2019, respectively.

On January 2, 2020, a group of shareholders reduced the n[illegible] subs[illegible] hares from 1,864,664,150 to 466,158,450. ALPHA and the [illegible]ehold[illegible] [illegible] of Subscriptions (Deed) to supersede the previous Deed execute[illegible] by th[illegible] This resulted to a decrease in capital stock and increase in additional [illegible] to ₱139.9 million.

**Parent Company's Shares Held by a Subsidiary**

On June 5, 2014, Alphaland Holdings (Singapore) Pte. Limited (AH) [illegible] Ma[illegible] ation (MC) on one hand, and another group affiliated with RVO including A[illegible] and [illegible] the "RVO Group") entered into a Memorandum of Agreement (MOA) t[illegible] ute. Pursuant to the MOA, ALPHA, through its 100%-owned subsidiary, AS[illegible] stock of ALPHA owned by AH, MC and Credit Suisse (Singapore) Limited (Cre[illegible] other shareholder, and received ₱2,500.0 million in cash in exchange for [illegible] mainly comprising of 100% ownership of Alphaland Makati Tower, Inc. (AMTI); [illegible] of Alphaland Marina Corporation (AMC) including AMC's investment in [illegible] land Marina Club, Inc. (AMCI); 50% ownership of ABCC, the joint [illegible] and a group led by D.M. Wenceslao & Associates, Inc. (DMWAI) [illegible] 60% interest in the unincorporated joint venture between the [illegible] and the additional parcels of land acquired by the Group [illegible] tot[illegible] .81 hectares.

On October 17, 2014, these assets owned by the Group were transfer[illegible] Development Corporation (BDC), a newly incorporated company owned by AH [illegible] AH, MC and BDC will be collectively referred to as the "AH Group."

The Group's joint venture with WG is subject to litigation because of WG's action [illegible] delay in ASTI and AMC's construction and development of the Marina Club Project. [illegible] over of AMC and AMCI, BDC assumed the responsibility of handling the litigation with [illegible]

Pursuant to the implementation of the MOA discussed above, ASTI acquired [illegible] of ALPHA owned by AH, MC and Credit Suisse amounting to ₱[illegible]18.0 [illegible].

In 2017, ASTI acquired additional shares of stock of ALPHA owned by a [illegible]holder amounting to ₱63.2 million.

**Stock Split**

On January 19, 2018, ALPHA filed a 10-for-1 stock split with the SEC. On Dec[illegible] the SEC approved the application for the stock split, whereby its capital stock [illegible] into ₱50.0 billion common shares with a par value ₱0.10 each share. The stock split [illegible] effect on the proportionate percentage ownership of the shareholders.

**Treasury Shares**

In 2020, the Group sold one of its aircrafts with a carrying amount of [illegible] to its stockholder. The consideration received for the aircraft was 94,30[illegible]9 ALPHA [illegible]ting to ₱523.1 million, resulting to a gain of ₱4.4 million (see Note 12).

**Retained Earnings**

Accumulated equity in net income of an associate and subsidiaries not av[illegible]dend declaration amounted to ₱39,860.2 million and ₱37,288.5 million as at Dec[illegible] and 2019, respectively. Significant components of the retained earnings pertain to [illegible] on fair value changes of investment properties.

On March 3, 2021, the Board of Directors of ALPHA resolved that ₱[illegible] billion [illegible]ained earnings shall be appropriated to fund the corporate projects and programs [illegible] the Executive Committee of the Board of Directors.

## 17. Related Party Transactions

The Group, in its regular conduct of business, has transactions with its relat[illegible] The following tables summarize the transactions with the related companies and [illegible]ance arising from these transactions:

| | | | (In Thousands) | | | |
|---|---|---|---|---|---|---|
| | | | 2020 | | [illegible] | |
| | Nature of Transactions | Note | Amount of Transactions | Outstanding Balances | Amount of Transactions | Outstanding Balances |
| **Trade and other receivables** | | | | | | |
| Trade | | | | | | |
| *Related companies under common key management* | Air transport services | 6 | ₱89,889 | ₱31[illegible] | [illegible] | [illegible]166 |
| | Real estate sales | 6 | – | – | – | – |
| | | | | 311,[illegible] | | [illegible]166 |

(Forward)

| | | | (In Thousands) | | | |
|---|---|---|---|---|---|---|
| | | | 2020 | | 2019 | |
| | Nature of Transactions | Note | Amount of Transactions | Outstanding Balances | Amount of Transactions | Outstanding Balances |
| **Nontrade** | | | | | | |
| *Related companies under common key management* | Capital expenditures, debt servicing | | – | 52,465 | [illegible] | [illegible]098 |
| | | | | ₱363,477 | | [illegible]264 |
| **Advances to** *Associate -* AHEC | Reimbursement of expenses | | ₱– | ₱1,023 | | [illegible]1,023 |
| *Related companies under common key management* | Reimbursement of expenses | | ₱584,598 | ₱4,111,707 | [illegible] | [illegible]104 |
| **Trade and other payables** | | | | | | |
| Trade *Related companies under common key management* | Acquisition of properties | | ₱– | ₱647,101 | [illegible] | [illegible]101 |
| **Advances from related companies** *Related companies under common key management* | Advances | | ₱– | ₱2,023,976 | ₱2,30[illegible] | [illegible]676 |
| | Association dues | 20 | 162,514 | 162,514 | | – |
| | Purchase of assets and reimbursement of expenses | | – | 155,621 | [illegible] | [illegible]542 |
| | | | | ₱2,342,111 | | [illegible]818 |

Other transactions of the Group with its related companies are as follows:

- As discussed in Note 11, RVO is the beneficial owner of certain investment properties (i.e. Baguio Property) acquired by the Group during 2015.

- In April 2013, ABICI and the ABIRC executed a Letter Agreement wherein the parties agreed that the difference between the budget under the Supplementary DA and the actual construction costs incurred will be treated as advances to ABICI. Advances to ABICI related to this agreement amounting to ₱1,575.5 million as at December 31, 2020 and 2019 is due and demandable (see Note 10).

## Terms and Conditions of Transactions with Related Companies

Outstanding balances as of year-end are unsecured, noninterest-bearing and settlement occurs in cash or equity. The Group has not made any provision for impairment losses relating to the amounts owed by related companies.

## Compensation of Key Management Personnel

The details of compensation of key management personnel, which include its se[illegible]nts, follow:

| | (In Thousands) | | |
|---|---|---|---|
| | 2020 | 2019 | [illegible] |
| Short-term employee benefits | ₱75,660 | ₱91,983 | [illegible] |
| Post-employment benefits | 18,935 | 24,804 | [illegible] |
| | ₱94,595 | ₱116,787 | [illegible] |

**Stock Option Plan**

The Company's Stock Option Plan was approved by the BOD of the Company on [illegible], and by stockholders representing more than 2/3 of the outstanding capital stock of [illegible] during the annual meeting held on December 3, 2014. On November [illegible], 2017, [illegible] and December 19, 2016, the Stock Option Plan Committee awarded stock options [illegible] and employees of the Group. Additional stock option awards were given on May 30, [illegible], 2019, and September 18, 2019 to qualified personnel of the Group. The effectivity date [illegible] one year after an option is awarded to the employee. One-third (1/3) of the total [illegible] shares covered by a grant to an employee shall vest upon the effectivity of the grant. [illegible] the shares shall vest one year after the effectivity date and the remaining 1/3 of [illegible] vest two years after the effectivity date of the grant. The Stock Option Plan was ap[illegible] on July 24, 2019.

## 18. Leases

### The Group as a Lessee

**Hangar Leases**

In June 2011, the Group and Civil Aviation Authority of the Philippines (CA[illegible] a noncancellable lease agreement for the use of a portion of CAAP's han[illegible] the appurtenant structures, with an aggregate land area of approximately 1,580 s[illegible] 10 years at ₱70 per square meter subject to an escalation rate of 10% per annum.

In July 2016, the Group and Clark International Airport Corporation (CI[illegible] a noncancellable lease agreement for the lease of structure and op[illegible] space [illegible] of 2,590 square meters, for 9 years. The agreement requires for a minimum guara[illegible]nt plus 20% of gross rental income from sub-lessees, if any, and is subject to an e[illegible]0% per annum.

The incremental borrowing rate applied to the lease liabilities ranges from [illegible]%, depending on the lease term. ROU assets were measured at the amount equal to [illegible]es at adoption date.

The balance of and movements in ROU assets as at December 31 are as follows:

| | (In Thou[illegible]) | |
|---|---|---|
| | 2020 | [illegible] |
| **Cost** | | |
| Balance at beginning of year | ₱19,482 | [illegible] |
| Impact of PFRS 16 | – | [illegible] |
| Balance at end of year | 19,482 | [illegible] |
| **Accumulated Amortization** | | |
| Balance at beginning of year | 4,535 | [illegible] |
| Amortization | 4,535 | [illegible] |
| Balance at end of year | 9,070 | [illegible] |
| **Carrying Amount** | ₱10,412 | [illegible] |

The balance of and movements in lease liabilities are as follows:

| | Note | (In Thou[illegible] 2020 | [illegible] |
|---|---|---|---|
| Balance at beginning of year | | ₱16,335 | [illegible] |
| Rental payments | | (5,211) | [illegible] |
| Interest | | 1,009 | [illegible] |
| Impact of PFRS 16 | | – | [illegible] |
| Balance at end of year | | 12,133 | [illegible] |
| Current portion | 14 | 3,116 | [illegible] |
| Noncurrent portion | | ₱9,017 | [illegible] |

Rent expense charged to operations amounted to ₱4.4 million in 2018.

<u>Operating Lease - Group as a Lessor</u>

AMPI entered into various operating lease agreements as a lessor covering mall a[illegible] at Alphaland Makati Place for a period ranging from two to ten years which m[illegible] or extended under such new or additional terms or conditions agreed by the parti[illegible]on of the lease agreements, tenants are required to pay certain amounts of depos[illegible]ent of the lease term started upon completion of construction of the mall and tow[illegible]013 and November 2017, respectively.

Tenants likewise pay either a fixed monthly rent, which is calculated with refere[illegible]sum per square meter of area leased, or pay rent on a percentage rental basis, which [illegible]sic monthly amount and a percentage of gross sales or a minimum set amount, [illegible]her. The terms of the lease agreements also provide for an increase in the rent [illegible] of 5% to 7% escalation rate starting on the third year of the lease term f[illegible].

ASTI entered into various operating lease agreements as a lessor covering mall [illegible] at Alphaland Southgate Tower for a period ranging from one to ten years. The [illegible]ease agreements also provide for an increase in the rent generally at the rate of 5% [illegible] on the second year and annually thereafter for ASTI. As disclosed in Note 11, the [illegible]and Southgate Tower in 2019.

Rent income and billings for common utilities, services and maintenance cha[illegible]and Southgate Tower and Alphaland Makati Place aggregated ₱491.8 million, [illegible]and ₱1,173.7 million in 2020, 2019 and 2018, respectively (see Note 11). Direct c[illegible]ent income aggregated ₱86.9 million, ₱154.1 million and ₱229.2 million in 20[illegible]018, respectively, which mainly comprised of utilities and commissary costs (see Note [illegible]

As at December 31, 2020, the estimated minimum future rental receivable[illegible]ease agreements are as follows (in thousands):

| | |
|---|---|
| Within one year | ₱[illegible] |
| After one year but not more than five years | [illegible] |
| More than five years | [illegible] |
| | ₱[illegible] |

As at December 31, 2020 and 2019, the Group's receivable from tenants [illegible] million and ₱51.7 million, respectively, were presented under "Trade and other [illegible] the consolidated statements of financial position (see Note 6).

The Group's customers' deposits on lease contracts are as follows:

| | (In Thousands) | |
|---|---|---|
| | 2020 | [illegible] |
| Current | ₱107,980 | [illegible] |
| Noncurrent | 120,519 | [illegible] |
| | ₱228,499 | [illegible] |

Customers' deposits on lease contracts are generally equivalent to six months [illegible] able at the end of the lease term. Current portion pertains to one year operating [illegible] while noncurrent portion pertains to two to five years' operating lease agreements.

The Group recognizes the customers' deposits at fair value. The [illegible] t is determined based on the prevailing market rate of interest for a similar loan. [illegible] the principal amount of the deposit over its fair value is accounted for as deferred [illegible] and amortized on a straight-line basis. The deferred lease income amounted [illegible] and ₱4.7 million as at December 31, 2020 and 2019, respectively, and is [illegible] ther noncurrent liabilities" account in the consolidated statements of financial [illegible] the deposit is accounted for using the effective interest rate method.

Aside from customers' deposits paid by tenants, advance rentals generally equi[illegible] ths rental are also paid and included in the initial billing to tenants, which shall [illegible] the monthly rental at the end of the lease term. Current portion of advance [illegible] to ₱8.0 million and ₱1.3 million as at December 31, 2020 and 2019, respectiv[illegible] 14). Noncurrent portion amounting to ₱22.6 million and ₱21.3 million as at De[illegible] and 2019, respectively, are included under "Other noncurrent liabilities" accoun[illegible] ated statements of financial position.

## 19. Revenues

This account consists of:

| | Note | (In Thousands) | | |
|---|---|---|---|---|
| | | 2020 | 2019 | [illegible] |
| Real estate sales of: | | | | |
| Private Villa | | ₱544,643 | [illegible] | [illegible] |
| Log homes | | 490,259 | [illegible] | [illegible] |
| Towers 1 and 2 | | – | – | [illegible] |
| Parking lots | | – | – | [illegible] |
| Rent | 18 | 491,802 | [illegible] | [illegible] |
| Service income: | | | | |
| Room revenues | | 243,021 | [illegible] | [illegible] |
| Air transport services | | 84,237 | 202,110 | [illegible] |
| Medical services | | 55,165 | [illegible] | [illegible] |
| Security services | | 17,272 | [illegible] | [illegible] |
| Interest income | 5 | 28,072 | [illegible] | [illegible] |
| Others | | 43,702 | [illegible] | [illegible] |
| | | ₱1,998,173 | [illegible] | [illegible] |

Other revenues consist mainly of commission income and income from restaurant operations.

## 20. Costs and Expenses

Costs and expenses are classified in the consolidated statements of comprehensive [illegible] as follows:

| | Note | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| | | (In Thousands) | | |
| **Cost of services:** | | | | |
| Transportation | | ₱209,622 | ₱231,543 | [illegible] |
| Depreciation and amortization | 12 | 185,006 | 174,035 | [illegible] |
| Utilities | | 86,901 | 154,621 | [illegible] |
| Security services | | 66,880 | 115,317 | [illegible] |
| Room services | | 32,850 | 65,597 | [illegible] |
| Medical services | | 25,916 | 19,340 | [illegible] |
| Others | | 1,038 | 1,17[illegible] | [illegible] |
| | | ₱608,213 | ₱761,63[illegible] | [illegible] |
| **Cost of real estate sold:** | | | | |
| Land and development cost | 7 | ₱452,170 | ₱552,587 | [illegible] |
| Parking lots for sale | 7 | – | – | [illegible] |
| | | ₱452,170 | ₱552,587 | [illegible] |
| **General and administrative:** | | | | |
| Taxes and licenses | | ₱192,889 | ₱70,09[illegible] | [illegible] |
| Association dues | 17 | 162,514 | – | [illegible] |
| Salaries and employees' benefits | | 154,024 | 249,71[illegible] | [illegible] |
| Service and professional fees | | 81,342 | 113,111 | [illegible] |
| Depreciation and amortization | 12 | 78,434 | 73,43[illegible] | [illegible] |
| Representation | | 41,484 | 34,76[illegible] | [illegible] |
| Travel and transportation | | 35,868 | 63,47[illegible] | [illegible] |
| Repairs and maintenance | | 29,439 | 44,26[illegible] | [illegible] |
| Utilities and rent | | 26,035 | 133,56[illegible] | [illegible] |
| Sales and marketing | | 24,318 | 170,08[illegible] | [illegible] |
| Insurance | | 20,055 | 11,59[illegible] | [illegible] |
| Supplies | | 12,274 | 49,84[illegible] | [illegible] |
| Communication | | 10,821 | 1,08[illegible] | [illegible] |
| Others | | 95,663 | 106,81[illegible] | [illegible] |
| | | ₱964,780 | ₱1,121,85[illegible] | [illegible] |

Transportation expense, security services and medical services under "Cost [illegible] account includes depreciation amounting to ₱109.2 million, ₱102.6 million and ₱171.3 [illegible] 2019 and 2018, respectively (see Note 12).

## 21. Retirement Liability

The Group has an unfunded defined benefit plan covering all its regular em[illegible] are computed using an amount equivalent to one-half month's salary for every [illegible] with six months or more of service considered as one year. The retirement liabili[illegible] using the projected unit credit method. The latest available actuarial report of [illegible] as at December 31, 2020.

The components of the retirement benefit expense included in "Salaries and [illegible] benefits" presented under "General and administrative" account in the consolid[illegible] of comprehensive income are as follows:

| | (In Thou[illegible] | | |
|---|---|---|---|
| | 2020 | 2019 | [illegible] |
| Retirement benefit cost: | | | |
| Current service cost | ₱13,912 | ₱12,463 | [illegible] |
| Interest cost | 3,147 | 2,537 | [illegible] |
| | ₱17,059 | ₱15,00[illegible] | [illegible] |

The components of retirement liability recognized in the consolidated st[illegible]ncial position and the changes in the present value of defined benefit obligation [illegible] are as follows:

| | (In Thousands) | |
|---|---|---|
| | 2020 | [illegible] |
| Present value of defined benefit obligation: | | |
| Balance at beginning of year | ₱65,784 | [illegible] |
| Current service cost | 13,912 | [illegible] |
| Remeasurement loss (gain) | (5,368) | [illegible] |
| Benefits paid | (4,217) | [illegible] |
| Interest cost | 3,147 | [illegible] |
| Balance at end of year | ₱73,259 | [illegible] |

The accumulated remeasurement gain on retirement liability, net [illegible] tax, recognized in the equity section of the consolidated statements of financial p[illegible] to ₱ 46.3 million and ₱41.0 million as at December 31, 2020 and 2019, respectively.

Principal actuarial assumptions used to determine retirement benefit obligations [illegible] as follows:

| | 2020 | [illegible] |
|---|---|---|
| Discount rate | 3.70% - 3.[illegible] | [illegible] |
| Salary increase rate | 5.00% | [illegible] |

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the present value of the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

| | Change in Assumption | (In Thousands) Increase (Decrease) | |
|---|---|---|---|
| | | 2020 | 2019 |
| Discount rate | +1.00% | (₱7,941) | [illegible] |
| | -1.00% | 9,794 | [illegible] |
| Salary increase rate | +1.00% | 9,577 | [illegible] |
| | -1.00% | (7,934) | [illegible] |

Shown below is the maturity analysis of the undiscounted benefit payments as at [illegible] end [illegible]

| | (In Thousands) | |
|---|---|---|
| | 2020 | 2019 |
| Within one year | ₱10,518 | [illegible] |
| After than one year but not more than five years | 27,696 | [illegible] |
| More than five years | 33,285 | [illegible] |

The average duration of the defined benefit obligation at the end of year is 13.0 years and 11.8 years in 2020 and 2019, respectively.

## 22. Income Taxes

The provision for current income tax represents MCIT for AWCI and ABIGI in 2020, ALPHA, AMPI, ABMLHI, ABIGI and AWCI in 2019 and ALPHA, ABMLHI and ABIRC in 2018 and RCIT for other companies within the Group.

For income tax purposes, full recognition is applied when more than 25% of the selling price of condominium units has been collected in the year of sale. Otherwise, the installment method is applied.

The reconciliation of income tax computed at statutory tax rate to provision for income tax shown in the consolidated statements of comprehensive income are as follows:

| | (In Thousands) | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Income tax computed at statutory tax rate | ₱1,294,609 | [illegible] | [illegible] |
| Applied and expired NOLCO | 48,608 | [illegible] | [illegible] |
| Change in unrecognized deferred tax assets | 17,670 | [illegible] | [illegible] |
| Applied and expired MCIT | 16,228 | [illegible] | [illegible] |
| Additions to (reductions in) income tax resulting from: | | | |
| Nondeductible expenses and others | 69,760 | [illegible] | [illegible] |
| Nontaxable income | (6,133) | [illegible] | – |
| Interest income already subjected to final tax | (1,327) | [illegible] | [illegible] |
| | ₱1,439,415 | [illegible] | [illegible] |

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises ("CREATE") was approved and signed into law by the country's President. Under the CREATE, the RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the MCIT was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

However, the income tax rates used in preparing the consolidated financial statements as at and for the year ended December 31, 2020 are 30% and 2% for RCIT and MCIT, respectively.

The table below summarizes the financial impact of the change in income tax rate to the Group's consolidated financial statements had the CREATE been substantively enacted as at December 31, 2020:

| | (In Thousands) | | |
|---|---|---|---|
| | Audited Balances (Based on Old Income Tax Rate) | Balances Using Revised Income Tax Rate | Differences |
| Creditable withholding tax | ₱112,031 | ₱113,981 | 1,950 |
| Net deferred tax liability | (22,641,102) | (19,424,202) | 3,216,900 |
| Income tax payable | 453,828 | 438,940 | (14,888) |
| Retained earnings | 56,828,021 | 56,948,056 | 120,035 |
| Provision for current income tax | 154,250 | 141,312 | (12,938) |
| Provision for deferred income tax | 1,285,165 | 1,178,068 | (107,097) |
| Net income | 2,695,313 | 2,815,348 | 120,035 |

The following are the components of the Group's net deferred tax liabilities:

| | (In Thousands) | |
|---|---|---|
| | 2020 | 2019 |
| **Deferred tax liabilities:** | | |
| Cumulative gain on fair value change of investment properties | ₱17,082,954 | [illegible] |
| Unrealized valuation gain on club shares for sale | 4,143,997 | [illegible] |
| Revaluation surplus | 1,283,454 | [illegible] |
| Accumulated depreciation for tax purposes | 162,739 | [illegible] |
| Capitalized borrowing costs | 58,137 | [illegible] |
| Excess rent income under operating lease computed on a straight-line basis | – | [illegible] |
| Cumulative unrealized foreign exchange gain | – | [illegible] |
| | 22,731,281 | [illegible] |
| **Deferred tax assets:** | | |
| Accrued expense not yet deductible | 44,278 | [illegible] |
| Difference of POC between accounting and tax | 32,494 | [illegible] |
| Excess rent income under operating lease computed on a straight-line basis | 13,407 | |
| NOLCO | – | [illegible] |
| MCIT | – | [illegible] |
| Retirement liability | – | [illegible] |
| | 90,179 | [illegible] |
| | ₱22,641,102 | [illegible] |

The presentation of net deferred tax liabilities are as follows:

| | 2020 | 2019 |
|---|---|---|
| Through profit or loss | ₱17,196,098 | ₱15,727,[illegible] |
| Through OCI | 5,445,004 | 5,944,[illegible] |
| | ₱22,641,102 | ₱21,672,[illegible] |

The following deferred tax assets were not recognized as it is not probable that sufficient taxable profit will be available to allow the benefit of the net deferred tax assets to be utilized in the future:

| | (In Thousands) | |
|---|---|---|
| | 2020 | 2019 |
| NOLCO | ₱159,472 | ₱139,[illegible] |
| Accrued rent | 18,458 | 18,[illegible] |
| Allowance for impairment loss on receivables | 9,407 | 9,[illegible] |
| Retirement liability | 9,304 | 11,4[illegible] |
| MCIT | 5,998 | 6,[illegible] |
| Unearned income | 63 | [illegible] |
| Unrealized foreign exchange losses | 8 | [illegible] |
| | ₱202,710 | ₱[illegible] |

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 to implement Section 4 (bbbb) of Republic Act No. 11494, *Bayanihan to Recover as One Act*, allowing the Company's net operating losses for the taxable years 2020 and 2021 to be carried over for the next five (5) consecutive taxable years immediately following the year of such loss. Consequently, NOLCO incurred in 2020 amounting to ₱223.1 million are allowed as deduction from future taxable income until 2025.

The details of NOLCO, which can be claimed as deduction against future taxable income are shown below (in thousands).

| Year Incurred | Beginning Balance | Incurred | Applied/ Expired | Ending Balance | Valid Until |
|---|---|---|---|---|---|
| 2020 | ₱– | ₱223,061 | ₱– | ₱223,061 | 2025 |
| 2019 | 164,928 | – | – | 164,928 | 2022 |
| 2018 | 156,786 | – | (13,202) | 143,584 | 2021 |
| 2017 | 148,826 | – | (148,826) | – | 2020 |
| | ₱470,540 | ₱223,061 | (₱162,028) | ₱531,573 | |

The details of MCIT which can be claimed as deduction from income tax due are as follows (in thousands):

| Year Incurred | Beginning Balance | Incurred | Applied | Ending Balance | Valid Until |
|---|---|---|---|---|---|
| 2020 | ₱– | ₱190 | ₱– | ₱190 | 2023 |
| 2019 | 8,988 | – | (3,202) | 5,786 | 2022 |
| 2018 | 3,224 | – | (3,202) | 22 | 2021 |
| 2017 | 3,420 | – | (3,420) | – | 2020 |
| | ₱15,632 | ₱190 | (9,824) | ₱5,998 | |

## 23. Total Comprehensive Income Per Share and Book Value Per Share Computation

Total comprehensive income per share is computed as follows:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| (a) Total comprehensive income attributable to equity holders of the Parent Company (in thousands) | ₱1,578,187 | ₱10,688,487 | ₱[illegible]791 |
| (b) Weighted average number of shares outstanding after the effect of stock split | 13,166,860,073 | 14,573,[illegible] | 13,640,[illegible]0 |
| Basic/diluted earnings per share (a/b) | ₱0.120 | [illegible] | [illegible]0 |

The Group has no dilutive potential common shares outstanding, therefore basic earnings per share is the same as diluted earnings per share.

Book value per share is computed as follows:

| | 2020 | 2019 |
|---|---|---|
| (a) Total equity (in thousands) | ₱81,991,287 | ₱80,83[illegible] |
| (b) Total number of shares outstanding at end of year after the effect of stock split | 13,080,412,651 | 14,573,22[illegible] |
| Book value per share (a/b) | ₱6.268 | ₱5.[illegible] |

The information presented above are intended as additional information for management reporting purposes only.

## 24. Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, trade and other receivables (excluding advances to officers and employees), advances to related companies, restricted cash (presented under "Other current assets" account), refundable deposits (presented under "Other noncurrent assets" account), advances to an associate, club shares for sale, trade and other payables (excluding deposits from sale, unearned rent income and statutory payables), customers' deposits and advances from related companies. The main purpose of these financial instruments is to provide funds for the Group's operations.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and manage the Group's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group has exposure to credit risk and liquidity risk from the use of its financial instruments. The Group's exposure to foreign currency risk is minimal as it does not normally enter into transactions in currencies other than its functional currency. The BOD reviews and approves the policies for managing each of these risks.

## Credit Risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the Parent Company, the Group does not offer credit terms without the specific approval of the Chief Finance Officer.

With respect to credit risk arising from the other financial assets, 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.

Since the Group trades with recognized third parties and related parties, there are no other concentrations of credit risk within the Group.

*Credit Quality of Financial Assets.* The credit quality of financial assets is managed by the Group using internal credit ratings such as high grade, standard grade, past due but not impaired and impaired.

High Grade - pertains to deposits or placements to counterparties with good credit rating or bank standing. For receivables, this covers accounts of good paying customers, with good credit standing and are not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions and companies.

Standard Grade - other financial assets not belonging to high quality financial assets are included in this credit rating.

Past due but not impaired - pertains to financial assets where contractual payments are past due but the Group believes that impairment is not appropriate based on the probability of collection of amounts owed to the Group.

Impaired - pertains to financial assets for which the Group determines that it is probable that it will not be able to collect the amount due based on the contractual terms and agreements.

The table below shows the credit quality of the Group's financial assets as at year end:

| | (In Thousands) | | | | | |
|---|---|---|---|---|---|---|
| | December 31, 2020 | | | | | |
| | | Neither Past Due nor Impaired | | | Past Due but | Past Due |
| | Total | High Grade | Standard Grade | Total | not Impaired | and Impaired |
| **Financial Assets at Amortized Cost** | | | | | | |
| Cash and cash equivalents* | ₱767,808 | ₱767,808 | ₱– | ₱767,808 | ₱– | ₱– |
| Trade and other receivables** | 1,154,749 | 1,109,835 | – | 1,109,835 | – | 44,914 |
| Advances to an associate and related companies | 4,112,725 | 4,112,725 | – | 4,112,725 | – | – |
| Restricted cash | 10,142 | 10,142 | – | 10,142 | – | – |
| Refundable deposits | 19,248 | 19,248 | – | 19,248 | – | – |
| | 6,064,672 | 6,019,758 | – | 6,019,758 | – | 44,914 |
| **Financial Assets at FVOCI** | | | | | | |
| Unquoted Clubs' preferred shares | 31,511,900 | – | 31,511,900 | 31,511,900 | – | – |
| | ₱37,576,572 | ₱6,019,758 | ₱31,511,900 | ₱37,531,658 | ₱– | ₱44,914 |

**Excluding cash on hand amounting to ₱1,849.*

***Excluding advances to officers and employees and including noncurrent portion of trade receivables amounting to ₱[illegible] and [illegible]1,099, respectively.*

| | (In Thousands) | | | | | |
|---|---|---|---|---|---|---|
| | December 31, 2019 | | | | | |
| | | Neither Past Due nor Impaired | | | Past Due but not Impaired | Past Due and Impaired |
| | Total | High Grade | Standard Grade | Total | | |
| **Financial Assets at Amortized Cost** | | | | | | |
| Cash and cash equivalents* | ₱492,126 | ₱492,126 | ₱– | ₱492,126 | ₱– | ₱– |
| Trade and other receivables** | 1,649,816 | 1,244,442 | 368,917 | 1,613,359 | – | [illegible] |
| Advances to an associate and related companies | 3,528,127 | 3,528,127 | – | 3,528,127 | – | – |
| Restricted cash | 1,175 | 1,175 | – | 1,175 | – | – |
| Refundable deposits | 26,932 | 26,932 | – | 26,932 | – | – |
| | 5,698,176 | 5,292,802 | 368,917 | 5,661,719 | – | [illegible] |
| **Financial Assets at FVOCI** | | | | | | |
| Unquoted Clubs' preferred shares | 33,558,900 | – | 33,558,900 | 33,558,900 | – | – |
| | ₱39,257,076 | ₱5,292,802 | ₱33,927,817 | ₱39,220,619 | ₱– | [illegible] |

**Excluding cash on hand amounting to ₱2,058.*
***Excluding advances to officers and employees and including noncurrent portion of trade receivables amounting to ₱[illegible] and ₱18,799, respectively.*

The following are the aging analyses of financial assets as at year end:

| | (In Thousands) | | | | | | |
|---|---|---|---|---|---|---|---|
| | December 31, 2020 | | | | | | |
| | | | Past Due But Not Impaired | | | | Past Due and Impaired |
| | Total | Neither Past Due nor Impaired | 1–30 Days | 31–60 Days | 61–90 Days | More than 90 Days | |
| **Financial Assets at Amortized Cost** | | | | | | | |
| Cash and cash equivalents* | ₱767,808 | ₱767,808 | ₱– | ₱– | ₱– | ₱– | ₱– |
| Trade and other receivables** | 1,154,749 | 1,109,835 | – | – | – | – | [illegible] |
| Advances to an associate and related companies | 4,112,725 | 4,112,725 | – | – | – | – | – |
| Restricted cash | 10,142 | 10,142 | – | – | – | – | – |
| Refundable deposits | 19,248 | 19,248 | – | – | – | – | – |
| | 6,064,672 | 6,019,758 | – | – | – | – | [illegible] |
| **Financial Assets at FVOCI** | | | | | | | |
| Unquoted Clubs' preferred shares | 31,511,900 | 31,511,900 | – | – | – | – | |
| | ₱37,576,572 | ₱37,531,658 | ₱– | ₱– | ₱– | ₱– | [illegible] |

**Excluding cash on hand amounting to ₱1,849.*
***Excluding advances to officers and employees and including noncurrent portion of trade receivables amounting to ₱[illegible] and ₱11,099, respectively.*

| | (In Thousands) | | | | | | |
|---|---|---|---|---|---|---|---|
| | December 31, 2019 | | | | | | |
| | | | Past Due But Not Impaired | | | | Past Due and Impaired |
| | Total | Neither Past Due nor Impaired | 1–30 Days | 31–60 Days | 61–90 Days | More than 90 Days | |
| **Financial Assets at Amortized Cost** | | | | | | | |
| Cash and cash equivalents* | ₱492,126 | ₱492,126 | ₱– | ₱– | ₱– | ₱– | ₱– |
| Trade and other receivables** | 1,649,816 | 1,613,359 | – | – | – | – | [illegible] |
| Advances to an associate and related companies | 3,528,127 | 3,528,127 | – | – | – | – | – |
| Restricted cash | 1,175 | 1,175 | – | – | – | – | – |
| Refundable deposits | 26,932 | 26,932 | – | – | – | – | – |
| | 5,698,176 | 5,661,719 | – | – | – | – | [illegible] |
| **Financial Assets at FVOCI** | | | | | | | |
| Unquoted Clubs' preferred shares | 33,558,900 | 33,558,900 | – | – | | – | – |
| | ₱39,257,076 | ₱39,220,619 | ₱– | ₱– | ₱– | ₱– | [illegible] |

**Excluding cash on hand amounting to ₱2,058.*
***Excluding advances to officers and employees and including noncurrent portion of trade receivables amounting to ₱[illegible] and ₱18,799, respectively.*

**Liquidity Risk**

Liquidity risk is the risk that the Group will not be able to settle or meet its obligations on time. Management is responsible for liquidity, funding, as well as settlement management. In addition, liquidity and funding risks, related processes and policies are overseen by management. The Group manages its liquidity risk based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

The Group also maintains a balance between continuity of funding and flexibility. The policy of the Group is to first exhaust lines available from affiliated companies before local bank lines are availed. The Group seeks to manage its liquid funds through cash planning on a weekly basis. The Group uses historical figures and experiences and forecasts from its collections and disbursements. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Also, the Group only places funds in the money market which are exceeding the Group requirements. Placements are strictly made based on cash planning assumptions and covers only a short period of time.

The tables below summarize the maturity profile of the Group's financial liabilities based on undiscounted cash flows:

| | (In Thousands) | | | | | |
|---|---|---|---|---|---|---|
| | December 31, 2020 | | | | | |
| | On Demand | 1–30 Days | 31–60 Days | 61–90 Days | More than 90 Days | Total |
| **Financial Liabilities** | | | | | | |
| Trade and other payables* | ₱409,763 | ₱1,919,873 | ₱– | ₱– | ₱– | [illegible] |
| Customers' deposits | 107,980 | – | – | – | [illegible] | [illegible] |
| Advances from related companies | 2,342,111 | – | – | – | – | [illegible] |
| | ₱2,859,854 | ₱1,919,873 | ₱– | ₱– | [illegible] | [illegible] |

*Excluding deposits from sale, unearned rent income, and statutory payables amounting to ₱609,[illegible]

| | (In Thousands) | | | | | |
|---|---|---|---|---|---|---|
| | December 31, 2019 | | | | | |
| | On Demand | 1–30 Days | 31–60 Days | 61–90 Days | More than 90 Days | Total |
| **Financial Liabilities** | | | | | | |
| Trade and other payables* | ₱561,522 | ₱2,190,623 | ₱– | ₱– | ₱– | [illegible] |
| Customers' deposits | 83,927 | – | – | – | [illegible] | [illegible] |
| Advances from related companies | 2,549,219 | – | – | – | – | [illegible] |
| | ₱3,194,668 | ₱2,190,623 | ₱– | ₱– | [illegible] | [illegible] |

*Excluding deposits from sale, unearned rent income, and statutory payables amounting to ₱523,[illegible]

**Capital Management**

The primary objective of the Group's capital management is to ensure that the Group has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To manage or adjust the capital structure, the Group may obtain additional advances from stockholders, adjust the return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2020 and 2019. The Group monitors capital using the monthly cash position report and financial statements. The Parent Company is not subject to externally imposed capital requirements.

The components of the Group's capital are as follows:

| | (In Thousands) | |
|---|---|---|
| | 2020 | 2019 |
| Layer I: | | |
| Capital stock | ₱2,702,323 | ₱2,842,[illegible] |
| Additional paid-in capital | 12,909,581 | 12,769,[illegible] |
| | 15,611,904 | 15,611,[illegible] |
| Layer II: | | |
| Retained earnings - operating income | (891,193) | (1,906,374) |
| Parent Company's shares held by a subsidiary | (16,881,220) | (16,881,220) |
| Treasury shares | (524,283) | (1,[illegible]) |
| | (18,296,696) | (18,788,[illegible]) |
| Layer III: | | |
| Unrealized valuation gain on club shares for sale | 23,482,648 | 25,057,[illegible] |
| Revaluation surplus | 3,428,674 | 3,577,[illegible] |
| Accumulated remeasurement gain on retirement liability | 46,325 | 40,957 |
| Retained earnings - gain on fair value change of investment properties | 56,957,327 | 54,563,[illegible] |
| Retained earnings - others | 761,887 | 761,[illegible] |
| | 84,676,861 | 84,001,[illegible] |
| Total capital | ₱81,992,069 | ₱80,824,[illegible] |

- Layer I is composed of the Group's contributed capital;
- Layer II is composed of income from operations, excess of acquisition price over acquired interest and treasury shares; and
- Layer III is composed mainly of income from fair value changes of investment properties and unrealized valuation gain on club shares for sale.

## 25. Fair Value Measurements

The following table provides the fair value hierarchy of assets and liabilities measured at fair value:

| | | (In Thousands) | | | | |
|---|---|---|---|---|---|---|
| | | December 31, 2020 | | | | |
| | | | | Fair value measurement using | | |
| | Note | Carrying Amount | Fair Value | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **Measured at Fair Value** | | | | | | |
| Financial Assets - | | | | | | |
| Club shares for sale | 10 | ₱31,511,900 | ₱31,511,900 | ₱– | ₱31,511,900 | ₱– |
| Nonfinancial Asset - | | | | | | |
| Investment properties | 11 | 58,776,917 | 58,776,917 | – | – | [illegible]7 |
| Serviced residences | 12 | 8,710,572 | 8,710,572 | – | – | [illegible]2 |
| Aircrafts | 12 | 993,914 | 993,914 | – | – | [illegible]4 |

(Forward)

| | | (In Thousands) | | | | |
|---|---|---|---|---|---|---|
| | | December 31, 2020 | | | | |
| | | | | Fair value measurement using | | |
| | Note | Carrying Amount | Fair Value | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **Fair Values ()are Disclosed** | | | | | | |
| Financial Asset - | | | | | | |
| Loans and receivables - | | | | | | |
| Noncurrent trade receivables | 13 | ₱11,099 | ₱11,099 | ₱– | ₱– | [illegible] |
| Financial Liability - | | | | | | |
| Customers' deposits | 18 | 228,499 | 228,499 | – | – | [illegible] |

| | | (In Thousands) | | | | |
|---|---|---|---|---|---|---|
| | | December 31, 2019 | | | | |
| | | | | Fair value measurement using | | |
| | Note | Carrying Amount | Fair Value | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **Measured at Fair Value** | | | | | | |
| Financial Assets - | | | | | | |
| Club shares for sale | 10 | ₱33,558,900 | ₱33,558,900 | ₱– | [illegible] | ₱– |
| Non-financial Asset - | | | | | | |
| Investment properties | 11 | 54,642,253 | 54,642,253 | – | – | [illegible] |
| Serviced residences | 12 | 8,769,657 | 8,769,657 | – | – | [illegible] |
| Aircrafts | 12 | 1,566,036 | 1,566,036 | – | – | [illegible] |
| **Fair Values are Disclosed** | | | | | | |
| Financial Asset - | | | | | | |
| Loans and receivables - | | | | | | |
| Noncurrent trade receivables | 13 | 38,799 | 38,799 | – | – | [illegible] |
| Financial Liability - | | | | | | |
| Customers' deposits | 18 | 276,804 | 276,804 | – | – | [illegible] |

The following methods and assumptions were used to determine the fair value of each class of financial instrument for which it is practicable to estimate such value.

*Financial Assets (Excluding Club Shares for Sale, Noncurrent Trade Receivables and Customers' Deposits).* Due to the short-term nature of these financial assets, the fair values approximate the carrying amount as at reporting date.

*Club Shares for Sale.* The fair values of club shares for sale were determined based on the current cash selling price to third parties.

*Investment Properties.* The fair values of the investment properties were based on valuations performed by accredited independent appraisers, as discussed in Note 11.

*Serviced Residences.* The fair values of the serviced residences were based on valuations performed by accredited independent appraisers, as discussed in Note 12.

*Aircrafts.* As at December 31, 2020 and 2019, the management has assessed that the carrying amount of the acquired aircrafts approximates its fair value. The fair value of the aircrafts as at December 31, 2018 was based on valuation performed by accredited independent appraisers, as discussed in Note 12.

*Noncurrent Trade Receivables.* The fair values of noncurrent trade receivables were determined by discounting the principal amounts using risk-free interest rates.

*Customers' Deposits.* The fair values of customers' deposit were determined by discounting the principal amount using risk-free interest rates.

## 26. Commitments and Contingencies

### Commitments

The Group entered into various construction contracts for the development of its projects (see Note 8). Total advances to contractors amounted to ₱413.2 million and ₱[illegible]29.6 million as at December 31, 2020 and 2019, respectively (see Notes 8 and 13).

The significant construction contracts that gave rise to the advances are as follows:

| | (In Thousands) | | |
|---|---|---|---|
| Subsidiary | 2020 | 2019 | Nature |
| ABMLHI | ₱207,776 | ₱203,827 | Supply of labor, materials, equipment and all related construction works for Alphaland Baguio Mountain Lodges Project |
| AMPI | 94,417 | 98,009 | Civil, structural, masonry works and supply and installation of materials for Alphaland Makati Place |

### Retention Payable

Retention payable is based upon specifically identified construction contracts that stipulate the right of the Group to retain a portion of the progress billings of contractors. Depending on the terms of the contract, all retention payable shall be released to contractors upon 100% completion and acceptance of works normally within one year after completion. Total retention payable amounted to ₱384.0 million and ₱379.6 million as at December 31, 2020 and 2019, respectively (see Note 14). Significant contract with retention clause arises from the civil, structural and masonry works for Towers 1 to 3 and the construction of the Podium.

### Contingencies

As a result of the dispute between the Group and with the WG (see Note 16), the cases have been filed against each other. However, the agreement signed by the major shareholders of A[illegible] as discussed in Note 16, includes the transfer of the Group's interest in ABCC, A[illegible] and AMCI following the assumption by BDC of the responsibility of handling all litigation and/or settling all disputes with the WG.

*Deficiency VAT Assessment for ASTI and AMPI.* The Bureau of Internal Revenue (BIR) issued a Final Decision on Disputed Assessment (FDDA) to ASTI and AMPI on June 20, 2016 covering the taxable year 2014 amounting to ₱30.9 million. ASTI and AMPI filed their respective motions for reconsideration, which were subsequently denied by the BIR. ASTI and AMPI elevated the cases to the Court of Tax Appeals (CTA).

For the case against ASTI, in a Decision dated December 13, 2019, the CTA dismissed ASTI's petition. ASTI moved for reconsideration, which was denied by the CTA. ASTI's appeal is currently pending decision before the CTA En Banc.

For the case against AMPI, in a Decision dated January 15, 2020, the CTA decided in favor of AMPI and cancelled the Commissioner of Internal Revenue's Decision holding AMPI liable for deficiency VAT (and compromise penalty) for the period of January 1, 2014 and June 30, 2014. The Commissioner of Internal Revenue moved for reconsideration, which is pending resolution by the CTA.

*Other Legal Cases.* There are certain lawsuits and claims filed by third parties against the Group which are either pending decision by the proper judicial bodies or under negotiation, the outcome of which are presently undeterminable. In the opinion of the Group's management, the ultimate disposition of these cases, disputes and assessments will not have a material adverse effect on the financial position or results of operations of the Group.

## 27. Note to Consolidated Statements of Cash Flows

The Group's noncash activities are presented below:

| | | | (In Thousands) | |
|---|---|---|---|---|
| | Note | 2020 | 2019 | 2018 |
| Sale of aircraft | | | | |
| Property and equipment | 12 | ₱514,443 | ₱– | ₱– |
| Treasury shares | 16 | 523,069 | – | – |
| Forfeited sales: | | | | |
| Land and development costs | 7 | 75,921 | – | [illegible] |
| Parking lots for sale | 7 | 4,815 | – | [illegible] |
| Club shares for sale | 10 | 4,28[illegible] | – | [illegible] |
| Cancelled sale - | | | | |
| Land and development costs | 7 | 82,494 | – | 57,522 |
| Transfers from land and development costs to: | 7 | | | |
| Property and equipment | 12 | 75,921 | – | [illegible] |
| Land-for-share swap: | | | | |
| Club shares for sale | 10 | – | 100,000 | – |
| Investment properties | 11 | – | 100,000 | – |
| Recognition of: | 18 | | | |
| ROU assets | | – | 19,482 | – |
| Lease liabilities | | – | 19,482 | – |
| Transfers from investment properties to: | 11 | | | |
| Land and development costs | 7 | – | – | [illegible] |
| Property and equipment | 12 | – | – | [illegible] |

The reconciliation of the Group's liabilities arising from financing activities is presented below:

| | (In Thousands) | | | |
|---|---|---|---|---|
| | 2019 | Cash Flows | Noncash Flows | 2020 |
| Finance cost | ₱15,119 | (₱1,584) | ₱1,584 | ₱15,119 |
| Advances from related companies | 2,549,218 | (207,107) | – | [illegible] |
| Other noncurrent liabilities | 49,743 | 133,478 | – | [illegible] |
| | ₱2,614,080 | (₱75,213) | ₱1,584 | [illegible] |

| | (In Thousands) | | | |
|---|---|---|---|---|
| | 2018 | Cash Flows | Noncash Flows | 2019 |
| Long-term debt | ₱6,198,931 | (₱5,322,427) | (₱876,504) | ₱– |
| Finance cost | 188,291 | (330,808) | 157,636 | 15,119 |
| Advances from related companies | 245,252 | 2,303,966 | – | 2,549,218 |
| Other noncurrent liabilities | 29,910 | 351 | 19,482 | 49,743 |
| | ₱6,662,384 | (₱3,348,918) | (₱699,386) | ₱2,614,080 |

Investment in an associate comprises of a 50% interest in AHEC whose principal activity is sale and lease of heavy equipment as at December 31, 2020 and 2019. The Group recognized its equity in net income of an associate in 2017 amounting to ₱1.4 million.

On April 5, 2013, the BOD of AHEC approved a resolution to shorten the corporate life of AHEC to four years. As at December 31, 2020, AHEC's liquidation is still in progress. The remaining carrying amount represents the Group's share in the residual net assets of AHEC.

Details of the investment are as follows:

| | (In Thousands) | |
|---|---|---|
| | 2020 | 2019 |
| Acquisition costs: | | |
| Balance at beginning and end of year | ₱50,000 | ₱50,000 |
| Accumulated equity in net loss: | | |
| Balance at beginning and end of year | (38,674) | (38,674) |
| | ₱11,326 | ₱11,326 |

Condensed financial information of the associate prepared on the historical basis of accounting are as follows:

| | (In Thousands) | |
|---|---|---|
| | 2020 | 2019 |
| Current assets | ₱46,532 | ₱46,532 |
| Current liabilities | 23,888 | 23,888 |
| Net equity | ₱22,644 | ₱22,644 |

The Group has not incurred any contingent liabilities in relation to this investment nor does the associate itself has any contingent liabilities for which the Group is contingently liable as at December 31, 2020 and 2019.

The Group has not entered into any capital commitments in relation to its investment in AHEC and did not receive any dividends from the associate in 2020, 2019 and 2018.

## 10. Club Shares for Sale

This account consists of:

| | (In Thousands) | |
|---|---|---|
| | 2020 | 2019 |
| Unquoted Clubs' preferred shares: | | |
| Alphaland Balesin Island Club, Inc. (ABICI) | ₱25,846,400 | ₱27,905,400 |
| TCCAMPI | 5,665,500 | 5,653,500 |
| | ₱31,511,900 | ₱33,558,900 |
| Current | ₱1,074,311 | ₱1,062,311 |
| Noncurrent | 30,437,589 | 32,496,589 |
| | ₱31,511,900 | ₱33,558,900 |

The preferred shares held by the Group are not required to gain control of the Clubs and are intended to be disposed of over time to third parties. The preferred shareholders are entitled to name one to ten nominee per share, depending on the class of preferred share, to become a member and avail of the amenities and facilities of the Clubs, unless it is otherwise required by applicable laws. They are not entitled to vote and be voted for in all meetings of the shareholders of the Clubs. The preferred shares have preference over the issued common shares in the distribution of assets in case of dissolution and liquidation.

The cost of the Group's investments in the preferred shares of ABICI and TCCAMPI includes the cash consideration and the cost incurred to complete the Clubs' facilities.

a. ABICI

On February 10, 2011, ALPHA, ABIRC and ABICI entered into a Development Agreement (DA) for the development and construction of a resort club (the "Island Club"). It is agreed that ABIRC will develop and construct the Island Club with ALPHA extending any financing required for the completion of the Island Club and its amenities in exchange for the ABICI shares. ABICI agrees that the excess of the construction costs over the par value of the shares issued by ABICI shall be treated as additional paid-in capital. Furthermore, it was clarified that the ownership of the Island Club, its facilities and amenities will be transferred to ABICI as cost is incurred. In 2015, approximately 98 hectares were committed for transfer to ABICI. The transfer of certificate of title was completed in 2018 (see Note 11).

On February 24, 2011, the SEC approved ABICI's Registration Statement on the Island Club Offer Shares for the primary offering of 391 of its Class "B" preferred shares and secondary offering of its 3,519 Class "B" preferred shares (Offer Shares or Tranche 1). In 2013, the SEC approved ABICI's Amended Registration Statement to increase its offer price from ₱2,000,000 per share to ₱3,000,000 per share. ABICI filed in 2013 a Second Amended Registration Statement to further increase its offer price to ₱5,000,000. As at December 31, 2020, the Group already withdrew its application with the SEC.

In 2012, ABIRC subscribed to additional Class "B" preferred shares of ABICI totaling 3,090 shares. As a consideration for the additional acquisitions of ABICI preferred shares, ABIRC entered into a Supplemental DA with ABICI in June 2012 increasing its obligation to complete the Island Club's facilities. By virtue of these additional subscriptions, ABIRC transferred investment properties to ABICI amounting to ₱453.3 million.

On November 12, 2012, the shareholders of ABICI approved an amendment to the ABICI's shareholder structure whereby the additional 3,090 shares with par value of ₱100 were split into 6,180 shares (Tranche 2) with a par value of ₱50 per share. As a result, ABIRC's subscription to the above 3,090 shares was converted to 6,180 shares. On January 31, 2013, the stock split was approved by the SEC.

On January 5, 2017, the SEC approved the increase in authorized capital stock of ABICI from ₱2.1 million divided into 14,000 common shares with par value of ₱100 per share, and 10,090 Class "B" preferred shares divided further into 3,910 Class "B-1" preferred shares with par value of ₱100 a share and 6,180 Class "B-2" preferred shares with par value of ₱50 a share to ₱3.0 million divided into 20,000 common shares with par value of ₱100 per share, and 15,000 Class "B" preferred shares divided further into 2,000 Class "B-1" preferred shares with par value of ₱100 per share, 12,000 Class "B-2" preferred shares with par value of ₱50 per share, and 1,000 Class "B-3" preferred shares with par value of ₱200 per share.

On May 31, 2017, ABIRC subscribed to additional 2,000 Class "B-4" preferred shares and 1,000 Class "B-3" (Tranche 3) preferred shares at a subscription price of ₱100 per share and ₱200 per share, respectively, or an aggregate amount of ₱0.4 million.

In April 2013, ABICI and ABIRC executed a Letter Agreement wherein the parties agreed that the difference between the budget under the Supplementary DA and the actual construction costs incurred will be treated as advances to ABICI. Advances to ABICI related to this agreement amounted to ₱1,575.5 million as at December 31, 2020 and 2019 (see Note 17). In 2015, ABICI already financed its own construction in the Island Club.

In 2019, sales of club shares for sale includes 25 Class "B-1" preferred shares with carrying amount of ₱100.0 million at the date of transaction transferred to existing Balesin Island landowners under land-for-share swap in exchange for 5 hectares of land in Balesin Island, Polillo, Quezon (see Note 11).

ABICI's Tranche 1 and Tranche 2 preferred shares entitle the holders for 10 and 7 free villa night stay in the Island Club, respectively.

The fair values of unsold shares as at December 31, 2020 and 2019 are as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Number of Shares | Amount* | Number of Shares | Amount* |
| Tranche 1 | 312 | ₱936,000 | [illegible] | ₱2[illegible] |
| Tranche 2 | 11,964 | 24,910,200 | [illegible] | 24[illegible] |
| Tranche 3 | 1,000 | 200 | [illegible] | [illegible] |
| | | ₱25,846,400 | | ₱2[illegible] |

*Amounts in thousands.

b. TCCAMPI

In October 2010, ASTI, AMPI and TCCAMPI entered into a DA for the development and construction of a City Club in Alphaland Makati Place. It is agreed that ASTI and/or AMPI will develop and construct the City Club with AMPI extending all the funding requirements for its completion and amenities in exchange for the TCCAMPI shares.

On December 9, 2010, the SEC approved TCCAMPI's registration of an aggregate of 5,000 preferred shares, with issue price of ₱100 per share, consisting of 500 shares to be offered by way of primary offering and 4,500 shares by way of secondary offering.

In December 2010, ASTI, AMPI and TCCAMPI entered into a Supplemental DA to clarify that under the DA, it is AMPI who has the primary obligation to develop and construct the City Club. Moreover, it was clarified that, in consideration for the City Club's development, TCCAMPI agrees to convert any and all advances provided by ASTI and AMPI to additional paid-in capital as cost is incurred. Furthermore, it was clarified that the ownership of the City Club, its facilities and amenities will be transferred to TCCAMPI as cost is incurred.

The City Club was fully completed in January 2014.

AMPI's club shares for sale are marked to market using the fair value [illegible] on p[illegible] as at December 31, 2020 and 2019. There are 3,777 and 3,769 unsold sh[illegible] ecem[illegible] 2020 and 2019, respectively. As at December 31, 2020 and 2019, th[illegible] of [illegible] shares amounted to ₱5,664.8 million and ₱5,653.5 million, respectively.

**Unrealized Valuation Gain on Club Shares for Sale**

The Group's club shares for sale is marked to market using the fair [illegible] valent [illegible] the cash selling price of a recent sale to the public for the unquoted preferred [illegible]

Movements in the unrealized gain on club shares for sale, net of relat[illegible], are [illegible]

| | [illegible]nds) | |
|---|---|---|
| | 2020 | [illegible]9 |
| Balance at beginning of year | **₱25,05[illegible]** | ₱22,8[illegible]78 |
| Unrealized valuation gain (loss) | **(1,12[illegible]** | 2,3[illegible]30 |
| Reclassification adjustments | **(44[illegible]** | (1[illegible]114) |
| Balance at end of year | **₱23,48[illegible]** | ₱25,[illegible] |

The Group reclassified to retained earnings the cumulative valuatio[illegible] s of [illegible] tax, amounting to P524.3 million covering 354 shares and P184.8 million c[illegible] hare[illegible] and 2019, respectively. The related carrying amount of the shares in [illegible] 019 [illegible] ted to ₱723.0 million and ₱211.3 million, respectively. Receivable arising [illegible] le of [illegible] shares amounted to ₱131.1 million and ₱83.0 million as at December 31[illegible] 2019, [illegible] ctively (see Notes 6 and 13). No dividends were recognized in 2020, 2019 a[illegible] mula[illegible] tion gain on club shares is reclassified to retained earnings upon recogniti[illegible]

## 11. Investment Properties

Movements in this account are as follows:

| | [illegible]nds) | |
|---|---|---|
| | [illegible] | [illegible] |
| Balance at beginning of year | **₱54,64[illegible]** | ₱47,[illegible] |
| Fair value change | **4,13[illegible]** | 18,[illegible] |
| Additions: | | |
| Capital expenditures | 3,[illegible] | [illegible] |
| Purchases | – | 1[illegible]715 |
| Disposals | | (11,[illegible]2) |
| Balance at end of year | **₱58,7[illegible]** | ₱54,[illegible] |

Investment properties carried at fair value consist of the following:

| | (In Thousands) | |
|---|---|---|
| | 2020 | 2019 |
| Alphaland Balesin Island Property | ₱24,462,[illegible] | ₱21,6[illegible]715 |
| Alphaland Makati Place: | | |
| Tower 3 | 10,269,[illegible] | 10,25[illegible]768 |
| Podium | 3,550,774 | 3,550,774 |
| Baguio Property | 7,361,[illegible] | [illegible]2 |
| Patnangunan Property | 7,178,[illegible] | 6,7[illegible]0 |
| Silang Property | 5,940,[illegible] | 5,9[illegible]0 |
| Atimonan Property | 14,[illegible] | [illegible]4 |
| | ₱58,776,[illegible] | ₱54,6[illegible]3 |

As at December 31, 2020 and 2019, the cumulative gain on fair value changes of the Group's investment properties, net of tax, amounted to ₱39,860.2 million and ₱36,[illegible] million, respectively.

**Alphaland Balesin Island Property**

ABIRC acquired approximately 394 hectares of land in Balesin Island [illegible] Quezon. Additional 12 hectares were also acquired via land-for-share swaps with existing Balesin Island landowners in 2012. In 2019, additional 13 hectares were acquired. Of the total land acquired, 5 hectares were acquired via land-for-share swap with existing Balesin Island landowners in exchange for 25 Class "B-1" preferred shares with carrying amount of ₱100.0 million at the date of transaction (see Note 10). This brings the total land ownership to 419 hectares as at December 31, 2020 and 2019. Of this total, approximately 98 hectares were committed for transfer to ABICI in 2015. The transfer of certificate of title was completed in 2018 (see Note 10).

In 2017, ABIRC started the development of certain portions of its land [illegible]. Accordingly, these portions were reclassified to "Land and development costs" account (see Note [illegible]).

**Alphaland Makati Place**

This represents the Podium and Tower 3 at the Alphaland Makati Place. The Podium is currently operated as a mall and is for lease to third parties (see Notes 4 [illegible]). In 2017, the Group reclassified Tower 3 from "Land and development costs" to "Investment properties" account due to the change in intention over the property from condominium units for sale to a property held for leasing. The change in management's intention was evidenced by a change in the use of property (see Note 7).

Rent income earned from Alphaland Makati Place amounted to ₱491.[illegible] million, ₱688.[illegible] million and ₱393.9 million in 2020, 2019 and 2018, respectively. Direct costs related to rent income amounted to ₱86.9 million, ₱118.7 million and ₱42.5 million in 2020, 2019 and 2018, respectively, which mainly comprised of utilities and commissary costs (see Note 18).

**Patnanungan Property**

In 2016 and 2015, the Group acquired parcels of land aggregating approximately 385.6 hectares and 325.3 hectares of land, respectively, in Patnanungan, Quezon.

In December 2017, the Group sold 2.0 hectares to Red Sun Capital Holdings Corporation for ₱8.0 million, resulting to a gain amounting to ₱2.1 million. In 2018, the contract to sell was rescinded resulting to a loss amounting to ₱2.1 million. In December 2018, the Group acquired [illegible] hectares with a carrying amount of ₱31.7 million.

In March 2019, the Group acquired 0.06 hectares for ₱1.9 million. The total land area of the property approximates 753.2 hectares as at December 31, 2020 and 2019.

**Baguio Property**

This consists of parcels of land and related transaction costs acquired by the Group (through a wholly-owned subsidiary) from various sellers in July 2015. The beneficial owner of the entire property is RVO, the majority shareholder and Chairman of ALPHA.

These parcels of land, measuring approximately 73.4 hectares as of the end of 2015, of rolling terrains are situated in Itogon, Benguet, just ten minutes from Baguio City by land. RVO likewise transferred to the Group rights to another 2.9 hectares of land to complete the total area at 76.3 hectares. The Group is developing the property into the Alphaland Baguio Mountain Lodges.

The Group acquired the property in 2015 at zonal value, or at acquisition cost of ₱[illegible] million, which is substantially below the appraised value. As a consideration to RVO for having sold the property at zonal value, RVO shall have a 15% interest, to be finalized upon conclusion of the project, without need of any further investment or equity infusion. The Group will shoulder all development costs required for the project.

In 2016, due to management's decision to develop the property as a horizontal condominium for sale, 13.1 hectare of the property was reclassified to land and development costs. Additional 7.7 hectares and 3.7 hectares were reclassified to land and development costs in 2018 and 2017, respectively (see Note 7). In 2017, 0.3 hectares were reclassified to property and equipment account due to development of clubhouse, chapel and other amenities.

In 2017, the Group started the development for the initial phase of the project and the Group also acquired additional land, measuring 4.2 hectares.

In 2019, the Group acquired additional land measuring 9.2 hectares. The total land area of the property approximates 86.7 hectares as at December 31, 2020 and 2019. Of the total land area, 61.9 hectares are allocated to investment property as at December 31, 2020 and 2019.

The fair value of the property based on an independent appraiser's reports dated January [illegible], 2021, January 21, 2020, October 22, 2018 is at ₱11,900 per square meter or a total of ₱[illegible] billion, ₱10,500 per square meter or a total of ₱6.5 billion, and ₱9,000 per square meter or a total of ₱4.7 billion, respectively.

**Silang Property**

ASTI's three parcels of land in Silang, Cavite, measuring a total of [illegible] square meters, more or less, is reserved for future development.

**Atimonan Property**

ABIRC's land in Atimonan, Quezon Province, measuring a total of 21,[illegible] more or less, is reserved for future development.

The fair value of the property as at December 31, 2015 is based [illegible] performed by accredited independent appraisers. As at December 31, 2020 and 201[illegible] evaluated that the carrying amount of the investment property approximates [illegible] reporting date since there were no significant changes in the condition of [illegible] economic environment between those dates.

**Alphaland Southgate Tower**

In January 2008, ASTI acquired from South China Resources, Inc. and th[illegible] parcels of land measuring a total of 9,497 square meters, more or less, at the co[illegible] Roces Avenue in Makati City together with the existing improvements thereo[illegible] fully developed and operational 20-storey office tower building with [illegible] as Alphaland Southgate Tower. It was declared an Information Technolo[illegible] 2009 by the Philippine Economic Zone Authority, pursuant to Presidential [illegible] dated December 22, 2008.

Rent income from Alphaland Southgate Tower including common utilit[illegible] charges amounted to ₱164.7 million and ₱779.8 million in 2019 and 2[illegible] costs related to rent income amounted to ₱35.4 million and ₱186.7 million [illegible] respectively, which mainly comprised of utilities and commissary costs (see Note 1[illegible]).

In March 2019, the Group sold the property for net proceeds of ₱4,[illegible] net accounting loss of ₱7,003.3 million.

The description of the valuation techniques used and key inputs to fa[illegible]

**Income Capitalization Approach**

Alphaland Makati Place Tower 3 and Podium are valued using in[illegible] approach. Income capitalization approach is a comparative approach, which [illegible] expense data relating to the property being valued and estimated the value th[illegible] process. Capitalization relates income and a defined value type by converting a[illegible] value estimate. This process may consider direct relationships (known as [illegible] yield or discount rates (reflecting measures of return on investment), or both.

The significant unobservable inputs used in the fair value measureme[illegible] Level 3 of the fair value hierarchy of the entity's portfolios of investment prope[illegible]

- *Stabilized NOI:* calculation used to identify performance of [illegible] that produces stable income. Stabilized NOI of Tower 3 ranges from ₱5[illegible] in 2020 and ₱602.5 million in 2019. Stabilized NOI of Podium amou[illegible] and 2019.

- *Capitalization rate:* rate used to estimate the potential retu[illegible] property. Capitalization rate for Tower 3 and Podium is 5% and 2%, respect[illegible]

*Sensitivity Analysis.* Generally, an increase (decrease) in stabilized NOI will result in an increase (decrease) to the fair value of investment property. An increase (decrease) in the capitalization rate will result in a decrease (increase) to the fair value of an investment property. The capitalization rate magnifies the effect of a change in stabilized NOI, with a lower capitalization rate resulting in a greater impact of a change in stabilized NOI than a higher capitalization rate.

There was a decline in level of activities for these properties in 2020 primarily due to the pandemic. The estimation uncertainty caused by the pandemic resulted in a fair valuation with wide range of values. The Group considers the appropriate risk adjustment considering the short-term and long-term impact of the pandemic to determine the point within the range that is most representative of fair value under current market conditions.

<u>Market Data Approach</u>

| Project | Class of Property | Significant Unobservable Inputs | 2020 | 2019 |
|---|---|---|---|---|
| Alphaland Balesin Island | Land | Price per square meter<br>Value adjustments (for development) | ₱[illegible]<br>-10%[illegible] | [illegible]500<br>[illegible]5% |
| Atimonan | Land | Price per square meter<br>Value adjustments | ₱1,200-[illegible]<br>[illegible] | [illegible]₱1,600<br>[illegible]-30% |
| Patnanungan | Land | Price per square meter<br>Value adjustments | ₱850-₱1,000<br>[illegible] | ₱1,[illegible]-₱1,708<br>5%-10% |

The significant unobservable inputs to fair valuation are as follows:

*Price per square meter:* estimated value prevailing in the real estate market depending on the location, area, shape and time element.

*Value adjustments:* adjustments are made to bring the comparative values in approximation to the investment properties taking into account external factors (market conditions, competitiveness, economic condition/demand/growth, time element) and internal factors (location, size/shape/prospective utility/terrain and development).

In valuing the land using sales comparison approach, records of recent sales and offerings of similar land are analyzed and comparisons were made for such factors as size, characteristic of the lot, location, quality and prospective use.

*Sensitivity Analysis.* The following factors were considered in determining the market value of the subject property:

- property location and neighborhood data
- present use of the property is either commercial/residential/agricultural
- quantitative market value adjustments based on external and internal factors
- highest and best use (commercial and residential building/resort and [illegible])

Significant increase (decrease) in price per square meter would result in a significantly higher (lower) fair value measurement. Significant increase (decrease) in value adjustments would result in a lower (higher) fair value measurement.

**Land Development Approach**

| Significant Unobservable Input | December 31, 2020 Baguio | Silang |
|---|---|---|
| Period of land development and selling program | 5 years | [illegible] years |
| Administrative/marketing cost | 7% of gross sales | [illegible] sales |
| Interest rate selected for discounting | 10% | [illegible]2% |
| Developer's profit | 20% of development cost | 20[illegible] cost |
| Proposed selling price | ₱32,000 - ₱65,000 per unit* | ₱29,00[illegible] sqm** |
| Calculated no. of subdivision lots | 300 lots | [illegible] lots |
| Land value/annual increment of land value | 25% | [illegible]-20% |

*In thousands.
**In absolute amounts.

| Significant Unobservable Input | December 31, 2019 Baguio | Silang |
|---|---|---|
| Period of land development and selling program | 5 years | [illegible] years |
| Administrative/marketing cost | 7% of gross sales | [illegible] sales |
| Interest rate selected for discounting | 10% | [illegible]2% |
| Developer's profit | 20% of development cost | 20[illegible] cost |
| Proposed selling price | ₱22,000 - ₱60,000 per unit* | ₱28,00[illegible] sqm** |
| Calculated no. of subdivision lots | 300 lots | [illegible] lots |
| Land value/annual increment of land value | 25% | [illegible]-20% |

*In thousands.
**In absolute amounts.

Using the land development approach, the properties are treated as mix[illegible]sion development and the gross sales that may be expected from the proposed sa[illegible] then estimated in accordance with the prevailing prices of comparable developm[illegible] lots within the immediate vicinity. Overhead and sales expenses, and developer's [illegible] residual sales income is then attributed to the "raw" land value.

The valuation process consists of the following:

- Preparation of a subdivision study in accordance with the highest and [illegible] concept (i.e. residential subdivision development) of the land;
- Establishment of total revenue or proceeds of sales of subdivision lots o[illegible] what ready-to-build sites in similar subdivisions are selling;
- Determination of development costs consisting of clearing and grading, surv[illegible] services, construction of access roads, roadways, curbs and gutters, sewerage an[illegible] system, water supply and electrical distribution, rip-rapping and supervision and [illegible]ency items considering current prices for construction materials, [illegible], co[illegible] and overhead expenses;
- Estimation of overhead and sales expenses such as broker's commissi[illegible] and advertisement, administrative and collection, taxes and miscellaneous expen[illegible]

*Sensitivity Analysis.* Significant increase (decrease) in land valu[illegible] proposed [illegible] and calculated no. of lots would result in a significantly higher (lower) fair v[illegible] ent. Significant increase (decrease) in administrative and marketing costs and deve[illegible] would result in a lower (higher) fair value measurement.

## 12. Property and Equipment

The composition and movements of this account are presented below (in thousands):

| | | 2020 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Serviced Residences* | Aircrafts* | Buildings | Transportation Equipment | Machinery, Equipment and Tools | Office Furniture, and Equipment | Leasehold Improvements | Land | Construction in Progress | Total |
| **Cost** | | | | | | | | | | | |
| Balance at beginning of year | | ₱9,068,155 | ₱1,985,792 | ₱137,061 | ₱69,972 | ₱344,752 | ₱182,778 | ₱78,561 | ₱21,715 | ₱3,741 | ₱11,892,527 |
| Additions | | 50,000 | 57,763 | – | 3,705 | 1,214 | 6,020 | 329 | – | 1,324 | 120,355 |
| Disposal | | – | (647,756) | – | – | – | – | – | – | – | (647,756) |
| Transfer from land and development costs | 7 | 75,921 | – | – | – | – | – | – | – | – | 75,921 |
| Balance at end of year | | 9,194,076 | 1,395,799 | 137,061 | 73,677 | 345,966 | 188,798 | 78,890 | 21,715 | 5,065 | 11,441,047 |
| **Accumulated Depreciation and Amortization** | | | | | | | | | | | |
| Balance at beginning of year | | 298,498 | 419,756 | 26,376 | 46,743 | 245,401 | 103,547 | 54,038 | – | – | 1,194,359 |
| Depreciation and amortization | | 185,006 | 111,246 | 3,194 | 10,575 | 11,557 | 25,150 | 22,603 | – | – | 369,331 |
| Disposals | | – | (129,117) | – | – | – | – | – | – | – | (129,117) |
| Balance at end of year | | 483,504 | 401,885 | 29,570 | 57,318 | 256,958 | 128,697 | 76,641 | – | – | 1,434,573 |
| **Net Carrying Amount** | | ₱8,710,572 | ₱993,914 | ₱107,491 | ₱16,359 | ₱89,008 | ₱60,101 | ₱2,249 | ₱21,715 | ₱5,065 | ₱10,006,474 |

*At revalued amounts.

| | 2019 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Serviced Residences* | Aircrafts* | Buildings | Transportation Equipment | Machinery, Equipment and Tools | Office Furniture, and Equipment | Leasehold Improvements | Land | Construction in Progress | Total |
| **Cost** | | | | | | | | | | |
| Balance at beginning of year | ₱8,274,316 | ₱1,955,669 | ₱133,280 | ₱90,059 | ₱344,393 | ₱130,210 | ₱74,947 | ₱21,715 | ₱3,784 | ₱11,028,373 |
| Additions | 24,872 | 63,887 | – | 8,103 | 359 | 25,023 | 3,614 | – | 3,738 | 129,596 |
| Revaluation increase | 768,967 | – | – | – | – | – | – | – | – | 768,967 |
| Disposal | – | (33,764) | – | – | – | (645) | – | – | – | (34,409) |
| Reclassifications | | – | 3,781 | (28,190) | – | 28,190 | – | – | (3,781) | – |
| Balance at end of year | 9,068,155 | 1,985,792 | 137,061 | 69,972 | 344,752 | 182,778 | 78,561 | 21,715 | 3,741 | 11,892,527 |
| **Accumulated Depreciation and Amortization** | | | | | | | | | | |
| Balance at beginning of year | 124,464 | 319,210 | 21,228 | 42,039 | 234,536 | 78,719 | 33,365 | – | – | 853,561 |
| Depreciation and amortization | 174,034 | 108,289 | 5,148 | 6,521 | 10,865 | 23,137 | 20,673 | – | – | 348,667 |
| Disposals | – | (7,743) | – | – | – | (126) | – | – | – | (7,869) |
| Reclassifications | – | – | – | (1,817) | – | 1,817 | – | – | – | – |
| Balance at end of year | 298,498 | 419,756 | 26,376 | 46,743 | 245,401 | 103,547 | 54,038 | – | – | 1,194,359 |
| **Net Carrying Amount** | ₱8,769,657 | ₱1,566,036 | ₱110,685 | ₱23,229 | ₱99,351 | ₱79,231 | ₱24,523 | ₱21,715 | ₱3,741 | ₱10,698,168 |

*At revalued amounts.

In 2019, the Group changed the useful life of serviced residences from 35 years to 50 years, to reflect the change in the Group's assessment of the expected economic benefits of the asset and to align the useful life adopted by the industry. This resulted to a reduction of [illegible] million in depreciation expense.

In 2020, the Group reclassified a number of condominium units of AMPI from "Land and development costs" to "Property and equipment" account due to the change in intention over the property from condominium units for sale to a property operated as serviced residences. The change in management's intention was evidenced by an actual change in use of the property (see Note 7).

Also in 2020, the Group sold one of its aircrafts with a carrying amount of ₱518.6 million to its stockholder. The consideration received for the aircraft was 94,306,279 ALPHA shares amounting to ₱523.1 million, resulting to a gain of ₱4.4 million (see Note 16).

**Fair Value Measurement**

In 2018, the Group adopted the revaluation model for the measurement of its serviced residences. The fair value of the Group's serviced residences as determined by an independent appraiser on June 27, 2019 using the Income Capitalization Approach amounted to ₱8,835.8 million. The difference between the fair value and the carrying amount of the serviced residences amounting to ₱769.0 million in 2019 was recognized as revaluation increase. The fair value measurement for serviced residences has been categorized as Level 3 (significant unobservable inputs).

In 2016, the Group adopted the revaluation model for the subsequent measurement of its aircrafts. The fair value of the Group's aircrafts as determined by an independent appraiser on December 12, 2018 using Cost Approach amounted to ₱1,446.1 million. The difference between the fair value and the carrying amount of the aircrafts amounting to ₱120.1 million was recognized as revaluation increase in 2018. The fair value measurement for the Group's aircraft has been categorized as Level 3 (significant unobservable inputs).

The revaluation surplus recognized in the equity section of the consolidated statements of financial position amounted to ₱3,428.7 million and ₱3,577.4 million as at December 31, 2020 and 2019, respectively.

The carrying amount of property and equipment measured at revalued amounts had they been recognized at cost are as follows:

| | (In Thousands) | |
|---|---|---|
| | 2020 | 2019 |
| Serviced residences | ₱3,977,454 | [illegible] |
| Aircrafts | 931,469 | [illegible] |
| | ₱4,908,923 | [illegible] |

**Income Capitalization Approach**

Serviced residences was valued using income capitalization approach. Income capitalization approach is a comparative approach, which considers income and expense data relating to the property being valued and estimated the value through a capitalization process. Capitalization relates income and a defined value type by converting an income amount into a value estimate. This process may consider direct relationships (known as capitalization rates), yield or discount rates (reflecting measures of return on investment), or both.

The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy of the entity's serviced residences are:

- *Stabilized NOI:* calculation used to identify performance of a property that produces stable income. Stabilized NOI ranges from ₱378.4 million to ₱443.3 million in 2020 and ₱[illegible] million in 2019.

- *Capitalization rate:* rate used to estimate the potential return of the property. The capitalization rate in the fair valuation is 5% in 2020 and 2019.

*Sensitivity Analysis.* Generally, an increase (decrease) in stabilized NOI will result in an increase (decrease) to the fair value of serviced residences. An increase (decrease) in the capitalization rate will result in a decrease (increase) to the fair value of serviced residences. The capitalization rate magnifies the effect of a change in stabilized NOI, with a lower capitalization rate resulting in a greater impact of a change in stabilized NOI than a higher capitalization rate.

There was a decline in level of activities for these properties in 2020 primarily due to the pandemic. The estimation uncertainty caused by the pandemic resulted in a fair valuation with wider range of values. The Group considers the appropriate risk adjustment considering both the short and long-term impact of the pandemic to determine the point within the range that is most representative of fair value under current market conditions.

**Cost Approach**

In determining the fair value of aircrafts, cost data were gathered from original import commercial invoices and as well as the comparable sources of similar machinery and equipment and use of prices and other relevant information generated by market transaction involving similar asset. The fair value was determined by reference to the replacement cost translated at the current foreign exchange rate.

*Sensitivity Analysis.* Significant increase (decrease) in replacement cost and exchange rate would result in a significantly higher (lower) fair value measurement.

Further information about the assumptions made in measuring fair values is included in Note [illegible].

Depreciation and amortization is recognized under the following accounts:

| | | In Thousands | | |
|---|---|---|---|---|
| | Note | 2020 | 2019 | 2018 |
| Property and equipment | | ₱369,331 | ₱348,667 | [illegible] |
| Right-of-use asset | 18 | 4,535 | 4,535 | – |
| Software | 13 | 2,865 | 2,041 | [illegible] |
| | | ₱376,731 | ₱355,243 | [illegible] |

Depreciation and amortization are allocated as follows:

| | Note | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| | | (In Thousands) | | |
| Cost of services | 20 | **₱294,157** | ₱276,648 | [illegible] |
| General and administrative expenses | 20 | **78,434** | 73,436 | [illegible] |
| Capitalized as part of land and development costs | 7 | **4,140** | 5,159 | [illegible] |
| | | **₱376,731** | ₱355,243 | [illegible] |

## 13. Other Noncurrent Assets

This account consists of:

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | (In Thousands) | |
| Deferred input VAT | | [illegible] | [illegible] |
| Refundable deposits | | 19,248 | [illegible] |
| Prepayments | | [illegible] | [illegible] |
| Receivables from sale of club shares | 10 | 11,099 | [illegible] |
| Right-of-use assets | 18 | 10,412 | [illegible] |
| Advances to contractors and suppliers - net of current portion | 8 | 4,149 | [illegible] |
| Software | | 3,405 | [illegible] |
| Others | | 7,000 | [illegible] |
| | | ₱155,496 | [illegible] |

Refundable deposits include billing and meter deposits to Manila Electric Company (Meralco). These are refundable upon termination of service of Meralco.

The movements in software are as follow:

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | (In Thousands) | |
| **Cost** | | | |
| Balance at beginning of year | | ₱17,294 | [illegible] |
| Additions | | 1,106 | [illegible] |
| Balance at end of year | | 18,400 | [illegible] |
| **Accumulated Amortization** | | | |
| Balance at beginning of year | | 12,130 | [illegible] |
| Amortization | 12 | 2,865 | [illegible] |
| Balance at end of year | | 14,995 | [illegible] |
| **Net Carrying Amount** | | ₱3,405 | [illegible] |

## 14. Trade and Other Payables

This account consists of:

| | Note | 2020 | [illegible] |
|---|---|---|---|
| | | (In [illegible]) | |
| Trade | | ₱1,[illegible]31 | [illegible] |
| Accrued expenses: | | | |
| Construction costs | | 322,601 | [illegible] |
| Interest | | 15,119 | [illegible] |
| Others | | 115,722 | [illegible] |
| Deposits from sale of: | | | |
| Real estate | 7 | [illegible] | [illegible] |
| Preferred shares | | – | [illegible] |
| Retention payable | 26 | [illegible] | [illegible] |
| Statutory payables | | [illegible] | [illegible] |
| Unearned rental income | 18 | [illegible] | [illegible] |
| Lease liability | 18 | [illegible] | [illegible] |
| Others | | 22,649 | [illegible] |
| | | ₱2,[illegible]216 | [illegible] |

Trade payables are noninterest-bearing and are due for payment [illegible] to 12[illegible]

Accrued expenses mainly pertain to accruals for development costs [illegible] general [illegible]ative expenses which are generally settled within one year.

Noncurrent portion of deposit from sale of real estate amo[illegible] to ₱[illegible] as at December 31, 2020 and 2019 presented under "Other noncurr[illegible] liabilitie[illegible] [illegible]n the consolidated statements of financial position.

Statutory payables consist of expanded withholding taxes and cont[illegible] to [illegible]ncies. These are normally settled within the following month.

## 15. Long-term Debt

**ALPHA**

*Omnibus Loan and Security Agreement with BDO*

ALPHA had an OLSA with BDO for a loan facility aggregating ₱6,726.[illegible] from [illegible]nance loans and to finance new projects and working capital requirement[illegible] the G[illegible] was payable in seven years, commencing one year after initial draw[illegible] date. [illegible]owns aggregated ₱400.0 million and ₱6,286.0 million in 2018 and 2017.

BDO assigned the long-term loan under the OLSA with outstand[illegible] balance [illegible]illion inclusive of interest and adjustments as of January 23, 20[illegible] the [illegible]k of Communications - Trust and Wealth Management Group pursuant [illegible] Assign[illegible]nt on the same date.

The loan was fully settled in 2019.

Effective interest rates of the long-term debt range from 7.1% to 9.2[illegible] and 5.0% [illegible] annum in 2019 and 2018, respectively. Interest recognized from the long-term [illegible] to ₱163.7 million and ₱292.3 million in 2019 and 2018, respectively.

Capitalized interest and other financing costs on the loans amounted to [illegible] and ₱146.0 million in 2019 and 2018, respectively (see Note 7).

The rate used to determine the amount of borrowing cost eligible for capitalization [illegible]% and 6.5% as at December 31, 2019 and 2018, respectively.

**AAPI**

AAPI had an Amortized Commercial Loan (ACL) agreement in 2017 [illegible] BDO [illegible] Finance, Inc. (BDOLFI) for a loan facility aggregating ₱265.2 million for the ac[illegible] of [illegible]prop Aircraft, MSN 678 and its replacement engine. Loan drawdowns ag[illegible]ted ₱[illegible] in 2017 at a fixed interest rate of 7.0% to 8.0% per annum.

Interest expense recognized in the consolidated statements of comp[illegible]sive [illegible] to ₱5.1 million and ₱16.4 million in 2019 and 2018, respectively. The [illegible] payab[illegible] months from the date of initial borrowing.

The loan was fully settled in 2019.

**AAI**

AAI also had an ACL agreement with BDOLFI for a loan facility of ₱30[illegible] million [illegible]tion of ATR72 Turboprop Aircraft, MSN 666. AAI made a drawdown amount[illegible] ₱266.[illegible] 2016.

Interest rate of the long-term debt in 2019 is 7.04% per annum an[illegible] 2018 [illegible]% to 7.04% per annum. Interest expense recognized in the consolidated [illegible]ensive income amounted to ₱3.6 million and ₱10.2 million in 2019 and 2018 [illegible].

The loan was fully settled in 2019.

**ABMLHI**

ABMLHI had a memorandum of agreement with BDO Unibank, Inc. [illegible] CTS [illegible] purchase facility of ₱500.0 million to refinance existing CTS receivables.

The notes payable represents liability from assigned receivables [illegible] which bears an effective rate of 7% and has a term of 5 years payable. Int[illegible] expe[illegible] in the consolidated statements of comprehensive income amounted to ₱[illegible] million [illegible] on in 2019 and 2018, respectively.

The loan was fully settled in 2019.

Finance costs recognized in the consolidated statements of compreh[illegible] inco[illegible]:

| | [illegible] Thou[illegible] | | |
|---|---|---|---|
| | 2020 | 20[illegible] | [illegible] |
| Long-term debt | ₱– | ₱178,4[illegible] | [illegible] |
| Finance charges | – | 9,4[illegible] | [illegible] |
| Accretion of customers' deposits | – | 3,0[illegible] | – |
| | ₱– | ₱190,8[illegible] | [illegible] |

## 16. Equity

### Capital Stock

The composition of ALPHA's capital stock consisting of all common sh[illegible] are a[illegible]

| | 2020 | | [illegible] | |
|---|---|---|---|---|
| | Number of Shares | Amount* | Numb[illegible] Sh[illegible] | [illegible]nt* |
| Authorized - ₱0.1 Par Value | 50,000,000,000 | ₱5,000,000 | [illegible]000,000 | [illegible]000 |
| Issued | | | | |
| Beginning of year | 28,411,738,420 | ₱2,842,174 | [illegible]1,738 | [illegible].174 |
| Revisions to deed of subscriptions | (1,398,505,700) | (139,851) | | – |
| Additions | – | – | | – |
| End of year | 27,013,232,720 | ₱2,702,323 | [illegible]11,738 | [illegible].174 |
| Parent Company's shares held by a subsidiary | | | | |
| Beginning and end of year | (13,834,274,790) | (₱16,861,220) | [illegible]34,274[illegible] | [illegible]220) |
| Treasury | | | | |
| Beginning of year | (4,239,000) | (₱1,214) | (4,239[illegible] | [illegible]214) |
| Additions | (94,306,279) | (523,069) | | – |
| End of year | (98,545,279) | (₱524,283) | (4,239[illegible] | [illegible]214) |
| | 13,080,412,651 | | [illegible]3,224[illegible] | |

*In thousands.

The total number of shareholders, which includes PCD Nominee Corporation [illegible] as at December 31, 2020 and 2019, respectively.

On January 2, 2020, a group of shareholders reduced the number of [illegible] subs[illegible] [illegible]hares from 1,864,664,150 to 466,158,450. ALPHA and the shareholde[illegible] execu[illegible] [illegible]d of Subscriptions (Deed) to supersede the previous Deed executed by the parties [illegible]. This resulted to a decrease in capital stock and increase in additional paid-in c[illegible] [illegible] to ₱139.9 million.

### Parent Company's Shares Held by a Subsidiary

On June 5, 2014, Alphaland Holdings (Singapore) Pte. Limited (AH) and Ma[illegible] [illegible]ation (MC) on one hand, and another group affiliated with RVO including A[illegible] and [illegible], the "RVO Group") entered into a Memorandum of Agreement (MOA) to settle a [illegible] [illegible]ute. Pursuant to the MOA, ALPHA, through its 100%-owned subsidiary, AS[illegible] acquire[illegible] [illegible] stock of ALPHA owned by AH, MC and Credit Suisse (Singapore) Limited (Cre[illegible] [illegible]other shareholder, and received ₱2,500.0 million in cash in exchange for assets [illegible] mainly comprising of 100% ownership of Alphaland Makati Tower, Inc. (AMTI); [illegible]ip of Alphaland Marina Corporation (AMC) including AMC's investment in preferred [illegible]aland Marina Club, Inc. (AMCI); 50% ownership of ABCC, the joint venture [illegible] f[illegible] [illegible]nd a group led by D.M. Wenceslao & Associates, Inc. (DMWAI) (the Wen[illegible] Grou[illegible] [illegible]0% interest in the unincorporated joint venture between the Group and [illegible] Re[illegible] [illegible] and the additional parcels of land acquired by the Group with tota[illegible] [illegible].81 hectares.

On October 17, 2014, these assets owned by the Group were transferred [illegible] Development Corporation (BDC), a newly incorporated company owned by AH and [illegible]. AH, MC and BDC will be collectively referred to as the "AH Group."

The Group's joint venture with WG is subject to litigation because of WG's action [illegible] delay in ASTI and AMC's construction and development of the Marina Club Project. [illegible] over of AMC and AMCI, BDC assumed the responsibility of handling the litigation with [illegible].

Pursuant to the implementation of the MOA discussed above, ASTI acquired [illegible] of ALPHA owned by AH, MC and Credit Suisse amounting to ₱[illegible]18.0 [illegible].

In 2017, ASTI acquired additional shares of stock of ALPHA owned by a [illegible] holder amounting to ₱63.2 million.

**Stock Split**

On January 19, 2018, ALPHA filed a 10-for-1 stock split with the SEC. On Dec[illegible], the SEC approved the application for the stock split, whereby its capital stock [illegible] into ₱50.0 billion common shares with a par value ₱0.10 each share. The stock split [illegible] effect on the proportionate percentage ownership of the shareholders.

**Treasury Shares**

In 2020, the Group sold one of its aircrafts with a carrying amount of [illegible] to its stockholder. The consideration received for the aircraft was 94,30[illegible]9 ALP[illegible] [illegible]ting to ₱523.1 million, resulting to a gain of ₱4.4 million (see Note 12).

**Retained Earnings**

Accumulated equity in net income of an associate and subsidiaries not a[illegible] [illegible]dend declaration amounted to ₱39,860.2 million and ₱37,288.5 million as at Dec[illegible] and 2019, respectively. Significant components of the retained earnings pertain to [illegible] on fair value changes of investment properties.

On March 3, 2021, the Board of Directors of ALPHA resolved that ₱[illegible] billion [illegible] retained earnings shall be appropriated to fund the corporate projects and programs [illegible] the Executive Committee of the Board of Directors.

## 17. Related Party Transactions

The Group, in its regular conduct of business, has transactions with its related [illegible]. The following tables summarize the transactions with the related companies and [illegible] balance arising from these transactions:

| | | | (In Thousands) | | | |
|---|---|---|---|---|---|---|
| | | | 2020 | | | |
| | Nature of Transactions | Note | Amount of Transactions | Outstanding Balances | Amount of Transactions | Outstanding Balances |
| **Trade and other receivables** | | | | | | |
| Trade | | | | | | |
| *Related companies under common key management* | Air transport services | 6 | ₱89,889 | ₱311[illegible] | [illegible] | [illegible]66 |
| | Real estate sales | 6 | – | [illegible] | [illegible] | – |
| | | | | 311[illegible] | | [illegible]166 |

(Forward)

| | Nature of Transactions | Note | 2020 Amount of Transactions | 2020 Outstanding Balances | 2019 Amount of Transactions | 2019 Outstanding Balances |
|---|---|---|---|---|---|---|
| | | | (In Thousands) | | | |
| **Nontrade** | | | | | | |
| *Related companies under common key management* | Capital expenditures, debt servicing | | – | 52,465 | [illegible] | [illegible] |
| | | | | ₱363,477 | | [illegible] |
| **Advances to** | | | | | | |
| *Associate* - AHEC | Reimbursement of expenses | | ₱– | ₱1,023 | | ₱1,023 |
| *Related companies under common key management* | Reimbursement of expenses | | ₱584,598 | ₱4,111,707 | [illegible] | [illegible] |
| **Trade and other payables** | | | | | | |
| Trade *Related companies under common key management* | Acquisition of properties | | ₱– | ₱647,101 | | ₱647,101 |
| **Advances from related companies** *Related companies under common key management* | Advances | | ₱– | ₱2,023,976 | ₱2,30[illegible] | [illegible] |
| | Association dues | 20 | 162,514 | 162,514 | | – |
| | Purchase of assets and reimbursement of expenses | | – | 155,621 | [illegible] | [illegible] |
| | | | | ₱2,342,111 | | [illegible] |

Other transactions of the Group with its related companies are as follows:

- As discussed in Note 11, RVO is the beneficial owner of certain investment properties (i.e. Baguio Property) acquired by the Group during 2015.
- In April 2013, ABICI and the ABIRC executed a Letter Agreement wherein the parties agreed that the difference between the budget under the Supplementary DA and the actual construction costs incurred will be treated as advances to ABICI. Advances to ABICI related to this agreement amounting to ₱1,575.5 million as at December 31, 2020 and 2019 is due and demandable (see Note 10).

## Terms and Conditions of Transactions with Related Companies

Outstanding balances as of year-end are unsecured, noninterest-bearing and [illegible] in cash or equity. The Group has not made any provision for impairment [illegible] the amounts owed by related companies.

## Compensation of Key Management Personnel

The details of compensation of key management personnel, which include its [illegible], follow:

| | 2020 | 2019 | [illegible] |
|---|---|---|---|
| | (In Thousands) | | |
| Short-term employee benefits | ₱75,660 | ₱91,983 | [illegible] |
| Post-employment benefits | 18,935 | 24,804 | [illegible] |
| | ₱94,595 | ₱116,787 | [illegible] |

**Stock Option Plan**

The Company's Stock Option Plan was approved by the BOD of the Company [illegible], and by stockholders representing more than 2/3 of the outstanding capital stock of [illegible] during the annual meeting held on December 3, 2014. On November [illegible], 2017, [illegible] and December 19, 2016, the Stock Option Plan Committee awarded stock options [illegible] and employees of the Group. Additional stock option awards were given on May 30, [illegible], 2019, and September 18, 2019 to qualified personnel of the Group. The effectivity date [illegible] one year after an option is awarded to the employee. One-third (1/3) of the total [illegible] shares covered by a grant to an employee shall vest upon the effectivity of the grant. [illegible] the shares shall vest one year after the effectivity date and the remaining 1/3 of [illegible] vest two years after the effectivity date of the grant. The Stock Option Plan was ap[illegible] on July 24, 2019.

18. Leases

**The Group as a Lessee**

**Hangar Leases**

In June 2011, the Group and Civil Aviation Authority of the Philippines (CA[illegible] a noncancellable lease agreement for the use of a portion of CAAP's ha[illegible] the appurtenant structures, with an aggregate land area of approximately 1,580 s[illegible] 10 years at ₱70 per square meter subject to an escalation rate of 10% per annum.

In July 2016, the Group and Clark International Airport Corporation (CIA[illegible] a noncancellable lease agreement for the lease of structure and open space [illegible] of 2,590 square meters, for 9 years. The agreement requires for a minimum guara[illegible] plus 20% of gross rental income from sub-lessees, if any, and is subject to an e[illegible] 10% per annum.

The incremental borrowing rate applied to the lease liabilities ranges from [illegible]%, depending on the lease term. ROU assets were measured at the amount equal to [illegible] liabilities at adoption date.

The balance of and movements in ROU assets as at December 31 are as follows:

| | (In Thou[illegible]) | |
|---|---|---|
| | 2020 | [illegible] |
| Cost | | |
| Balance at beginning of year | ₱19,482 | [illegible] |
| Impact of PFRS 16 | – | [illegible] |
| Balance at end of year | 19,482 | [illegible] |
| **Accumulated Amortization** | | |
| Balance at beginning of year | 4,535 | [illegible] |
| Amortization | 4,535 | [illegible] |
| Balance at end of year | 9,070 | [illegible] |
| **Carrying Amount** | ₱10,412 | [illegible] |

The balance of and movements in lease liabilities are as follows:

| | Note | (In Thou[illegible] | |
|---|---|---|---|
| | | 2020 | [illegible] |
| Balance at beginning of year | | ₱16,335 | [illegible] |
| Rental payments | | (5,211) | [illegible] |
| Interest | | 1,009 | [illegible] |
| Impact of PFRS 16 | | – | [illegible] |
| Balance at end of year | | 12,133 | [illegible] |
| Current portion | 14 | 3,116 | [illegible] |
| Noncurrent portion | | ₱9,017 | [illegible] |

Rent expense charged to operations amounted to ₱4.4 million in 2018.

**Operating Lease - Group as a Lessor**

AMPI entered into various operating lease agreements as a lessor covering mall a[illegible] at Alphaland Makati Place for a period ranging from two to ten years which m[illegible] or extended under such new or additional terms or conditions agreed by the parti[illegible]on of the lease agreements, tenants are required to pay certain amounts of depos[illegible]ent of the lease term started upon completion of construction of the mall and tow[illegible]013 and November 2017, respectively.

Tenants likewise pay either a fixed monthly rent, which is calculated with refere[illegible]um per square meter of area leased, or pay rent on a percentage rental basis, which [illegible]sic monthly amount and a percentage of gross sales or a minimum set amount, [illegible]er. The terms of the lease agreements also provide for an increase in the rent ge[illegible] of 5% to 7% escalation rate starting on the third year of the lease term for AMPI.

ASTI entered into various operating lease agreements as a lessor covering mall [illegible] at Alphaland Southgate Tower for a period ranging from one to ten years. The [illegible]ase agreements also provide for an increase in the rent generally at the rate of 5% [illegible] on the second year and annually thereafter for ASTI. As disclosed in Note 11, the [illegible]and Southgate Tower in 2019.

Rent income and billings for common utilities, services and maintenance char[illegible]nd Southgate Tower and Alphaland Makati Place aggregated ₱491.8 million, [illegible]nd ₱1,173.7 million in 2020, 2019 and 2018, respectively (see Note 11). Direct c[illegible]ent income aggregated ₱86.9 million, ₱154.1 million and ₱229.2 million in 202[illegible]18, respectively, which mainly comprised of utilities and commissary costs (see Note [illegible]

As at December 31, 2020, the estimated minimum future rental receivable[illegible]se agreements are as follows (in thousands):

| | |
|---|---|
| Within one year | ₱[illegible] |
| After one year but not more than five years | [illegible] |
| More than five years | [illegible] |
| | ₱[illegible] |

As at December 31, 2020 and 2019, the Group's receivable from tenants amount[illegible] ₱[illegible] million and ₱51.7 million, respectively, were presented under "Trade and other receiva[illegible]" account in the consolidated statements of financial position (see Note 6).

The Group's customers' deposits on lease contracts are as follows:

| | (In Thousands) | |
|---|---|---|
| | 2020 | [illegible] |
| Current | ₱107,980 | [illegible] |
| Noncurrent | 120,519 | [illegible] |
| | ₱228,499 | [illegible] |

Customers' deposits on lease contracts are generally equivalent to six months [illegible] refundable at the end of the lease term. Current portion pertains to one year operating lease [illegible] while noncurrent portion pertains to two to five years' operating lease agreements.

The Group recognizes the customers' deposits at fair value. The fair value of the deposit is determined based on the prevailing market rate of interest for a similar loan. [illegible] of the principal amount of the deposit over its fair value is accounted for as deferred [illegible] and amortized on a straight-line basis. The deferred lease income amounted to [illegible] and ₱4.7 million as at December 31, 2020 and 2019, respectively, and is included [illegible] "Other noncurrent liabilities" account in the consolidated statements of financial posi[illegible] the deposit is accounted for using the effective interest rate method.

Aside from customers' deposits paid by tenants, advance rentals generally equiv[illegible] months rental are also paid and included in the initial billing to tenants, which shall [illegible] the monthly rental at the end of the lease term. Current portion of advance [illegible] to ₱8.0 million and ₱1.3 million as at December 31, 2020 and 2019, respecti[illegible] 14). Noncurrent portion amounting to ₱22.6 million and ₱21.3 million as at Dec[illegible] 31, [illegible] and 2019, respectively, are included under "Other noncurrent liabilities" account [illegible] consolidated statements of financial position.

## 19. Revenues

This account consists of:

| | Note | (In Thousands) | | |
|---|---|---|---|---|
| | | 2020 | 2019 | [illegible] |
| Real estate sales of: | | | | |
| Private Villa | | ₱544,643 | [illegible]1,736 | [illegible] |
| Log homes | | 490,259 | [illegible]3,830 | [illegible] |
| Towers 1 and 2 | | – | – | [illegible] |
| Parking lots | | – | – | [illegible] |
| Rent | 18 | 491,802 | [illegible]3,183 | [illegible] |
| Service income: | | | | |
| Room revenues | | 243,021 | [illegible]1,507 | [illegible] |
| Air transport services | | 84,237 | 202,110 | [illegible] |
| Medical services | | 55,165 | [illegible]9,656 | [illegible] |
| Security services | | 17,272 | 127,205 | [illegible] |
| Interest income | 5 | 28,072 | [illegible],545 | [illegible] |
| Others | | 43,702 | [illegible]0,454 | [illegible] |
| | | ₱1,998,173 | ₱2,[illegible]6,336 | [illegible] |

Other revenues consist mainly of commission income and income from restaurant [illegible]

## 20. Costs and Expenses

Costs and expenses are classified in the consolidated statements of comprehensive income as follows:

| | Note | (In Thousands) 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Cost of services: | | | | |
| Transportation | | ₱209,622 | ₱231,543 | [illegible] |
| Depreciation and amortization | 12 | 185,006 | 174,035 | [illegible] |
| Utilities | | 86,901 | 154,621 | [illegible] |
| Security services | | 66,880 | 115,317 | [illegible] |
| Room services | | 32,850 | 65,597 | [illegible] |
| Medical services | | 25,916 | 19,340 | [illegible] |
| Others | | 1,038 | 1,17[illegible] | [illegible] |
| | | ₱608,213 | ₱761,63[illegible] | [illegible] |
| Cost of real estate sold: | | | | |
| Land and development cost | 7 | ₱452,170 | ₱552,587 | [illegible] |
| Parking lots for sale | 7 | – | – | [illegible] |
| | | ₱452,170 | ₱552,587 | [illegible] |
| General and administrative: | | | | |
| Taxes and licenses | | ₱192,889 | ₱70,0[illegible] | [illegible] |
| Association dues | 17 | 162,514 | – | [illegible] |
| Salaries and employees' benefits | | 154,024 | 249,71[illegible] | [illegible] |
| Service and professional fees | | 81,342 | 113,11[illegible] | [illegible] |
| Depreciation and amortization | 12 | 78,434 | 73,43[illegible] | [illegible] |
| Representation | | 41,484 | 34,76[illegible] | [illegible] |
| Travel and transportation | | 35,868 | 63,47[illegible] | [illegible] |
| Repairs and maintenance | | 28,439 | 44,26[illegible] | [illegible] |
| Utilities and rent | | 26,035 | 133,56[illegible] | [illegible] |
| Sales and marketing | | 24,318 | 170,08[illegible] | [illegible] |
| Insurance | | 20,055 | 11,5[illegible] | [illegible] |
| Supplies | | 12,274 | 49,84[illegible] | [illegible] |
| Communication | | 10,821 | 1,0[illegible] | [illegible] |
| Others | | 95,663 | 106,8[illegible] | [illegible] |
| | | ₱964,780 | ₱1,121,85[illegible] | [illegible] |

Transportation expense, security services and medical services under "Cost [illegible] account includes depreciation amounting to ₱109.2 million, ₱102.6 million and ₱171.3 [illegible] 2019 and 2018, respectively (see Note 12).

## 21. Retirement Liability

The Group has an unfunded defined benefit plan covering all its regular em[illegible] are computed using an amount equivalent to one-half month's salary for every [illegible] with six months or more of service considered as one year. The retirement liabili[illegible] using the projected unit credit method. The latest available actuarial report of [illegible] is as at December 31, 2020.

The components of the retirement benefit expense included in "Salaries and [illegible] benefits" presented under "General and administrative" account in the consolid[illegible] of comprehensive income are as follows:

| | (In Thou[illegible]) | | |
|---|---|---|---|
| | 2020 | 201[illegible] | [illegible] |
| Retirement benefit cost: | | | |
| Current service cost | ₱13,912 | ₱12,46[illegible] | [illegible] |
| Interest cost | 3,147 | 2,53[illegible] | [illegible] |
| | ₱17,059 | ₱15,00[illegible] | [illegible] |

The components of retirement liability recognized in the consolidated st[illegible]ncial position and the changes in the present value of defined benefit obligation as [illegible] are as follows:

| | (In Thousands) | |
|---|---|---|
| | 2020 | [illegible] |
| Present value of defined benefit obligation: | | |
| Balance at beginning of year | ₱65,784 | [illegible] |
| Current service cost | 13,912 | [illegible] |
| Remeasurement loss (gain) | (5,368) | [illegible] |
| Benefits paid | (4,217) | [illegible] |
| Interest cost | 3,147 | [illegible] |
| Balance at end of year | ₱73,259 | [illegible] |

The accumulated remeasurement gain on retirement liability, net [illegible] tax, recognized in the equity section of the consolidated statements of financial p[illegible] to ₱ 46.3 million and ₱41.0 million as at December 31, 2020 and 2019, respectively.

Principal actuarial assumptions used to determine retirement benefit obligations [illegible] as follows:

| | 2020 | [illegible] |
|---|---|---|
| Discount rate | 3.70% - 3.95% | [illegible] |
| Salary increase rate | 5.00% | [illegible] |

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the present value of the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

| | Change in Assumption | (In Thousands) Increase (Decrease) 2020 | 2019 |
|---|---|---|---|
| Discount rate | +1.00% | (₱7,941) | (₱3,[illegible]) |
| | -1.00% | 9,794 | [illegible] |
| Salary increase rate | +1.00% | 9,577 | 3,[illegible] |
| | -1.00% | (7,934) | 3,[illegible] |

Shown below is the maturity analysis of the undiscounted benefit payments as at year end:

| | (In Thousands) 2020 | 2019 |
|---|---|---|
| Within one year | ₱10,518 | ₱[illegible] |
| After than one year but not more than five years | 27,606 | [illegible] |
| More than five years | 33,285 | 30,[illegible] |

The average duration of the defined benefit obligation at the end of year is [illegible].0 years and 11.8 years in 2020 and 2019, respectively.

## 22. Income Taxes

The provision for current income tax represents MCIT for AWCI and ABIGI in 2020, ALPHA, AMPI, ABMLHI, ABIGI and AWCI in 2019 and ALPHA, ABMLHI and ABIRC in 2018 and RCIT for other companies within the Group.

For income tax purposes, full recognition is applied when more than 25% of the selling price of condominium units has been collected in the year of sale. Otherwise, the installment method is applied.

The reconciliation of income tax computed at statutory tax rate to provision for income tax shown in the consolidated statements of comprehensive income are as follows:

| | (In Thousands) 2020 | 2019 | 2018 |
|---|---|---|---|
| Income tax computed at statutory tax rate | ₱1,294,609 | ₱3,367,[illegible] | ₱[illegible]080 |
| Applied and expired NOLCO | 48,608 | 148,80[illegible] | [illegible],790 |
| Change in unrecognized deferred tax assets | 17,670 | (120,62[illegible]) | [illegible],702 |
| Applied and expired MCIT | 16,228 | 16,02[illegible] | [illegible]56 |
| Additions to (reductions in) income tax resulting from: | | | |
| Nondeductible expenses and others | 69,760 | 1,482,2[illegible] | [illegible],156 |
| Nontaxable income | (6,133) | (1,500,[illegible]) | – |
| Interest income already subjected to final tax | (1,327) | [illegible] | ([illegible]27) |
| | ₱1,439,415 | ₱3,391,[illegible] | ₱[illegible]57 |

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises ("CREATE") was approved and signed into law by the country's President. Under the CREATE, the RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the MCIT was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

However, the income tax rates used in preparing the consolidated financial statements as at and for the year ended December 31, 2020 are 30% and 2% for RCIT and MCIT, respectively.

The table below summarizes the financial impact of the change in income tax rates to the Group's consolidated financial statements had the CREATE been substantively enacted as at December 31, 2020:

| | (In Thousands) | | |
|---|---|---|---|
| | Audited Balances (Based on Old Income Tax Rate) | Balances Using Revised Income Tax Rate | Differences |
| Creditable withholding tax | ₱112,031 | ₱113,981 | 1,950 |
| Net deferred tax liability | (22,641,102) | (19,421,202) | 3,219,900 |
| Income tax payable | 453,828 | 438,940 | (14,888) |
| Retained earnings | 56,828,021 | 56,948,056 | 120,035 |
| Provision for current income tax | 154,250 | 141,312 | (12,938) |
| Provision for deferred income tax | 1,285,165 | 1,178,068 | (107,097) |
| Net income | 2,695,313 | 2,815,348 | 120,035 |

The following are the components of the Group's net deferred tax liabilities:

| | (In Thousands) | |
|---|---|---|
| | 2020 | 2019 |
| **Deferred tax liabilities:** | | |
| Cumulative gain on fair value change of investment properties | ₱17,082,954 | [illegible] |
| Unrealized valuation gain on club shares for sale | 4,143,997 | [illegible] |
| Revaluation surplus | 1,283,454 | [illegible] |
| Accumulated depreciation for tax purposes | 162,739 | [illegible] |
| Capitalized borrowing costs | 58,137 | [illegible] |
| Excess rent income under operating lease computed on a straight-line basis | – | [illegible] |
| Cumulative unrealized foreign exchange gain | – | [illegible] |
| | 22,731,281 | [illegible] |
| **Deferred tax assets:** | | |
| Accrued expense not yet deductible | 44,278 | [illegible] |
| Difference of POC between accounting and tax | 32,494 | [illegible] |
| Excess rent income under operating lease computed on a straight-line basis | 13,407 | |
| NOLCO | – | [illegible] |
| MCIT | – | [illegible] |
| Retirement liability | – | [illegible] |
| | 90,179 | [illegible] |
| | ₱22,641,102 | [illegible] |

The presentation of net deferred tax liabilities are as follows:

| | 2020 | 2019 |
|---|---|---|
| Through profit or loss | ₱17,196,098 | ₱15,727,[illegible] |
| Through OCI | 5,445,004 | 5,944,[illegible] |
| | ₱22,641,102 | ₱21,672,[illegible] |

The following deferred tax assets were not recognized as it is not probable that sufficient taxable profit will be available to allow the benefit of the net deferred tax assets to be utilized in the future:

| | (In Thousands) | |
|---|---|---|
| | 2020 | 2019 |
| NOLCO | ₱159,472 | ₱139,[illegible] |
| Accrued rent | 18,458 | 18,[illegible] |
| Allowance for impairment loss on receivables | 9,407 | 9,[illegible] |
| Retirement liability | 9,304 | 11,[illegible] |
| MCIT | 5,998 | 6,[illegible] |
| Unearned income | 63 | [illegible] |
| Unrealized foreign exchange losses | 8 | [illegible] |
| | ₱202,710 | ₱[illegible] |

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 to implement Section 4 (bbbb) of Republic Act No. 11494, *Bayanihan to Recover as One Act*, allowing the Company's net operating losses for the taxable years 2020 and 2021 to be carried over for the next five (5) consecutive taxable years immediately following the year of such loss. Consequently, NOLCO incurred in 2020 amounting to ₱223.1 million are allowed as deduction from future taxable income until 2025.

The details of NOLCO, which can be claimed as deduction against future taxable income is shown below (in thousands).

| Year Incurred | Beginning Balance | Incurred | Applied/ Expired | Ending Balance | Valid Until |
|---|---|---|---|---|---|
| 2020 | ₱– | ₱223,061 | ₱– | ₱223,061 | 2025 |
| 2019 | 164,928 | – | – | 164,928 | 2022 |
| 2018 | 156,786 | – | (13,202) | 143,584 | 2021 |
| 2017 | 148,826 | – | (148,826) | – | 2020 |
| | ₱470,540 | ₱223,061 | (₱162,028) | ₱531,573 | |

The details of MCIT which can be claimed as deduction from income tax due are as follows (in thousands):

| Year Incurred | Beginning Balance | Incurred | Applied | Ending Balance | Valid Until |
|---|---|---|---|---|---|
| 2020 | ₱– | ₱190 | ₱– | ₱190 | 2023 |
| 2019 | 8,988 | – | (3,202) | [illegible] | 2022 |
| 2018 | 3,224 | – | (3,202) | 22 | 2021 |
| 2017 | 3,420 | – | (3,420) | – | 2020 |
| | ₱15,632 | ₱190 | (9,824) | ₱[illegible] | |

## 23. Total Comprehensive Income Per Share and Book Value Per Share Computation

Total comprehensive income per share is computed as follows:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| (a) Total comprehensive income attributable to equity holders of the Parent Company (in thousands) | ₱1,578,187 | ₱10,688,482 | ₱[illegible] |
| (b) Weighted average number of shares outstanding after the effect of stock split | 13,166,860,073 | 14,573,[illegible] | 13,640,[illegible] |
| Basic/diluted earnings per share (a/b) | ₱0.120 | [illegible] | [illegible] |

The Group has no dilutive potential common shares outstanding, therefore basic earnings per share is the same as diluted earnings per share.

Book value per share is computed as follows:

| | 2020 | 2019 |
|---|---|---|
| (a) Total equity (in thousands) | ₱81,991,287 | ₱80,83[illegible] |
| (b) Total number of shares outstanding at end of year after the effect of stock split | 13,080,412,651 | 14,573,22[illegible] |
| Book value per share (a/b) | ₱6.268 | ₱[illegible] |

The information presented above are intended as additional information for management reporting purposes only.

## 24. Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, trade and other receivables (excluding advances to officers and employees), advances to related companies, restricted cash (presented under "Other current assets" account), refundable deposits (presented under "Other noncurrent assets" account), advances to an associate, club shares for sale, trade and other payables (excluding deposits from sale, unearned rent income and statutory payables), customers' deposits and advances from related companies. The main purpose of these financial instruments is to provide funds for the Group's operations.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and manage the Group's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group has exposure to credit risk and liquidity risk from the use of its financial instruments. The Group's exposure to foreign currency risk is minimal as it does not normally enter into transactions in currencies other than its functional currency. The BOD reviews and approves the policies for managing each of these risks.

**Credit Risk**
The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the Parent Company, the Group does not offer credit terms without the specific approval of the Chief Finance Officer.

With respect to credit risk arising from the other financial assets, 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.

Since the Group trades with recognized third parties and related parties, there are no other concentrations of credit risk within the Group.

*Credit Quality of Financial Assets.* The credit quality of financial assets is managed by the Group using internal credit ratings such as high grade, standard grade, past due but not impaired and impaired.

High Grade - pertains to deposits or placements to counterparties with good credit rating or bank standing. For receivables, this covers accounts of good paying customers, with good credit standing and are not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions and companies.

Standard Grade - other financial assets not belonging to high quality financial assets are included in this credit rating.

Past due but not impaired - pertains to financial assets where contractual payments are past due but the Group believes that impairment is not appropriate based on the probability of collection of amounts owed to the Group.

Impaired - pertains to financial assets for which the Group determines that it is probable that it will not be able to collect the amount due based on the contractual terms and agreements.

The table below shows the credit quality of the Group's financial assets as at year-end:

| | (In Thousands) | | | | | |
|---|---|---|---|---|---|---|
| | December 31, 2020 | | | | | |
| | | Neither Past Due nor Impaired | | | Past Due but | Past Due |
| | Total | High Grade | Standard Grade | Total | not Impaired | and Impaired |
| **Financial Assets at Amortized Cost** | | | | | | |
| Cash and cash equivalents* | ₱767,808 | ₱767,808 | ₱– | ₱767,808 | ₱– | ₱– |
| Trade and other receivables** | 1,154,749 | 1,109,835 | – | 1,109,835 | – | [illegible]14 |
| Advances to an associate and related companies | 4,112,725 | 4,112,725 | – | 4,112,725 | – | – |
| Restricted cash | 10,142 | 10,142 | – | 10,142 | – | – |
| Refundable deposits | 19,248 | 19,248 | – | 19,248 | – | – |
| | 6,064,672 | 6,019,758 | – | 6,019,758 | – | [illegible]914 |
| **Financial Assets at FVOCI** | | | | | | |
| Unquoted Clubs' preferred shares | 31,511,900 | – | 31,511,900 | 31,511,900 | – | – |
| | ₱37,576,572 | ₱6,019,758 | ₱31,511,900 | ₱37,531,658 | ₱– | [illegible]14 |

**Excluding cash on hand amounting to ₱1,849.*
***Excluding advances to officers and employees and including noncurrent portion of trade receivables amounting to ₱[illegible] and [illegible]099, respectively.*

| | (In Thousands) | | | | | |
|---|---|---|---|---|---|---|
| | December 31, 2019 | | | | | |
| | | Neither Past Due nor Impaired | | | Past Due but not Impaired | Past Due and Impaired |
| | Total | High Grade | Standard Grade | Total | | |
| **Financial Assets at Amortized Cost** | | | | | | |
| Cash and cash equivalents* | ₱492,126 | ₱492,126 | ₱– | ₱492,126 | ₱– | ₱– |
| Trade and other receivables** | 1,649,816 | 1,244,442 | 368,917 | 1,613,359 | – | [illegible] |
| Advances to an associate and related companies | 3,528,127 | 3,528,127 | – | 3,528,127 | – | – |
| Restricted cash | 1,175 | 1,175 | – | 1,175 | – | – |
| Refundable deposits | 26,932 | 26,932 | – | 26,932 | – | – |
| | 5,698,176 | 5,292,802 | 368,917 | 5,661,719 | – | [illegible] |
| **Financial Assets at FVOCI** | | | | | | |
| Unquoted Clubs' preferred shares | 33,558,900 | – | 33,558,900 | 33,558,900 | – | – |
| | ₱39,257,076 | ₱5,292,802 | ₱33,927,817 | ₱39,220,619 | ₱– | [illegible] |

**Excluding cash on hand amounting to ₱2,058.*
***Excluding advances to officers and employees and including noncurrent portion of trade receivables amounting to ₱[illegible] and ₱18,799, respectively.*

The following are the aging analyses of financial assets as at year end:

| | (In Thousands) | | | | | | |
|---|---|---|---|---|---|---|---|
| | December 31, 2020 | | | | | | |
| | | | Past Due But Not Impaired | | | | Past Due and Impaired |
| | Total | Neither Past Due nor Impaired | 1–30 Days | 31–60 Days | 61–90 Days | More than 90 Days | |
| **Financial Assets at Amortized Cost** | | | | | | | |
| Cash and cash equivalents* | ₱767,808 | ₱767,808 | ₱– | ₱– | ₱– | ₱– | ₱– |
| Trade and other receivables** | 1,154,749 | 1,109,835 | – | – | – | – | [illegible] |
| Advances to an associate and related companies | 4,112,725 | 4,112,725 | – | – | – | – | – |
| Restricted cash | 10,142 | 10,142 | – | – | – | – | – |
| Refundable deposits | 19,248 | 19,248 | – | – | – | – | – |
| | 6,064,672 | 6,019,758 | – | – | – | – | [illegible] |
| **Financial Assets at FVOCI** | | | | | | | |
| Unquoted Clubs' preferred shares | 31,511,900 | 31,511,900 | – | – | – | – | |
| | ₱37,576,572 | ₱37,531,658 | ₱– | ₱– | ₱– | ₱– | [illegible] |

**Excluding cash on hand amounting to ₱1,849.*
***Excluding advances to officers and employees and including noncurrent portion of trade receivables amounting to ₱[illegible] and ₱11,099, respectively.*

| | (In Thousands) | | | | | | |
|---|---|---|---|---|---|---|---|
| | December 31, 2019 | | | | | | |
| | | | Past Due But Not Impaired | | | | Past Due and Impaired |
| | Total | Neither Past Due nor Impaired | 1–30 Days | 31–60 Days | 61–90 Days | More than 90 Days | |
| **Financial Assets at Amortized Cost** | | | | | | | |
| Cash and cash equivalents* | ₱492,126 | ₱492,126 | ₱– | ₱– | ₱– | ₱– | ₱– |
| Trade and other receivables** | 1,649,816 | 1,613,359 | – | – | – | – | [illegible] |
| Advances to an associate and related companies | 3,528,127 | 3,528,127 | – | – | – | – | – |
| Restricted cash | 1,175 | 1,175 | – | – | – | – | – |
| Refundable deposits | 26,932 | 26,932 | – | – | – | – | – |
| | 5,698,176 | 5,661,719 | – | – | – | – | [illegible] |
| **Financial Assets at FVOCI** | | | | | | | |
| Unquoted Clubs' preferred shares | 33,558,900 | 33,558,900 | – | – | | – | – |
| | ₱39,257,076 | ₱39,220,619 | ₱– | ₱– | ₱– | ₱– | [illegible] |

**Excluding cash on hand amounting to ₱2,058.*
***Excluding advances to officers and employees and including noncurrent portion of trade receivables amounting to ₱[illegible] and ₱18,799, respectively.*

**Liquidity Risk**

Liquidity risk is the risk that the Group will not be able to settle or meet its obligations on time. Management is responsible for liquidity, funding, as well as settlement management. In addition, liquidity and funding risks, related processes and policies are overseen by management. The Group manages its liquidity risk based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

The Group also maintains a balance between continuity of funding and flexibility. The policy of the Group is to first exhaust lines available from affiliated companies before local bank lines are availed. The Group seeks to manage its liquid funds through cash planning on a weekly basis. The Group uses historical figures and experiences and forecasts from its collections and disbursements. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Also, the Group only places funds in the money market which are exceeding the Group requirements. Placements are strictly made based on cash planning assumptions and covers only a short period of time.

The tables below summarize the maturity profile of the Group's financial liabilities based on undiscounted cash flows:

| | (In Thousands) | | | | | |
|---|---|---|---|---|---|---|
| | December 31, 2020 | | | | | |
| | On Demand | 1–30 Days | 31–60 Days | 61–90 Days | More than 90 Days | Total |
| **Financial Liabilities** | | | | | | |
| Trade and other payables* | ₱409,763 | ₱1,919,873 | ₱– | ₱– | ₱– | [illegible] |
| Customers' deposits | 107,980 | – | – | – | [illegible] | [illegible] |
| Advances from related companies | 2,342,111 | – | – | – | – | [illegible] |
| | ₱2,859,854 | ₱1,919,873 | ₱– | ₱– | [illegible] | [illegible] |

*Excluding deposits from sale, unearned rent income, and statutory payables amounting to ₱609,[illegible]

| | (In Thousands) | | | | | |
|---|---|---|---|---|---|---|
| | December 31, 2019 | | | | | |
| | On Demand | 1–30 Days | 31–60 Days | 61–90 Days | More than 90 Days | Total |
| **Financial Liabilities** | | | | | | |
| Trade and other payables* | ₱561,522 | ₱2,190,623 | ₱– | ₱– | ₱– | [illegible] |
| Customers' deposits | 83,927 | – | – | – | [illegible] | [illegible] |
| Advances from related companies | 2,549,219 | – | – | – | – | [illegible] |
| | ₱3,194,668 | ₱2,190,623 | ₱– | ₱– | [illegible] | [illegible] |

*Excluding deposits from sale, unearned rent income, and statutory payables amounting to ₱523,[illegible]

**Capital Management**

The primary objective of the Group's capital management is to ensure that the Group has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To manage or adjust the capital structure, the Group may obtain additional advances from stockholders, adjust the return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2020 and 2019. The Group monitors capital using the monthly cash position report and financial statements. The Parent Company is not subject to externally imposed capital requirements.

The components of the Group's capital are as follows:

| | (In Thousands) | |
|---|---|---|
| | 2020 | 2019 |
| Layer I: | | |
| Capital stock | ₱2,702,323 | ₱2,842,[illegible] |
| Additional paid-in capital | 12,909,581 | 12,769,[illegible] |
| | 15,611,904 | 15,611,[illegible] |
| Layer II: | | |
| Retained earnings - operating income | (891,193) | (1,906,374) |
| Parent Company's shares held by a subsidiary | (16,881,220) | (16,881,220) |
| Treasury shares | (524,283) | (1,2[illegible]) |
| | (18,296,696) | (18,788,[illegible]) |
| Layer III: | | |
| Unrealized valuation gain on club shares for sale | 23,482,648 | 25,057,[illegible] |
| Revaluation surplus | 3,428,674 | 3,577,[illegible] |
| Accumulated remeasurement gain on retirement liability | 46,325 | 40,957 |
| Retained earnings - gain on fair value change of investment properties | 56,957,327 | 54,563,[illegible] |
| Retained earnings - others | 761,887 | 761,[illegible] |
| | 84,676,861 | 84,001,[illegible] |
| Total capital | ₱81,992,069 | ₱80,824,[illegible] |

- Layer I is composed of the Group's contributed capital;
- Layer II is composed of income from operations, excess of acquisition price over acquired interest and treasury shares; and
- Layer III is composed mainly of income from fair value changes of investment properties and unrealized valuation gain on club shares for sale.

## 25. Fair Value Measurements

The following table provides the fair value hierarchy of assets and liabilities measured at fair value:

| | | (In Thousands) | | | | |
|---|---|---|---|---|---|---|
| | | December 31, 2020 | | | | |
| | | | | Fair value measurement using | | |
| | Note | Carrying Amount | Fair Value | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **Measured at Fair Value** | | | | | | |
| Financial Assets - | | | | | | |
| Club shares for sale | 10 | ₱31,511,900 | ₱31,511,900 | ₱– | ₱31,511,900 | ₱– |
| Nonfinancial Asset - | | | | | | |
| Investment properties | 11 | 58,776,917 | 58,776,917 | – | – | [illegible]7 |
| Serviced residences | 12 | 8,710,572 | 8,710,572 | – | – | [illegible]2 |
| Aircrafts | 12 | 993,914 | 993,914 | – | – | [illegible]4 |

(Forward)

| | Note | Carrying Amount | Fair Value | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|---|---|---|---|---|---|---|
| | | (In Thousands) | | | | |
| | | December 31, 2020 | | | | |
| | | | | Fair value measurement using | | |
| **Fair Values (]are Disclosed** | | | | | | |
| Financial Asset - | | | | | | |
| Loans and receivables - | | | | | | |
| Noncurrent trade receivables | 13 | ₱11,099 | ₱11,099 | ₱– | ₱– | ₱11,099 |
| Financial Liability - | | | | | | |
| Customers' deposits | 18 | 228,499 | 228,499 | – | – | 228,499 |

| | Note | Carrying Amount | Fair Value | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|---|---|---|---|---|---|---|
| | | (In Thousands) | | | | |
| | | December 31, 2019 | | | | |
| | | | | Fair value measurement using | | |
| **Measured at Fair Value** | | | | | | |
| Financial Assets - | | | | | | |
| Club shares for sale | 10 | ₱33,558,900 | ₱33,558,900 | ₱– | ₱33,558,900 | ₱– |
| Non-financial Asset - | | | | | | |
| Investment properties | 11 | 54,642,253 | 54,642,253 | – | – | [illegible] |
| Serviced residences | 12 | 8,769,657 | 8,769,657 | – | – | [illegible] |
| Aircrafts | 12 | 1,566,036 | 1,566,036 | – | – | [illegible] |
| **Fair Values are Disclosed** | | | | | | |
| Financial Asset - | | | | | | |
| Loans and receivables - | | | | | | |
| Noncurrent trade receivables | 13 | 38,799 | 38,799 | – | – | [illegible] |
| Financial Liability - | | | | | | |
| Customers' deposits | 18 | 276,804 | 276,804 | – | – | [illegible] |

The following methods and assumptions were used to determine the fair value of each class of financial instrument for which it is practicable to estimate such value.

*Financial Assets (Excluding Club Shares for Sale, Noncurrent Trade Receivables and Customers' Deposits).* Due to the short-term nature of these financial assets, the fair values approximate the carrying amount as at reporting date.

*Club Shares for Sale.* The fair values of club shares for sale were determined based on the current cash selling price to third parties.

*Investment Properties.* The fair values of the investment properties were based on valuations performed by accredited independent appraisers, as discussed in Note 11.

*Serviced Residences.* The fair values of the serviced residences were based on valuations performed by accredited independent appraisers, as discussed in Note 12.

*Aircrafts.* As at December 31, 2020 and 2019, the management has assessed that the carrying amount of the acquired aircrafts approximates its fair value. The fair value of the aircrafts as at December 31, 2018 was based on valuation performed by accredited independent appraisers, as discussed in Note 12.

*Noncurrent Trade Receivables.* The fair values of noncurrent trade receivables were determined by discounting the principal amounts using risk-free interest rates.

*Customers' Deposits.* The fair values of customers' deposit were determined by discounting the principal amount using risk-free interest rates.

## 26. Commitments and Contingencies

**Commitments**

The Group entered into various construction contracts for the development of its projects (see Note 8). Total advances to contractors amounted to ₱413.2 million and ₱329.6 million as at December 31, 2020 and 2019, respectively (see Notes 8 and 13).

The significant construction contracts that gave rise to the advances are as follows:

| | (In Thousands) | | |
|---|---|---|---|
| Subsidiary | 2020 | 2019 | Nature |
| ABMLHI | ₱207,776 | ₱203,827 | Supply of labor, materials, equipment and all related construction works for Alphaland Baguio Mountain Lodges Project |
| AMPI | 94,417 | 98,009 | Civil, structural, masonry works and supply and installation of materials for Alphaland Makati Place |

**Retention Payable**

Retention payable is based upon specifically identified construction contracts that stipulate the right of the Group to retain a portion of the progress billings of contractors. Depending on the terms of the contract, all retention payable shall be released to contractors upon 100% completion and acceptance of works normally within one year after completion. Total retention payable amounted to ₱384.0 million and ₱379.6 million as at December 31, 2020 and 2019, respectively (see Note 14). Significant contract with retention clause arises from the civil, structural and masonry works for Towers 1 to 3 and the construction of the Podium.

**Contingencies**

As a result of the dispute between the Group and with the WG (see Note 16), the cases have been filed against each other. However, the agreement signed by the major shareholders of A[illegible] as discussed in Note 16, includes the transfer of the Group's interest in ABCC, AMC and AMCI following the assumption by BDC of the responsibility of handling all litigation and/or settling all disputes with the WG.

*Deficiency VAT Assessment for ASTI and AMPI.* The Bureau of Internal Revenue (BIR) issued a Final Decision on Disputed Assessment (FDDA) to ASTI and AMPI on June 20, 2016 covering the taxable year 2014 amounting to ₱30.9 million. ASTI and AMPI filed their respective motions for reconsideration, which were subsequently denied by the BIR. ASTI and AMPI elevated the cases to the Court of Tax Appeals (CTA).

For the case against ASTI, in a Decision dated December 13, 2019, the CTA dismissed ASTI's petition. ASTI moved for reconsideration, which was denied by the CTA. ASTI's appeal is currently pending decision before the CTA En Banc.

For the case against AMPI, in a Decision dated January 15, 2020, the CTA decided in favor of AMPI and cancelled the Commissioner of Internal Revenue's Decision holding AMPI liable for deficiency VAT (and compromise penalty) for the period of January 1, 2014 and June 30, 2014. The Commissioner of Internal Revenue moved for reconsideration, which is pending resolution by the CTA.

*Other Legal Cases.* There are certain lawsuits and claims filed by third parties against the Group which are either pending decision by the proper judicial bodies or under negotiation, the outcome of which are presently undeterminable. In the opinion of the Group's management, the ultimate disposition of these cases, disputes and assessments will not have a material adverse effect on the financial position or results of operations of the Group.

## 27. Note to Consolidated Statements of Cash Flows

The Group's noncash activities are presented below:

| | | | (In Thousands) | |
|---|---|---|---|---|
| | Note | 2020 | 2019 | 2018 |
| Sale of aircraft | | | | |
| Property and equipment | 12 | ₱514,443 | ₱– | ₱– |
| Treasury shares | 16 | 523,069 | – | – |
| Forfeited sales: | | | | |
| Land and development costs | 7 | 75,921 | – | [illegible] |
| Parking lots for sale | 7 | 4,815 | – | [illegible] |
| Club shares for sale | 10 | 4,28[illegible] | – | [illegible] |
| Cancelled sale - | | | | |
| Land and development costs | 7 | 82,494 | – | 57,522 |
| Transfers from land and development costs to: | 7 | | | |
| Property and equipment | 12 | 75,921 | – | [illegible] |
| Land-for-share swap: | | | | |
| Club shares for sale | 10 | – | 100,000 | – |
| Investment properties | 11 | – | 100,000 | – |
| Recognition of: | 18 | | | |
| ROU assets | | – | 19,482 | – |
| Lease liabilities | | – | 19,482 | – |
| Transfers from investment properties to: | 11 | | | |
| Land and development costs | 7 | – | – | [illegible] |
| Property and equipment | 12 | – | – | [illegible] |

The reconciliation of the Group's liabilities arising from financing activities is presented below:

| | (In Thousands) | | | |
|---|---|---|---|---|
| | 2019 | Cash Flows | Noncash Flows | 2020 |
| Finance cost | ₱15,119 | (₱1,584) | ₱1,584 | ₱15,119 |
| Advances from related companies | 2,549,218 | (207,107) | – | [illegible] |
| Other noncurrent liabilities | 49,743 | 133,478 | – | [illegible] |
| | ₱2,614,080 | (₱75,213) | ₱1,584 | [illegible] |

| | (In Thousands) | | | |
|---|---|---|---|---|
| | 2018 | Cash Flows | Noncash Flows | 2019 |
| Long-term debt | ₱6,198,931 | (₱5,322,427) | (₱876,504) | ₱– |
| Finance cost | 188,291 | (330,808) | 157,636 | 15,119 |
| Advances from related companies | 245,252 | 2,303,966 | – | 2,549,218 |
| Other noncurrent liabilities | 29,910 | 351 | 19,482 | 49,743 |
| | ₱6,662,384 | (₱3,348,918) | (₱699,386) | ₱2,614,080 |