

COVER SHEET

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S.E.C. Registration Number

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| I | N | C | O | R | P | O | R | A | T | E | D | | | | | | | | | | | | | | | | | | | | |

(Company's Full Name)

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| P | A | R | A | Ñ | A | Q | U | E | | C | I | T | Y | | | | | | | | | | | | | | | | | |

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

MARK S. GORRICETA

(02) 8696 - 0988

Contact Person

Company Telephone Number

| | |
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| 1 | 2 |
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| 3 | 1 |
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Month Fiscal Year Day

Preliminary
20 - IS

FORM TYPE

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| 0 | 6 |
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| 2 | 4 |
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Month Annual Meeting Day

N/A

Secondary License Type, If Applicable

MSRD

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

Total No. of Stockholders

| | | | | | | | | | | | | | | | | | | | |
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Total Amount of Borrowings

Domestic

Foreign

LCU

CASHIER

STAMPS

To be accomplished by SEC Personnel concerned

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of **D.M. WENCESLAO & ASSOCIATES, INCORPORATED** (“DMWAI” or “Company”) will be conducted by remote communication on **June 23, 2022 at 9 o'clock in the morning** with the following agenda:

AGENDA¹

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of Minutes of the Annual Meeting of Stockholders held on June 24, 2021
4. Report of the Chief Executive Officer
5. Election of Directors
6. Appointment of the Company's External Auditor for the year 2022
7. Ratification of all Previous Acts and Resolutions of the Board of Directors, Management, and all Committees from June 25, 2021 up to June 23, 2022
8. Consideration of such other matters as may properly come during the meeting
9. Adjournment

Only stockholders of record at the close of business hours on May 13, 2022 are entitled to notice of, and to vote at this meeting.

There will be no physical meeting. Given the current circumstances, stockholders may only attend and participate in the meeting by remote communication or by voting through the Presiding Officer of the meeting as proxy. Duly accomplished proxies shall be submitted by email to the Office of the Corporate Secretary at asm2022registration@dmwai.com for inspection, validation, and recording at least seven (7) days before the opening of the annual stockholders' meeting, or on or before June 16, 2022, until 5:00 PM. The Proxy Verification Committee will inspect, examine, and validate the sufficiency of the proxy forms received. We enclose a sample proxy form for your convenience.

Stockholders who intend to attend by remote communication shall inform DMWAI by email to asm2022registration@dmwai.com on or before June 16, 2022, until 5:00 PM. The link to the live webcast of the meeting shall be sent to the email address of the registered stockholder.

Stockholders may vote electronically *in absentia*, subject to validation procedures. The procedures for participating in the meeting through remote communication and for casting of votes *in absentia* are set forth in the Information Statement.

For the Board of Directors:



ATTY. PAUL MAR M. QUINTO
Corporate Secretary

¹ See next page for the explanation for each agenda item.

EXPLANATION OF AGENDA ITEMS

Call to Order

The Chairman will formally open the meeting at approximately 9:00 o'clock in the morning.

Certification of Notice and Quorum (and Rules of Conduct and Procedure)

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

Pursuant to Sections 57 and 23 of the Revised Corporation Code which allow voting *in absentia* by the stockholders, DMWAI has set up a registration and voting mechanism, which may be availed by the stockholders to register and vote on the matters at the meeting *in absentia*. A stockholder who votes *in absentia* shall be deemed present for purposes of quorum.

Stockholders may attend and participate in the meeting by remote communication. Stockholders who intend to attend and participate by remote communication shall inform DMWAI by email to asm2022registration@dmwai.com on or before **June 16, 2022, until 5:00 PM**, subject to the procedure set in Item 18(b) of the Information Statement which is posted on DMWAI's website.

The following are the rules of conduct and procedures for the meeting:

1. Stockholders may vote by appointing the Presiding Officer of the meeting as proxy, or by electronic voting *in absentia*. Stockholders voting by appointing the Presiding Officer as proxy shall email the duly accomplished proxies for inspection, validation, and recording at least seven (7) days before the opening of the annual stockholders' meeting, or on or before **June 16, 2022 until 5:00pm** to the Office of the Corporate Secretary at asm2022registration@dmwai.com. Stockholders voting *in absentia*, who have previously registered through the registration and voting mechanism provided by DMWAI, may cast their votes electronically at the time provided for in the notice and mechanism.
2. The items in the Agenda for the approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of the issued and outstanding voting stock voting *in absentia* or voting through the Presiding Officer of the meeting as proxy.
3. Each of the proposed resolutions and/or items in the Agenda will be shown on the screen as the same is taken up at the meeting.
4. Election of directors will be by plurality of votes and every stockholder will be entitled to cumulate his votes.
5. The Proxy Verification Committee will tabulate all votes received and an independent third party will validate the results.
6. The Corporate Secretary shall report the results of voting during the meeting.
7. Stockholders may email to asm2022registration@dmwai.com questions or comments to matters that are relevant and of general concern to them on June 23, 2022 at the time of the Meeting.
8. A link to the recorded webcast of the meeting will be posted on DMWAI's website after the meeting. The recording shall be available for access on DMWAI's website for two (2) weeks after the meeting.
9. Stockholders shall have two weeks from posting of the recorded webcast to raise to DMWAI any issues, clarifications and concerns on the matters arising from meeting conducted.

Approval of Minutes of the Annual Meeting of Stockholders held on June 24, 2021

The minutes of the annual meeting of stockholders held on June 24, 2021 is posted at DMWAI's website, <http://dmwai.com>. Copies of the minutes will also be distributed to the stockholders before the meeting.

A resolution approving the minutes will be presented to the stockholders for approval by the vote of the stockholders representing at least a majority of the outstanding voting stock voting *in absentia* or voting through the Presiding Officer of the meeting as proxy.

Report of the Chief Executive Officer

The Chief Executive Officer, Mr. Delfin Angelo C. Wenceslao, will deliver a report to the stockholders on the performance of DMWAI in 2021 and the outlook for 2022. The audited financial statements as of December 31, 2021 will be included in the Information Statement to be sent to the stockholders of record at least twenty-one (21) calendar days prior to the meeting.

A resolution noting the report and approving the 2021 audited financial statements will be presented to the stockholders for approval by the affirmative vote of the stockholders representing at least a majority of the outstanding voting stock voting *in absentia* or voting through the Presiding Officer of the meeting as proxy.

Election of Directors

Any stockholder may submit to the Nomination Committee nominations to the Board no later than May 13, 2022. The Nomination Committee will determine whether the nominees for directors, including the nominees for independent directors, have all the qualifications and none of the disqualifications to serve as members of the Board before submitting the nominees for election by the stockholders. The profiles of the nominees to the Board will be included in the Information Statement.

Appointment of External Auditors and Fixing of its Remuneration

The Audit Committee shall endorse to the stockholders the appointment of an external auditor for the ensuing year as well as its remuneration. The profile of the external auditor will be included in the Information Statement.

A resolution for the election of the external auditor and its remuneration will be presented to the stockholders for adoption by the affirmative vote of the stockholders representing a majority of the voting stock voting *in absentia* or voting through the Presiding Officer of the meeting as proxy.

Ratification of all Previous Acts and Resolutions of the Board of Directors, Management and All Committees from June 25, 2021 up to June 23, 2022

The acts and resolutions of the Board of Directors, Management and all Committees of DMWAI were those adopted from **June 25, 2021** until **June 23, 2022**. They include the approval of agreements, projects, investments, treasury-related matters and other matters covered by disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange. The acts of the officers were those taken to implement the resolutions of the Board or its Committees or in the general conduct of business.

A resolution on this agenda item will be presented to the stockholders for approval by the vote of the stockholders representing a majority of the voting stock voting *in absentia* or voting through the Presiding Officer of the meeting as proxy.

Other Matters

The Presiding Officer of the meeting will open the floor for comments and questions by the stockholders. Stockholders may raise other matters or issues that may be properly taken up at the meeting.

PROXY

The undersigned stockholder of **D.M. WENCESLAO & ASSOCIATES, INCORPORATED** (“**Company**”) hereby appoints **DELFIN ANGELO C. WENCESLAO**, the Presiding Officer of the meeting, as my proxy, to act for me and on my behalf, at the 2021 Annual Stockholders’ Meeting of the Company to be held on **June 23, 2022** at **9 o’clock** in the morning and at any of the adjournments thereof for the purpose on acting for the following matters:

| | RESOLUTION | FOR | AGAINST | ABSTAIN |
|------|--|-----------------|---------|---------|
| I. | Approval of Minutes of the Annual Meeting of Stockholders held on June 24, 2021 (Agenda Item No. 3) | | | |
| II. | Election of Directors for 2022-2023 (Agenda Item No. 5) | NUMBER OF VOTES | | |
| | 1. Sylvia C. Wenceslao | | | |
| | 2. Delfin Angelo C. Wenceslao | | | |
| | 3. Paolo Vincent C. Wenceslao | | | |
| | 4. Carlos Delfin C. Wenceslao | | | |
| | 5. Edwin Michael C. Wenceslao | | | |
| | 6. Alberto P. Fenix Jr. | | | |
| | 7. Oscar S. Reyes | | | |
| III. | Appointment of the Company’s External Auditor for 2022 (Agenda Item No. 6) | | | |
| IV. | Ratification of all Previous Acts and Resolutions of the Board of Directors, Management, and all Committees from June 25, 2021 up to June 23, 2022 (Agenda Item No. 7) | | | |

Number of Shares Held

Signature of Stockholder/Authorized Signatory

Date

Printed name of Stockholder

1. To be valid, digital or scanned copy of this proxy must be submitted on or before **June 16, 2022, until 5:00 PM** or seven (7) days before the opening of the annual stockholders’ meeting to the Office of the Corporate Secretary at asm2022registration@dmwai.com.
2. This proxy, when properly executed, will be voted in the manner as directed herein by the stockholder. If no direction is made, this proxy will be voted for the election of all nominees and for the approval of all the matters stated above and for such matters as may properly come before the meeting in the manner described in the Information Statement and/or as recommended by Management or the Board of Directors.
3. A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised, by email to asm2022registration@dmwai.com. A proxy is also considered revoked if the stockholder registers for voting via remote communications or in absentia.
4. Notarization of this proxy is not required.

April 29, 2022

SECURITIES AND EXCHANGE COMMISSION

Secretariat Building, Philippine International Convention Center Complex
Roxas Boulevard, Pasay City, 1307

Attention: **DIR. VICENTE GRACIANO P. FELIZMENDO JR.**
Director, Markets and Securities Regulation Department

Re: Preliminary Information Statement
D.M. Wenceslao & Associates, Incorporated

via PSE Edge

PHILIPPINE STOCK EXCHANGE, INC.

Philippine Stock Exchange Tower, 5th Ave.
Cor. 28th St., Bonifacio Global City, Taguig City

Gentlemen:

Please find attached the SEC Form 20-IS (Preliminary Information Statement) of **D.M. Wenceslao & Associates, Incorporated** ("Corporation"), in relation to its annual meeting of stockholders to be held on June 23, 2022.

Please be advised that the SEC Form 17-A for the period ended December 31, 2021, together with the Corporation's 2020 Audited Financial Statements, and SEC Form 17-Q for the period ended March 31, 2022, which will contain the consolidated financial statements and Management Discussion and Analysis (MD&A) section including the Corporation's financial condition, changes in financial condition and results of operation are expected to be filed with the Securities and Exchange Commission ("Commission") on or before the deadline on April 18, 2022 and May 16, 2022, respectively.

Thank you.

Very truly yours,

D.M. WENCESLAO & ASSOCIATES, INCORPORATED

By:


ATTY. ROMMEL T. CASIPE
Compliance Officer

SECURITIES AND EXCHANGE COMMISSION

**SEC FORM 20-IS
INFORMATION STATEMENT OF
D.M. WENCESLAO & ASSOCIATES, INCORPORATED
PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:

[] Preliminary Information Statement
[] Definitive Information Statement
2. Name of Registrant as specified in its charter:
D.M. WENCESLAO & ASSOCIATES, INCORPORATED
3. Province, country or other jurisdiction of incorporation or organization: **Philippines**
4. SEC Identification Number: **26986**
5. BIR Tax Identification Code: **000-846-618-000**
6. Address of principal office: **15th Floor, Aseana 3, D. Macapagal Blvd. corner Asean Ave., Aseana City, Parañaque City**
7. Registrant's telephone number, including area code: **(632) 8854-5711**
8. Date time and place of the meeting of security holders:

Date : June 23, 2022
Time : **9 o'clock in the morning**

Online web address / URL / link: https://teams.microsoft.com/l/meetup-join/19%3ameeting_MjRIOTU2M2YtY2JiYy00ODAzLThjMTgtNzAxMDhhNjFjOGI3%40thread.v2/0?context=%7b%22Tid%22%3a%22016c9635-539c-4394-86d4-59e337cafae7%22%2c%22Oid%22%3a%224e5e578f-56c3-42e9-bc3a-ee8929c04c37%22%7d
9. Approximate date on which the Information Statement is first to be sent or given to security holders: May 19, 2022
10. In case of Proxy Solicitations: **No proxy solicitation is being made.**
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

| | |
|---------------------------------|---|
| Authorized Capital Stock | Php4,000,000,000.00 |
| Title of Each Class | Number of Shares of Common Stock Outstanding as of December 31, 2020 |
| Common Shares | 3,395,864,100 |

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

Yes[]

No []

The 3,395,864,100 common shares of the Corporation are listed with the Philippine Stock Exchange, Inc. ("PSE").

Statement that proxies are not solicited:

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

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, Time and Place of 2022 Annual Stockholders' Meeting

a.

Date : **June 23, 2022**
Time : **9 o'clock in the morning**
Place : Penthouse, Aseana 3, Pres. D. Macapagal Blvd. cor. Asean Ave., Aseana City, 1701 Parañaque City

The Information Statement may be accessed by the Corporation's stockholders beginning May 19, 2022 at the Corporation's website <http://dmwai.com>.

Approximate Mailing : **May 19, 2022**
Date of this
Information
Statement

Complete Mailing : **15th Floor Aseana 3 D. Macapagal Boulevard corner Asean Ave., Aseana City, Parañaque City**
Address

Online web address / URL / link: https://teams.microsoft.com/l/meetup-join/19%3ameeting_MjRlOTU2M2YtY2JiYy00ODAzLThjMTgtNzAxMDhhNjFjOGI3%40thread.v2/0?context=%7b%22Tid%22%3a%22016c9635-539c-4394-86d4-59e337cafae7%22%2c%22Oid%22%3a%224e5e578f-56c3-42e9-bc3a-ee8929c04c37%22%7d

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

b. Approximate date on which copies of the Information Statement are first to be sent or given to security holders is on May 19, 2022.

Item 2. Dissenters' Right of Appraisal

There are no corporate matters or proposed actions included in the Agenda that will be taken up at the meeting that may give rise to a possible exercise by stockholders of their appraisal rights. Generally, however, the stockholders of D.M. Wenceslao and Associates, Incorporated (“**Corporation**”) have the right of appraisal in the instances enumerated in Section 80 of the Revised Corporation Code. The instances where the right of appraisal may be exercised are as follows:

- a. In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code;
- c. In case of merger or consolidation; and
- d. In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

Any stockholder who wishes to exercise his appraisal right must have voted against the proposed corporate action. He must make a written demand on the Corporation for payment of the fair value of his shares within thirty (30) days after the date on which the vote was taken. Failure to make the demand within such period shall be deemed a waiver of such appraisal right. If the proposed corporate action is implemented or effected, the Corporation shall pay to such stockholder, upon the surrender of the certificate or certificates of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If, within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the Corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Corporation, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the Corporation within thirty (30) days after such award is made. No payment shall be made to any dissenting stockholder unless the Corporation has unrestricted retained earnings in its books to cover such payment. Upon payment by the Corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the Corporation.

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

- a. No director or officer of the Corporation at any time since the beginning of the last fiscal year, nominee for election as director of the Corporation, nor any of their associates, have any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon during the Annual Meeting, other than election to the Corporation's Board or office.
- b. No director of the Corporation has informed the Corporation in writing that he intends to oppose any action or matter to be acted upon at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

a. Class of voting shares

As of **May 13, 2022**, the Corporation has 3,395,864,100 common shares outstanding, and each shareholder is entitled to one vote for each share of stock held as of the record date. Voting rights are vested on common shares.

b. Record date

The record date with respect to the determination of the stockholders who are entitled to notice of and to vote at the Annual Stockholders' Meeting is **May 13, 2022**. All stockholders of record as of **May 13, 2022** are entitled to notice and to vote at the meeting.

c. Election of Directors and Voting Rights and Trust

In the matters to be voted upon in the Annual Stockholders' Meeting, stockholders of record as of **May 13, 2022** shall be entitled to one vote per share. If he/she/it will vote by proxy, the Amended By-Laws of the Corporation requires the submission of the duly accomplished proxy

form to the Corporate Secretary, Assistant Secretary, or transfer agent at least seven (7) days before the actual meeting. Duly accomplished proxies shall be submitted by email for inspection, validation, and recording to the Office of the Corporate Secretary at **asm2022registration@dmwai.com**. The stockholder may revoke the proxy by signed revocation at least three (3) days before the day of the meeting, by sending the scanned or digital copy of such signed revocation to **asm2022registration@dmwai.com**. The revocation of proxy is without prejudice to the right of the stockholder to vote in absentia upon valid registration. The Corporate Secretary or a special committee of inspectors composed of the Corporate Secretary, Assistant Secretary and the transfer agent’s representative should validate the proxies at least five (5) days before the meeting. The decision of the Corporate Secretary or the special committee of inspection on the validity of the proxies shall be final and binding until and unless set aside by a court of competent jurisdiction.

The election of directors should be by ballot and cumulative voting is allowed. Every stockholder entitled to vote shall have the right to vote, electronically in absentia or by appointing the Presiding Officer of the meeting as proxy, the number of shares outstanding in his name at the time of the election. The stockholder may vote his shares for as many persons as there are directors to be elected.

The stockholder may also cumulate his shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates he may see fit; provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected. There is no condition precedent to the exercise of the stockholders’ right to cumulative voting. The Corporation is not soliciting any proxy or any discretionary authority to cumulate votes.

d. Proxy Solicitation.

No proxy solicitation is being made.

Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners (more than 5% of the voting shares) as of May 13, 2022

The following persons or groups are known to the Corporation as directly or indirectly the record or beneficial owners of more than five percent (5%) of the Corporation’s voting securities as of **May 13, 2022**: **[NOTE: SHAREHOLDINGS TO BE UPDATED BASED ON SECURITY OWNERSHIP AS OF MAY 13, 2022]**

| 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 and Nature of Ownership (Record and/or Beneficial) | Percentage of Ownership |
|-----------------------|---|---|--------------------|--|--------------------------------|
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|--------|--|---|----------|--|--------|
| Common | Wendel Holdings Co. Inc. ² (Majority Stockholder) 15 th Floor, Aseana 3, Asean Ave. cor Pres. Macapagal Blvd., Brgy. Tambo, Paranaque City, | See Footnote 1 below. Record and Beneficial Owner. | Filipino | 2,715,353,627 (Record and Beneficial) | 79.96% |
| Common | PCD Nominee Corporation, ³ (Stockholder) G/F MSE Bldg. Ayala Avenue, Makati City | PCD Participants acting for themselves, or for their customers. ⁴ Record owner. | Filipino | 680,428,016 (Record Owner) | 20.04% |

The shares held by Wendel Holdings Co. Inc. shall be voted or disposed by the persons who shall be duly authorized by it for the purpose. The natural person/s that has/have the power to vote on the shares of Wendel Holdings Co. Inc. shall be determined upon the submission of its proxy form to the Corporation, which is not later than seven (7) days before the date of the meeting.

Apart from the foregoing, there are no other persons holding more than 5% of the Corporation's outstanding capital stock.

(2) Security Ownership of Management as of May 13, 2022 (Record and Beneficial)

As of **May 13, 2022**, the security ownership of the Corporation's Management is as follows:

[NOTE: SHAREHOLDINGS TO BE UPDATED BASED ON SECURITY OWNERSHIP AS OF MAY 13, 2022]

| Title of Class | Names of Owner and Position | Amount and | | Citizenship | Percent of Class |
|-------------------------------|---|--------------------------------|----------------------|-------------|------------------|
| | | Nature of Beneficial Ownership | (Direct or Indirect) | | |
| Directors and Officers | | | | | |
| Common | Sylvia C. Wenceslao <i>Chairperson and Director</i> | 15,825 | Direct | Filipino | 0.00% |
| Common | Carlos Delfin C. Wenceslao <i>Vice President for Logistics and Director</i> | 1,583 | Direct | Filipino | 0.00% |
| Common | Delfin Angelo C. Wenceslao | 1,583 | Direct | Filipino | 0.00% |

² Wendel Holdings Co. Inc. is the parent company of the Corporation. It is owned by CEPD RESOURCES OPC – 33.27%; BM RESOURCES OPC 16.60%, JDFI RESOURCES OPC 16.60%. DPP RESOURCES OPC 16.60%, AEJ RESOURCES OPC 16.60%, Sylvia J. Wenceslao, Carlos Delfin C. Wenceslao, Edwin Michael C. Wenceslao, Paolo Vincent C. Wenceslao and Delfin Angelo C. Wenceslao – each 0.06%;

³ PCD Nominee Corporation is the registered owner of the shares in the books of the Corporation's transfer agent. PCD Nominee Corporation is a corporation wholly-owned by Philippine Depository and Trust Corporation, Inc. (formerly the Philippine Central Depository) ("PDTC"), whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC. PDTC is a private corporation organized to establish a central depository in the Philippines and introduce scrippless or book-entry trading in the Philippines. Under the current system of the PDTC, only participants (brokers and custodians) are recognized by PDTC as the beneficial owners of the lodged shares. Each beneficial owner of shares through his participant is the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. PCD Nominee Corporation is not related to the Corporation.

⁴ Each beneficial owner of shares, through a PCD participant, is the beneficial owner of such number of shares he owns in his account with the PCD participant.

| | | | | | |
|--------|--|-------|----------|----------|-------|
| | <i>Chief Executive Officer and Director</i> | | | | |
| Common | Edwin Michael C. Wenceslao <i>Vice President for Treasury and Administration</i> | 1,583 | Direct | Filipino | 0.00% |
| Common | Paolo Vincent C. Wenceslao <i>Chief Operating Officer and Director</i> | 1,583 | Direct | Filipino | 0.00% |
| Common | Alberto Victor P. Fenix, Jr. <i>Independent Director</i> | 100 | Direct | Filipino | 0.00% |
| | | 0 | Indirect | | |
| Common | Oscar S. Reyes <i>Independent Director</i> | 100 | Direct | Filipino | 0.00% |
| | | 0 | Indirect | | |

CEO and Most Highly Compensated Executive Officers

| | | | | | |
|--------|--|--------|----------|----------|-------|
| Common | Carlos Delfin C. Wenceslao <i>Vice President for Logistics and Director</i> | 1,583 | Direct | Filipino | 0.00% |
| Common | Delfin Angelo C. Wenceslao <i>Chief Executive Officer and Director</i> | 1,583 | Direct | Filipino | 0.00% |
| Common | Edwin Michael C. Wenceslao <i>Vice President for Treasury and Administration</i> | 1,583 | Direct | Filipino | 0.00% |
| Common | Paolo Vincent C. Wenceslao <i>Chief Operating Officer and Director</i> | 1,583 | Direct | Filipino | 0.00% |
| Common | Heherson M. Asiddao <i>Chief Finance Officer</i> | 50,100 | Direct | Filipino | 0.00% |
| | | 0 | Indirect | | |

(3) Voting Trust Holders of 5% or More

The Corporation is not aware of any person holding 5% or more of the Corporation's shares under a voting trust or similar agreement.

(4) Changes in Control

As of **May 13, 2022**, the Corporation is not aware of any arrangements that may result in a change in control of the Company.

(5) Foreign Ownership Levels as of May 13, 2022 [NOTE: FOREIGN OWNERSHIP LEVELS TO BE UPDATED AS OF MAY 13, 2022]

| Nationality | Class of Voting Shares | Number of Shares | Percentage |
|-------------|------------------------|------------------|------------|
| Filipino | Common | [•] | [•] |

| | | | |
|---|--------|---------------|-------------|
| Non-Filipino | Common | [•] | [•] |
| Total No. of Shares Entitled to Vote | | 3,395,864,100 | 100% |

Item 5. Directors and Executive Officers

Board of Directors and Executive Officers

The stockholders elected the following members of the Board of Directors (“**Board**”) during the Corporation’s Annual Stockholders Meeting in 2021 for a term of one year. The Board elects the officers of the Corporation annually during its organizational meeting.

| Name of Director/Officer | Citizenship | Position | Age |
|---------------------------------------|--------------------|---|------------|
| Delfin J. Wenceslao, Jr. ⁵ | Filipino | Director, President and Chairman of the Board | 78 |
| Sylvia C. Wenceslao | Filipino | Vice President for Corporate Social Responsibility | 77 |
| Delfin Angelo C. Wenceslao | Filipino | Director and Chief Executive Officer | 42 |
| Paolo Vincent C. Wenceslao | Filipino | Director and Chief Operating Officer | 45 |
| Carlos Delfin C. Wenceslao | Filipino | Director and Vice President for Logistics | 50 |
| Edwin Michael C. Wenceslao | Filipino | Director and Vice President for Treasury and Administration | 46 |
| Alberto P. Fenix, Jr. | Filipino | Independent Director | 77 |
| Oscar S. Reyes | Filipino | Lead Independent Director | 76 |
| Atty. Heherson M. Asiddao, CPA | Filipino | Chief Finance Officer, Acting Chief Compliance Officer | 44 |
| Atty. Paul Mar M. Quinto ⁶ | Filipino | Chief Legal Officer and Corporate Secretary | 52 |
| Atty. Mark S. Gorriceta | Filipino | Chief Information Officer | 44 |
| Jeffrey Lucero | Filipino | Investor Relations Officer | 27 |

Since the last annual meeting of 2021, no officer or director has resigned because of a disagreement with the Corporation on any matter relating to the Corporation’s issuance, operations, policies or practices.

A summary of the qualifications, business affiliations, and experiences of the incumbent directors, nominees for directors and incumbent officers for the past five years is set forth below:

⁵ Effective date of cessation of term is September 17, 2021.

⁶ Replaced Atty. Heherson M. Asiddao as Acting Compliance Officer on November 11, 2021.

Sylvia C. Wenceslao

Director and Chairperson of the Board

Dr. Sylvia C. Wenceslao is the Chairperson of D.M. Wenceslao and Associates, Incorporated. Prior to Dr. Sylvia C. Wenceslao's appointment as Chairperson, she served as the company's Treasurer and most recently, Vice President for Corporate Social Responsibility. Concurrently, she also serves as Vice Chairman of Wendel Construction Company Inc., Director and Vice President of Fabricom, Inc., Treasurer of Philippine Ecopanel Inc., Wendel Holdings Company Inc. and Director of Aseana Holdings, Inc.

Dr. Sylvia C. Wenceslao holds a Doctor of Medicine from the University of Santo Tomas.

Delfin Angelo C. Wenceslao, Director and Chief Executive Officer

Mr. Delfin Angelo C. Wenceslao is a Director and the Chief Executive Officer of the Corporation since June 2015. He is the President of Aseana Holdings, Inc., Aseana Gas Energy Corp. and U-City Technologies Philippines, Inc. He is also the Managing Director of Aseana Real Estate and Management Corp. He serves as the Chief Executive Officer of ABPEA and Vice President of Property Management of Aseana Residential Holdings Corp. (formerly Bowood Holdings, Inc.) and Portal Holdings, Inc. He also serves as an executive officer for almost all of the Group companies.

Mr. Wenceslao is a licensed real estate broker and holds a Bachelor of Arts degree in Management Economics from Ateneo de Manila University and a Master of Science degree in Real Estate Development from Massachusetts Institute of Technology.

Paolo Vincent C. Wenceslao, Director and Chief Operating Officer

Mr. Paolo Vincent C. Wenceslao is a Director and the Chief Operating Officer of the Corporation since June 2015. He is the President of Wendel Ground Improvement, Inc., and Vice President of Operations of Aseana Residential Holdings Corp. (formerly Bowood Holdings, Inc.), Portal Holdings Inc. and ABCC. He is also the Chief Operating Officer of ABPEA and serves as a director of a majority of the Group companies.

Mr. Wenceslao is a licensed civil engineer and real estate broker. He holds a Bachelor of Science degree in Civil Engineering from De La Salle University.

Edwin Michael C. Wenceslao, Director and Treasurer

Mr. Edwin Michael C. Wenceslao is a Director and the Treasurer of the Corporation since 2002. He is the President of Aquadisk Corporation and Managing Director of S Foods Corp., D. Foods Corp., P. Foods Inc., Alphainvest Corporation and Grandwen-B Gas Corp. He is the Chief Financial Officer of ABPEA. He also serves as a director and Treasurer of Aseana Holdings, Inc., Fabricom, Inc., BAHI and other affiliates of the Corporation. He is a director and Treasurer of Aseana Residential Holdings Corp. (formerly Bowood Holdings, Inc.), Aseana Gas Energy Corp. and U-City Technologies Philippines, Inc. He likewise serves as a director of Portal Holdings, Inc., WHI and other affiliates of the Corporation.

Mr. Wenceslao holds a Bachelor of Arts degree in Humanities with specialization in Entrepreneurial Management from the University of Asia and the Pacific and a Master of Business Administration degree from the Ateneo Graduate School of Business. Mr. Wenceslao also received financial training at Jupiter Asset Management in London, England.

Carlos Delfin C. Wenceslao, *Director and Vice President for Logistics*

Mr. Carlos Delfin C. Wenceslao is a Director of the Corporation since May 1997. He is the President of Urban Agro Products, Inc., the Executive Vice President of SHLP-BBP Realty Inc., and the Corporate Secretary of ABPEA. He is a director and Vice President of Logistics of Aseana Residential Holdings Corp. (formerly Bowood Holdings, Inc.) and Portal Holdings, Inc. He is a director of Aseana Holdings, Inc., WHI, and other affiliates of the Corporation.

Alberto P. Fenix, Jr., *Independent Director*

Dr. Alberto P. Fenix, Jr. was elected as an independent Director of the Corporation on February 23, 2018. He has over 40 years of experience in various industries such as manufacturing, mining, commercial and investment banking, and real estate. He is a director of SPC Power Corporation and was also a director of Victorias Milling Company, Inc. He is also the Chairman and President of Fenix Management and Capital, Inc. and Alpina Realty, Inc., as well as President of Ivoclar Vivadent, Inc.

Dr. Fenix holds a master's and doctorate degrees in Industrial Management from Massachusetts Institute of Technology's Sloan School of Management and a bachelor's degree in Mathematics from the Ateneo de Manila University.

Oscar S. Reyes, *Independent Director*

Mr. Oscar S. Reyes was the former President and Chief Executive Officer of Manila Electric Company from May 2012 to May 2019, wherein he also served as Senior EVP and COO from July 2010 to May 2012. Prior thereto, Mr. Reyes was the Country Chairman of the Shell companies in the Philippines, and the President & CEO of Pilipinas Shell Petroleum Corp. from May 1997 to December 2011. He held various executive and directorship positions in the said companies from January 1986 to December 2004.

Mr. Reyes obtained his Bachelor of Arts, Major in Economics (Cum Laude) from the Ateneo de Manila University in 1965 and Master of Business Administration (Academic units completed) from the Ateneo Graduate Business School in 1971. He also attended the Japan Productivity Center/Asian Productivity Organization Business Management Consultants and Trainers' Program, the Waterloo Lutheran University International Management Development Program in Canada, the Harvard Business School Program for Management Development in the United States, and the Lensbury Centre Commercial Management Study Program in the United Kingdom.

Mr. Reyes is currently an Independent Director of Pepsi Cola Products Philippines Inc., Basic Energy Corporation and Cosco Capital Inc., and a member of the Advisory Council of PLDT Inc., and Bank of the Philippine Islands.

Atty. Heherson M. Asiddao, CPA, *Chief Finance Officer*

Atty. Heherson M. Asiddao is the Chief Finance Officer of the Corporation since 2015. He had extensive experience as an auditor with Punongbayan & Araullo in the Philippines prior to joining the Corporation. He also has experience in a real estate company and a listed construction company. Atty. Asiddao is a member of the Philippine Institute of Certified Public

Accountants and the Integrated Bar of the Philippines. Atty. Asiddao is also the current acting Chief Compliance Officer of the Corporation.

He holds a Bachelor of Science degree in Accountancy and a Bachelor of Laws degree from San Beda College.

Atty. Paul Mar M. Quinto, *Chief Legal Officer, Corporate Secretary and Acting Compliance Officer*

Atty. Paul Mar M. Quinto is the Chief Legal Officer and Corporate Secretary of the Corporation since June 25, 2015. He is the in-house Legal Counsel for all of the Group companies and also possesses legal private practice and other in-house working experience prior to joining the Corporation.

Atty. Quinto studied and finished his Political Science and Law degrees from the University of the Philippines and is a Member of the Integrated Bar of the Philippines.

Jeffrey Lucero *Investor Relations Officer*

Mr. Jeffrey Lucero is the Investor Relations Officer of the Company. Prior to joining the Company, he was an Equity Analyst in a local trust and asset management group and in a local stock brokerage firm. He was also part of the Investor Relations team of one of the largest conglomerates in the country.

Mr. Lucero graduated Cum Laude from De La Salle University with a Bachelor's degree in Business Management.

Atty. Rommel T. Casipe, *Compliance Officer*

Atty. Rommel T. Casipe is the Compliance Officer of our Corporation since 10 March 2022. Before joining the Company, he worked as an associate lawyer specializing in Labor Law and Trademark Law.

He obtained his bachelor's degree in Sports Science from University of the Philippines and Law degree from Far Eastern University. He became a member of the Integrated Bar of the Philippines in 2019.

Atty. Mark S. Gorriceta, *Chief Information Officer*

Atty. Mark S. Gorriceta, is the Managing Partner of Gorriceta Africa Cauton & Saavedra. He heads the Corporate Group and Technology Media & Telecommunications Group of the Firm. With over 17 years in private practice, Atty. Gorriceta has developed an extensive expertise in complex corporate transactions, commercial contracts and regulatory matters in a range of areas that impact businesses.

A member of the Philippine Bar, Atty. Gorriceta graduated law with honors and holds a Bachelor of Arts - Political Science degree from the Ateneo de Manila University. He completed certificate courses in Finance at the Asian Institute of Management. He completed a certificate course in Corporate Finance at Harvard University's Extension School. He also completed several Masterclasses on Blockchain, Distributed Ledger & Smart Contracts in

Singapore and Hong Kong. Atty. Gorriceta is a faculty member of the Ateneo de Manila University's Center for Continuing Education, and he teaches Mergers & Acquisitions for the Advanced Module Diploma Course in Corporate Finance. Atty. Gorriceta is currently a Board Trustee, Corporate Secretary and Chief Legal Officer of the Fintech Philippines Association. Mark is Vice Chairman of the ICT Committee of the Financial Executives Institute of the Philippines.

Period of Directorship in the Corporation

| Name | Term of Office |
|----------------------------|-----------------------|
| Delfin J. Wenceslao, Jr. | 1 year |
| Delfin Angelo C. Wenceslao | 1 year |
| Paolo Vincent C. Wenceslao | 1 year |
| Carlos Delfin C. Wenceslao | 1 year |
| Edwin Michael C. Wenceslao | 1 year |
| Alberto P. Fenix, Jr. | 1 year |
| Oscar S. Reyes | 1 year |

Record of Attendance at the Meetings of the Board

The Record of attendance of the directors at the meetings of the Board held in 2021 is as follows:

| Name | No. of Meetings Attended / Held⁷ | Percent Present |
|----------------------------|--|------------------------|
| Delfin J. Wenceslao, Jr. | 5/6 | 83% |
| Sylvia C. Wenceslao | 6/6 | 100% |
| Delfin Angelo C. Wenceslao | 6/6 | 100% |
| Paolo Vincent C. Wenceslao | 6/6 | 100% |
| Carlos Delfin C. Wenceslao | 6/6 | 100% |
| Edwin Michael C. Wenceslao | 6/6 | 100% |
| Alberto P. Fenix, Jr. | 6/6 | 100% |
| Oscar S. Reyes | 6/6 | 100% |

Board Performance Assessment

The Board recognizes the importance of regular performance assessments, individually and collectively as part of their accountability. In this regard, the Board adopts a self-assessment system to measure the performance of the Board and Management in accordance with the criteria provided for in the Revised Code of Corporate Governance issued by the Securities and Exchange Commission.

The annual self-assessment of the Board's performance includes the performance of the Chairman, individual members and committees. Every three (3) years, the assessment shall be supported by an external facilitator.

The Board, as a body, evaluated its performance by filling out a self-assessment questionnaire to be used for benchmarking its practices against the expectations set out in the Charter of the Board of Directors and leading corporate governance practices.

⁷ In 2021 and during the incumbency of the director.

The Board used the results of the self-assessment as its guide in formulating and implementing plans to prove its performance including but not limited to the identification of relevant training intended to keep the members up-to-date with corporate governance leading practices, accounting and auditing standards, risks and controls, as well as specific areas of concern. The results were validated by the Company's Compliance Officer.

Nomination for Independent Directors and Procedure for Nomination

In approving the nominations for independent directors, the Corporate Governance Committee took into consideration the guidelines and procedures on the nomination of independent directors prescribed in Securities Regulation Code ("SRC") Rule 38 and the Revised Manual on Corporate Governance of the Corporation ("Manual").

The Corporate Secretary of the Corporation shall set a reasonable period for the submission of nominations of candidates for election to the Board. All nominations for directors submitted in writing to the Corporate Secretary within such nomination period shall be valid. A stockholder of record, including a minority stockholder, entitled to notice of and to vote at the regular or special meeting of the stockholders for the election of directors shall be qualified to be nominated as a director.

The nominations are forwarded to the Corporate Governance Committee⁸ which shall pre-screen the qualifications of the nominees and prepare a final list of nominees eligible for election. No other nominations are entertained after the final list of candidates is prepared.

All the nominees for election to the Board of Directors satisfy the mandatory requirements specified under the provisions of Sections 2 and 3, Article III of the Corporation's By-laws.

Committees

In compliance with its Manual, the Corporation has established committees to perform certain management functions and achieve sound corporate governance, as follows:

- (1) Executive Committee
- (2) Audit & Risk Committee
- (3) Corporate Governance Committee⁹

The Corporation adopted the Manual to ensure its compliance with the leading practices on good corporate governance and related Philippine SEC rules and regulations.

Executive Committee

The Executive Committee acts on specific matters within the competence of the Board as may from time to time be delegated to the executive Committee under the Corporation's By-Laws, except with respect to:

- (1) Approval of any action for which shareholders' approval is also required;
- (2) Filling of vacancies on the Board or the Executive Committee;
- (3) Amendment or repeal of By-Laws or the adoption of new By-laws;

⁸ Function is currently performed by the Compensation & Remuneration and the Nomination & Election Committees.

⁹ Function is currently performed by the Compensation & Remuneration and the Nomination & Election Committees.

- (4) Amendment or repeal of any resolution of the Board of Directors that cannot be amended or repealed based on the terms of the resolution;
- (5) Distribution of cash dividends; and
- (6) Exercise of powers delegated by the Board exclusively to other committees, if any.

Audit and Risk Committee

The Audit and Risk committee is responsible for assisting the Board in its fiduciary responsibilities by providing an independent and objective assurance to its management and shareholders of the continuous improvement of its risk management systems, business operations, control, and governance processes. The Committee assists the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process and monitoring of compliance with laws, rules and regulations, oversight over the external auditors, the nature, scope and expenses of the audit, and evaluation and determination of any non-audit work and review of the non-audit fees paid to the external auditors.

Compensation and Remuneration Committee

The Compensation and Remuneration Committee is responsible for objectively recommending a formal and transparent framework of remuneration and evaluation for the members of the Board and key executives to enable them to run the Group successfully.

Nomination and Election Committee

The Nomination and Election Committee is responsible for providing the shareholders with an independent and objective evaluation and assurance that the members of the Board are competent and will foster long-term success and competitiveness. The nomination and election procedures of Independent Directors are in accordance with Rule 38 of the SRC and related regulations.

The appointments of the members of the nomination and election committee will take effect immediately upon the issuance by the Philippine SEC of the Permit to Sell the Offer Shares of the Corporation, without any further action required. Members of the Nomination and Election Committee are Dr. Sylvia C. Wenceslao as the Chairman, Mr. Alberto P. Fenix, Jr. and Mr. Carlos Delfin C. Wenceslao.

Nomination to the Board of Directors for Election at the Stockholders' Meeting

The Corporation's Nomination and Election Committee pre-screened and accepted the nominations for the following directors:

1. Sylvia C. Wenceslao
2. Delfin Angelo C. Wenceslao
3. Paolo Vincent C. Wenceslao
4. Carlos Delfin C. Wenceslao
5. Edwin Michael C. Wenceslao
6. Alberto P. Fenix, Jr.
7. Oscar S. Reyes

Independent Directors

The nominees for election as independent directors of the Board of Directors are as follows:

| Nominee for Independent Director (a) | Persons / Group Recommending Nomination (b) | Relation of (a) and (b) |
|--------------------------------------|--|-------------------------|
| Alberto P. Fenix, Jr. | Wendel Holdings Co. Inc. (through Delfin J. Wenceslao, Jr.) | None |
| Oscar S. Reyes | Wendel Holdings Co. Inc. (through Delfin J. Wenceslao, Jr.) | None |

The Nomination and Election Committee evaluated the qualifications of the nominees and prepared the final list of nominees in accordance with the criteria provided in the SRC, the Corporation's Manual on Corporate Governance and the Corporation's By-Laws.

As discussed above, the Nomination and Election Committee is composed of Mr. Delfin J. Wenceslao, Jr. as the Chairman, together with Mr. Alberto P. Fenix, Jr. and Mr. Carlos Delfin C. Wenceslao.

Only nominees whose names appear on the final list of candidates are eligible for election as directors. No nominations will be entertained or allowed on the floor during the annual stockholders' meeting.

Significant Employees

The Corporation considers the collective efforts of its employees as vital to its success. The Corporation does not solely rely on key individuals for the conduct of its business. Therefore, the resignation or loss of any non-executive employee will not have any significant adverse effect on its business. No special arrangement with non-executive employees to assure their continued stay with the Corporation exists other than the standard employment contracts.

Family Relationships

Dr. Sylvia C. Wenceslao is the widow of Mr. Delfin J. Wenceslao, Jr. ("**Spouses Wenceslao**"). Spouses Wenceslao are the parents of Messrs. Carlos Delfin, Edwin Michael, Paolo Vincent and Delfin Angelo, all surnamed Wenceslao.

Other than the foregoing, there are no family relationships either by consanguinity or affinity up to the fourth civil degree among the Directors, executive officers and shareholders of the Corporation.

Involvement in Certain Legal Proceedings

To the best of the knowledge and belief of the Corporation and after due inquiry, none of the Directors, nominees for election as director, or executive officers of the Group, in the five-year period prior to the date of this report, have:

- (1) had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time;
- (2) been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses;
- (3) been subjected to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or
- (4) been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

As of this report, the Corporation is not a party to any litigation or arbitration proceedings of material importance, which could be expected to have a material adverse effect on the Corporation or on the results of its operations. No litigation or claim of material importance is known to be pending or threatened against the Corporation or any of its properties

Certain Relationships and Related Transactions

The Corporation and its subsidiaries, in their ordinary course of business, engage in transactions with Wendel Holdings Co. Inc. (“Ultimate Parent Corporation”), associates, joint ventures and related parties under common ownership and management. In the normal course of business, the Group grants unsecured and noninterest-bearing cash advances to related parties for working capital requirements and other purposes. Certain advances to related parties are secured by an undertaking of another related party to pay in case of default. Outstanding balances with related parties are unsecured, non-interest bearing, have no fixed repayment and settlement terms, except for the fees due to the Ultimate Parent Corporation that is payable beyond twelve (12) months.

On October 28, 2019, the Company adopted a Revised Related Party Transactions Policy as mandated by the Securities and Exchange Commission. The policy specifies that the Board shall have the overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. The policy includes the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions.

The Board of Directors reviews and approves all material RPTs, as defined in this policy, endorsed by the Related Party Transaction Committee. All Board-approved material RPTs may be subject to ratification by a vote of the majority of the minority shareholders.

| Related Parties | Nature of Transaction |
|------------------------|---|
| WHI | We have and may continue to acquire land in Aseana City from our majority shareholder, WHI. As of December 31, 2021, we had outstanding purchase payments to WHI amounting to P3,990.1 million, which are |

represented as advances from and due to related parties in our consolidated financial statements.

We have executed an assumption of liability agreement with WHI in relation to our funding of start-up and operational costs of a certain related party under common ownership and management. Total advances to WHI including the amount secured by the undertaking amounted to P473.2 million and is presented as Advances to related parties under Receivables account in the consolidated statements of financial position.

The Group entered into a lease agreement with the Ultimate Parent Company for certain parcels of land with lease term of 30 years. As of December 31, 2021, in accordance with PFRS 16 (see Note 16 of the consolidated financial statements), the Group recognized right-of-use asset and lease liability amounting to P483.0 million and P515.5 million, respectively, for this lease arrangement. The Group incurred depreciation expense and interest expense amounting to P20.4 million and P12.1 million, respectively, in 2021.

In 2021, the Parent Company also entered into a contract with WHI to render certain performance obligations relative to the management and administration of the latter's real estate properties, including portions leased to a third party. Revenue recognized from this arrangement amounted to P3.6 million and presented as part of Other Revenues from Rentals under the Revenues section of the 2021 consolidated statement of profit or loss. The outstanding balance, which is unsecured and noninterest-bearing, for the same amount is presented as part of Receivables – net in the 2021 consolidated statement of financial position.

| | |
|--|---|
| <p>APBEA Aseana Business Park Estate Association</p> | <p>As a member of ABPEA and Aseana Power Station Association, Inc., we incur association dues. For the period ended December 31, 2021, the Group incurred association dues amounted to P35.2 million.</p> <p>The Group recognized income amounting to P39.2 million in 2020 from rendering of various administrative services to its related parties and are included as part of Other Operating Income account in the consolidated statements of profit or loss.</p> |
| <p>European Resources and Technology, Inc. Mandaue Land Consortium Bay Resources and Development Corporation Wendel Vega Marine Carrier Wendel Ground Improvement, Inc. 10k South Concrete Mix Specialist Bay Security Services Wendel Osaka Realty Corp. Aseana CL Beach and Marina Development Corp Urban Argo Products, Inc. Aseana Powerstation Association, Inc.</p> | <p>We made unsecured noninterest-bearing cash advances in prior years to these related parties in connection with the funding of start-up and operational costs and working capital of these entities. These entities were strategically established to complement the overall development of Aseana City and our businesses:</p> <ul style="list-style-type: none"> • Our associate, European Resources and Technology, Inc. provides proper waste management to local and government units. Mandaue Land Consortium is engaged in general realty including owning, reclaiming, enlarging real estate and lands of all kinds. • Our joint venture, Bay Resources and Development Corporation was established to acquire, develop and market real estate properties. The Group and BRADCO entered into certain construction contracts in 2021 and prior years whereby the Group undertook to complete the design and construction of the roads, drainage system and underground utilities of certain lots situated at Aseana City. The construction was completed in 2017. The related contract receivable and retention receivable amounted to P45.1 million as of December 31, 2021. Also, the company has granted cash advance to BRADCO for its working capital requirements. Outstanding balance as of December 31, 2021 amounted to P37.6 million. • All of the remaining eight related parties under common ownership and |

| | |
|-------------------|---|
| | <p>management provide construction materials such as wall panels and cement. As of December 31, 2021, total advances to these related parties amounted in the aggregate to P205.1 million</p> |
| <p>ABPEA.....</p> | <p>As a member of ABPEA and Aseana Power Station Association, Inc., we incur association dues. For the period ended December 31, 2021, the Group incurred association dues amounted to P35.2 million.</p> <p>The Group recognized income amounting to P39.2 million in 2020 from rendering of various administrative services to its related parties and are included as part of Other Operating Income account in the consolidated statements of profit or loss.</p> |

| | |
|--------------------------------|--|
| Key Management Personnel | We paid short-term benefits, including salaries and allowances, bonuses and other employment benefits to certain key management personnel, which amounted to P57.5 million for the year ended December 31, 2021. |
|--------------------------------|--|

For further information on the Company’s related party transactions, including detailed breakdowns of amounts receivable from and amounts payable to affiliated companies, see Note 26 to the Corporation’s financial statements as of and for the calendar year ended December 31, 2021.

Resignation of directors

No director has resigned from the Board during the period of June 25, 2021 to June 23, 2022.¹⁰

To date, no director has resigned nor declined to stand for re-election for the Board due to any disagreement with the Corporation relative to the Corporation’s operations, policies and practices.

Item 6. Compensation of Directors and Executive Officers

Executive Officers

The following table sets out the Corporation’s Chief Executive Officer (“CEO”) and the four most highly compensated executive officers for the year ended December 31, 2021:

| Name of Director/Officer | Position |
|----------------------------|---|
| Delfin Angelo C. Wenceslao | Director and Chief Executive Officer |
| Paolo Vincent C. Wenceslao | Director and Chief Operating Officer |
| Edwin Michael C. Wenceslao | Director and Treasurer |
| Carlos Delfin C. Wenceslao | Director and Vice President for Logistics |
| Atty. Heherson M. Asiddao | Chief Financial Officer and Acting Chief Compliance Officer |

The following table identifies and summarizes the aggregate compensation of the CEO and the four most highly compensated executive officers, as well as the aggregate compensation paid to all other officers and Directors as a group, for the years ended December 31, 2020, 2021 and projected total annual compensation for 2022: **[Gorriceta: DMWAI to update.]**

¹⁰ Mr. Delfin J. Wenceslao, Jr. passed away last 17 September 2021.

| Name and Position | Year | Salary | Other Variable Pay (Php million) |
|--|----------------|---------------|---|
| CEO and the four most highly compensated executive officers, namely: 1. Delfin Angelo C. Wenceslao 2. Paolo Vincent C. Wenceslao 3. Edwin Michael C. Wenceslao 4. Carlos Delfin C. Wenceslao 5. Atty. Heherson M. Asiddao | Actual 2020 | 22 M | 2 M |
| | Actual 2021 | 22 M | 2 M |
| | Projected 2022 | 23.1 M | 2.1 M |
| Aggregate compensation paid to all other officers and Directors as a group unnamed | Actual 2020 | 55.8 M | 4 M |
| | Actual 2021 | 53.5 M | 4 M |
| | Projected 2022 | 55.4 M | 4.2 M |

Section 5, Article III of the By-Laws of the Corporation provides that the Board may provide a reasonable per diem allowance for the attendance of directors at each Board meeting. The Board may also provide fees for its members as compensation for services rendered as such, provided that the amount of such fees received as directors shall not exceed ten percent (10%) of the net income before tax of the corporation during the preceding year and should be approved by the stockholders representing at least a majority of the outstanding capital stock in a regular or special stockholders' meeting.

Members of the Board of Directors are given a standard per diem of P50,000 per Board meeting.

The total annual compensation paid to the CEO and the four most highly compensated executive officers was all paid in cash.

The total annual compensation includes the basic salary and other variable pay (guaranteed bonus and performance bonus).

Standard Arrangements

Other than payment of reasonable per diem of P50,000 for every meeting of the Board of Directors, there are no standard arrangements pursuant to which the Corporation's Directors are compensated, directly or indirectly, for any services provided as a director.

Other Arrangements

There are no arrangements pursuant to which any of the Corporation's Directors is compensated, directly or indirectly, for any service provided as a director.

The Corporation has no other arrangement with regard to the remuneration of its non- executive directors aside from the compensation received as herein stated.

Warrants and Options Outstanding

There are no outstanding warrants or options held by the CEO of the Corporation, the named executive officers, and all other officers and Directors as a group.

Item 7. Independent Public Accountants

Punongbayan & Araullo, a member firm of Grant Thornton International Ltd., has audited the Consolidated Financial Statements of the Corporation as of and for the years ended December 31, 2017, 2018, 2019, 2020 and 2021.

Punongbayan & Araullo has acted as the external auditor of the Corporation since 2010. John Endel S. Mata is the current audit partner of the Corporation who has served as such for the year 2019 up to present.

The Board approved the re-appointment of Punongbayan & Araullo as the Corporation's external auditor for 2022. The re-appointment of Punongbayan & Araullo will be presented to the stockholders for their approval at the 2022 Annual Stockholders' Meeting. John Endel S. Mata will be the partner-in-charge for the year 2022.

The representatives of Punongbayan & Araullo are expected to be present at the Annual Stockholders' Meeting and will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Corporation has not encountered any material disagreements on accounting and financial disclosures with its current external auditor for the same periods or any subsequent interim period. Punongbayan & Araullo has neither shareholdings in the Corporation nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of the Corporation. Punongbayan & Araullo will not receive any direct or indirect interest in the Corporation or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

Item 8. Compensation Plans

The Corporation has not yet approved any stock option plans for its employees. No matters or actions with respect to any compensation plan pursuant to which cash or non-cash compensation may be paid or distributed will be taken up during the meeting.

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

There are no matters or actions to be taken up with respect to authorization or issuance of securities.

Item 10. Modification or Exchange of Securities

There are no matters or actions to be taken up for the modification of any class of the Corporation's securities or the issuance or authorization for issuance of one class of the Corporation's securities in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

- a. Management's Discussion and Analysis, External Auditor's Fees and Services, Brief Description of Registrant's Business and Subsidiaries and Market Price of Shares and Dividends on Registrant's Common Equity – **Exhibit "A"**
- b. 2021 Annual Report – **Exhibit "B"**
- c. 1st Quarter 2022 Unaudited Consolidated Financial Statements – **Exhibit "C"**¹¹
- d. 2021 Annual Stockholders' Meeting Minutes – **Exhibit "D"**¹²

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

There are no matters or actions to be taken up in the meeting with respect to a merger, consolidation, acquisition by, sale or liquidation of the Corporation.

Item 13. Acquisition or Disposition of Property

There are no matters or actions to be taken up in the meeting with respect to an acquisition or disposition of any property by the Corporation requiring stockholders' approval.

Item 14. Restatement of Accounts

There is no action to be taken with respect to the restatement of any asset, capital, or surplus account of the Corporation.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The minutes of the Corporation's previous regular stockholders' meeting will be presented to the stockholders for approval.

¹¹ This will be included in the Definitive Information Statement.

¹² The 2021 Annual Stockholders' Meeting Minutes provides for the following information, pursuant to Section 49 of the Revised Corporation Code:

- a. A description of the voting and vote tabulation procedures used in the meeting;
- b. A description of the opportunity given to stockholders or members to ask questions and a record of the questions asked and answers given;
- c. The matters discussed and resolutions reached;
- d. A record of the voting results for each agenda item; and
- e. A list of the directors, officers and stockholders who attended the meeting.

The Corporation will present its Annual Report and Audited Financial Statements for the year ending December 31, 2021.

Item 16. Matters Not Required to be Submitted

There are no matters or action to be taken up in the meeting that are not required to be submitted to a vote of security holders.

Item 17. Other Proposed Actions

- a. Ratification of all previous acts and resolutions of the Board of Directors, Management and All Committees from June 25, 2021 up to June 23, 2022.
- b. Election of the members of the Board, including the Independent Directors, for the ensuing year.
- c. Appointment of the external auditor and fixing of its remuneration.

Item 18. Voting Procedures

(a) Vote Required

The vote for each item proposed for approval by the stockholders is as follows:

- i. With respect to the election of directors, nominees who receive the highest number of votes will be declared elected.
- ii. For all other matters to be taken up, the affirmative vote of at least a majority of the issued and outstanding capital stock entitled to vote and represented at the annual stockholders' meeting is required.

In the case of proxies, the votes should be cast in such manner and by such person as directed in the proxy.

(b) Method of Voting

In all items for approval, each voting share of stock entitles its registered owner as of the record date to one vote.

In the election of directors, straight and cumulative voting shall be allowed. Each stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate the shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle among as many nominees as he shall see fit; provided that, the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the total number of directors to be elected.

Upon registration at the annual stockholders' meeting, each stockholder will be given a ballot to enable him to vote in writing on each item or proposal in the Agenda. All votes will be counted and tabulated by the Election Committee composed of representatives from the Office of the Corporate Secretary.

Registration for the annual stockholders' meeting and tabulation of votes shall be conducted in the following manner:

- (1) Registration is to commence by the filing of a scanned or digital copy of the completed Registration Form together with other required documents to asm2022registration@dmwai.com beginning June 2, 2022 at 8:00am until June 16, 2022 at 5:00pm.
- (2) The stockholder has the option to either vote in absentia, in which case the stockholder will have to complete the ballot attached to the Registration Form; or to appoint the Presiding Officer of the meeting as Proxy.
- (3) Subject to validation by the Company, the stockholder will receive an email confirming their valid registration which shall also contain the link to the live webcast of the Meeting. The Proxy Verification Committee will tabulate all votes received through Proxy or in absentia, and an independent third party will validate the results. Validation and final tally of votes through Proxy or in absentia shall be released on or before June 21, 2022.
- (4) Stockholders who notified the Company of their intent to attend the meeting remotely can either vote in advance or during the meeting through the link provided to their email addresses. Votes are subject to the validation of an independent third party.

Please refer to Annex "A" for the detailed instruction on electronic voting.

[Signature Page Follows]

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed on in the City of Paranaque on 29 April 2022.

D.M. WENCESLAO & ASSOCIATES, INCORPPORATED

By:


ATTY. ROMMEL T. CASIPE
Compliance Officer

ANNEX A
D.M. WENCESLAO & ASSOCIATES, INCORPORATED
INTERNAL PROCEDURES FOR ELECTRONIC VOTING IN ABSENTIA AND/OR
BY PROXY ON STOCKHOLDERS' MEETING

I. Coverage

Stockholders of D.M. Wenceslao & Associates, Incorporated (“DMWAI” or “Company”) who are unable to physically attend the Company’s Annual Stockholders’ Meeting on June 23, 2022 and who have: (a) appointed the Presiding Officer of the meeting as Proxy, or (b) upon valid registration chose to electronically vote in absentia after advising the Company of their intention to attend the Meeting remotely.

II. Registration

1. **Who may Register** - Stockholder’s of Record as of May 13, 2022.
2. **When to Register**- Registration period for Stockholders who intend to appoint the Presiding Officer of the meeting as Proxy, or to electronically vote in absentia shall start on June 2, 2022 at 8:00am until June 16, 2022 at 5:00pm, Philippine time (“Registration Period”). Beyond this date and time, Stockholders may no longer avail of the option to electronically vote in absentia.
3. **How to Register** - The Shareholder must send a scanned or digital copy of their Registration Form, herein attached, together with the following documents, through (a) the Company, or (b) the Brokerage Firm, or (c) the Stock Transfer Office, to the email address **asm2022registration@dmwai.com** within the Registration Period, for validation.

Individual Stockholders –

- a. A recent photo of the Stockholder, with the face fully visible;
- b. Scanned or digital copy of the front and back portions of the Stockholder’s valid government-issued identification card, preferably with residential address; and
- c. Contact number of the Stockholder.

Stockholders with Joint Accounts –

- a. Scanned or digital copy of authorization letter signed by all Stockholders identifying who among them is authorized to cast the vote for the account;
- b. A recent photo of the authorized Stockholder, with the face fully visible;
- c. Scanned or digital copy of the front and back portions of the authorized Stockholder’s valid government-issued identification card, preferably with residential address; and
- d. Contact number of the authorized Stockholder.

Broker Accounts –

- a. Scanned or digital copy of broker’s certification on the Stockholder’s number of shareholdings;
- b. A recent photo of the Stockholder, with the face fully visible;

- c. Scanned or digital copy of the front and back portions of the Stockholder's valid government-issued identification card, preferably with residential address; and
- d. Contact number of the Stockholder.

Corporate Stockholders –

- a. Scanned or digital copy of signed secretary's certificate attesting to the authority of the representative to vote for, and on behalf of the Corporation;
- b. A recent photo of the stockholder's representative, with the face fully visible;
- c. Scanned or digital copy of the front and back portions of the valid government-issued identification card of the Stockholder's representative, preferably with residential address; and
- d. Contact number of the Stockholder's representative.

Stockholders with incomplete requirements will not be able to register online and vote electronically *in absentia*, but may still vote by sending a proxy (appoint the Presiding Officer of the meeting as proxy) to the Annual Stockholders' Meeting.

4. **Validation of Registration.** The validation of the Stockholder's Registration Form shall be completed by the Company within three (3) business days from receipt thereof.

The Company will send an email confirming successful validation of the Stockholder's registration.

Please note that submission of incomplete or inconsistent information will result in an unsuccessful registration.

The Registration Form can be accessed and downloaded at our website <http://dmwai.com/>

Note: In light of the recent events and government pronouncements and guidelines surrounding the COVID-19 pandemic, the Company shall allow electronic signature for the required documents, as applicable. Notarization requirement shall also be dispensed with at this time. However, the Company reserves the right to request additional information, and original signed and notarized copies of these documents at a later date, as it deems necessary.

5. **Unregistered Stockholders.** Unregistered Stockholders are requested to notify the Company by email to asm2022registration@dmwai.com by **June 16, 2022, until 5:00 PM**, of their intention to participate in the Annual Stockholders' Meeting by remote communication. For validation purposes, unregistered Stockholders shall also provide the Company the following information: (i) name; (ii) address; (iii) telephone number and (iv) the required documents as listed above.

III. Right to Vote

1. The Stockholder Appointing the Presiding Officer as Proxy:

Stockholders may give the Presiding Officer the authority to vote in all matters for approval, by appointing the Presiding Officer as Proxy in the Stockholders' Registration Form.

2. The Stockholder Voting in Absentia:

- a. For items other than the Election of Directors, the registered Stockholder has the option to vote: For, Against, or Abstain. The vote is considered cast for all the registered Stockholder's shares.
- b. For the Election of Directors, the registered Stockholder may vote for all nominees, not vote for any of the nominees, or vote for some nominees only, in such number of shares as preferred by the Stockholder, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected.

The votes cast in absentia will have equal effect as votes cast by proxy.

3. Stockholder Participating through Remote Communication:

Stockholders participating through remote communication may electronically vote during the Annual Stockholders' Meeting provided they have validly registered within the Registration Period.

Upon successful registration, registered Stockholders will receive an electronic mail (through the email address provided in their Registration Form) with a link, through which they can cast their vote.

IV. Tabulation & Validation of Votes in Absentia or by Proxy

The Proxy Verification Committee will tabulate all votes received through Proxy or in absentia, and an independent third party will validate the results. Validation and final tally of votes through Proxy or in absentia shall be released on or before June 20, 2022.

V. Determination of Quorum

Only those Stockholders who have notified the Company of their intention to participate in the Annual Stockholders' Meeting by remote communication, and who have successfully registered during the Registration Period, together with the Stockholders who voted by proxy or *in absentia* will be included in the determination of quorum.

VI. Access to the Live Meeting

The Company will send the registered Stockholders the link to the live webcast of the Annual Stockholders' Meeting at least two (2) business days prior to the date of the Meeting.

For any technical assistance, Stockholders may send their questions or concerns prior to the date of the meeting via email to asm2022@dmwai.com with the subject "Technical Assistance". The IT Team of the Company shall assist the Stockholders on their questions and concerns.

VII. Stockholders' Questions/Comments During the Meeting

Stockholders may send their questions and/or comments during the meeting at [•]. The Corporate Secretary, or his designated representative, shall raise these questions on behalf of the Stockholder.

VIII. Recording of the Annual Meeting

Upon adjournment, the Company shall post the link to the recorded webcast of the Annual Stockholders' Meeting on the Company's website, for two (2) weeks. Within this period, Stockholders may raise to the Company any issues, clarifications and concerns on the Annual Stockholders' Meeting conducted.

For any clarifications, Stockholders may contact the Company's Office of the Investor Relations Officer at **iro@dmwai.com** or the Office of the Corporate Secretary at **asm2022@dmwai.com**.

Upon the written request of a stockholder, the Company undertakes to furnish said stockholder with a copy of SEC Form 17-A, free of charge. Any written request for a copy of SEC Form 17- A shall be addressed to the following:

**D.M. WENCESLAO & ASSOCIATES, INCORPPORATED
15th Floor Aseana 3 D. Macapagal Boulevard corner
Asean Ave., Aseana City, Parañaque City**

**ATTENTION TO: ATTY. PAUL MAR M. QUINTO
Corporate Secretary and Chief Legal Officer**

EXHIBIT “A”**MARKET FOR ISSUER’S COMMON EQUITY AND
RELATED STOCKHOLDER MATTERS****Market Information**

The Company’s shares of stock are officially listed in the Philippine Stock Exchange on June 29, 2018.

As of December 31, 2021, the closing price of the Company’s shares of stock is P6.78/share.

| | Philippine Stock Exchange | | | | | | | | |
|----------------|---------------------------|------------|--------------|-------------|------------|--------------|-------------|------------|--------------|
| | Prices (in Php/Share) | | | | | | | | |
| | 2022 | | | 2021 | | | 2020 | | |
| | <u>High</u> | <u>Low</u> | <u>Close</u> | <u>High</u> | <u>Low</u> | <u>Close</u> | <u>High</u> | <u>Low</u> | <u>Close</u> |
| First Quarter | 7.00 | 6.50 | 6.86 | 7.60 | 6.55 | 6.90 | 9.80 | 6.55 | 7.00 |
| Second Quarter | - | - | - | 7.15 | 6.71 | 7.15 | 7.24 | 6.19 | 6.20 |
| Third Quarter | - | - | - | 7.19 | 6.50 | 6.90 | 6.37 | 5.21 | 5.21 |
| Fourth Quarter | - | - | - | 7.00 | 6.35 | 6.78 | 8.26 | 5.08 | 7.60 |

As of March 31, 2022, the closing price of the Company’s shares of stock is P6.86/share.

Shareholders

There are 29 registered holders of common shares of the Company as of December 31, 2021.

The following are the registered holders of the common equity securities of the Company:

| | Stockholder Name | No. of Shares | % to Total Shares |
|----|-----------------------------------|----------------------|--------------------------|
| 1 | Wendel Holdings Co. Inc. | 2,136,554,780 | 63% |
| 2 | PCD Nominee Corp. (Filipino) | 635,697,166 | 19% |
| 3 | Wendel Holdings Co. Inc. | 578,798,847 | 17% |
| 4 | High-Viewpoint Minds, Inc. | 17,103,399 | 1% |
| 5 | Intelli Searchrev Corporation | 9,788,400 | 0.1% |
| 6 | Raydine Incorporated | 8,000,000 | 0.1% |
| 7 | PCD Nominee Corp. (Non- Filipino) | 4,473,699 | 0.1% |
| 8 | La Filipina Uy Gongco Corporation | 2,077,000 | 0.1% |
| 9 | Symart Corporation | 1,538,000 | 0.1% |
| 10 | Intelli Searchrev Corporation | 1,152,600 | 0.1% |
| 11 | Serafin U. Salvador, Jr. | 240,000 | 0.1% |
| 12 | Serafin U. Salvador, Jr. | 166,700 | 0.1% |
| 13 | Ariane Dominique Marie Moreno | 142,300 | 0.1% |
| 14 | Regina Capital Dev Corp. | 68,000 | 0.1% |
| 15 | Serafin U. Salvador, Jr. | 50,000 | 0.1% |

| | Stockholder Name | No. of Shares | % to Total Shares |
|----|-----------------------------------|----------------------|--------------------------|
| 16 | Joselito C. Herrera | 5,000 | 0.1% |
| 17 | Ma. Christmas R. Nolasco | 3,000 | 0.1% |
| 18 | Jaybee C. Baraquel | 1,000 | 0.1% |
| 19 | Jesus San Luis Valencia | 1,000 | 0.1% |
| 20 | Gabrielle Claudia F. Herrera | 500 | 0.1% |
| 21 | Nadezhda Iskra F. Herrera | 500 | 0.1% |
| 22 | Milagros P. Villanueva | 500 | 0.1% |
| 23 | Myra P. Villanueva | 500 | 0.1% |
| 24 | Myrna P. Villanueva | 500 | 0.1% |
| 25 | Marietta V. Cabreza | 500 | 0.1% |
| 26 | Alberto Victor P. Fenix Jr. | 100 | 0.1% |
| 27 | Oscar Sison Reyes | 100 | 0.1% |
| 28 | Gerardo Salgado | 8 | 0.1% |
| 29 | Botschaft N. Cheng or Sevilla Ngo | 1 | 0.1% |

Dividends

| Class | Declaration Date | Amount | Record Date | Payment date |
|---------------|-------------------------|---------------|--------------------|---------------------|
| Common shares | February 15, 2019 | 119,999,650 | March 4, 2019 | March 28, 2019 |
| Common shares | April 24, 2020 | 159,999,533 | May 11, 2020 | June 4, 2020 |
| Common shares | March 3, 2021 | 159,999,533 | March 22, 2021 | April 8, 2021 |
| Common Shares | March 10, 2022 | 206,960,938 | March 25, 2022 | April 8, 2022 |

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

2021

DMW's 2021 Core Net Income Increased to P1.88 billion or 44%

Financial and Operational Highlights

(In Millions Pesos, except for financial ratios and percentages)

| | Twelve months ended December 31 (AUDITED) | | | | |
|--|--|----------------------|--------------------------|----------------------|-------------|
| | 2021 | % to Revenues | 2020 | % to Revenues | % Change |
| Profit & Loss Data | | | | | |
| Revenues | 3,443 | 100% | 2,734 | 100% | 26% |
| Cost of services and sales | 598 | 17% | 663 | 24% | (10%) |
| Gross profit | 2,845 | 83% | 2,071 | 76% | 37% |
| Other operating expenses - net | 358 | 10% | 364 | 13% | (2%) |
| Other income (expenses) | 5 | 0% | 1,079 | 39% | (101%) |
| Net income attributable to owners of the Parent company | 2,069 | 60% | 2,131 | 78% | (3%) |
| Core Net Income | 1,882 | 55% | 1,310 | 48% | 44% |
| | Dec 31 2021 | % to Total Assets | Dec 31 2020 | % to Total Assets | % Change |
| Balance Sheet Data | | | | | |
| Total Assets | 36,983 | 100% | 32,857 | 100% | 13% |
| Total Liabilities | 12,759 | 35% | 10,573 | 32% | 21% |
| Total Equity attributable to owners of the Parent company | 23,623 | 64% | 21,704 | 66% | 9% |
| As of the period ended | | | | | |
| December 31, 2021 December 31, 2020 | | | | | |
| Other Key Financial Ratios | December 31, 2021 | | December 31, 2020 | | |
| Current Ratio | 1.67 | | 1.47 | | |
| Debt to Equity | 14% | | 6% | | |
| Return on Equity | 9% | | 10% | | |
| Net income contribution | 61% | | 79% | | |
| Recurring Income Contribution | 58% | | 72% | | |
| As for the period ended | | | | | |
| December 31, 2021 December 31, 2020 | | | | | |
| Key Operating Data | December 31, 2021 | | December 31, 2020 | | |
| Total leased land area (sq.m.) | 150,444 | | 158,079 | | |
| Total leasable floor area (sq.m.) | 162,351 | | 90,712 | | |
| Total occupancy rate (leased buildings) (%) | 51% | | 93% | | |

Revenue

Total consolidated revenue increased by P708.7 million, or 25.9%, from P2,734.4 million in 2020 to P3,443.1 million in 2021, primarily due to the following:

Rentals

Our total rental revenue from rentals increased by P28.3 million, or 1.4%, from P1,960.3 million in 2020 to P1,988.6 million in 2021.

- Rentals of Land. Rentals of land decreased by P10.6 million, or 1.1%, from P978.5 million in 2020 to P967.9 million in 2021. The decrease was primarily attributable to the pre-termination and termination of some contracts during the year.
- Rentals of Building. Rentals of building increased by P1.9 million, or 0.2%, from P809.1 million in 2020 to P811.0 in 2021. The increase is primarily attributable to the renewal of contract of lease with a higher lease rate and new tenants. During the year, the Group completed the construction of 8912 Asean Ave and 58 Jupiter. Thus, our total aggregate leasable floor area increased from 90,712 sqm in 2020 to 162,351 sqm in 2021.
- Other revenue. Other revenue increased by P36.9 million, or 21.4%, from P172.6 million in 2020 to P209.6 million in 2021. The increase was primarily attributable to the forfeited security deposits as a result of the write off of old accounts, increase in CUSA as a result of escalation and increase in parking collections due to full operation in 2021.

Land Sales

Land sale revenue increased by P787.6 million, or 100% in 2021. There is no land sale in 2020.

Construction Contracts

Total construction revenue increased by P26.7 million, or 107.7%, from P24.8 million in 2020 to P51.5 million in 2021 primarily due to the increase in construction activities rendered to external parties as the country recovers from pandemic. Also, in 2020, the Group continues to focus its construction resources in completing its on-going internal projects.

Sale of Condominium Units

The revenue from sale of condominium units decreased by P133.9 million, or 17.9%, from P749.3 million in 2020 to P615.4 million in 2021. The decrease is primarily due to the higher number of turned over units of Pixel in 2020 as compared in 2021.

Cost of Services and Sales

Our consolidated cost of services and sales decreased by P64.8 million, or 9.8%, from P663.1 million in 2020 to P598.4 million in 2021.

Rentals

Costs of rentals increased by P38.5 million, or 16.2%, from P237.3 million in 2020 to P275.8 million in 2021. The increase was primarily attributable to the increase in cost of utilities and building maintenance due to full operation of tenants as these companies implements return to office set-up in 2021.

Land Sales

Costs of land sales increased by P55.2 million, or 100%, from 2020. As discussed in a previous paragraph, there was no land sale in 2020.

Construction Contracts

Costs of construction contracts increased by P23.3 million, or 142.7%, from P16.4 million in 2020 to P39.7 million in 2021. Most of the Group's construction activities in 2020 are internal projects.

Sale of Condominium Units

Cost of sale of condominium units decreased by P181.9 million, or 44.4%, from P409.5 million in 2020 to P227.6 million in 2021. The decrease was attributable primarily to the recognized construction savings from Pixel Project as the project is already completed

Other Operating Expenses - net

Other operating expenses - net decreased by P5.6 million, or 1.5%, from P363.9 million in 2020 to P358.3 million in 2021.

Other Operating Income

Other operating income decreased by P29.0 million, or 21.0%, from P138.1 million in 2020 to P109.1 million in 2021 mainly due to the sale of air rights in 2020. There was no similar transaction recorded in 2021.

Operating expenses & Selling Expenses

Operating expenses decreased by P34.5 million, or 6.9%, from P502.0 million in 2020 to P467.5 million in 2021. The decrease was attributable primarily to the (i) decrease in commission for sales agents due to decrease in sales take up (ii) decrease in miscellaneous expense.

Other Income (net)

Other income decreased by P1,084.8 million, or 100.5% from total net other income of P1,079.4 million in 2020 to total net other income of P5.5 million in 2021 primarily due to the following:

Finance Income

Finance income decreased by P75.5 million, or 82.5%, from P91.5 million in 2020 to P16.0 million in 2021. The decrease was attributable primarily to the maturity of short-term placements and decrease in average effective interest rates ranging from 1.00% to 5.10% in 2020 to 0.58% to 1.0% in 2021.

Other Income

In 2020, the Parent Company recorded a one-time gain of P1,000.0 million. The Group reversed the Advances to ADI amounting to P1.0 billion upon the prescription of these advances and the completion of all administrative matters relating to the CA and SA in 2020. Management, in consultation with its legal counsel, believes that full restitution of ADI was already served and no further claims against DMWAI under the JV Agreement is expected. There is no similar gain in 2021.

Tax Expenses

Tax expenses decreased by P232.5 million, or 37.4%, from P622.5 million in 2020 to P390.0 million in 2021. The decrease was primarily due to the effect of CREATE law reducing the income tax rate from 30% to 25% effective June 30, 2020. Moreover, the effect of the new law for 2020 was accounted for and recorded only in 2021 in compliance with existing regulations.

Net Profit

Net profit attributable to parent decreased by P61.0 million, or 2.9%, from P2,130.7 million in 2020 to P2,069.7 million in 2021.

Core Net Income

Core net income increased by P572 million, or 44%, from P1,310 million for December 31, 2020 to P1,882 million for December 31, 2021 which excludes the after-tax impact of one-off gain amounting to P1.0 billion in 2020 related to the termination of a JV agreement as well as the adjustment of tax expense in 2021 due to the effectivity of CREATE law.

Balance Sheet Accounts

Total Assets

The Company's total assets increased by P4,126.5 million, or 12.6%, from P32,857.0 million as of December 31, 2020 to P36,983.5 million as of December 31, 2021 due to the following:

- Investment property increased by P2,026.8 million, or 13.0%, from P15,539.5 million to

P17,566.3 million as of December 31, 2020 and 2021, respectively, primarily due to the cost incurred for 8912 Asean Ave., Parqal, 58 Jupiter and Aseana Plaza.

- Receivables increased by P992.0 million, or 15.9%, from P6,246.8 million to P7,238.8 million as of December 31, 2020 and 2021, respectively, primarily due to the receivable related to the land sale amounting to P590.7 million and recognition of rental receivable based on PAS17 amounting to P447.7 million.
- Cash and cash equivalents increased by P1,236.5 million, or 27.9%, from P4,429.5 million to P5,665.9 million as of December 31, 2020 and 2021, respectively, primarily due to additional loan availments, collections from land sale, rentals and sale of condominium units net of payments to suppliers and subcontractors, cash dividends, taxes and licenses and other operating expenses.
- Land and land development cost decreased by P32.4 million, or 1.5%, from P2,112.5 million to P2,080.2 million as of December 31, 2020 and 2021, respectively, primarily due land sale recorded for 2021.
- Other current assets decreased by P505.3 million, or 27.0%, from P1,873.2 million to P1,367.9 million as of December 31, 2020 and 2021, respectively, primarily due to maturity of short-term time deposits net of increase input VAT from supplier's and subcontractor's billings.
- Property development costs increased by P520.4 million, or 48.7%, from P1,068.6 million to P1,589.0 million as of December 31, 2020 and 2021, respectively, mainly due to the incurred cost of condominium units.
- Deferred tax assets decreased by P93.5 million, or 48.6% from P192.3 million to P98.8 million as of December 31, 2020 and 2021, respectively, primarily due to effect of CREATE bill.
- Contract asset increased by P52.1 million, or 56.6%, from P92.0 million to P144.1 million as of December 31, 2020 and 2021, respectively, primarily due to the increase in units that qualified for revenue recognition.
- Investment in Associates and Joint Venture increased by P29.7 million, or 34%, from P87.9 million to P117.6 million as of December 31, 2020 and 2021, respectively, primarily due to the share in net income from associates and subsidiaries.

Total Liabilities

Total liabilities increased by P2,186.6 million, or 20.7%, from P10,572.7 million as of December 31, 2020 to P12,759.3 million as of December 31, 2021, respectively, due to the following:

- Loans and borrowings increased by P1,885.3 million, or 135.0%, from P1,397.0 million to P3,282.4 million as of December 31, 2020 and 2021, respectively, due to avaiement of loans to support its on-going projects.
- Trade and other payables increased by P261.1 million, or 15%, from P1,733.0 million to P1,994.1 million as of December 31, 2020 and 2021, respectively primarily due to the increase in accrued expenses related to the accrual of importation charges and construction billings.
- Contract liability decreased by P238.3 million, or 34.5%, from P690.8 million to P452.5

million as of December 31, 2020 and 2021, respectively, due to the application of payment of buyers to revenue as the percentage of completion of residential projects increases.

- Deposits and advances decreased by P150.3 million, or 10.8%, from P1,395.0 million to P1,244.7 million as of December 31, 2020 and 2021, respectively, mainly due to application of advance rental.
- Deferred tax liabilities decreased by P67.6 million, or 6.4%, from P1,056.7 million to P989.1 million as of December 31, 2020 and 2021, respectively, due to the effect of CREATE bill.
- Lease liability increased by P368.5 million, or 223%, from P165.5 million to P534.0 million as of December 31, 2020 and 2021, respectively, primarily due to the PFRS16 adjustment for 8912 Asean Ave.
- Income Tax Payable increased by P142.8 million, or 253%, from P56.4 million to P199.1 million as of December 31, 2020 and 2021, respectively, primarily due to the booked land sale on the last quarter of 2021.

Total Equity

Total equity attributable to holders of parent company increased by P1,918.6, or 8.8%, from P21,704.4 million to P23,623.0 million as of December 31, 2020 and 2021, respectively, primarily due to the results of operation of P2,069.7 million for the year ended December 31, 2021, net of the Group's declaration and payment of dividends of P160.0 million.

Other Key Financial Ratios

The Company's key performance indicators are measured in terms of the following: (a) Current ratio which determines the liquidity of the Company (b) Debt to equity which determines the Company's financial leverage (c) Return on equity which measures the profitability to capital provided by stockholders (d) net income ratio which measures the ratio of net profit to total gross revenue (e) recurring income contribution.

- Current ratio increased to 1.67 from 1.47 as of December 31, 2021 and 2020, respectively, mainly due to additional loan availments with more than a year term thus, increase in cash and cash equivalents.
- Debt to equity ratio increased to 14% from 6% as of December 31, 2021 and 2020, respectively, due to availment of loans to support capital expenditure.
- Return on equity decreased to 9% from 10% as of December 31, 2021 and 2020, respectively, due to the decrease in results of operation for the current year.
- Net income margin decreased to 61% as of the period ended December 31, 2021 from 79% as of the same period in 2020 mainly due to other income recognized in 2020.
- Recurring income contribution decreased to 58% in 2021 from 72% in 2020. As mentioned

above, there were no land sale transaction occurred in 2020 compared to 2021.

The Company has no known direct or contingent financial obligation that is material to the Company, including any default acceleration of an obligation. There were no contingent liabilities or assets in the Company's balance sheet. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year as of balance sheet date.

2020

DMW's Net Income Reaches P2.13 Billion in 2020

Financial and Operational Highlights

(In Millions Pesos, except for financial ratios and percentages)

| | Twelve months ended December 31 (AUDITED) | | | | |
|--|--|----------------------|-------------------|----------------------|-------------|
| | 2020 | % to Revenues | 2019 | % to Revenues | % Change |
| Profit & Loss Data | | | | | |
| Revenues | 2,734 | 100% | 3,513 | 100% | (22%) |
| Cost of services and sales | 663 | 24% | 694 | 20% | (4%) |
| Gross profit | 2,071 | 76% | 2,819 | 80% | (27%) |
| Other operating expenses - net | 364 | 13% | 548 | 15% | (3%) |
| Other income (expenses) | 1,079 | 39% | 1,056 | 30% | 2% |
| Net income attributable to owners of the Parent company | 2,131 | 78% | 2,374 | 68% | (10%) |
| | Dec 31 2020 | % to Total Assets | Dec 31 2019 | % to Total Assets | % Change |
| Balance Sheet Data | | | | | |
| Total Assets | 32,857 | 100% | 31,267 | 100% | 5% |
| Total Liabilities | 10,573 | 32% | 10,734 | 34% | (1%) |
| Total Equity attributable to owners of the Parent company | 21,704 | 66% | 19,987 | 64% | 9% |
| | As of the period ended | | | | |
| Other Key Financial Ratios | | December 31, 2020 | December 31, 2019 | | |
| Current Ratio | | 1.47 | 1.61 | | |
| Debt to Equity | | 6% | 3% | | |
| Return on Equity | | 10% | 12% | | |
| Net income contribution | | 79% | 64% | | |
| Recurring Income Contribution | | 72% | 56% | | |



Key Operating Data

| | As of the period ended | |
|--|------------------------|-------------------|
| | December 31, 2020 | December 31, 2019 |
| Total leased land area (sq.m.) | 158,079 | 158,079 |
| Total leasable floor area (sq.m.) | 90,712 | 89,914 |
| Total occupancy rate (leased buildings) (%) | 93% | 98% |

Revenue

Total consolidated revenue decreased by P779.0 million, or 22.2%, from P3,513.4 million in 2019 to P2,734.4 million in 2020, primarily due to the following:

Rentals

Our total rental revenue from rentals increased by P1.5 million, or 0.1%, from P1,958.8 million in 2019 to P1,960.3 million in 2020.

- Rentals of Building. Rentals of building increased by P15.6 million, or 2.0%, from P793.5 million in 2019 to P809.1 million in 2020. The increase was primarily attributable to the renewal of contract of lease with a higher lease rate. In October 2020, the Group acquired certain property in Makati. Our total aggregate leasable floor area increased from 89,914 sq.m in 2019 to 90,712 sq.m in 2020.
- Other revenue. Other revenue decreased by P13.5 million, or 7.3%, from P186.2 million in 2019 to P172.7 million in 2020. The decrease was primarily attributable to the decrease in reimbursable charges and parking collections as an effect of the pandemic.

Land Sales

No sale of land in Aseana City was transacted for the twelve months ended December 31, 2020. Sale of lots in Aseana City amounted to P935.9 million for the same period of 2019.

Construction Contracts

Total construction revenue decreased by P46.3 million, or 65.1%, from P71.1 million in 2019 to P24.8 million in 2020 primarily due to the decrease in construction activities rendered to external customers due to pandemic. Also, in 2020, the Group started to focus its construction resources in completing its on-going internal projects.

Sale of Condominium Units

The revenue from sale of condominium units increased by P201.6 million, or 36.8%, from P547.7 million in 2019 to P749.3 million in 2020. This increase was attributable primarily to the increase in the number of units, both for Pixel and MidPark project, that are qualified

for revenue recognition in 2020 compared to units for the same period in 2019. Furthermore, there's an increase in incremental percentage of completion in 2020 compared to the incremental percentage of completion for the same period in 2019. As of December 31, 2020, Pixel and Midpark project has a percentage of completion of 92.2% and 16.2%, respectively.

Cost of Services and Sales

Our consolidated cost of services and sales decreased by P31.2 million, or 4.5%, from P694.3 million in 2019 to P663.1 million in 2020.

Rentals

Costs of rentals decreased by P29.9 million, or 11.2%, from P267.2 million in 2019 to P237.3 million in 2020. The decrease was primarily attributable to decrease in cost of utilities and building maintenance as a result of the pandemic.

Land Sales

Costs of land sales decreased by P66.7 million, or 100%, from 2019. As discussed in a previous paragraph, there was no land sale in 2020.

Construction Contracts

Costs of construction contracts decreased by P29.5 million, or 64.3%, from P45.9 million in 2019 to P16.4 million in 2020. Most of the Group's construction activities in 2020 are internal projects.

Sale of Condominium Units

Cost of sale of condominium units increased by P95.0 million, or 30.2%, from P314.5 million in 2019 to P409.5 million in 2020. The increase was attributable primarily to the increase in percentage of completion of Pixel Residences and MidPark Towers as well as the related cost of additional units which are qualified for revenue recognition.

Other Operating Expenses - net

Other operating expenses - net decreased by P197.3 million, or 36.0%, from P548.2 million in 2019 to P350.9 million in 2020.

Other Operating Income

Other operating income increased by P93.7 million, or 172.7%, from P54.3 million in 2019 to P148.0 million in 2020 mainly due to the sale of air rights and reversal of expected credit loss on receivables previously accrued in prior years.

Operating expenses

Operating expenses decreased by P103.6 million, or 17.2%, from P602.5 million in 2019 to P498.9 million in 2020. The decrease was attributable primarily to (i) decrease in commissions of P92.4 million for sales agents due to decrease in sales take up (ii) decrease in depreciation expense due to fully depreciated property and equipment of P7.9 million.

Other Income (net)

Other income increased by P23.1 million, or 2.2% from total net other income of P1,056.3 million in 2019 to total net other income of P1,079.4 million in 2020 primarily due to the following:

Finance Income

Finance income decreased by P205.9 million, or 69.2%, from P297.3 million in 2019 to P91.5 million in 2020. The decrease was attributable primarily to the maturity of short-term placements.

Other Income

Other Income increased by P150.0 million, or 17.6%, from P850.0 million in 2019 to P1,000.0 million in 2020. In 2020, the Group reversed the Advances to ADI amounting to P1.0 billion upon the prescription of these advances and the completion of all administrative matters relating to the CA and SA in 2020. Management, in consultation with its legal counsel, believes that full restitution of ADI was already served and no further claims against DMWAI under the JV Agreement is expected. The advances from co-joint venturer is previously presented as part of current liabilities in the statement of financial position as of December 31, 2019. In the same period of 2019, the Company received a non-refundable portion of P2,050.0 million amounting to P850.0 million in relation to the giving of its consent in favor of a third party to buy from another party certain parcels of land contributed to a joint venture arrangement (see Note 13.2b of the 2020 consolidated financial statements).

Tax Expenses

Tax expenses decreased by P439.7 million, or 40.9%, from P1,075.2 million in 2019 to P635.5 million in 2020, representing an effective income tax rate of 30.6% and 23.2% of gross revenue, respectively. The decrease was primarily due to the sale of land in 2019 between subsidiaries which is being eliminated in consolidation. There was no such transaction occurred in the same period in 2020.

Net Profit

Net profit attributable to parent decreased by P243.3 million, or 10.2%, from P2,374.0 million in 2019 to P2,130.7 million in 2020.

Balance Sheet Accounts

Total Assets

The Company's total assets increased by P1,590.2 million, or 5.1%, from P31,266.8 million as of December 31, 2019 to P32,857.0 million as of December 31, 2020 due to the following:

- Receivables increased by P861.0 million, or 16.0%, from P5,385.8 million to P6,246.8 million as of December 31, 2019 and 2020, respectively, primarily due to recognition of rental receivable based on PAS17 amounting to P580.1 million and advance payment to suppliers related to the on-going construction amounting to P338.5 million.
- Land and land development cost increased by P100.0 million, or 5.0%, from P2,012.5 million to P2,112.5 million as of December 31, 2019 and 2020, respectively, primarily due to the capitalized costs incurred in developing Aseana City.
- Investment property increased by P2,966.8 million, or 23.6%, from P12,572.7 million to P15,539.5 million as of December 31, 2019 and 2020, respectively, primarily due to the on-going construction of 8912 Asean Ave., Parqal and Aseana Plaza.
- Cash and cash equivalents decreased by P781.9 million, or 15.0%, from P5,211.4 million to P4,429.5 million as of December 31, 2019 and 2020, respectively, primarily due to payments to suppliers and subcontractors, cash dividends, taxes and licenses and other operating expenses net of collections from rentals and sale of condominium units.
- Contract asset decreased by P157.0 million, or 63.0%, from P249.0 million to P92.0 million as of December 31, 2019 and 2020, respectively, primarily due to the collection from sale of condominium units already exceeds the cumulative sales based on percentage of completion.
- Property development costs decreased by P99.5 million, or 8.5%, from P1,168.1 million to P1,068.6 million as of December 31, 2019 and 2020, respectively, mainly due to the recognized cost of sale from condominium units. As of December 31, 2020, the percentages of completion for Pixel Residences and MidPark Towers are 92.2% and 16.2%, respectively.
- Other current assets decreased by P1,013.2 million, or 35.1%, from P2,886.4 million to P1,873.2 million as of December 31, 2019 and 2020, respectively, primarily due to maturity of short-term time deposits net of increase input VAT from supplier's and subcontractor's billings.
- Other non-current asset decreased by P261.4 million, or 23.6%, from P1,106.0 million to P844.6 million as of December 31, 2019 and 2020, respectively, primarily due to recoupment of advance payment to suppliers related to the on-going construction.

Total Liabilities

Total liabilities decreased by P160.9 million, or 1.5%, from P10,733.6 million as of December 31, 2019 to P10,572.7 million as of December 31, 2020, respectively, due to the following:

- Advances from a co-joint venturer decreased by P1,040.0 million, or 100% due to reversal of these advances upon prescription and completion of all administrative matters relating to the CA and SA in 2020 (see Note 13.2b of the 2020 consolidated financial statements).
- Deposits and advances decreased by P154.9 million, or 10.0%, from P1,549.9 million to P1,395.0 million as of December 31, 2019 and 2020, respectively, mainly due to application of advance rental.
- Loans and borrowings increased by P885.3 million, or 173.0%, from P511.7 million to P1,397.0 million as of December 31, 2019 and 2020, respectively, due to availment of loans to support its on-going projects.
- Contract liability increased by P136.1 million, or 24.5%, from P554.7 million to P690.8 million as of December 31, 2019 and 2020, respectively, due to the increase in the amount received from real estate customers in excess of the amount the Group has rights to receive based on the progress of the real estate development.
- Deferred tax liabilities increased by P154.4 million, or 17.1%, from P902.3 million to P1,056.7 million as of December 31, 2019 and 2020, respectively, due to recognition of income taxes related to deferred rental income.

Total Equity

Total equity attributable to holders of parent company increased by P1,717.7, or 8.6%, from P19,986.7 million to P21,704.4 million as of December 31, 2019 and 2020, respectively, primarily due to the results of operation of P2,130.7 million for the year ended December 31, 2020, net of the Group's declaration and payment of dividends of P360.0 million.

Other Key Financial Ratios

The Company's key performance indicators are measured in terms of the following: (a) Current ratio which determines the liquidity of the Company (b) Debt to equity which determines the Company's financial leverage (c) Return on equity which measures the profitability to capital provided by stockholders (d) net income ratio which measures the ratio of net profit to total gross revenue (e) recurring income contribution.

- Current ratio decreased to 1.47 from 1.61 as of December 31, 2020 and 2019, respectively, mainly due to increase in capital expenditures thus, decrease in cash and cash equivalents.
- Debt to equity ratio increased to 6% from 3% as of December 31, 2020 and 2019, respectively, due to availment of loans to support capital expenditure.

- Return on equity decreased to 10% from 11% as of December 31, 2020 and 2019, respectively, due to the decrease in the results of operation.
- Net income margin increased to 79% as of the period ended December 31, 2020 from 64% as of the same period in 2019 mainly due to land sale recognized in 2019. There was no land sale transaction occurred in 2020.
- Recurring income contribution increased to 72% in 2020 from 56% in 2019. As mentioned above, there were no land sale transaction occurred in 2020 compared on the same period in 2019.

The Company has no known direct or contingent financial obligation that is material to the Company, including any default acceleration of an obligation. There were no contingent liabilities or assets in the Company's balance sheet. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year as of balance sheet date.

2019**DMW's Delivers 24% Net Income Growth to P2.37 billion in 2019**

Financial and Operational Highlights

(In Millions Pesos, except for financial ratios and percentages)

| | Twelve months ended December 31 (AUDITED) | | | | |
|--|--|------------------------------|--------------------------|------------------------------|---------------------|
| | 2019 | % to Revenues | 2018 | % to Revenues | % Change |
| Profit & Loss Data | | | | | |
| Revenues | 3,513 | 100% | 2,152 | 100% | 39% |
| Cost of services and sales | 694 | 20% | 347 | 16% | 103% |
| Gross profit | 2,819 | 80% | 1,805 | 84% | 56% |
| Other operating expenses - net | 548 | 15% | 433 | 20% | 25% |
| Other income (expenses) | 1,056 | 30% | 1,205 | 56% | (11%) |
| Net income attributable to owners of the Parent company | 2,374 | 68% | 1,911 | 89% | 24% |
| | Dec 31 2019 | % to Total Assets | Dec 31 2018 | % to Total Assets | % Change |
| Balance Sheet Data | | | | | |
| Total Assets | 31,267 | 100% | 29,789 | 100% | 5% |
| Total Liabilities | 10,743 | 34% | 10,923 | 37% | (2%) |
| Total Equity attributable to owners of the Parent company | 19,987 | 64% | 18,197 | 61% | 13% |
| Other Key Financial Ratios | | | | | |
| | December 31, 2019 | | December 31, 2018 | | |
| Current Ratio | 1.61 | | 1.61 | | |
| Debt to Equity | 3% | | 11% | | |
| Return on Equity | 12% | | 14% | | |
| Net income contribution | 64% | | 89% | | |
| Recurring Income Contribution | 56% | | 88% | | |
| Key Operating Data | | | | | |
| | December 31, 2019 | | December 31, 2018 | | |
| Total leased land area (sq.m.) | 158,079 | | 155,418 | | |
| Total leasable floor area (sq.m.) | 89,914 | | 89,914 | | |
| Total occupancy rate (leased buildings) (%) | 98% | | 98% | | |

Revenue

Total consolidated revenue increased by P1,361.1 million, or 63.5%, from P2,152.3 million in 2018 to P3,513.4 million in 2019, primarily due to the following:

Rentals

Our total rental revenue from rentals increased by P57.6 million, or 3.0%, from P1,901.2 million in 2018 to P1,958.8 million in 2019.

- Rentals of Land. Rentals of land increased by P13.8 million, or 1.4% from P965.2 million in 2018 to P979.1 million in 2019. The increase was primarily attributable to the full year recognition of income from Prestige Bay Development Corporation as a lessee commencing in March 2018, with a leased land area of 4,897.0 sq.m. Our total leased land area increased from 156,685 sq.m. as of December 31, 2018 to 158,079 sq.m. as of the same period of 2019.
- Rentals of Building. Rentals of building increased by P31.4 million, or 4.1%, from P762.1 million in 2018 to P793.5 million in 2019. The increase was primarily attributable to the effect of the completion and recognition of rentals from Aseana Three starting January 2018. Total leasable floor area aggregated to P89,914 sq.m as of December 31, 2019 and 2018.
- Other revenue. Other revenue increased by P12.4 million, or 7.1%, from P173.8 million in 2018 to P186.2 million in 2019. The increase was primarily attributable to the effect full year effect of occupancy in Aseana Three, which contributed to an increase in CUSA fees payments received from our tenants.

Land Sales

Total land sale revenue increased by P934.6 million, or 74,600.7%, from P1.3 million in 2018 to P935.9 million in 2019 primarily due to the sale of 2,202 sq.m land area at P425,000 (exclusive of value-added tax) per sq.m. In 2018, the Parent Company received P1,200.0 million as Other income (see discussion on Other income) which resulted in the Parent Company not needing to sell lots in Aseana City to support the Group's development projects. Hence, no sale of land in Aseana City was transacted for the twelve months ended December 31, 2018.

Construction Contracts

Total construction revenue decreased by P59.4 million, or 45.5%, from P130.5 million in 2018 to P71.1 million in 2019 primarily due to the decrease in construction activities rendered to external customers. In 2019, the Group started to focus its construction resources in completing its on-going internal projects.

Sale of Condominium Units

The revenue from sale of condominium units increased by P428.3 million, or 358.9%, from P119.4 million in 2018 to P547.7 million in 2019. This increase was attributable primarily to the increase in the number of units, both for Pixel and MidPark project, that are qualified for revenue recognition in 2019 compared to units for the same period in 2018. Furthermore, there's an increase in incremental percentage of completion in 2019 compared to the incremental percentage of completion for the same period in 2018. As of December 31, 2019, Pixel and Midpark project has a percentage of completion of 70.51% and 12.94%, respectively.

Cost of Services and Sales

Our consolidated cost of services and sales increased by P347.5 million, or 100.2%, from P346.8 million in 2018 to P694.3 million in 2019 due primarily to the following:

Rentals

Costs of rentals increased by P54.8 million, or 25.8%, from P212.4 million in 2018 to P267.2 million in 2019. The increase in cost was due primarily to the increase in real property tax of P22.6 million, increase in utilities of P13.0 million, increase in depreciation of P4.7 million, increase in outside services of P5.0 million, and increase in other materials and supplies of P4.7 million.

Land Sales

Costs of land sales increased by P66.7 million, or 166,435.0%, from P0.04 million in 2018 to P66.7 million in 2019. There is no land sale within Aseana City in 2018.

Construction Contracts

Costs of construction contracts decreased by P15.6 million, or 25.4%, from P61.5 million in 2018 to P45.9 million in 2019. The decrease in cost was due primarily to lesser construction activities rendered to external parties.

Sale of Condominium Units

Cost of sale of condominium units increased by P241.6 million, or 331.4%, from P72.9 million in 2018 to P314.5 million in 2019. The increase was attributable primarily due to increase in the number of units that are qualified for revenue recognition and an increase in incremental percentage of completion in 2019 compared to the same period in 2018.

Other Operating expenses - net

Other operating expenses - net increased by P115.0 million, or 26.5%, from P433.2 million in 2018 to P548.2 million in 2019. The increase was attributable primarily to the increase in commission expenses of P63.9 million. In 2018, the Company received a reimbursement of arbitration cost amounting to P50.9 million and is part of other operating income account in the consolidated statements of profit and loss. The Company does not have the same transaction in 2019.

Other Income (net of charges)

Other income decreased by P149.7 million, or 12.4% from P1,206.0 million (net of charges) in 2018 to P1,056.3 million (net of charges) in 2019 primarily due to the following:

Finance Income

Finance income increased by P227.8 million, or 327.8%, from P69.5 million in 2018 to P297.3 million in 2019. The increase was attributable primarily to the recognition of interest income from additional short-term placements.

Finance Costs

Finance costs increased by P28.6 million, or 40.9%, from P69.9 million in 2018 to P98.5 million in 2019. The increase was attributable primarily to the recognition of interest expense related from lease liabilities amounting to P12.3 million and increase in bank interest charges amounting to P10.7 million.

Other Income

Other Income pertains to the non-refundable consideration received in relation to the Company's giving of its consent in favor of a third party to be able to buy from another party certain parcels of land contributed to a joint arrangement (see note 20 to the consolidated audited financial statements). Subject to certain terms and conditions governing the transfer of such rights to the third party, the Company is entitled to consideration totaling P2,050.0 million over two years, of which a non-refundable portion amounting to P850.0 million and 1,200.0 million was received by the Company for the twelve months ended December 31, 2019 and 2018, respectively.

Tax Expenses

Our tax expenses increased by P122.8 million, or 23.0%, from P657.5 million in 2018 to P1,075.2 million in 2019, representing an effective income tax rate of 30.6% and 30.5% of gross revenue, respectively.

Net Profit

Net profit attributable to parent company increased by P462.8 million, or 24.2%, from

P1,911.2 million in 2018 to P2,374.0 million in 2019.

Balance Sheet Accounts

Total Assets

The Company's total assets increased by P1,478.1 million, or 5.0%, from P29,788.7 million as of December 31, 2018 to P 31,266.8 million as of December 31, 2019 due to the following:

- Cash and cash equivalents decreased by P2,337.8 million, or 31.0%, from P7,549.2 million to P5,211.4 million as of December 31, 2018 and December 31, 2019, respectively, primarily due to payment of maturing loans and payment to subcontractors for the on-going construction of the Group's pipeline projects.
- Receivables increased by P574.5 million, or 11.9%, from P4,811.3 million to P5,385.8 million as of December 31, 2018 and December 31, 2019, respectively, primarily due to the recognition of rental receivable based on PAS17.
- Contract asset increased by P82.3 million, or 49.4%, from P166.7 million to P249.0 million as of December 31, 2018 and December 31, 2019, respectively, primarily due to the increase in units that qualified for revenue recognition and the increase in percentage of completion of Pixel Residences and MidPark Towers. Contract asset pertains to unconditional rights to payment for the total consideration upon the completion of the development of the property sold.
- Land and land development cost decreased by P149.7 million, or 6.9%, from 2,162.2 million to P2,012.5 million as of December 31, 2018 and December 31, 2019, respectively, primarily due reclassification of cost of land leased area to investment properties - net.
- Property development costs increased by P456.7 million, or 64.2%, from P711.4 million to P1,168.1 million as of December 31, 2018 and December 31, 2019, respectively, primarily due to the cost incurred in constructing Pixel Residences and MidPark Towers. As of December 31, 2019, percentage of completion for Pixel Residences and MidPark Towers is 70.5% and 12.9%, respectively.
- Other current assets increased by P1,032.0 million, or 55.7%, from P1,854.4 million to P2,886.4 million as of December 31, 2018 and 2019, respectively, primarily due to additional placements to short-term time deposits.
- Property, plant and equipment - net increased by P311.4 million, or 238.3%, from P130.7 million to P442.1 million as of December 31, 2018 and December 31, 2019, respectively, primarily due to the cost of Aseana Three allocated for the Group's own use of office space and the related cost incurred for its fit out.
- Investment properties - net increased by P1,124.3 million, or 9.8%, from P11,448.4 million to P12,572.7 million as of December 31, 2018 and December 31, 2019, respectively, primarily due to the cost incurred for 8912 Asean Ave., Parqal, Aseana Plaza, 58 Jupiter, and reclassification of cost of land leased area from Land and Land Development Cost. In

2019, the Group recognized a right-of-use asset amounting to P158.2 million related to a leased land where Aseana Three is located.

- Deferred tax assets increased by P123.0 million, or 256.5% from P47.9 million to P170.9 million as of December 31, 2018 and December 31, 2019, respectively, primarily due to taxes paid related to collections from buyers of condominium units.
- Other non-current assets increased by P382.4 million, or 52.8%, from P723.6 million to P1,106.0 million as of December 31, 2018 and December 31, 2019, respectively, primarily due to additional deposit or downpayment on progress billings of subcontractors.

Total Liabilities

Total liabilities in decreased by P189.1 million, or 1.7%, from P10,922.7 million as of December 31, 2018 to P10,733.6 million as of December 31, 2019 due to the following:

- Loans and borrowings decreased by P1,417.2 million, or 73.5%, from P1,928.9 million to P511.7 million as of December 31, 2018 and December 31, 2019, respectively, primarily due payment of maturing loans.
- Trade and other payables increased by P181.6 million, or 17.9%, from P1,014.0 million to P1,195.6 million as of December 31, 2018 and December 31, 2019, respectively, primarily due to increase in deferred output VAT payable of P235.0 million, increase in retention payable of P38.1 million related to a portion of progress billings from suppliers, increase in other liabilities pertaining to statutory payables of P61.1 million, and decrease in payable to subcontractors and suppliers of P152.6 million.
- Contract liability increased by P344.2 million, or 163.6%, from P210.5 million to P554.7 million as of December 31, 2018 and December 31, 2019, respectively, primarily due to the increase in the amount received from real estate customers in excess of the amount the Group has rights to receive based on the progress of the real estate development.
- Deposits and advances increased by P251.5 million, or 19.4%, from P1,298.4 million to P1,549.9 million as of December 31, 2018 and December 31, 2019, respectively, mainly due to payments received related to the sale of condominium units of Pixel Residences and MidPark Towers.
- Lease liability increased by P164.4 million, or 100%, as of December 31, 2019 primarily due to adoption of PFRS 16. Lease liability is measured at the present value of the lease payments unpaid discounted using implicit interest rate (see note 2.18 of consolidated audited financial statements).
- Income tax payable increased by P388.6 million, or 349.5%, as of December 31, 2019 primarily due to the increased of net taxable income.

- Deferred tax liabilities increased by P181.6 million, or 24.2%, from P721.0 million to P902.6 million as of December 31, 2018 and December 31, 2019, respectively, due to recognition of deferred income taxes related to deferred rental income.
- Retirement benefit obligation decreased by P24.1 million, or 87.3%, from P27.6 million to P3.5 million as of December 31, 2018 and 2019, respectively, due to establishment of post-employment benefit plan that is being administered by a trustee bank legally separated from the Group.

Total Equity

Total equity increased by P1,667.2 million, or 8.8%, from P18,866.0 million to P20,533.2 million as of December 31, 2018 and December 31, 2019, respectively, primarily due to the results of operation of P2,252.0 million for the year ended December 31, 2019, increase in revaluation reserves – net of P20.4 million, net of declaration of dividends of P524.5 million, and effect in change in ownership of P80.6 million that resulted from the sale of rights.

Other Key Financial Ratios

The Company's key performance indicators are measured in terms of the following: (a) Current ratio which determines the liquidity of the Company (b) Debt to equity which determines the Company's financial leverage (c) Return on equity which measures the profitability to capital provided by stockholders (d) net income ratio which measures the ratio of net profit to total gross revenue (e) recurring income contribution.

- Current ratio decreased to 1.61 from 1.62 as of December 31, 2019 and 2018, respectively, mainly due to the proceeds from the listing of the Company's shares.
- Debt to equity ratio decreased to 3% from 11% as of December 31, 2019 and 2018, respectively, due to payment of maturing loans.
- Return on equity decreased to 12% from 14% as of December 31, 2019 and 2018, respectively, as a result of operations.

Net income margin increased to 64% as of the period ended December 31, 2019 from 89% as of the same period in 2018 mainly due to change in revenue mix. In 2018, the Parent Company received P1,200.0 million as Other income (see discussion on Other income) which resulted in the Parent Company not needing to sell lots in Aseana City.

- Recurring income contribution decreased to 56% in 2019 from 88% in 2018. As discussed above, there was a change in revenue mix as a result of land sale for the year.

The Company has no known direct or contingent financial obligation that is material to the Company, including any default acceleration of an obligation. There were no contingent liabilities

or assets in the Company's balance sheet. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year as of balance sheet date.

EXTERNAL AUDITOR’S FEES AND SERVICES

Independent Public Accountants

Punongbayan & Araullo, a member firm of Grant Thornton International Ltd., independent auditors, has audited our consolidated financial statements as of and for the years ended December 31, 2021, 2020 and 2019.

Punongbayan & Araullo has acted as our external auditor since 2010. Endel Mata is our current and prior year audit partner.

The same firm is being recommended for re-appointment as the Corporation’s external auditor for the period ended December 31, 2022. The re-appointment of Punongbayan & Araullo will be presented to the stockholders for their approval at the 2022 Annual Stockholders’ Meeting.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

We have not had any material disagreements on accounting and financial disclosures with our current external auditors for the same periods or any subsequent interim period. Punongbayan & Araullo has neither shareholdings in us nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in us. Punongbayan & Araullo will not receive any direct or indirect interest in us or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The succeeding table sets out the aggregate fees billed for each of the last two fiscal years for professional services rendered by Punongbayan & Araullo.

| | <u>2021</u> | <u>2020</u> |
|--------------------------------------|------------------------|-------------------|
| | (₱ in millions) | |
| Audit and audit-related fees | | |
| Audit services | 3.8 | 3.8 |
| | | |
| Other assurance and related services | 0.4 | 0.4 |
| | | |
| All other fees | <u>0.5</u> | <u>0.5</u> |
| | | |
| Total | <u><u>4.7</u></u> | <u><u>4.7</u></u> |

In relation to the audit and review of our consolidated financial statements, our Manual provides that the Audit and Risk Committee shall, among other activities (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of

policies, controls, processes and activities of our Company; (ii) ensure that other non-audit work provided by the external auditors is not in conflict with their functions as external auditors; and (iii) ensure our compliance with acceptable auditing and accounting standards and regulations.

BRIEF DESCRIPTION OF REGISTRANT’S BUSINESS AND SUBSIDIARIES

D.M. Wenceslao & Associates, Incorporated (“DMWAI” or the “Parent Company”) was incorporated in the Philippines on April 7, 1965. DMWAI is presently engaged in the trade and business of general builders and contractors and related activities such as acting as specialty construction contractors, supervisors or managers in all cases of constructions, erections and works both public and private, real estate business and leasing. On December 4, 2012, the Philippine Securities and Exchange Commission (SEC) approved the Parent Company’s application for the extension of its corporate life. The shares of stock of the Company are officially listed in the PSE on June 29, 2018. The Company listed 679,172,800 Common Shares generating proceeds (the Offering Proceeds) of P8,150.1 million.

DMWAI holds certain investments in entities that are either subsidiaries, associates or joint venture (collectively referred to herein as the “Group”). DMWAI is a subsidiary of Wendel Holdings Co., Inc. (“WHI” or “Ultimate Parent Company”), a company incorporated and domiciled in the Philippines. WHI is presently engaged in raising investments either through borrowings, sale or lease of its capital assets. The effective percentage of ownership of WHI in DMWAI aggregates to 79.96% and 62.92% as of December 31, 2021 and 2020, respectively.

DMWAI is an integrated property developer with an established track record and market-leading capabilities in land reclamation, construction and real estate development. The Group is the master developer of Aseana City, a development project with an approximate total land area of 1,074,714.0 sq.m. and is part of the larger 2,040,000.0 sq.m. CBP-BC project, which we reclaimed. Aseana City is positioned to become the next major mixed-use or “Next Generation” CBD in Metro Manila, anchored by tourism, recreational developments and retail malls. These sectors have and continue to attract large investments into the Philippines, and we expect revenues from these sectors to increase correspondingly. Our master plan for Aseana City is designed to create a self-contained community and to specifically attract the middle-class working families and middle-income executives who work in these sectors.

Aseana City is situated close to two of the most significant recreational and entertainment districts in Metro Manila – PAGCOR’s Entertainment City and the SM Group’s Mall of Asia development. PAGCOR’s Entertainment City is a gaming and entertainment complex featuring high-end integrated casinos and tourism resorts, such as City of Dreams Manila, Solaire Resort & Casino, and Okada Manila, which attract leisure and tourist traffic to the entire area.

The Group possesses, in the aggregate, one of the largest contiguous land holdings in Metro Manila with a total area of 565,808 sq.m. located in Aseana City. As of December 31, 2021, the Group has eleven (11) existing developed properties with leasable floor area of 162,351 sq.m., seven (9) of which are located in Aseana City. Also, as of December 31, 2021, the Group has already launched two (2) residential projects with total saleable area of 55,201 sq.m. The first residential project namely “Pixel Residences” was fully turned over by the end of 2021.

On April 24, 2020, the Parent Company’s Board of Directors (BOD) approved the change of DMWAI’s registered office address from 3rd Floor Aseana Powerstation Building, Pres. Macapagal Avenue, Aseana Business Park, Parañaque City to 15th Floor, Aseana 3,

D. Macapagal Blvd. corner Asean Ave., Aseana City, Parañaque City. The change in registered office address was approved by the Securities and Exchange Commission (SEC) and Bureau of Internal Revenue (BIR) on January 4, 2021 and March 15, 2021 respectively. DMWAI's principal place of business is located at 15th and 16th Floor, Aseana 3 Bldg., D. Macapagal Blvd. cor. Asean Avenue, Aseana City, Parañaque City. The registered office of WHI, which is also its principal place of business, is at 15th Floor, Aseana 3, D. Macapagal Blvd. corner Asean Ave., Aseana City, Parañaque City .

The following are the significant subsidiaries and associates of the Parent Company:

| <u>Name of Subsidiaries</u> | <u>Date and Place of Incorporation</u> | <u>Percentage of Ownership</u> |
|---|---|---------------------------------------|
| <u>A. Real estate Development</u> | | |
| Aseana Residential Holdings Corp. (ARHC), | July 6, 1999 | 100.00% |
| Aseana Holdings, Inc. (AHI) | March 20, 1996 | 99.98% |
| Aseana Ground Floor Holdings Corp. (AGFHC) | October 22, 1999 | 82.5% |
| 58 Jupiter Inc. | October 18, 1996 | 100% |
| L&B Development Corporation (L&B) | October 18, 1968 | 100% |
| Aseana Resi Rent Corporation (ARRC) | February 4, 2020 | 100% |
| <u>B. Land Holding</u> | | |
| Portal Holdings, Inc. (PHI) | May 7, 1999 | 100.00% |
| Bay Area Holdings, Inc. (BAHI) | August 30, 1999 | 59.98% |
| <u>C. Construction and Land Reclamation</u> | | |
| Fabricom, Inc. (FI) | February 13, 1986 | 99.98% |
| R-1 Consortium, Inc. (R-1) | May 31, 1996 | 55.45% |
| Mandaue Land Consortium, Inc. (MLCI) | June 7, 2002 | 81.00% |
| <u>D. Ancillary Services</u> | | |
| U-City Technologies Philippines, Inc. (UCTPI) | October 4, 2013 | 99.98% |
| Aseana Real Estate Services Management Corp. (ARESM) | July 5, 2011 | 95.98% |
| Aseana Gas Energy Corp. (AGEC) | May 18, 2011 | 99.98% |
| Aseana City Transport & Travel Corp. (ACTTC) | December 9, 2010 | 99.98% |

The Company has three business segments, namely, rentals, construction and, sale of land and condominium units and others. The contribution of each of the business segments as of and for the year ended 2021 are as follows (in thousands)

| | <u>Rentals</u> | <u>Construction</u> | <u>Sale of Land and Condominium Units</u> | <u>Total</u> |
|--|--------------------|---------------------|---|--------------------|
| REVENUES | | | | |
| Sales to external customers | P 1,988,551 | P 51,509 | P 1,403,012 | P 3,443,072 |
| Intersegment sales | <u>185,843</u> | <u>509,085</u> | <u>120,710</u> | <u>815,637</u> |
| Total revenues | <u>2,174,394</u> | <u>560,594</u> | <u>1,523,722</u> | <u>4,258,709</u> |
| COSTS AND OTHER OPERATING EXPENSES | | | | |
| Cost of sales and services excluding depreciation and amortization | 158,007 | 39,719 | 282,801 | 480,527 |
| Depreciation and amortization | 117,826 | - | - | 117,826 |
| Other expenses | <u>118,135</u> | <u>15,061</u> | <u>13,108</u> | <u>146,304</u> |
| | <u>393,968</u> | <u>54,780</u> | <u>295,909</u> | <u>744,657</u> |
| SEGMENT OPERATING PROFIT | <u>P 1,780,426</u> | <u>P 505,813</u> | <u>P 1,227,813</u> | <u>P 3,514,052</u> |

Further details relating to business segment data are disclosed in Note 4 of the attached 2021 consolidated financial statements.

As of December 31, 2021, the Company had a market capitalization of P23.0 billion.

For the year 2022, the Company expects to incur at least P3.7 billion for its capital expenditures.

COVER SHEET

SEC Registration Number

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Company Name

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| I | N | C | O | R | P | O | R | A | T | E | D | | | | | | | | | | | | | | | | | | | |
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Principal Office (No./Street/Barangay/City/Town/Province)

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| M | A | C | A | P | A | G | A | L | | B | L | V | D | . | | C | O | R | . | | A | S | E | A | N | A | | A | V | | |
| E | . | , | | A | S | E | A | N | A | | C | I | T | Y | , | | 1 | 7 | 0 | 1 | | P | A | R | A | N | A | | Q | U | |
| E | | C | I | T | Y | | | | | | | | | | | | | | | | | | | | | | | | | | |

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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

| |
|---------------|
| www.dmwai.com |
|---------------|

Company's Telephone Number/s

| |
|-------------|
| 8854 - 5711 |
|-------------|

Mobile Number

| |
|--|
| |
|--|

No. of Stockholders

| |
|----|
| 24 |
|----|

Annual Meeting
Month/Day

| |
|--|
| |
|--|

Fiscal Year
Month/Day

| |
|-------------|
| December 31 |
|-------------|

CONTACT PERSON INFORMATION

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

Name of Contact Person

| |
|---------------------------|
| ATTY. HEHERSON M. ASIDDAO |
|---------------------------|

Email Address

| |
|--|
| |
|--|

Telephone Number/s

| |
|-------------|
| 8854 - 5711 |
|-------------|

Mobile Number

| |
|--|
| |
|--|

Contact Person's Address

| |
|--|
| |
|--|

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

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

SEC FORM 17-A, **AS AMENDED**

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

1. For the fiscal year ended **December 31, 2021**
2. SEC Identification Number **26986**
3. BIR Tax Identification No **000-846-618-000**
4. Exact name of issuer as specified in its charter **D.M. Wenceslao & Associates, Incorporated**
5. Province, country or other jurisdiction of incorporation or organization **Philippines**
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office and postal Code
**15th Floor, Aseana 3, D. Macapagal Blvd corner Asean Ave.,
Aseana City , Parañaque City**
8. Issuer's telephone number, including area code: **(632) 8854-5711**
9. Former name, former address and former fiscal year, if changed since last report: **Not applicable**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

As of December 31, 2021

| <u>Title of each class</u> | <u>Number of shares issued and outstanding and amount of debt outstanding</u> |
|-----------------------------|---|
| Capital Stock, P1 par value | 3,395,864,100 |

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

Yes [x] No []

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Stock Exchange: **Philippine Stock Exchange**

Securities listed: **Common shares**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period 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. Aggregate market value of the voting stock held by non-affiliates: P4.61 billion as of end 2021

**APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes No

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

2021 Audited Consolidated Financial Statements (incorporated as reference for Items 1, 6, 7 & 12 of SEC Form 17-A)

SEC MC No.4 Annex A (Sustainability Report) for item 13.B

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

Business Development and Principal Products or Services

D.M. Wenceslao & Associates, Incorporated (“DMWAI” or the “Parent Company”) was incorporated in the Philippines on April 7, 1965. DMWAI is presently engaged in the trade and business of general builders and contractors and related activities such as acting as specialty construction contractors, supervisors or managers in all cases of constructions, erections and works both public and private, real estate business and leasing. On December 4, 2012, the Philippine Securities and Exchange Commission (SEC) approved the Parent Company’s application for the extension of its corporate life. The shares of stock of the Company are officially listed in the PSE on June 29, 2018. The Company listed 679,172,800 Common Shares generating proceeds (the Offering Proceeds) of P8,150.1 million.

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office address was approved by the Securities and Exchange Commission (SEC) and Bureau of Internal Revenue (BIR) on January 4, 2021 and March 15, 2021 respectively. DMWAI's principal place of business is located at 15th and 16th Floor, Aseana 3 Bldg., D. Macapagal Blvd. cor. Asean Avenue, Aseana City, Parañaque City. The registered office of WHI, which is also its principal place of business, is at 15th Floor, Aseana 3, D. Macapagal Blvd. corner Asean Ave., Aseana City, Parañaque City .

The following are the significant subsidiaries and associates of the Parent Company:

| <u>Name of Subsidiaries</u> | <u>Date and Place of Incorporation</u> | <u>Percentage of Ownership</u> |
|---|--|--------------------------------|
| <u>A. Real estate Development</u> | | |
| Aseana Residential Holdings Corp. (ARHC), | July 6, 1999 | 100.00% |
| Aseana Holdings, Inc. (AHI) | March 20, 1996 | 99.98% |
| Aseana Ground Floor Holdings Corp. (AGFHC) | October 22, 1999 | 82.5% |
| 58 Jupiter Inc. | October 18, 1996 | 100% |
| L&B Development Corporation (L&B) | October 18, 1968 | 100% |
| Aseana Resi Rent Corporation (ARRC) | February 4, 2020 | 100% |
| <u>B. Land Holding</u> | | |
| Portal Holdings, Inc. (PHI) | May 7, 1999 | 100.00% |
| Bay Area Holdings, Inc. (BAHI) | August 30, 1999 | 59.98% |
| <u>C. Construction and Land Reclamation</u> | | |
| Fabricom, Inc. (FI) | February 13, 1986 | 99.98% |
| R-1 Consortium, Inc. (R-1) | May 31, 1996 | 55.45% |
| Mandaue Land Consortium, Inc. (MLCI) | June 7, 2002 | 81.00% |
| <u>D. Ancillary Services</u> | | |
| U-City Technologies Philippines, Inc. (UCTPI) | October 4, 2013 | 99.98% |
| Aseana Real Estate Services Management Corp. (ARESM) | July 5, 2011 | 95.98% |
| Aseana Gas Energy Corp. (AGEC) | May 18, 2011 | 99.98% |
| Aseana City Transport & Travel Corp. (ACTTC) | December 9, 2010 | 99.98% |

The Company has three business segments, namely, rentals, construction and, sale of land and condominium units and others. The contribution of each of the business segments as of and for the year ended 2021 are as follows (in thousands)

| | <u>Rentals</u> | <u>Construction</u> | <u>Sale of Land and Condominium Units</u> | <u>Total</u> |
|--|--------------------|---------------------|---|--------------------|
| REVENUES | | | | |
| Sales to external customers | P 1,988,551 | P 51,509 | P 1,403,012 | P 3,443,072 |
| Intersegment sales | <u>185,843</u> | <u>509,085</u> | <u>120,710</u> | <u>815,637</u> |
| Total revenues | <u>2,174,394</u> | <u>560,594</u> | <u>1,523,722</u> | <u>4,258,709</u> |
| COSTS AND OTHER OPERATING EXPENSES | | | | |
| Cost of sales and services excluding depreciation and amortization | 158,007 | 39,719 | 282,801 | 480,527 |
| Depreciation and amortization | 117,826 | - | - | 117,826 |
| Other expenses | <u>118,135</u> | <u>15,061</u> | <u>13,108</u> | <u>146,304</u> |
| | <u>393,968</u> | <u>54,780</u> | <u>295,909</u> | <u>744,657</u> |
| SEGMENT OPERATING PROFIT | <u>P 1,780,426</u> | <u>P 505,813</u> | <u>P 1,227,813</u> | <u>P 3,514,052</u> |

Further details relating to business segment data are disclosed in Note 4 of the attached 2021 consolidated financial statements.

As of December 31, 2021, the Company had a market capitalization of P23.0 billion.

For the year 2022, the Company expects to incur at least P3.7 billion for its capital expenditures.

Enterprise Risk Management

Our Board of Directors, through its Audit and Risk Committee, oversees the development and implementation of a sound Enterprise Risk Management (ERM) framework to effectively identify, assess, manage and monitor material risks. The members of the Audit and Risk Committee possess an adequate understanding of the assessment, management, and mitigation of risks to which the company is or may be exposed. They develop a formal risk management plan which contains the following:

- a. common language or register of risks,
- b. well-defined risk management goals, objectives and oversight,
- c. uniform processes of assessing risks and developing strategies to manage prioritized risks,
- d. designing and implementing risk management strategies, and
- e. continuing assessments to improve risk strategies, processes and measures.

Our management, on the other hand, is responsible for the development, implementation, and reporting of the Company's risk management plan, processes, and strategies. They define and develop a sound risk management practice, which provides a systematic and structured framework of identifying, assessing, communicating, cost-effective managing, and monitoring inherent and emerging risks that could materially affect the achievement of our objectives and goals.

As part of our risk management plan, the Management identifies the risks that could threaten the attainment of the Company's mission and vision, taking into considerations the economic, environmental, social, and governance (EESG) factors. The identified risks are assessed based on the assessment of impact and likelihood to determine the overall risk rating or materiality. The Management then determines and implements appropriate risk mitigation plans and strategies to address material risk. Responsibilities, accountabilities, and timelines for the action plans and strategies are defined to ensure implementation of the action plans. The Management periodically monitors and evaluates these risks, including the effectiveness of the risk mitigation plans and strategies.

Distribution methods of Products or Services

Sales, Leasing and Marketing

Our sales, leasing and marketing department is responsible for determining appropriate sales or lease plans for our land and properties. The main responsibilities of our sales staff, many of whom are licensed brokers, include analyzing market conditions, gathering and analyzing customers' information and profiles, preparing and executing marketing and promotional campaigns, recommending lease rates, unit prices and pricing-related policies for our land and properties, and negotiating the contracts for our sales and leases. They are in regular communications with accredited brokers and reputable third-party sales agents regarding our properties. On a per project basis, we assess the need for an exclusive marketing or leasing agent.

Our sales and leasing team is also responsible for managing our marketing initiatives, mainly through the use of print media and social media. They conduct market analysis to identify the appropriate target customer base and determine the advertising and sales plans for a particular property development and for a particular phase of the sales cycle. We appoint a media marketing agent on a yearly basis who carries out our advertising and promotional campaigns in accordance with a pre-approved annual plan and budget. We have adopted a standardized branding and marketing strategy covering advertisements, slogans and publicity materials in respect of our property developments in Aseana City. This approach enables us to uniformly promote our Aseana City concept of living and effectively builds up our brand image in line with our overall strategy of national growth.

Competition

The principal competitive factors affecting the property development industry include the location of the developments, the quality, workmanship and variety of designs, the sales and marketing strategies adopted by the developers, branding and the after-sale property management services.

Our developments are predominantly located in Aseana City, and we believe we compete with other property developers and commercial property operators in close proximity within the Manila Bay area, such as SM Development Corporation, DoubleDragon Properties Corp., Filinvest Land Inc., Megaworld Corp. and Federal Land Incorporated. In addition, the commercial and residential property market in Metro Manila is highly competitive and fragmented. As such, we face competition posted by other property developers and threats of new players entering the property development industry in Metro Manila. Some of our competitors may have greater brand recognition and financial, technical and marketing resources than us.

Our principal method of competition is flexibility in our negotiation of commercial terms with customers. We maintain flexibility on payment terms, the amount of the down payment required and the payment period to make our land available for sale more attractive to customers. For our commercial projects, we are open to tenant negotiations on the length of the rent-free period or fit out period as well as rent escalation rates. Despite the high level of competition, we believe that the experience built up by our management, our track record in real estate development, leasing and management, and our understanding of local market preferences and conditions will enable us to compete effectively.

We believe that our land reclamation and infrastructure projects focused construction business is capital intensive in nature and requires significant technical expertise, operational and management know-how and financial resources, which all represent substantial barriers to entry. Furthermore, we have an over 50 years operating history and a proven track record in land reclamation and infrastructure construction, rendering us, we believe, one of the leading players in this sector in the Philippines. We primarily compete in terms of our flexibility on our target profit margin for the project, which affects our overall project pricing, and the amount of down payment required from the customer.

The Philippine construction industry for the residential and commercial property markets is fragmented and highly competitive, especially in the Metro Manila area, with many construction companies competing aggressively in the same target market. These companies have existing or on-going residential and commercial projects in the Metro Manila area. We face strong competition from major domestic, Asian and international players who may have greater financial, human and other resources, larger sales networks and greater name recognition than us. In addition to the “Build, Build, Build” program of the government, the Philippines construction industry is expected to be driven by rising infrastructure demand from various industries such as business process outsourcing, offshore gaming operators and tourism and, given the positive economic outlook for the Philippines, we expect greater focus on this sector from existing competitors such as DMCI Holdings, Inc., Megawide Construction Corporation and F.F. Cruz & Co., Inc., and potentially new entrants into the market. We also believe that the less technically complex sub-segments of the construction business, an area that is not our focus, will have lower barriers of entry and therefore will see more competition amongst smaller construction companies.

Notwithstanding the strong competition that we face, our Group believes that our established track record and standing in the industry and an integrated business model that allows us to fully leverage the synergies across our business segments and strategic land holdings in Aseana City will offer us a competitive advantage over our competitors and provide us with a platform for sustained future growth.

Suppliers

The Company has a broad range of suppliers, both local and foreign. We typically engage them on a per project basis whose contracts usually range from one to five years. We have maintained long-standing relationships with the majority of our suppliers and worked with them repeatedly for our projects. We select our suppliers based on the quality of their products and services and the competitiveness of their prices. We source raw materials through a centralized purchasing function and place mass orders of raw materials, which help us to lower our costs and standardize the materials used for the construction of each of our projects.

Customers

Contracts for Land Sales

Our land sales process is fairly standardized. Once full payment is made, we execute a deed of absolute sale in favor of the purchaser and title ownership of the land is only transferred at that stage. Starting 2016, we have successfully negotiated with our land buyers to pay minimum of 90% of the total consideration upon signing of the purchase agreement. In 2021, we have secured a land sale transaction during the last quarter of the year with 25% downpayment upon signing of the purchase agreement and the balance to be paid within one year.

As of December 31, 2021, we had completed the following significant land sale transaction for the past three years.

| Purchaser | Total Land Area (sq.m.) | Usage of Land | Development Status | Date of Contract to Sell | Economic Interest | % Purchase Price for which Payment Received | Sales (₱ in millions) | Cost of sales (₱ in millions) |
|---------------------------|-------------------------|----------------------|--------------------|--------------------------|-------------------|---|-----------------------|-------------------------------|
| Buyer's name confidential | 2,202 | Mixed Use | Planning | October 2019 | 100% | 100% | 935.85 | 66.74 |
| Buyer's name confidential | 1,709 | Commercial Mixed Use | Planning | December 2021 | 100% | 25% | 787.6 | 55.21 |

Land Lease Agreements

For our land leases, we generally enter into mid to long-term leases ranging from 10 to 20 years, taking into account the estimated construction periods for the developments to be built on the relevant land plots. In September 2014, however, we signed a 45-year lease with Ayala Land for a parcel of land with an area of 92,317.0 sq.m. to be used as the site for the Ayala Malls Manila Bay, its highly anticipated mixed-use mall and hotel development. In December 2021, to strengthen the leasing portfolio within Aseana City, in connection with the interagency agreement we signed with WHI and a Memorandum of Agreement we executed in 2021, a 25-year lease contract with Landers Superstore covering an area of 15,064 sq.m. was signed. Also during the year, we have renewed certain land lease contracts with remaining two (2) years on their lease term. The typical terms of our land leases include provision for specified yearly escalation rates generally ranging from 5% to 10% and, in some cases, provide for additional or variable rent based upon the tenant's revenues. The table below and in succeeding page sets forth certain basic information on our top six land lessees, in terms of revenue contribution, as of December 31, 2021.

| Lessee | Term | Usage of Land | Total Land Area (sq.m.) | Economic Interest ⁽¹⁾ | Commencement of Revenue Recognition | % of Total Land Rental Revenues for the year ended December 31, 2021 |
|---------------------------------------|--|--------------------------------------|-------------------------|----------------------------------|-------------------------------------|--|
| Ayala Land, Inc. | 45 years (option to extend for 45 years) | Mixed-use mall and hotel development | 92,317.0 | 100% | September 2014 | 75.85% |
| Ayala Land, Inc. | co-terminus with above | Mixed-use mall and hotel development | 9,980.48 | 100% | January 2017 | See consolidated percentage above |
| Prestige Bay Realty Development Corp. | 15 years | Mixed-use | 6,967.0 | 60% | March 2018 | 6.94% |
| Singapore School Manila Inc. | 10 years (option to extend for 10 years) | School | 4,787.0 | 100% | March 2014 | 2.84% |
| Globeway Property Ventures, Inc. | 10 years (option to extend for 10 years) | Retail / Restaurant | 4,897.0 | 100% | September 2015 | 2.11% |

| Lessee | Term | Usage of Land | Total Land Area (sq.m.) | Economic Interest ⁽⁴⁾ | Commencement of Revenue Recognition | % of Total Land Rental Revenues for the year ended December 31, 2021 |
|-------------------------------|--|---------------|-------------------------|----------------------------------|-------------------------------------|--|
| PSMT Philippines, Inc. | 20 years (option to extend for 10 years) | Retail | 2,500 | 100% | January 2003 | 1.88% |

Rental revenues from a single lessee account for 21.30%, 26.85% and 21.34% of the consolidated total revenues in 2021, 2020 and 2019, respectively. In 2021 and 2019, revenues from sale of land are generated from a single customer, and which account for 22.85% and 26.64% of the consolidated revenues, respectively. There were no revenues from sale of land in 2020.

Leased Properties

Our commercial lease agreements are generally for a term of five to 10 years with an option to extend upon giving six months' notice prior to expiry, depending on the business of the relevant tenant. The tenant is required to pay us (i) an advance prepayment of the first three months' rent (six months for certain tenants) upon signing of the lease, and (ii) a security deposit amounting to three months' rent (six months for certain tenants), subject to top-up increases by the tenant based on the escalated monthly rent rates for subsequent years. We generally offer a rent-free period of one month for every full floor of 1,000 sq.m. to 1,500 sq.m. leased. Our lease rates are based on our market studies of the property landscape and rental prices in Aseana City and surrounding areas, and we specify a standard annual fixed rental escalation rate typically ranging from 3% to 10%, which we believe is in line with industry standards. For retail space leases, other than a fixed monthly rental rate, we may ask for additional variable percentage payments such as an additional monthly payment amounting to a certain percentage of the tenant's monthly gross product sales, or choose to be paid the higher of either the fixed monthly rental or the variable percentage payment.

In 2021 and 2020, certain concessions were given to certain tenants due to the pandemic. The risk related to COVID 19 and the steps undertaken by our Group to mitigate the same are discussed in the "Risk" section of this report.

Below sets forth certain basic information on our top five commercial space leases, in terms of revenue contribution, as of December 31, 2021.

| Tenant and Building | Term | Business | Total Leased Floor Area (sq.m.) | Commencement of Revenue Recognition | % of Our Total Building Rental Revenues for the year ended December 31, 2021 |
|--|---|-----------|---------------------------------|-------------------------------------|--|
| Flying Dragon Network Phils. Inc. (Aseana Three) | 5 years | POGO | 19,827.3 | December 2017 | 22.08% |
| Itechno Specialist, Inc. (Aseana One) | 3 years | BPO | 2,504.7 | April 2018 | 9.73% |
| Genx Sport & Media Production Corp. (Aseana One) | 5 years | Gaming | 2,504.7 | July 2018 | 7.69% |
| Starfuzion Management Corporation (Aseana Town Center) | 10 years (option to extend for 5 years) | Retail | 7,646.1 | December 2016 | 7.68% |
| V Ships Services Oceana, Inc. (Aseana Two) | 10 years (option to extend) | Logistics | 7,694.5 | December 2014 | 7.28% |

Transactions with related parties

As of December 31, 2021, the Company is 79.96% owned by WHI.

Please refer to Item 12 of this report (“Certain Relationships and Related Transactions”)

Government approvals/regulations

The Company secures various permits, licenses, certificates and other government approvals such as the environmental compliance certificate, development permits, license to sell, etc. as part of the normal course of its business. We also obtain and maintain various licenses in relation to our construction activities, which include among others, our contractor’s license from the Philippine Contractors Accreditation Board (PCAB).

OUR EMPLOYEES

As of December 31, 2021, we employed a total approximately of 174 permanent staff, of which 52% are construction and operation staff. Permanent staff also includes executive and management staff, finance and accounting staff, and administrative staff. We also hire temporary staff, including staff on short-term contracts and staff paid on a part-time or hourly rated basis, particularly at the construction sites.

The following table sets forth our employees by function as of December 31, 2021

| Function | Number of Employees |
|----------------------------|----------------------------|
| Executives and Management | 16 |
| Construction and Operation | 91 |
| Finance and Accounting | 19 |
| Administration | 48 |
| Total | 174 |

As of December 31, 2021, none of our employees belonged to any union nor were they parties to any collective bargaining agreements. As of the date of this report, we have not experienced any strikes or other disruptions due to labor disputes. We have consistently benefited from low staff turnover rates and strong management-employee relations.

Staff recruitment and training

We recognize the importance of having a strong team of management and technical personnel to meet our growth plans. Accordingly, we place great emphasis on staff recruitment, training and development. Our hiring process involves a series of tests whereby applicants are screened on the following criteria: (i) educational qualifications; (ii) skills and talents; (iii) relevant work experience; and (iv) potential qualities.

Our introductory orientation program offers all new employees basic training on company policies, rules and regulations, quality management and safety guidelines. In particular, our Human Resources Department prepares the Employees Skills Inventory Manual, which is used to monitor the performance of employees and summarizes their expected competencies. The Employees Skills Inventory Manual and Performance Appraisal comprise the basis for the Annual Training Plan, which maps out our overall training guidelines. Select employees undergo further training in their respective disciplines based on their scope of work. Refresher courses, including updates, are provided to employees on a regular basis thereafter.

We are committed to providing high quality service and instill this ethic in our employees through comprehensive quality management training. The basis for our quality management standards is set out in our Quality System Manual (“QSM”) and the various manuals comprising the Quality System Documentation Structure (“QSDS”). These manuals serve as a reference for assessment of current practices and proposed improvement, and therefore assist us to maintain unified documented practices across all departments. The QSM covers the following areas in quality control: (i) control of documents; (ii) control of records; (iii) control of nonconforming products or services; (iv) internal quality audit; (v) corrective action; and (vi) preventive action. All employees have access to the QSM and QSDS and are required to attend training sessions on quality management and follow-up briefings. We also conduct periodic quality reviews to monitor and assess the implementation of our quality standards.

RISKS

Our business is largely affected by the general level of activity and growth in Aseana City.

We mainly operate in Aseana City and as a result, the continuous growth and development of Aseana City and the surrounding areas are paramount to our business and future prospects. The development of Aseana City is implemented in accordance with a master plan that is estimated to require upward of 15 years to complete. We have significant influence over the master planning of the area, and thus the continuing development of Aseana City, but we cannot assure you that the master plan will be effectively carried out as contemplated, or that the vision of Aseana City as the next major mixed use central business district within Metro Manila will eventually be realized. Completion of the ongoing public transport infrastructure projects expected to benefit the development of Aseana City may be substantially delayed, or future planned infrastructure projects may be postponed indefinitely or cancelled. There is no assurance that the drivers expected to facilitate Aseana City’s development and also underlie our business strategies may eventually materialize, such as the continuous growth of the BPO sector that is expected to increase the demand for commercial space, the anticipated increase in POGOs and in gaming activities in the adjacent Entertainment City that is expected to generate consumer and visitor traffic for the entire area, and the success of the tourism and recreational-related developments that is expected to increase the value of, and demand for, residential and commercial space within Aseana City. Many other factors can also affect the development of Aseana City, including the state of the national and regional economies in the Philippines, changes in Government policies leading to changes in market conditions, and political and social developments that may translate into project execution difficulties.

To help manage these risks, we have diversified our earnings base to include rental income from our investment properties, and revenue from sales of condominium units, sales and leasing of land, and construction contracts. In keeping with our general strategies, we started pursuing strategic and opportunistic acquisitions of land and other properties outside Aseana City. Nevertheless, in the event Aseana City does not develop as we plan and envision, there could be a material and adverse effect on our business and prospects.

Our title to our land holdings may be subject to various lawsuits, challenges and claims.

Our existing land holdings in Aseana City, which were obtained pursuant to the agreements described below, are entirely located on reclaimed foreshore land, otherwise known as the CBP-BC development. The total book value of such land holdings, including the buildings and

improvements constructed on such land, amounted to P19,856.1 million as of December 31, 2021, and comprised approximately 54% of our total consolidated assets as of the same date.

Although we hold registered titles to our land holdings, Philippine law provides that issuance of titles does not create or vest title, but only constitutes evidence of ownership over such properties. Thus, our ownership, registration, and possession of titles and actual possession of our land holdings do not foreclose the possibility that the Government or third parties may at any time, file lawsuits to challenge our rights to our land holdings. Notwithstanding the foregoing, we are not aware of the validity of our titles being questioned, impugned, challenged or invalidated by the Government or any other third party since the time we acquired ownership over our land holdings in Aseana City and up to the date of this Prospectus. We are not aware of any proceedings, contentions, claims or disputes questioning our titles which had arisen in over 20 years since such titles were registered in our name. Nevertheless, there may still be a possibility that the Government would file a lawsuit to question our titles and right to our land holdings in the future, because as a general rule, the right of the Government to seek the reversion of a property to the State is imprescriptible.

Despite our registered titles to our land holdings, it remains possible that a party with no direct interest in the land may elect to challenge our titles, as was permitted in the case *Chavez v. Public Estates Authority* (“PEA”) and *Amari Coastal Bay Development Corporation* (“Amari”) (G.R. No. 133250, July 9, 2002, reconsideration denied on May 6, 2003 and November 11, 2003), or the PEA Amari Decision. In the PEA Amari Decision, PEA entered into a joint venture agreement with Amari to develop three reclaimed islands known as the “Freedom Islands”. The petitioner in that case filed a petition before the Supreme Court to question the sale of portions of the Freedom Islands to Amari alleging that such sale violated Section 3, Article XII of the Constitution, which prohibits the Government from alienating lands of public domain to private corporations. The Supreme Court ruled in that case that ownership over reclaimed foreshore lands under an amended joint venture agreement between PEA and Amari could not be transferred from PEA to Amari because: (1) reclaimed lands, being lands of the public domain, cannot be disposed of by the State to any private person until such reclaimed lands are (a) reclassified as disposable or alienable, and (b) declared to be no longer needed for public purpose, by law or presidential proclamation; (2) alienable public lands cannot be disposed of by the State to private persons by sale or lease without public bidding; and (3) alienable lands of the public domain cannot be disposed of to private corporations, except by lease, in accordance with the constitutional ban on private corporations acquiring lands of the public domain. The Supreme Court further ruled that the amended joint venture agreement between PEA and Amari violated Section 3, Article XII of the Constitution, declared the same as null and void *ab initio* and enjoined PEA and Amari from implementing the said agreement.

However, in the case of *Chavez v. National Housing Authority* (“NHA”) and *R-II Builders, Inc.* (the “NHA Decision”) (G.R. No. 164527, August 15, 2007), the Supreme Court clarified that in certain cases, the transfer of land, although illegal or unconstitutional, will not be invalidated on considerations of equity and social justice. In the NHA Decision, NHA and R-II Builders Inc. entered into a joint venture agreement for the development of the Smokey Mountain dumpsite and the reclamation of the 40 hectares of the Manila Bay Area situated across Radial Road 10. Similar to the Amari case, the amended joint venture agreement between NHA and R-II Builders, Inc. was questioned based on Section 3, Article XII of the Constitution, among other grounds. However, unlike in the Amari case where the Supreme Court held that the subject reclaimed lands remained to be lands of the public domain which cannot be held by private corporations except by lease, the Supreme Court held in the NHA Decision that, by virtue of the transfer of the subject reclaimed lands to NHA, said lands were automatically classified as lands of the private domain or patrimonial properties of the State which can be sold or transferred to qualified private

corporations (i.e., private corporations which are at least 60% owned by Filipinos). In the NHA Decision, the Supreme Court also upheld the validity of the joint venture agreement and emphasized that the concurrent acts of the executive department, including the issuance of several presidential proclamations and special patents therefore (which acts were found to be legal, valid and binding by the court), had vested rights in favor of slum dwellers, the buyers of reclaimed land who were issued titles over said land, and the agencies and investors who made investments in the project. The Supreme Court also held that the ruling in the Amari case cannot be retroactively applied since it may prejudice vested rights.

The Office of the Government Corporate Counsel (“OGCC”), through Opinion No. 244, Series of 2007 dated November 13, 2007, confirmed the position of PRA that the jurisprudence found in the NHA Decision is applicable to our titles to our land holdings in Aseana City, insofar as the titles have already been registered in the name of purchasers in good faith and for value, and such registration were completed prior to the PEA Amari Decision. This OGCC Opinion, however, is on the premise that the private parties to whom the land were ultimately conveyed are qualified to own the same under the Constitution and existing laws and jurisprudence.

While the PRA and OGCC are of the opinion that our titles can no longer be invalidated, there is no assurance that the Government or third parties will not challenge our rights to such reclaimed lands. Although PEA, as stated in the PEA Board Resolution No. 3448 Series of 2004 and its letter dated July 15, 2004 to us, has committed to use its best efforts to defend our titles in Aseana City, or to assist us in our defense thereof, should any claim or lawsuit to question our titles be filed against us in the future, there can be no assurance that such defense will be successful. If any such lawsuit against us is successful and our titles are invalidated by the Philippine courts, we may be subject to reversion proceedings and ordered to transfer our titles to our land holdings in Aseana City to the Government.

It is also stated in the said PEA Board Resolution and letter that, “if in any case and at any instance in the future, the Supreme Court of the Philippines shall declare that the said conveyance is unconstitutional or illegal, PEA hereby commits to reimburse your company and/or assignees the fair market value of your reclaimed land and investments including the improvements that may have been made thereon.” There is a possibility that we may be entitled to compensation on a *quantum meruit* basis only, if the ruling by the Supreme Court in the PEA Amari Decision (in particular, the May 6, 2003 decision denying the Motion for Reconsideration) is determined by the court to be applicable to our instance. In the PEA Amari Decision, the Supreme Court stated that despite the nullity of the amended joint venture agreement between PEA and Amari, Amari was not precluded from recovering from PEA in the proper proceedings, on a *quantum meruit* basis, whatever Amari might have incurred in implementing the said joint venture agreement prior to its declaration of nullity.

We are exposed to risks inherent in the Philippine property market (and especially Metro Manila) as all of our properties are situated in the Philippines.

We are highly dependent on the performance of the Philippine property market since all of our properties are located in the Philippines. Thus, we are directly affected by the risks that affect the Philippine property market as a whole. Many factors contribute to fluctuations in the Philippine property market including the general demand and supply of properties, increases and decreases in interest rates, inflationary pressures, Government-related real estate policies such as the recent lower loan-to-value ratios for commercial real estate loans and the BSP’s tightening of policies related to real estate loans. Any decline in the value of land or real estate in the Philippines may lead to a downward revaluation of our land holdings and other real estate assets, and a decrease in our rental rates.

Our margins may be affected by increases in our operating and other expenses.

Our operations may be subject to increases in operating and other expenses due to a number of factors including, but not limited to, any of the following:

- increases in raw material prices;
- increases in labor costs;
- increases in construction costs;
- increases in the rate of inflation;
- changes in laws, regulations or government policies which increase the cost of compliance with such laws, regulations or policies;
- increases in insurance premiums;
- increases in customs duties, business taxes, property taxes and other statutory changes;
- adverse changes in the cost of existing and future debt financing; and
- other unanticipated circumstances or cost increases.

Continuing Impact of COVID-19 Pandemic on the Group's Business

As also disclosed in our audited 2021 Consolidated Financial Statements, the COVID-19 pandemic started to become widespread in the Philippines in early March 2020. The measures taken by the government to contain the virus have affected economic conditions and the Group's business operations.

In 2021 and 2020, the Group has taken the following measures to mitigate the adverse effects of the COVID-19 pandemic to the Group's business:

- re-evaluated schedules and completion of projects under construction;
- launched digital platform and collection portal towards the end of the third quarter to provide convenient payment access to the customers;
- granted discount and/or waiver of penalties to certain tenants and deferment of payments for lessees and residential buyers on a case to case basis;
- activated digital marketing initiatives to reach existing and potential residential buyers; and,
- organized vaccination programs and implemented stringent health protocols within the Group's offices and project sites.

As a result of the actions taken by management, the Group's operations improved in 2021 as discussed as follows:

- Revenues relatively increased as compared to that of 2020, as a result of retaining tenants through negotiating terms which conformed with the ongoing impact of the pandemic and continuance of construction projects as more manpower are able to work on-site after the roll-out of vaccines;
- mitigated temporary setbacks in pre-selling of residential units encountered in 2020; and,
- recognition of impairment losses on financial assets is lower as compared to 2020.

Based on the actions and measures taken by management to mitigate the adverse effect of the pandemic, it projects that the Group would continue to report positive results of operations and would remain liquid to meet current obligation as it falls due. Accordingly,

management has not determined material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

Item 2. Properties

As of the date of this report, we own 448 parcels of land with an aggregate land area of approximately 775,006.8 sq.m., comprising 565,808 sq.m. in terms of our land holdings in Aseana City and 209,198.8 sq.m. for land holdings outside Aseana City. In addition, we own eleven commercial buildings with an aggregate floor area of 162,351 sq.m as of December 31, 2021. In the fourth quarter of 2021, we have completed the construction of 8912 Asean Ave and 58 Jupiter. The completion of these buildings increased our aggregate floor area by 71,639 sq.m. by the end of 2021.

Owned real properties

The parcels of land that we own constitute raw land that forms our land holdings and include areas that are subject to existing land leases, or which have been utilized by our Group for development of real estate projects. The buildings that we own are either occupied by our Group as our offices or leased to third parties pursuant to lease agreements.

As of December 31, 2021, certain parcels of our land are used as collateral in connection with our bank loans and borrowings as shown below.

| Mortgaged Land Area (sq.m.) | Creditor | Nature of Loan |
|------------------------------------|--------------------------------|---|
| 7,604.0 | Bank of the Philippine Islands | Long-term loan and revolving promissory note line granted to our Company |
| 31,472.0 | Bank of the Philippine Islands | Long-term loan and revolving promissory note Line granted to our Company Medium-term loan granted to our subsidiary, Aseana Holdings, Inc. |
| 7,720.0 | BDO Unibank, Inc. | Credit line and domestic bills purchase line granted to our Company |
| 7,897.0 | Security Bank Corporation | Term loan and domestic bills purchase line granted to our subsidiary, Aseana Holdings, Inc. |

The table below sets forth certain basic information on our owned buildings as of the date of this report.

| Location / Building | Total Floor Area (sq.m.) | Usage |
|----------------------------|---------------------------------|-------------------------------|
| Aseana One | 20,189 | Mixed use office building |
| Aseana Two | 14,288 | Mixed use office building |
| Aseana Three | 30,914 | Mixed use office building |
| Aseana Square | 2,137 | Commercial and retail complex |

| Location / Building | Total Floor Area (sq.m.) | Usage |
|--------------------------------------|-------------------------------------|---------------------------------|
| Aseana Powerstation Building | 4,710 | Commercial and retail complex |
| Aseana Town Center | 11,946 | Commercial and retail complex |
| DMWAI Building | 1,042 | Office with ground floor retail |
| S&R Building (2 nd Floor) | 3,785 | Mixed use office building |
| 8912 Asean Ave | 69,284 | Mixed use office building |
| Erlag Building | 1,701 | Mixed use |
| 58 Jupiter | 2,355 | Mixed use |
| Total | 162,351 | |

As of December 31, 2021, except as disclosed above, there were no mortgages, liens or other encumbrances attached to such owned properties or any limitations on our ownership or usage of such properties, other than liens created by operation of law, voluntary development restrictions imposed upon all tenants in Aseana City due to their acceptance of membership in ABPEA.

Owned personal properties

As of December 31, 2021, we owned certain personal property comprising machinery and equipment as described below.

| | <u>Value (in ₱)</u> |
|---|---------------------|
| Machinery and construction equipment..... | 23.6 |
| Transportation equipment..... | 15.4 |
| Furniture and office equipment..... | 58.0 |
| Other machinery and equipment..... | 0.5 |
| Total..... | <u>97.5</u> |

Ongoing Projects

On November 5, 2020, the Company's BOD approved the reallocation of P1,000.0 million of the Offering Proceeds originally intended for the purchase of land assets to pipeline project developments. Further, on November 11, 2021, the Company's BOD approved another P1,000.0 million reallocation of Offering Proceeds originally intended for the purchase of land assets to pipeline project developments.

As a result of the abovementioned reallocations, the revised allocation of proceeds for the Company's pipeline projects amounted to P5,731.2 million as of December 31, 2021.

There were also certain reallocations made within the pipeline project development; however, these did not result in a change on the planned use of proceeds with respect to the total allocation

for the pipeline project development as disclosed in the Offering Prospectus and its subsequent reallocation as discussed above.

MidPark Towers

Comprises of four 15-story buildings on top of a common podium that offers various sizes ranging from 36 sq.m. for a studio unit to 108 sq.m. for a three-bedroom unit.

Centrally located in Aseana City, Midpark Towers is bordered by two main avenues – Aseana Avenue and Macapagal Boulevard. The property is within walking distance from Ayala Malls Bay Area and the planned Light Rail Transit Aseana Station.

MidPark Towers is situated within two to five kilometers from all terminals of Ninoy Aquino International Airport and the recently inaugurated Paranaque Integrated Terminal Exchange (formerly known as Southwest Integrated Bus Terminal Exchange (formerly known as Southwest Integrated Bus Terminal Exchange) inaugurated in 2018.

P539.9 million from the Offering Proceeds were allocated to fund the general construction, architectural design and pile driving works of the project, and were fully released as of December 31, 2021. Disbursements for the year ended amounted to P305.2 million.

Parqal

Parqal with approximately 70,000 sq.m. leasable floor area is a mixed-use project with office and retail spaces that stretches from Diokno Ave. to Macapagal Ave.

The project features a climate protected and walkable mixed-use development with a 50% retail component. It is composed of nine independent 4-storey buildings. Around 60% of Parqal lot area is dedicated to lush green landscapes and recreational facilities.

As of December 31, 2021, P2,379.8 million from the Offering Proceeds were allocated and fully used to fund the design, planning, pile driving and general construction works of this project.

Aseana Plaza

Aseana Plaza is the fifth and latest office project of the Group, located along Asean Avenue beside 8912 Asean Avenue & Parqal Mixed-use development.

Aseana Plaza is designed to cater to the traditional corporate offices and Business Process Outsourcing industry, and gaming and tourism-related companies.

The four-tower project sits in an approximately 15,000 sqm site and to date has a total construction floor area of 230,173.14 sq.m. and a gross floor area of approximately 150,000 sqm. It is connected to the skywalk system master plan that follows Aseana City's urban concept.

As of December 31, 2021, P113.3 million of the Offering Proceeds were released to fund the design and planning works of this project.

Item 3. Legal Proceedings

There are pending claims and legal actions filed by the Group or against the Group arising from the normal course of its business. Management believes that the ultimate liability, if any, with respect to such litigations, claims and disputes will not materially affect the financial position and results of operations of the Group.

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

There were no matters submitted to a vote of security holders during the fourth quarter of the calendar year covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information

The Company's shares of stock are officially listed in the Philippine Stock Exchange on June 29, 2018.

As of December 31, 2021, the closing price of the Company's shares of stock is P6.78/share.

| | Philippine Stock Exchange Prices (in Php/Share) | | | | | | | | |
|----------------|--|------------|--------------|-------------|------------|--------------|-------------|------------|--------------|
| | <u>2022</u> | | | <u>2021</u> | | | <u>2020</u> | | |
| | <u>High</u> | <u>Low</u> | <u>Close</u> | <u>High</u> | <u>Low</u> | <u>Close</u> | <u>High</u> | <u>Low</u> | <u>Close</u> |
| First Quarter | 7.00 | 6.50 | 6.86 | 7.60 | 6.55 | 6.90 | 9.80 | 6.55 | 7.00 |
| Second Quarter | - | - | - | 7.15 | 6.71 | 7.15 | 7.24 | 6.19 | 6.20 |
| Third Quarter | - | - | - | 7.19 | 6.50 | 6.90 | 6.37 | 5.21 | 5.21 |
| Fourth Quarter | - | - | - | 7.00 | 6.35 | 6.78 | 8.26 | 5.08 | 7.60 |

As of March 31, 2022, the closing price of the Company's shares of stock is P6.8686s/share.

Shareholders

There are 29 registered holders of common shares of the Company as of December 31, 2021.

The following are the registered holders of the common equity securities of the Company:

| | Stockholder Name | No. of Shares | % to Total Shares |
|---|-------------------------------|----------------------|--------------------------|
| 1 | Wendel Holdings Co. Inc. | 2,136,554,780 | 63% |
| 2 | PCD Nominee Corp. (Filipino) | 635,697,166 | 19% |
| 3 | Wendel Holdings Co. Inc. | 578,798,847 | 17% |
| 4 | High-Viewpoint Minds, Inc. | 17,103,399 | 1% |
| 5 | Intelli Searchrev Corporation | 9,788,400 | 0.1% |

| | Stockholder Name | No. of Shares | % to Total Shares |
|----|-----------------------------------|----------------------|--------------------------|
| 6 | Raydine Incorporated | 8,000,000 | 0.1% |
| 7 | PCD Nominee Corp. (Non- Filipino) | 4,473,699 | 0.1% |
| 8 | La Filipina Uy Gongco Corporation | 2,077,000 | 0.1% |
| 9 | Symart Corporation | 1,538,000 | 0.1% |
| 10 | Intelli Searchrev Corporation | 1,152,600 | 0.1% |
| 11 | Serafin U. Salvador, Jr. | 240,000 | 0.1% |
| 12 | Serafin U. Salvador, Jr. | 166,700 | 0.1% |
| 13 | Ariane Dominique Marie Moreno | 142,300 | 0.1% |
| 14 | Regina Capital Dev Corp. | 68,000 | 0.1% |
| 15 | Serafin U. Salvador, Jr. | 50,000 | 0.1% |
| 16 | Joselito C. Herrera | 5,000 | 0.1% |
| 17 | Ma. Christmas R. Nolasco | 3,000 | 0.1% |
| 18 | Jaybee C. Baraquel | 1,000 | 0.1% |
| 19 | Jesus San Luis Valencia | 1,000 | 0.1% |
| 20 | Gabrielle Claudia F. Herrera | 500 | 0.1% |
| 21 | Nadezhda Iskra F. Herrera | 500 | 0.1% |
| 22 | Milagros P. Villanueva | 500 | 0.1% |
| 23 | Myra P. Villanueva | 500 | 0.1% |
| 24 | Myrna P. Villanueva | 500 | 0.1% |
| 25 | Marietta V. Cabreza | 500 | 0.1% |
| 26 | Alberto Victor P. Fenix Jr. | 100 | 0.1% |
| 27 | Oscar Sison Reyes | 100 | 0.1% |
| 28 | Gerardo Salgado | 8 | 0.1% |
| 29 | Botschaft N. Cheng or Sevilla Ngo | 1 | 0.1% |

Dividends

| Class | Declaration Date | Amount | Record Date | Payment date |
|---------------|-------------------------|---------------|--------------------|---------------------|
| Common shares | February 15, 2019 | 119,999,650 | March 4, 2019 | March 28, 2019 |
| Common shares | April 24, 2020 | 159,999,533 | May 11, 2020 | June 4, 2020 |
| Common shares | March 3, 2021 | 159,999,533 | March 22, 2021 | April 8, 2021 |
| Common Shares | March 10, 2022 | 206,960,938 | March 25, 2022 | April 8, 2022 |

Item 6. Management's Discussion and Analysis or Plan of Operation

2021

DMW's 2021 Core Net Income Increased to P1.88 billion or 44%

Financial and Operational Highlights

(In Millions Pesos, except for financial ratios and percentages)

| | Twelve months ended December 31 (AUDITED) | | | | |
|--|--|----------------------|-------------------|----------------------|-------------|
| | 2021 | % to Revenues | 2020 | % to Revenues | % Change |
| Profit & Loss Data | | | | | |
| Revenues | 3,443 | 100% | 2,734 | 100% | 26% |
| Cost of services and sales | 598 | 17% | 663 | 24% | (10%) |
| Gross profit | 2,845 | 83% | 2,071 | 76% | 37% |
| Other operating expenses - net | 358 | 10% | 364 | 13% | (2%) |
| Other income (expenses) | 5 | 0% | 1,079 | 39% | (101%) |
| Net income attributable to owners of the Parent company | 2,069 | 60% | 2,131 | 78% | (3%) |
| Core Net Income | 1,882 | 55% | 1,310 | 48% | 44% |
| | Dec 31 2021 | % to Total Assets | Dec 31 2020 | % to Total Assets | % Change |
| Balance Sheet Data | | | | | |
| Total Assets | 36,983 | 100% | 32,857 | 100% | 13% |
| Total Liabilities | 12,759 | 35% | 10,573 | 32% | 21% |
| Total Equity attributable to owners of the Parent company | 23,623 | 64% | 21,704 | 66% | 9% |
| Other Key Financial Ratios | | | | | |
| | As of the period ended | | | | |
| | December 31, 2021 | | December 31, 2020 | | |
| Current Ratio | 1.67 | | 1.47 | | |
| Debt to Equity | 14% | | 6% | | |
| Return on Equity | 9% | | 10% | | |
| Net income contribution | 61% | | 79% | | |
| Recurring Income Contribution | 58% | | 72% | | |
| Key Operating Data | | | | | |
| | As for the period ended | | | | |
| | December 31, 2021 | | December 31, 2020 | | |
| Total leased land area (sq.m.) | 150,444 | | 158,079 | | |
| Total leasable floor area (sq.m.) | 162,351 | | 90,712 | | |
| Total occupancy rate (leased buildings) (%) | 51% | | 93% | | |
| <i>Revenue</i> | | | | | |

Total consolidated revenue increased by P708.7 million, or 25.9%, from P2,734.4 million in 2020 to P3,443.1 million in 2021, primarily due to the following:

Rentals

Our total rental revenue from rentals increased by P28.3 million, or 1.4%, from P1,960.3 million in 2020 to P1,988.6 million in 2021.

- Rentals of Land. Rentals of land decreased by P10.6 million, or 1.1%, from P978.5 million in 2020 to P967.9 million in 2021. The decrease was primarily attributable to the pre-termination and termination of some contracts during the year.
- Rentals of Building. Rentals of building increased by P1.9 million, or 0.2%, from P809.1 million in 2020 to P811.0 in 2021. The increase is primarily attributable to the renewal of contract of lease with a higher lease rate and new tenants. During the year, the Group completed the construction of 8912 Asean Ave and 58 Jupiter. Thus, our total aggregate leasable floor area increased from 90,712 sqm in 2020 to 162,351 sqm in 2021.
- Other revenue. Other revenue increased by P36.9 million, or 21.4%, from P172.6 million in 2020 to P209.6 million in 2021. The increase was primarily attributable to the forfeited security deposits as a result of the write off of old accounts, increase in CUSA as a result of escalation and increase in parking collections due to full operation in 2021.

Land Sales

Land sale revenue increased by P787.6 million, or 100% in 2021. There is no land sale in 2020.

Construction Contracts

Total construction revenue increased by P26.7 million, or 107.7%, from P24.8 million in 2020 to P51.5 million in 2021 primarily due to the increase in construction activities rendered to external parties as the country recovers from pandemic. Also, in 2020, the Group continues to focus its construction resources in completing its on-going internal projects.

Sale of Condominium Units

The revenue from sale of condominium units decreased by P133.9 million, or 17.9%, from P749.3 million in 2020 to P615.4 million in 2021. The decrease is primarily due to the higher number of turned over units of Pixel in 2020 as compared in 2021.

Cost of Services and Sales

Our consolidated cost of services and sales decreased by P64.8 million, or 9.8%, from P663.1 million in 2020 to P598.4 million in 2021.

Rentals

Costs of rentals increased by P38.5 million, or 16.2%, from P237.3 million in 2020 to P275.8 million in 2021. The increase was primarily attributable to the increase in cost of utilities and building maintenance due to full operation of tenants as these companies implements return to office set-up in 2021.

Land Sales

Costs of land sales increased by P55.2 million, or 100%, from 2020. As discussed in a previous paragraph, there was no land sale in 2020.

Construction Contracts

Costs of construction contracts increased by P23.3 million, or 142.7%, from P16.4 million in 2020 to P39.7 million in 2021. Most of the Group's construction activities in 2020 are internal projects.

Sale of Condominium Units

Cost of sale of condominium units decreased by P181.9 million, or 44.4%, from P409.5 million in 2020 to P227.6 million in 2021. The decrease was attributable primarily to the recognized construction savings from Pixel Project as the project is already completed

Other Operating Expenses - net

Other operating expenses - net decreased by P5.6 million, or 1.5%, from P363.9 million in 2020 to P358.3 million in 2021.

Other Operating Income

Other operating income decreased by P29.0 million, or 21.0%, from P138.1 million in 2020 to P109.1 million in 2021 mainly due to the sale of air rights in 2020. There was no similar transaction recorded in 2021.

Operating expenses & Selling Expenses

Operating expenses decreased by P34.5 million, or 6.9%, from P502.0 million in 2020 to P467.5 million in 2021. The decrease was attributable primarily to the (i) decrease in commission for sales agents due to decrease in sales take up (ii) decrease in miscellaneous expense.

Other Income (net)

Other income decreased by P1,084.8 million, or 100.5% from total net other income of P1,079.4 million in 2020 to total net other income of P5.5 million in 2021 primarily due to the following:

Finance Income

Finance income decreased by P75.5 million, or 82.5%, from P91.5 million in 2020 to P16.0 million in 2021. The decrease was attributable primarily to the maturity of short-term placements and decrease in average effective interest rates ranging from 1.00% to 5.10% in 2020 to 0.58% to 1.0% in 2021.

Other Income

In 2020, the Parent Company recorded a one-time gain of P1,000.0 million. The Group reversed the Advances to ADI amounting to P1.0 billion upon the prescription of these advances and the completion of all administrative matters relating to the CA and SA in 2020. Management, in consultation with its legal counsel, believes that full restitution of ADI was already served and no further claims against DMWAI under the JV Agreement is expected. There is no similar gain in 2021.

Tax Expenses

Tax expenses decreased by P232.5 million, or 37.4%, from P622.5 million in 2020 to P390.0 million in 2021. The decrease was primarily due to the effect of CREATE law reducing the income tax rate from 30% to 25% effective June 30, 2020. Moreover, the effect of the new law for 2020 was accounted for and recorded only in 2021 in compliance with existing regulations.

Net Profit

Net profit attributable to parent decreased by P61.0 million, or 2.9%, from P2,130.7 million in 2020 to P2,069.7 million in 2021.

Core Net Income

Core net income increased by P572 million, or 44%, from P1,310 million for December 31, 2020 to P1,882 million for December 31, 2021 which excludes the after-tax impact of one-off gain amounting to P1.0 billion in 2020 related to the termination of a JV agreement as well as the adjustment of tax expense in 2021 due to the effectivity of CREATE law.

Balance Sheet Accounts

Total Assets

The Company's total assets increased by P4,126.5 million, or 12.6%, from P32,857.0 million as of December 31, 2020 to P36,983.5 million as of December 31, 2021 due to the following:

- Investment property increased by P2,026.8 million, or 13.0%, from P15,539.5 million to P17,566.3 million as of December 31, 2020 and 2021, respectively, primarily due to the cost incurred for 8912 Asean Ave., Parqal, 58 Jupiter and Aseana Plaza.

- Receivables increased by P992.0 million, or 15.9%, from P6,246.8 million to P7,238.8 million as of December 31, 2020 and 2021, respectively, primarily due to the receivable related to the land sale amounting to P590.7 million and recognition of rental receivable based on PAS17 amounting to P447.7 million.
- Cash and cash equivalents increased by P1,236.5 million, or 27.9%, from P4,429.5 million to P5,665.9 million as of December 31, 2020 and 2021, respectively, primarily due to additional loan availments, collections from land sale, rentals and sale of condominium units net of payments to suppliers and subcontractors, cash dividends, taxes and licenses and other operating expenses.
- Land and land development cost decreased by P32.4 million, or 1.5%, from P2,112.5 million to P2,080.2 million as of December 31, 2020 and 2021, respectively, primarily due land sale recorded for 2021.
- Other current assets decreased by P505.3 million, or 27.0%, from P1,873.2 million to P1,367.9 million as of December 31, 2020 and 2021, respectively, primarily due to maturity of short-term time deposits net of increase input VAT from supplier's and subcontractor's billings.
- Property development costs increased by P520.4 million, or 48.7%, from P1,068.6 million to P1,589.0 million as of December 31, 2020 and 2021, respectively, mainly due to the incurred cost of condominium units.
- Deferred tax assets decreased by P93.5 million, or 48.6% from P192.3 million to P98.8 million as of December 31, 2020 and 2021, respectively, primarily due to effect of CREATE bill.
- Contract asset increased by P52.1 million, or 56.6%, from P92.0 million to P144.1 million as of December 31, 2020 and 2021, respectively, primarily due to the increase in units that qualified for revenue recognition.
- Investment in Associates and Joint Venture increased by P29.7 million, or 34%, from P87.9 million to P117.6 million as of December 31, 2020 and 2021, respectively, primarily due to the share in net income from associates and subsidiaries.

Total Liabilities

Total liabilities increased by P2,186.6 million, or 20.7%, from P10,572.7 million as of December 31, 2020 to P12,759.3 million as of December 31, 2021, respectively, due to the following:

- Loans and borrowings increased by P1,885.3 million, or 135.0%, from P1,397.0 million to P3,282.4 million as of December 31, 2020 and 2021, respectively, due to avaiement of loans to support its on-going projects.
- Trade and other payables increased by P261.1 million, or 15%, from P1,733.0 million to P1,994.1 million as of December 31, 2020 and 2021, respectively primarily due to the increase in accrued expenses related to the accrual of importation charges and construction

billings.

- Contract liability decreased by P238.3 million, or 34.5%, from P690.8 million to P452.5 million as of December 31, 2020 and 2021, respectively, due to the application of payment of buyers to revenue as the percentage of completion of residential projects increases.
- Deposits and advances decreased by P150.3 million, or 10.8%, from P1,395.0 million to P1,244.7 million as of December 31, 2020 and 2021, respectively, mainly due to application of advance rental.
- Deferred tax liabilities decreased by P67.6 million, or 6.4%, from P1,056.7 million to P989.1 million as of December 31, 2020 and 2021, respectively, due to the effect of CREATE bill.
- Lease liability increased by P368.5 million, or 223%, from P165.5 million to P534.0 million as of December 31, 2020 and 2021, respectively, primarily due to the PFRS16 adjustment for 8912 Asean Ave.
- Income Tax Payable increased by P142.8 million, or 253%, from P56.4 million to P199.1 million as of December 31, 2020 and 2021, respectively, primarily due to the booked land sale on the last quarter of 2021.

Total Equity

Total equity attributable to holders of parent company increased by P1,918.6, or 8.8%, from P21,704.4 million to P23,623.0 million as of December 31, 2020 and 2021, respectively, primarily due to the results of operation of P2,069.7 million for the year ended December 31, 2021, net of the Group's declaration and payment of dividends of P160.0 million.

Other Key Financial Ratios

The Company's key performance indicators are measured in terms of the following: (a) Current ratio which determines the liquidity of the Company (b) Debt to equity which determines the Company's financial leverage (c) Return on equity which measures the profitability to capital provided by stockholders (d) net income ratio which measures the ratio of net profit to total gross revenue (e) recurring income contribution.

- Current ratio increased to 1.67 from 1.47 as of December 31, 2021 and 2020, respectively, mainly due to additional loan availments with more than a year term thus, increase in cash and cash equivalents.
- Debt to equity ratio increased to 14% from 6% as of December 31, 2021 and 2020, respectively, due to availment of loans to support capital expenditure.
- Return on equity decreased to 9% from 10% as of December 31, 2021 and 2020, respectively, due to the decrease in results of operation for the current year.

- Net income margin decreased to 61% as of the period ended December 31, 2021 from 79% as of the same period in 2020 mainly due to other income recognized in 2020.
- Recurring income contribution decreased to 58% in 2021 from 72% in 2020. As mentioned above, there were no land sale transaction occurred in 2020 compared to 2021.

The Company has no known direct or contingent financial obligation that is material to the Company, including any default acceleration of an obligation. There were no contingent liabilities or assets in the Company's balance sheet. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year as of balance sheet date.

2020

DMW's Net Income Reaches P2.13 Billion in 2020

Financial and Operational Highlights

(In Millions Pesos, except for financial ratios and percentages)

| | Twelve months ended December 31 (AUDITED) | | | | |
|---|--|----------------------|-------------------|----------------------|-------------|
| | 2020 | % to Revenues | 2019 | % to Revenues | % Change |
| Profit & Loss Data | | | | | |
| Revenues | 2,734 | 100% | 3,513 | 100% | (22%) |
| Cost of services and sales | 663 | 24% | 694 | 20% | (4%) |
| Gross profit | 2,071 | 76% | 2,819 | 80% | (27%) |
| Other operating expenses - net | 364 | 13% | 548 | 15% | (3%) |
| Other income (expenses) | 1,079 | 39% | 1,056 | 30% | 2% |
| Net income attributable to owners of the Parent company | 2,131 | 78% | 2,374 | 68% | (10%) |
| | Dec 31 2020 | % to Total Assets | Dec 31 2019 | % to Total Assets | % Change |
| Balance Sheet Data | | | | | |
| Total Assets | 32,857 | 100% | 31,267 | 100% | 5% |
| Total Liabilities | 10,573 | 32% | 10,734 | 34% | (1%) |
| Total Equity attributable to owners of the Parent company | 21,704 | 66% | 19,987 | 64% | 9% |
| | As of the period ended | | | | |
| | December 31, 2020 | | December 31, 2019 | | |
| Other Key Financial Ratios | | | | | |
| Current Ratio | 1.47 | | 1.61 | | |
| Debt to Equity | 6% | | 3% | | |
| Return on Equity | 10% | | 12% | | |
| Net income contribution | 79% | | 64% | | |
| Recurring Income Contribution | 72% | | 56% | | |

| Key Operating Data | As of the period ended | |
|--|------------------------|-------------------|
| | December 31, 2020 | December 31, 2019 |
| Total leased land area (sq.m.) | 158,079 | 158,079 |
| Total leasable floor area (sq.m.) | 90,712 | 89,914 |
| Total occupancy rate (leased buildings) (%) | 93% | 98% |

Revenue

Total consolidated revenue decreased by P779.0 million, or 22.2%, from P3,513.4 million in 2019 to P2,734.4 million in 2020, primarily due to the following:

Rentals

Our total rental revenue from rentals increased by P1.5 million, or 0.1%, from P1,958.8 million in 2019 to P1,960.3 million in 2020.

- **Rentals of Building.** Rentals of building increased by P15.6 million, or 2.0%, from P793.5 million in 2019 to P809.1 million in 2020. The increase was primarily attributable to the renewal of contract of lease with a higher lease rate. In October 2020, the Group acquired certain property in Makati. Our total aggregate leasable floor area increased from 89,914 sq.m in 2019 to 90,712 sq.m in 2020.
- **Other revenue.** Other revenue decreased by P13.5 million, or 7.3%, from P186.2 million in 2019 to P172.7 million in 2020. The decrease was primarily attributable to the decrease in reimbursable charges and parking collections as an effect of the pandemic.

Land Sales

No sale of land in Aseana City was transacted for the twelve months ended December 31, 2020. Sale of lots in Aseana City amounted to P935.9 million for the same period of 2019.

Construction Contracts

Total construction revenue decreased by P46.3 million, or 65.1%, from P71.1 million in 2019 to P24.8 million in 2020 primarily due to the decrease in construction activities rendered to external customers due to pandemic. Also, in 2020, the Group started to focus its construction resources in completing its on-going internal projects.

Sale of Condominium Units

The revenue from sale of condominium units increased by P201.6 million, or 36.8%, from P547.7 million in 2019 to P749.3 million in 2020. This increase was attributable primarily to the increase in the number of units, both for Pixel and MidPark project, that are qualified for revenue recognition in 2020 compared to units for the same period in 2019. Furthermore, there's an increase in incremental percentage of completion in 2020

compared to the incremental percentage of completion for the same period in 2019. As of December 31, 2020, Pixel and Midpark project has a percentage of completion of 92.2% and 16.2%, respectively.

Cost of Services and Sales

Our consolidated cost of services and sales decreased by P31.2 million, or 4.5%, from P694.3 million in 2019 to P663.1 million in 2020.

Rentals

Costs of rentals decreased by P29.9 million, or 11.2%, from P267.2 million in 2019 to P237.3 million in 2020. The decrease was primarily attributable to decrease in cost of utilities and building maintenance as a result of the pandemic.

Land Sales

Costs of land sales decreased by P66.7 million, or 100%, from 2019. As discussed in a previous paragraph, there was no land sale in 2020.

Construction Contracts

Costs of construction contracts decreased by P29.5 million, or 64.3%, from P45.9 million in 2019 to P16.4 million in 2020. Most of the Group's construction activities in 2020 are internal projects.

Sale of Condominium Units

Cost of sale of condominium units increased by P95.0 million, or 30.2%, from P314.5 million in 2019 to P409.5 million in 2020. The increase was attributable primarily to the increase in percentage of completion of Pixel Residences and MidPark Towers as well as the related cost of additional units which are qualified for revenue recognition.

Other Operating Expenses - net

Other operating expenses - net decreased by P197.3 million, or 36.0%, from P548.2 million in 2019 to P350.9 million in 2020.

Other Operating Income

Other operating income increased by P93.7 million, or 172.7%, from P54.3 million in 2019 to P148.0 million in 2020 mainly due to the sale of air rights and reversal of expected credit loss on receivables previously accrued in prior years.

Operating expenses

Operating expenses decreased by P103.6 million, or 17.2%, from P602.5 million in 2019 to P498.9 million in 2020. The decrease was attributable primarily to (i) decrease in

commissions of P92.4 million for sales agents due to decrease in sales take up (ii) decrease in depreciation expense due to fully depreciated property and equipment of P7.9 million.

Other Income (net)

Other income increased by P23.1 million, or 2.2% from total net other income of P1,056.3 million in 2019 to total net other income of P1,079.4 million in 2020 primarily due to the following:

Finance Income

Finance income decreased by P205.9 million, or 69.2%, from P297.3 million in 2019 to P91.5 million in 2020. The decrease was attributable primarily to the maturity of short-term placements.

Other Income

Other Income increased by P150.0 million, or 17.6%, from P850.0 million in 2019 to P1,000.0 million in 2020. In 2020, the Group reversed the Advances to ADI amounting to P1.0 billion upon the prescription of these advances and the completion of all administrative matters relating to the CA and SA in 2020. Management, in consultation with its legal counsel, believes that full restitution of ADI was already served and no further claims against DMWAI under the JV Agreement is expected. The advances from co-joint venturer is previously presented as part of current liabilities in the statement of financial position as of December 31, 2019. In the same period of 2019, the Company received a non-refundable portion of P2,050.0 million amounting to P850.0 million in relation to the giving of its consent in favor of a third party to buy from another party certain parcels of land contributed to a joint venture arrangement (see Note 13.2b of the 2020 consolidated financial statements).

Tax Expenses

Tax expenses decreased by P439.7 million, or 40.9%, from P1,075.2 million in 2019 to P635.5 million in 2020, representing an effective income tax rate of 30.6% and 23.2% of gross revenue, respectively. The decrease was primarily due to the sale of land in 2019 between subsidiaries which is being eliminated in consolidation. There was no such transaction occurred in the same period in 2020.

Net Profit

Net profit attributable to parent decreased by P243.3 million, or 10.2%, from P2,374.0 million in 2019 to P2,130.7 million in 2020.

Balance Sheet Accounts

Total Assets

The Company's total assets increased by P1,590.2 million, or 5.1%, from P31,266.8 million as of December 31, 2019 to P32,857.0 million as of December 31, 2020 due to the following:

- Receivables increased by P861.0 million, or 16.0%, from P5,385.8 million to P6,246.8 million as of December 31, 2019 and 2020, respectively, primarily due to recognition of rental receivable based on PAS17 amounting to P580.1 million and advance payment to suppliers related to the on-going construction amounting to P338.5 million.
- Land and land development cost increased by P100.0 million, or 5.0%, from P2,012.5 million to P2,112.5 million as of December 31, 2019 and 2020, respectively, primarily due to the capitalized costs incurred in developing Aseana City.
- Investment property increased by P2,966.8 million, or 23.6%, from P12,572.7 million to P15,539.5 million as of December 31, 2019 and 2020, respectively, primarily due to the on-going construction of 8912 Asean Ave., Parqal and Aseana Plaza.
- Cash and cash equivalents decreased by P781.9 million, or 15.0%, from P5,211.4 million to P4,429.5 million as of December 31, 2019 and 2020, respectively, primarily due to payments to suppliers and subcontractors, cash dividends, taxes and licenses and other operating expenses net of collections from rentals and sale of condominium units.
- Contract asset decreased by P157.0 million, or 63.0%, from P249.0 million to P92.0 million as of December 31, 2019 and 2020, respectively, primarily due to the collection from sale of condominium units already exceeds the cumulative sales based on percentage of completion.
- Property development costs decreased by P99.5 million, or 8.5%, from P1,168.1 million to P1,068.6 million as of December 31, 2019 and 2020, respectively, mainly due to the recognized cost of sale from condominium units. As of December 31, 2020, the percentages of completion for Pixel Residences and MidPark Towers are 92.2% and 16.2%, respectively.
- Other current assets decreased by P1,013.2 million, or 35.1%, from P2,886.4 million to P1,873.2 million as of December 31, 2019 and 2020, respectively, primarily due to maturity of short-term time deposits net of increase input VAT from supplier's and subcontractor's billings.
- Other non-current asset decreased by P261.4 million, or 23.6%, from P1,106.0 million to P844.6 million as of December 31, 2019 and 2020, respectively, primarily due to recoupment of advance payment to suppliers related to the on-going construction.

Total Liabilities

Total liabilities decreased by P160.9 million, or 1.5%, from P10,733.6 million as of December 31, 2019 to P10,572.7 million as of December 31, 2020, respectively, due to the following:

- Advances from a co-joint venturer decreased by P1,040.0 million, or 100% due to reversal of these advances upon prescription and completion of all administrative matters relating to the CA and SA in 2020 (see Note 13.2b of the 2020 consolidated financial statements).
- Deposits and advances decreased by P154.9 million, or 10.0%, from P1,549.9 million to P1,395.0 million as of December 31, 2019 and 2020, respectively, mainly due to application of advance rental.
- Loans and borrowings increased by P885.3 million, or 173.0%, from P511.7 million to P1,397.0 million as of December 31, 2019 and 2020, respectively, due to availment of loans to support its on-going projects.
- Contract liability increased by P136.1 million, or 24.5%, from P554.7 million to P690.8 million as of December 31, 2019 and 2020, respectively, due to the increase in the amount received from real estate customers in excess of the amount the Group has rights to receive based on the progress of the real estate development.
- Deferred tax liabilities increased by P154.4 million, or 17.1%, from P902.3 million to P1,056.7 million as of December 31, 2019 and 2020, respectively, due to recognition of income taxes related to deferred rental income.

Total Equity

Total equity attributable to holders of parent company increased by P1,717.7, or 8.6%, from P19,986.7 million to P21,704.4 million as of December 31, 2019 and 2020, respectively, primarily due to the results of operation of P2,130.7 million for the year ended December 31, 2020, net of the Group's declaration and payment of dividends of P360.0 million.

Other Key Financial Ratios

The Company's key performance indicators are measured in terms of the following: (a) Current ratio which determines the liquidity of the Company (b) Debt to equity which determines the Company's financial leverage (c) Return on equity which measures the profitability to capital provided by stockholders (d) net income ratio which measures the ratio of net profit to total gross revenue (e) recurring income contribution.

- Current ratio decreased to 1.47 from 1.61 as of December 31, 2020 and 2019, respectively, mainly due to increase in capital expenditures thus, decrease in cash and cash equivalents.
- Debt to equity ratio increased to 6% from 3% as of December 31, 2020 and 2019,

respectively, due to availment of loans to support capital expenditure.

- Return on equity decreased to 10% from 11% as of December 31, 2020 and 2019, respectively, due to the decrease in the results of operation.
- Net income margin increased to 79% as of the period ended December 31, 2020 from 64% as of the same period in 2019 mainly due to land sale recognized in 2019. There was no land sale transaction occurred in 2020.
- Recurring income contribution increased to 72% in 2020 from 56% in 2019. As mentioned above, there were no land sale transaction occurred in 2020 compared on the same period in 2019.

The Company has no known direct or contingent financial obligation that is material to the Company, including any default acceleration of an obligation. There were no contingent liabilities or assets in the Company's balance sheet. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year as of balance sheet date.

2019

DMW's Delivers 24% Net Income Growth to P2.37 billion in 2019

Financial and Operational Highlights

(In Millions Pesos, except for financial ratios and percentages)

| | Twelve months ended December 31 | | | | |
|---|--|--------------------------|--------------------|--------------------------|-----------------|
| | (AUDITED) | | | | |
| | 2019 | % to Revenues | 2018 | % to Revenues | % Change |
| Profit & Loss Data | | | | | |
| Revenues | 3,513 | 100% | 2,152 | 100% | 39% |
| Cost of services and sales | 694 | 20% | 347 | 16% | 103% |
| Gross profit | 2,819 | 80% | 1,805 | 84% | 56% |
| Other operating expenses - net | 548 | 15% | 433 | 20% | 25% |
| Other income (expenses) | 1,056 | 30% | 1,205 | 56% | (11%) |
| Net income attributable to owners of the Parent company | 2,374 | 68% | 1,911 | 89% | 24% |
| | Dec 31 2019 | % to Total Assets | Dec 31 2018 | % to Total Assets | % Change |
| Balance Sheet Data | | | | | |
| Total Assets | 31,267 | 100% | 29,789 | 100% | 5% |
| Total Liabilities | 10,743 | 34% | 10,923 | 37% | (2%) |
| Total Equity attributable to owners of the Parent company | 19,987 | 64% | 18,197 | 61% | 13% |

| Other Key Financial Ratios | As of the period ended | |
|-------------------------------|------------------------|-------------------|
| | December 31, 2019 | December 31, 2018 |
| Current Ratio | 1.61 | 1.61 |
| Debt to Equity | 3% | 11% |
| Return on Equity | 12% | 14% |
| Net income contribution | 64% | 89% |
| Recurring Income Contribution | 56% | 88% |

| Key Operating Data | As of the period ended | |
|--|------------------------|-------------------|
| | December 31, 2019 | December 31, 2018 |
| Total leased land area (sq.m.) | 158,079 | 155,418 |
| Total leasable floor area (sq.m.) | 89,914 | 89,914 |
| Total occupancy rate (leased buildings) (%) | 98% | 98% |

Revenue

Total consolidated revenue increased by P1,361.1 million, or 63.5%, from P2,152.3 million in 2018 to P3,513.4 million in 2019, primarily due to the following:

Rentals

Our total rental revenue from rentals increased by P57.6 million, or 3.0%, from P1,901.2 million in 2018 to P1,958.8 million in 2019.

- **Rentals of Land.** Rentals of land increased by P13.8 million, or 1.4% from P965.2 million in 2018 to P979.1 million in 2019. The increase was primarily attributable to the full year recognition of income from Prestige Bay Development Corporation as a lessee commencing in March 2018, with a leased land area of 4,897.0 sq.m. Our total leased land area increased from 156,685 sq.m. as of December 31, 2018 to 158,079 sq.m. as of the same period of 2019.
- **Rentals of Building.** Rentals of building increased by P31.4 million, or 4.1%, from P762.1 million in 2018 to P793.5 million in 2019. The increase was primarily attributable to the effect of the completion and recognition of rentals from Aseana Three starting January 2018. Total leasable floor area aggregated to P89,914 sq.m as of December 31, 2019 and 2018.
- **Other revenue.** Other revenue increased by P12.4 million, or 7.1%, from P173.8 million in 2018 to P186.2 million in 2019. The increase was primarily attributable to the effect full year effect of occupancy in Aseana Three, which contributed to an increase in CUSA fees payments received from our tenants.

Land Sales

Total land sale revenue increased by P934.6 million, or 74,600.7%, from P1.3 million in 2018 to P935.9 million in 2019 primarily due to the sale of 2,202 sq.m land area at

P425,000 (exclusive of value-added tax) per sq.m. In 2018, the Parent Company received P1,200.0 million as Other income (see discussion on Other income) which resulted in the Parent Company not needing to sell lots in Aseana City to support the Group's development projects. Hence, no sale of land in Aseana City was transacted for the twelve months ended December 31, 2018.

Construction Contracts

Total construction revenue decreased by P59.4 million, or 45.5%, from P130.5 million in 2018 to P71.1 million in 2019 primarily due to the decrease in construction activities rendered to external customers. In 2019, the Group started to focus its construction resources in completing its on-going internal projects.

Sale of Condominium Units

The revenue from sale of condominium units increased by P428.3 million, or 358.9%, from P119.4 million in 2018 to P547.7 million in 2019. This increase was attributable primarily to the increase in the number of units, both for Pixel and MidPark project, that are qualified for revenue recognition in 2019 compared to units for the same period in 2018. Furthermore, there's an increase in incremental percentage of completion in 2019 compared to the incremental percentage of completion for the same period in 2018. As of December 31, 2019, Pixel and Midpark project has a percentage of completion of 70.51% and 12.94%, respectively.

Cost of Services and Sales

Our consolidated cost of services and sales increased by P347.5 million, or 100.2%, from P346.8 million in 2018 to P694.3 million in 2019 due primarily to the following:

Rentals

Costs of rentals increased by P54.8 million, or 25.8%, from P212.4 million in 2018 to P267.2 million in 2019. The increase in cost was due primarily to the increase in real property tax of P22.6 million, increase in utilities of P13.0 million, increase in depreciation of P4.7 million, increase in outside services of P5.0 million, and increase in other materials and supplies of P4.7 million.

Land Sales

Costs of land sales increased by P66.7 million, or 166,435.0%, from P0.04 million in 2018 to P66.7 million in 2019. There is no land sale within Aseana City in 2018.

Construction Contracts

Costs of construction contracts decreased by P15.6 million, or 25.4%, from P61.5 million in 2018 to P45.9 million in 2019. The decrease in cost was due primarily to lesser construction activities rendered to external parties.

Sale of Condominium Units

Cost of sale of condominium units increased by P241.6 million, or 331.4%, from P72.9 million in 2018 to P314.5 million in 2019. The increase was attributable primarily due to increase in the number of units that are qualified for revenue recognition and an increase in incremental percentage of completion in 2019 compared to the same period in 2018.

Other Operating expenses - net

Other operating expenses - net increased by P115.0 million, or 26.5%, from P433.2 million in 2018 to P548.2 million in 2019. The increase was attributable primarily to the increase in commission expenses of P63.9 million. In 2018, the Company received a reimbursement of arbitration cost amounting to P50.9 million and is part of other operating income account in the consolidated statements of profit and loss. The Company does not have the same transaction in 2019.

Other Income (net of charges)

Other income decreased by P149.7 million, or 12.4% from P1,206.0 million (net of charges) in 2018 to P1,056.3 million (net of charges) in 2019 primarily due to the following:

Finance Income

Finance income increased by P227.8 million, or 327.8%, from P69.5 million in 2018 to P297.3 million in 2019. The increase was attributable primarily to the recognition of interest income from additional short-term placements.

Finance Costs

Finance costs increased by P28.6 million, or 40.9%, from P69.9 million in 2018 to P98.5 million in 2019. The increase was attributable primarily to the recognition of interest expense related from lease liabilities amounting to P12.3 million and increase in bank interest charges amounting to P10.7 million.

Other Income

Other Income pertains to the non-refundable consideration received in relation to the Company's giving of its consent in favor of a third party to be able to buy from another party certain parcels of land contributed to a joint arrangement (see note 20 to the consolidated audited financial statements). Subject to certain terms and conditions governing the transfer of such rights to the third party, the Company is entitled to consideration totaling P2,050.0 million over two years, of which a non-refundable portion amounting to P850.0 million and 1,200.0 million was received by the Company for the twelve months ended December 31, 2019 and 2018, respectively.

Tax Expenses

Our tax expenses increased by P122.8 million, or 23.0%, from P657.5 million in 2018 to P1,075.2 million in 2019, representing an effective income tax rate of 30.6% and 30.5% of gross revenue, respectively.

Net Profit

Net profit attributable to parent company increased by P462.8 million, or 24.2%, from P1,911.2 million in 2018 to P2,374.0 million in 2019.

Balance Sheet Accounts

Total Assets

The Company's total assets increased by P1,478.1 million, or 5.0%, from P29,788.7 million as of December 31, 2018 to P 31,266.8 million as of December 31, 2019 due to the following:

- Cash and cash equivalents decreased by P2,337.8 million, or 31.0%, from P7,549.2 million to P5,211.4 million as of December 31, 2018 and December 31, 2019, respectively, primarily due to payment of maturing loans and payment to subcontractors for the on-going construction of the Group's pipeline projects.
- Receivables increased by P574.5 million, or 11.9%, from P4,811.3 million to P5,385.8 million as of December 31, 2018 and December 31, 2019, respectively, primarily due to the recognition of rental receivable based on PAS17.
- Contract asset increased by P82.3 million, or 49.4%, from P166.7 million to P249.0 million as of December 31, 2018 and December 31, 2019, respectively, primarily due to the increase in units that qualified for revenue recognition and the increase in percentage of completion of Pixel Residences and MidPark Towers. Contract asset pertains to unconditional rights to payment for the total consideration upon the completion of the development of the property sold.
- Land and land development cost decreased by P149.7 million, or 6.9%, from 2,162.2 million to P2,012.5 million as of December 31, 2018 and December 31, 2019, respectively, primarily due reclassification of cost of land leased area to investment properties - net.
- Property development costs increased by P456.7 million, or 64.2%, from P711.4 million to P1,168.1 million as of December 31, 2018 and December 31, 2019, respectively, primarily due to the cost incurred in constructing Pixel Residences and MidPark Towers. As of December 31, 2019, percentage of completion for Pixel Residences and MidPark Towers is 70.5% and 12.9%, respectively.
- Other current assets increased by P1,032.0 million, or 55.7%, from P1,854.4 million to P2,886.4 million as of December 31, 2018 and 2019, respectively, primarily due to additional placements to short-term time deposits.

- Property, plant and equipment - net increased by P311.4 million, or 238.3%, from P130.7 million to P442.1 million as of December 31, 2018 and December 31, 2019, respectively, primarily due to the cost of Aseana Three allocated for the Group's own use of office space and the related cost incurred for its fit out.
- Investment properties - net increased by P1,124.3 million, or 9.8%, from P11,448.4 million to P12,572.7 million as of December 31, 2018 and December 31, 2019, respectively, primarily due to the cost incurred for 8912 Asean Ave., Parqal, Aseana Plaza, 58 Jupiter, and reclassification of cost of land leased area from Land and Land Development Cost. In 2019, the Group recognized a right-of-use asset amounting to P158.2 million related to a leased land where Aseana Three is located.
- Deferred tax assets increased by P123.0 million, or 256.5% from P47.9 million to P170.9 million as of December 31, 2018 and December 31, 2019, respectively, primarily due to taxes paid related to collections from buyers of condominium units.
- Other non-current assets increased by P382.4 million, or 52.8%, from P723.6 million to P1,106.0 million as of December 31, 2018 and December 31, 2019, respectively, primarily due to additional deposit or downpayment on progress billings of subcontractors.

Total Liabilities

Total liabilities in decreased by P189.1 million, or 1.7%, from P10,922.7 million as of December 31, 2018 to P10,733.6 million as of December 31, 2019 due to the following:

- Loans and borrowings decreased by P1,417.2 million, or 73.5%, from P1,928.9 million to P511.7 million as of December 31, 2018 and December 31, 2019, respectively, primarily due payment of maturing loans.
- Trade and other payables increased by P181.6 million, or 17.9%, from P1,014.0 million to P1,195.6 million as of December 31, 2018 and December 31, 2019, respectively, primarily due to increase in deferred output VAT payable of P235.0 million, increase in retention payable of P38.1 million related to a portion of progress billings from suppliers, increase in other liabilities pertaining to statutory payables of P61.1 million, and decrease in payable to subcontractors and suppliers of P152.6 million.
- Contract liability increased by P344.2 million, or 163.6%, from P210.5 million to P554.7 million as of December 31, 2018 and December 31, 2019, respectively, primarily due to the increase in the amount received from real estate customers in excess of the amount the Group has rights to receive based on the progress of the real estate development.
- Deposits and advances increased by P251.5 million, or 19.4%, from P1,298.4 million to P1,549.9 million as of December 31, 2018 and December 31, 2019, respectively, mainly due to payments received related to the sale of condominium units of Pixel Residences and MidPark Towers.

- Lease liability increased by P164.4 million, or 100%, as of December 31, 2019 primarily due to adoption of PFRS 16. Lease liability is measured at the present value of the lease payments unpaid discounted using implicit interest rate (see note 2.18 of consolidated audited financial statements).
- Income tax payable increased by P388.6 million, or 349.5%, as of December 31, 2019 primarily due to the increased of net taxable income.
- Deferred tax liabilities increased by P181.6 million, or 24.2%, from P721.0 million to P902.6 million as of December 31, 2018 and December 31, 2019, respectively, due to recognition of deferred income taxes related to deferred rental income.
- Retirement benefit obligation decreased by P24.1 million, or 87.3%, from P27.6 million to P3.5 million as of December 31, 2018 and 2019, respectively, due to establishment of post-employment benefit plan that is being administered by a trustee bank legally separated from the Group.

Total Equity

Total equity increased by P1,667.2 million, or 8.8%, from P18,866.0 million to P20,533.2 million as of December 31, 2018 and December 31, 2019, respectively, primarily due to the results of operation of P2,252.0 million for the year ended December 31, 2019, increase in revaluation reserves – net of P20.4 million, net of declaration of dividends of P524.5 million, and effect in change in ownership of P80.6 million that resulted from the sale of rights.

Other Key Financial Ratios

The Company's key performance indicators are measured in terms of the following: (a) Current ratio which determines the liquidity of the Company (b) Debt to equity which determines the Company's financial leverage (c) Return on equity which measures the profitability to capital provided by stockholders (d) net income ratio which measures the ratio of net profit to total gross revenue (e) recurring income contribution.

- Current ratio decreased to 1.61 from 1.62 as of December 31, 2019 and 2018, respectively, mainly due to the proceeds from the listing of the Company's shares.
- Debt to equity ratio decreased to 3% from 11% as of December 31, 2019 and 2018, respectively, due to payment of maturing loans.
- Return on equity decreased to 12% from 14% as of December 31, 2019 and 2018, respectively, as a result of operations.

Net income margin increased to 64% as of the period ended December 31, 2019 from 89% as of the same period in 2018 mainly due to change in revenue mix. In 2018, the

Parent Company received P1,200.0 million as Other income (see discussion on Other income) which resulted in the Parent Company not needing to sell lots in Aseana City.

- Recurring income contribution decreased to 56% in 2019 from 88% in 2018. As discussed above, there was a change in revenue mix as a result of land sale for the year.

The Company has no known direct or contingent financial obligation that is material to the Company, including any default acceleration of an obligation. There were no contingent liabilities or assets in the Company's balance sheet. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year as of balance sheet date.

Item 7. Financial Statements

Please see the attached 2021 consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules.

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

Independent Public Accountants

Punongbayan & Araullo, a member firm of Grant Thornton International Ltd., independent auditors, has audited our consolidated financial statements as of and for the years ended December 31, 2021, 2020 and 2019.

Punongbayan & Araullo has acted as our external auditor since 2010. Endel Mata is our current and prior year audit partner.

The same firm is being recommended for re-appointment as the Corporation's external auditor for the period ended December 31, 2022. The re-appointment of Punongbayan & Araullo will be presented to the stockholders for their approval at the 2022 Annual Stockholders' Meeting.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

We have not had any material disagreements on accounting and financial disclosures with our current external auditors for the same periods or any subsequent interim period. Punongbayan & Araullo has neither shareholdings in us nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in us. Punongbayan & Araullo will not receive any direct or indirect interest in us or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The succeeding table sets out the aggregate fees billed for each of the last two fiscal years for professional services rendered by Punongbayan & Araullo.

| | <u>2021</u> | <u>2020</u> |
|--------------------------------------|-----------------|-------------|
| | (₱ in millions) | |
| Audit and audit-related fees | | |
| Audit services | 3.8 | 3.8 |
| | | |
| Other assurance and related services | 0.4 | 0.4 |
| | | |
| All other fees | 0.5 | 0.5 |
| | | |
| Total | <u>4.7</u> | <u>4.7</u> |

In relation to the audit and review of our consolidated financial statements, our Manual provides that the Audit and Risk Committee shall, among other activities (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of our Company; (ii) ensure that other non-audit work provided by the external auditors is not in conflict with their functions as external auditors; and (iii) ensure our compliance with acceptable auditing and accounting standards and regulations.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The succeeding table sets out certain information regarding the members of the Board and our senior management. All members of the Board and executive officers listed below are citizens of the Philippines.

| <u>Name</u> | <u>Age</u> | <u>Position</u> |
|--------------------------------|------------|---|
| Sylvia C. Wenceslao | 77 | Chairperson |
| Delfin Angelo C. Wenceslao | 42 | Director and Chief Executive Officer |
| Paolo Vincent C. Wenceslao | 45 | Director and Chief Operating Officer |
| Carlos Delfin C. Wenceslao | 50 | Director and Vice President for Logistics |
| Edwin Michael C. Wenceslao | 46 | Director and Vice President for Treasury and Administration |
| Alberto P. Fenix, Jr. | 77 | Independent Director |
| Oscar S. Reyes | 76 | Independent Director |
| Atty. Heherson M. Asiddao, CPA | 43 | Chief Finance Officer |
| Atty. Paul Mar M. Quinto | 52 | Chief Legal Officer and Corporate Secretary |
| Jeffrey Lucero | 27 | Investor Relations Officer |
| Atty. Rommel Casipe | 35 | Compliance Officer |

The business experience for the past five years of each of our Directors and executive officers is set out below.

Delfin J. Wenceslao, Jr., *Director, President and Chairman of the Board (1965- October 2021)*

Mr. Delfin J. Wenceslao, Jr. is the President, Chairman of the Board and co-founder of the Company since April 1965. He is also the President or Chairman of all of the Group companies. In addition, he is the former President of the Philippine Constructors Association, a board member of the International Federation of Asian and Western Pacific Contractors' Associations, and a member of the Chamber of Real Estate & Builders' Associations, Inc.

Mr. Wenceslao, Jr. is a licensed real estate broker and holds a Bachelor of Science degree in Economics from Ateneo de Manila University, a Master of Business Administration degree and a Doctorate of Business Administration from Pamantasan Lungsod ng Maynila.

Sylvia C. Wenceslao, *Chairperson (November 2021)*

Dr. Sylvia C. Wenceslao is the Chairperson of D.M. Wenceslao and Associates, Incorporated. Prior to Dr. Sylvia C. Wenceslao's appointment as Chairperson, she served as the company's Treasurer and most recently, Vice President for Corporate Social Responsibility. Concurrently, she also serves as Vice Chairman of Wendel Construction Company Inc., Director and Vice President of Fabricom, Inc., Treasurer of Philippine Ecopanel Inc., Wendel Holdings Company Inc. and Director of Aseana Holdings, Inc.

Dr. Sylvia C. Wenceslao holds a Doctor of Medicine from the University of Santo Tomas.

Delfin Angelo C. Wenceslao, *Director and Chief Executive Officer*

Mr. Delfin Angelo C. Wenceslao is a Director and the Chief Executive Officer of the Company since June 2015. He is the President of Aseana Holdings, Inc., Aseana Gas Energy Corp. and U-City Technologies Philippines, Inc. He is also the Managing Director of Aseana Real Estate and Management Corp. He serves as the Chief Executive Officer of ABPEA and Vice President of Property Management of Aseana Residential Holdings Corp. (formerly Bowood Holdings, Inc.) and Portal Holdings, Inc. He also serves as an executive officer for almost all of the Group companies.

Mr. Wenceslao is a licensed real estate broker and holds a Bachelor of Arts degree in Management Economics from Ateneo de Manila University and a Master of Science degree in Real Estate Development from Massachusetts Institute of Technology.

Paolo Vincent C. Wenceslao, *Director and Chief Operating Officer*

Mr. Paolo Vincent C. Wenceslao is a Director and the Chief Operating Officer of the Company since June 2015. He is the President of Wendel Ground Improvement, Inc., and Vice President of Operations of Aseana Residential Holdings Corp. (formerly Bowood Holdings, Inc.), Portal Holdings Inc. and ABCC. He is also the Chief Operating Officer of ABPEA and serves as a director of a majority of our Group companies.

Mr. Wenceslao is a licensed civil engineer and real estate broker. He holds a Bachelor of Science degree in Civil Engineering from De La Salle University.

Edwin Michael C. Wenceslao, *Director and Treasurer*

Mr. Edwin Michael C. Wenceslao is a Director and the Treasurer of the Company since 2002. He is the President of Aquadisk Corporation and Managing Director of S Foods Corp., D. Foods Corp., P. Foods Inc., Alphainvest Corporation and Grandwen-B Gas Corp. He is the Chief Financial Officer of ABPEA. He also serves as a director and Treasurer of Aseana Holdings, Inc., Fabricom, Inc., BAHI and other affiliates of our Company. He is a director and Treasurer of Aseana Residential Holdings Corp. (formerly Bowood Holdings, Inc.), Aseana Gas Energy Corp. and U-City Technologies Philippines, Inc. He likewise serves as a director of Portal Holdings, Inc., WHI and other affiliates of the Company.

Mr. Wenceslao holds a Bachelor of Arts degree in Humanities with specialization in Entrepreneurial Management from the University of Asia and the Pacific and a Master of Business Administration degree from the Ateneo Graduate School of Business. Mr. Wenceslao also received financial training at Jupiter Asset Management in London, England.

Carlos Delfin C. Wenceslao, *Director and Vice President for Logistics*

Mr. Carlos Delfin C. Wenceslao is a Director of the Company since May 1997. He is the President of Urban Agro Products, Inc., the Executive Vice President of SHLP-BBP Realty Inc., and the Corporate Secretary of ABPEA. He is a director and Vice President of Logistics of Aseana Residential Holdings Corp. (formerly Bowood Holdings, Inc.) and Portal Holdings, Inc. He is a director of Aseana Holdings, Inc., WHI, and other affiliates of our Company.

Alberto P. Fenix, Jr., *Independent Director*

Dr. Alberto P. Fenix, Jr. was elected as an independent Director of the Company on February 23, 2018. He has over 40 years of experience in various industries such as manufacturing, mining, commercial and investment banking, and real estate. He is a director of SPC Power Corporation and was also a director of Victorias Milling Company, Inc. He is also the Chairman and President of Fenix Management and Capital, Inc. and Alpina Realty, Inc., as well as President of Ivoclar Vivadent, Inc.

Dr. Fenix holds a master's and doctorate degrees in Industrial Management from Massachusetts Institute of Technology's Sloan School of Management and a bachelor's degree in Mathematics from Ateneo de Manila University.

Oscar S. Reyes, *Independent Director*

Mr. Oscar S. Reyes was the former President and Chief Executive Officer of Manila Electric Company from May 2012 to May 2019, wherein he also served as Senior EVP and COO from July 2010 to May 2012. Prior thereto, Mr. Reyes was the Country Chairman of the Shell companies in the Philippines, and the President & CEO of Pilipinas Shell Petroleum Corp. from May 1997 to December 2011. He held various executive and directorship positions in the said companies from January 1986 to December 2004.

Currently, Mr. Reyes is an Independent Director of Manila Water Company, Pepsi Cola Products Philippines Inc., Basic Energy Corporation and Cosco Capital Inc., and a member of the Advisory Council of PLDT Inc., and Bank of the Philippine Island.

Mr. Reyes obtained his Bachelor of Arts, Major in Economics (Cum Laude) from Ateneo de Manila University in 1965 and Master of Business Administration (Academic units completed) from Ateneo Graduate Business School in 1971. He also attended the Japan Productivity

Center/Asian Productivity Organization Business Management Consultants and Trainers' Program, the Waterloo Lutheran University International Management Development Program in Canada, the Harvard Business School Program for Management Development in the United States, and the Lensbury Centre Commercial Management Study Program in the United Kingdom

Atty. Heherson M. Asiddao, CPA, *Chief Finance Officer*

Atty. Heherson M. Asiddao is the Chief Finance Officer of the Company since 2015. He had extensive experience as an auditor with Punongbayan & Araullo in the Philippines prior to joining the Company. He also has experience in a real estate company and a listed construction company.

Atty. Asiddao holds a Bachelor of Science degree in Accountancy and a Bachelor of Laws degree from San Beda College. He is a member of the Philippine Institute of Certified Public Accountants and the Integrated Bar of the Philippines.

Atty. Paul Mar M. Quinto, *Chief Legal Officer and Corporate Secretary*

Atty. Paul Mar M. Quinto is the Chief Legal Officer and Corporate Secretary of the Company since June 25, 2015. He is the in-house Legal Counsel for all of the Group companies and also possesses legal private practice and other in-house working experience prior to joining the Company.

Atty. Quinto completed his Political Science and Law degrees from the University of the Philippines and is a member of the Integrated Bar of the Philippines.

Jeffrey Lucero, *Investor Relations Officer*

Mr. Jeffrey Lucero is the Investor Relations Officer of the Company. Prior to joining the Company, he was an Equity Analyst in a local trust and asset management group and in a local stock brokerage firm. He was also part of the Investor Relations team of one of the largest conglomerates in the country.

Mr. Lucero graduated Cum Laude from De La Salle University with a Bachelor's degree in Business Management.

Atty. Rommel Casipe, *Compliance Officer*

Atty. Rommel T. Casipe is the Compliance Officer of our Company since 10 March 2022. Before joining the Company, he worked as an associate lawyer specializing in Labor Law and Trademark Law.

He obtained his bachelor's degree in Sports Science from University of the Philippines and Law degree from Far Eastern University. He became a member of the Integrated Bar of the Philippines in 2019.

Significant Employees

We consider the collective efforts of our employees as vital to our success. We do not solely rely on key individuals for the conduct of our business. Therefore, the resignation or loss of any non-executive employee will not have any significant, adverse effect on our business. No special arrangement with non-executive employees to assure their continued stay with us exists, other than standard employment contracts.

Family Relationships

Ms. Sylvia C. Wenceslao is the widow of Mr. Delfin J. Wenceslao, Jr. (“**Spouses Wenceslao**”). Spouses Wenceslao are the the parents of Messrs. Carlos Delfin, Edwin Michael, Paolo Vincent and Delfin Angelo, all surnamed Wenceslao.

Other than the foregoing, there are no family relationships either by consanguinity or affinity up to the fourth civil degree among our Directors, executive officers and shareholders.

Involvement in Certain Legal Proceedings of Directors and Executive Officers

To the best of our knowledge and belief and after due inquiry, none of the Directors, nominees for election as director, or executive officers of our Group have in the five-year period prior to the date of this report:

(1) had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time;

(2) convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses;

(3) subjected to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or

(4) found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

Item 10. Executive Compensation

Compensation

The succeeding table sets out our Chief Executive Officer (“CEO”) and the four most highly compensated executive officers for the year ended December 31, 2021:

| <u>Name</u> | <u>Position</u> |
|--------------------------------|---|
| Delfin Angelo C. Wenceslao | Director and Chief Executive Officer |
| Paolo Vincent C. Wenceslao | Director and Chief Operating Officer |
| Edwin Michael C. Wenceslao | Director and Treasurer |
| Carlos Delfin C. Wenceslao | Director and Vice President for Logistics |
| Atty. Heherson M. Asiddao, CPA | Chief Finance Officer |

The following table identifies and summarizes the aggregate compensation of our CEO and the four most highly compensated executive officers, as well as the aggregate compensation paid to all other officers and Directors as a group, for the years ended December 31, 2020 and 2021:

| | <u>Year</u> | <u>Salary</u> <u>(P million)</u> | <u>Other</u> <u>Variable Pay</u> <u>(P million)</u> |
|---|----------------|-------------------------------------|---|
| CEO and the four most highly compensated executive officers named above | Actual 2020 | 22.0 | 2.0 |
| | Actual 2021 | 22.0 | 2.0 |
| | Projected 2022 | 23.1 | 2.1 |
| Aggregate compensation paid to all other officers and Directors as a group unnamed..... | Actual 2020 | 55.8 | 4.0 |
| | Actual 2021 | 40.3 | 3.0 |
| | Projected 2022 | 42.3 | 3.2 |

Members of the Board of Directors are given a standard per diem of P50,000 per Board meeting.

Standard Arrangements

Other than payment of reasonable per diem of P50,000 for every Board meeting, there are no standard arrangements pursuant to which our Directors are compensated directly or indirectly, for any services provided as a director.

Other Arrangements

There are no arrangements pursuant to which any of our Directors is compensated, directly or indirectly, for any service provided as a director.

Warrants and Options Outstanding

As of December 31, 2021, there are no outstanding warrants or options held by our CEO, the named executive officers, and all other officers and Directors as a group.

Item 11. Security Ownership of Certain Beneficial Owners and Management

- a. Security Ownership of Certain Record and Beneficial Owners of more than 5% as of December 31, 2021:

| Title of Securities | Name and Address of Record Owner and Relationship with Issuer | Name of Beneficial Owner and Relationship with Record Owner | Citizenship | No. of Shares held | Percent of Class |
|---------------------|--|---|-------------|--------------------|------------------|
| Common | Wendel Holdings Co. Inc., ⁽¹⁾ 15 th Floor, Aseana 3, Paranaque City | See Note 1 below | Filipino | 2,715,353,627 | 79.96% |
| Common | PCD Nominee Corporation | PCD Participants | Filipino | 640,170,865 | 18.72% |

Note:(1) WHI is beneficially owned by AEJ Resources OPC – 16.6%; CEPD Resources OPC – 33.27%; BM Resources OPC – 16.6%; JPEI Resources OPC – 16.6%; DPP Resources OPC – 16.6% in which these companies are wholly owned company of Wenceslao Family.

- b. Security Ownership of Management as of December 31, 2021:

| Title of Class | Name of beneficial owner | Amount and nature of beneficial ownership | | Citizenship | % of total outstanding Shares |
|---|------------------------------|---|--------------|-------------|-------------------------------|
| | | Direct(D) | Indirect (I) | | |
| Directors | | | | | |
| Common | Oscar Sison Reyes | | 100 (D) | Filipino | 0.0001% |
| Common | Alberto Victor P. Fenix, Jr. | | 100 (D) | Filipino | 0.0001% |
| CEO and Most Highly Compensated Executive Officers | | | | | |
| Common | Sylvia C. Wenceslao | | 15,825 (D) | Filipino | 0.0001% |
| Common | Carlos Delfin C. Wenceslao | | 1,583 (D) | Filipino | 0.0001% |
| Common | Delfin Angelo C. Wenceslao | | 1,583 (D) | Filipino | 0.0001% |
| Common | Edwin Michael C. Wenceslao | | 1,583 (D) | Filipino | 0.0001% |
| Common | Paolo Vincent C. Wenceslao | | 1,583 (D) | Filipino | 0.0001% |
| Common | Heherson M. Asiddao | | 50,100 (D) | Filipino | 0.001% |

Except as disclosed above, none of our other executive officers own shares directly or indirectly in our Company. Ownership in our Company is limited to that indicated in the foregoing.

Voting Trust Holders of 5% or more

We have no knowledge of any person holding more than 5% of shares under a voting trust or similar agreement.

Recent Issuances of Securities Constituting Exempt Transactions by our Company

Not applicable.

Change in Control

As of December 31, 2021, we do not know of any arrangements that may result in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

The Company and its subsidiaries, in their ordinary course of business, engage in transactions with its Ultimate Parent, associates, joint ventures and related parties under common ownership and management. In the normal course of business, the Group grants unsecured and noninterest-bearing cash advances to related parties for working capital requirements and other purposes. Certain advances to related parties are secured by an undertaking of another related party to pay in case of default. Outstanding balances with related parties are unsecured, noninterest bearing, have no fixed repayment and settlement terms, except for the due to Ultimate Parent Company that is payable beyond 12 months.

On October 28, 2019, the Company adopted a Revised Related Party Transactions Policy as mandated by the Securities and Exchange Commission. The policy specifies that the Board shall have the overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. The policy includes the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions.

The Board of Directors reviews and approves all material RPTs, as defined in this policy, endorsed by the Related Party Transaction Committee. All Board-approved material RPTs may be subject to ratification by a vote of the majority of the minority shareholders.

| Related Parties | Nature of Transaction |
|------------------------|--|
| WHI | <p>We have and may continue to acquire land in Aseana City from our majority shareholder, WHI. As of December 31, 2021, we had outstanding purchase payments to WHI amounting to P3,990.1 million, which are represented as advances from and due to related parties in our consolidated financial statements.</p> <p>We have executed an assumption of liability agreement with WHI in relation to our funding of start-up and operational costs of a certain related party under common ownership and management. Total advances to WHI including the amount secured by the undertaking amounted to P473.2 million and is presented as Advances to related parties under Receivables account in the consolidated statements of financial position.</p> <p>The Group entered into a lease agreement with the Ultimate Parent Company for certain parcels of land with lease term of 30 years. As of December 31, 2021, in accordance with PFRS 16 (see Note 16 of the consolidated financial statements), the Group recognized right-of-use asset and lease liability amounting to P483.0 million and P515.5 million, respectively, for this lease arrangement. The Group incurred depreciation expense and interest expense amounting to P20.4 million and P12.1 million, respectively, in 2021.</p> <p>In 2021, the Parent Company also entered into a contract with WHI to render certain performance obligations relative to the management and administration of the latter's real estate properties, including portions leased to a third party. Revenue recognized from this arrangement amounted to P3.6 million and presented as part of Other Revenues from Rentals under the Revenues section of the 2021 consolidated statement of profit or loss. The outstanding balance, which is unsecured and noninterest-bearing, for the same amount is presented as part of Receivables – net in the 2021 consolidated statement of financial position.</p> |

| Related Parties | Nature of Transaction |
|---|--|
| <p>European Resources and Technology, Inc. Mandaue Land Consortium Bay Resources and Development Corporation Wendel Vega Marine Carrier Wendel Ground Improvement, Inc. 10k South Concrete Mix Specialist Bay Security Services Wendel Osaka Realty Corp. Aseana CL Beach and Marina Development Corp Urban Argo Products, Inc. Aseana Powerstation Association, Inc.</p> | <p>We made unsecured noninterest-bearing cash advances in prior years to these related parties in connection with the funding of start-up and operational costs and working capital of these entities. These entities were strategically established to complement the overall development of Aseana City and our businesses:</p> <ul style="list-style-type: none"> • Our associate, European Resources and Technology, Inc. provides proper waste management to local and government units. Mandaue Land Consortium is engaged in general realty including owning, reclaiming, enlarging real estate and lands of all kinds. • Our joint venture, Bay Resources and Development Corporation was established to acquire, develop and market real estate properties. The Group and BRADCO entered into certain construction contracts in 2021 and prior years whereby the Group undertook to complete the design and construction of the roads, drainage system and underground utilities of certain lots situated at Aseana City. The construction was completed in 2017. The related contract receivable and retention receivable amounted to P45.1 million as of December 31, 2021. Also, the company has granted cash advance to BRADCO for its working capital requirements. Outstanding balance as of December 31, 2021 amounted to P37.6 million. • All of the remaining eight related parties under common ownership and management provide construction materials such as wall panels and cement. As of December 31, 2021, total advances to these related parties amounted in the aggregate to P205.1 million |

| Related Parties | Nature of Transaction |
|--------------------------------|---|
| ABPEA..... | <p>As a member of ABPEA and Aseana Power Station Association, Inc., we incur association dues. For the period ended December 31, 2021, the Group incurred association dues amounted to P35.2 million.</p> <p>The Group recognized income amounting to P39.2 million in 2020 from rendering of various administrative services to its related parties and are included as part of Other Operating Income account in the consolidated statements of profit or loss.</p> |
| Key Management Personnel | We paid short-term benefits, including salaries and allowances, bonuses and other employment benefits to certain key management personnel, which amounted to P43.3 million for the year ended December 31, 2021. |

For further information on the Company’s related party transactions, including detailed breakdowns of amounts receivable from and amounts payable to affiliated companies, see Note 26 to the Company’s financial statements as of and for the calendar year ended December 31, 2021.

PART IV – CORPORATE GOVERNANCE

Item 13.A Corporate Governance

The Board of Directors approved and adopted the Revised Corporate Governance Manual (“**Manual**”) on May 29, 2019 pursuant to the New Code on Corporate Governance for Publicly Listed Companies issued by the Securities and Exchange Commission (“SEC”) pursuant to SEC Memorandum Circular No. 19 Series of 2016 and SEC Memorandum Circular No. 8 Series of 2017.

The structure and processes set forth in the Manual, the Articles of Incorporation and By-Laws, in conjunction with the commitment to the governance principles of transparency, accountability, fairness and integrity, form the basic framework of governance by which the Company’s Board of Directors, officers, executives and employees shall strive to achieve the Company’s strategic objectives, create value for all its stakeholders, and sustain its long-term viability.

The Manual features the following provisions:

- Protection of investors. The Manual provides for shareholders' rights and protection, investor relations, dividend policy and a disclosure system to ensure transparency and accountability.
- Board of directors and management. The detailed qualifications and disqualifications, duties, functions and responsibilities of the Board and executive officers are also enumerated in the Manual.
- Checks and balances. The Manual contains the vision, strategic objectives, key policies, procedures for the management of our Company, and mechanisms for monitoring and evaluating management's performance.
- Compliance with the Manual. The appointment of a Compliance Officer to monitor compliance with and violations of the Manual is also provided.
- Creation of committees. The Manual mandates the creation of the Executive Committee, the Audit and Risk Committee, and the Compensation and Remuneration Committee to ensure the performance of certain important functions of the Board and management.

Executive Committee

The Executive Committee acts on specific matters within the competence of the Board as may from time to time be delegated to the executive Committee under our Company's By-Laws, except with respect to: 1) the approval of any action for which shareholders' approval is also required; 2) the filling of vacancies on the Board or the Executive Committee; 3) the amendment or repeal of By-Laws or the adoption of new By-laws; 4) the amendment or repeal of any resolution of the Board of Directors that cannot be amended or repealed based on the terms of the resolution; 5) the distribution of cash dividends; and 6) the exercise of powers delegated by the Board exclusively to other committees, if any.

Audit and Risk Committee

The Audit and Risk committee is responsible for assisting the Board in its fiduciary responsibilities by providing an independent and objective assurance to its management and shareholders of the continuous improvement of its risk management systems, business operations, control and governance processes. The committee assists the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process and monitoring of compliance with laws, rules and regulations, oversight over the external auditors, the nature, scope and expenses of the audit, and evaluation and determination of any non-audit work and review of the non-audit fees paid to the external auditors.

Compensation and Remuneration Committee

The Compensation and Remuneration Committee is responsible for objectively recommending a formal and transparent framework of remuneration and evaluation for the members of the Board and our key executives to enable them to run the Group successfully.

Nomination and Election Committee

The Nomination and Election Committee is responsible for providing the Company's shareholders with an independent and objective evaluation and assurance that the members of the Board are competent and will foster long-term success and competitiveness. The nomination and

election procedures of independent Directors are in accordance with Securities Regulation Code of the Philippines Rule 38 and related regulations.

Item 13.B Sustainability Report

Please see the attached SEC MC No. 4 Annex A and schedules listed in the accompanying Index to SEC MC No. 4 Annex A

PART V - EXHIBITS AND SCHEDULES

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

A. Exhibits – see accompanying Index to Exhibits

The following exhibit is incorporated by reference in this report:
2021 Consolidated Audited Financial Statements

B. Reports on SEC Form 17-C

The following is a list of corporate disclosures filed under SEC Form 17-C for the period from January 1, 2021 to December 31, 2021:

| <u>Date of Disclosure</u> | <u>Subject Matter</u> |
|---------------------------|---|
| January 6, 2021 | Amendment of Articles of Incorporation to Change Principal Office Address |
| January 6, 2021 | Amendment of By Laws to Include Remote Communication as Means to Participate in Meetings and Delegation of Power to Amend By Laws to the Board of Directors |
| January 15, 2021 | Amendment of Articles of Incorporation to Change Principal Office Address |
| January 15, 2021 | Amendment of By Laws to Include Remote Communication as Means to Participate in Meetings and Delegation of Power to Amend By Laws to the Board of Directors |
| March 4, 2021 | Declaration of Cash Dividends |
| March 4, 2021 | Results of the Regular Meeting of the Board of Directors |
| March 9, 2021 | Notice of Analysts' Briefing |
| March 15, 2021 | Press Release "D.M. Wenceslao and Associates, Inc.'s net income reaches P2.13 billion in 2020" |
| April 7, 2021 | Change in the address of the Company |
| April 8, 2021 | Resignation of Ms. Reiko G. Yaeo as Investor Relations Officer |
| April 8, 2021 | Notice of Annual Stockholders' Meeting |
| May 14, 2021 | Results of the Regular Meeting of the Board of Directors |
| May 18, 2021 | Notice of Analysts' Briefing |
| June 24, 2021 | Appointment of Mr. Jeffrey Lucero Investor as Relations Officer |
| June 25, 2021 | Results of the Annual Stockholders' Meeting for 2021 |

| <u>Date of Disclosure</u> | <u>Subject Matter</u> |
|----------------------------------|---|
| July 6, 2021 | Press Release "Wenceslao Family Consolidates DMW Shareholding Under Family Holding Company - WHC, Inc." |
| August 4, 2021 | Notice of Analysts' Briefing |
| August 13, 2021 | Results of the Regular Meeting of the Board of Directors |
| August 13, 2021 | Press Release "D.M. Wenceslao and Associates, Inc. Reports 18% Increase in 1H2021 Net Income to P853 Million" |
| September 17, 2021 | Passing of D.M. Wenceslao & Associates Incorporated's Chairman, Mr. Delfin J. Wenceslao Jr. |
| October 29, 2021 | Notice of Analysts' Briefing |
| October 29, 2021 | Press Release "DMW's Building Leasing Space Rises 76% to 160,000 sqms with the Completion of 8912 Asean Ave" |
| November 12, 2021 | Results of the Regular Meeting of the Board of Directors |
| November 15, 2021 | Press Release " D.M. Wenceslao and Associates, Inc.'s 9M2021 Core Net Income Grows 4% to P1.04 billion |
| December 9, 2021 | Press Release "DMW Inaugurates 58 Jupiter Commercial Building in Makati City" |

INDEX TO EXHIBITS
Form 17-A

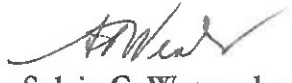
| No. | | Page No. |
|-------------|--|-----------------|
| (3) | Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession | * |
| (5) | Instruments Defining the Rights of Security Holders, Including Indentures | * |
| (8) | Voting Trust Agreement | * |
| (9) | Material Contracts | * |
| (10) | Annual Report to Security Holders, Form 11-Q or Quarterly Report to Security Holders | * |
| (13) | Letter re Change in Certifying Accountant | * |
| (16) | Report Furnished to Security Holders | * |
| (18) | Subsidiaries of the Registrant | |
| | <i>(Please refer to Note 2 of the attached 2020 consolidated financial statements for details)</i> | |
| (19) | Published Report Regarding Matters Submitted to Vote of Security Holders | * |
| (20) | Consent of Experts and Independent Counsel | * |
| (21) | Power of Attorney | * |
| (22) | Additional Exhibits | * |

* These Exhibits are either not applicable to the Company or require no answer.

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 _____ on _____, 20__.

By:


Sylvia C. Wenceslao
Chairman


Delfin Angelo C. Wenceslao
Chief Executive Officer


Atty. Heherson M. Asiddao
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this _____ day of _____ 20__
affiant(s) exhibiting to me his/their Residence Certificates, as follows:

13 APR 2022
Makati City

| NAMES | Passport No. | DATE OF ISSUE | PLACE OF ISSUE |
|----------------------------|--------------|------------------|----------------|
| Sylvia C. Wenceslao | P3646352A | July 11, 2017 | Manila |
| Delfin Angelo C. Wenceslao | P5710494A | January 22, 2018 | Manila |
| Heherson M. Asiddao | P5573311A | January 10, 2018 | Manila |

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Page No. 437
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Series of 2022.

Notary Public
ATTY. MA. FILIPINATE PABDAGAN
Notary Public for Makati City
Roll No. 80821
6105 Garcia St., South Cembo, Makati City
Email Add: atty.pia@pabdagan@gmail.com
IBP No. 147336 valid until December 31, 2022, Makati City
PTR No. 8852436, January 4, 2022, Makati City
6th MCLE Compliance Certificate No. VI-0028824
Commission No. M-39 until 31 December 2021
Extended until June 30, 2022 (B.M. 3795, September 28, 2021)

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 14-A, ITEM 7

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| | Consolidated Statements of Financial Position as of December 31, 2021, and 2020 | 63 | 2 |
| | Consolidated Statements of Profit or Loss for the Years Ended December 31, 2021, 2020, and 2019 | 65 | 1 |
| | Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2021, 2020, and 2019 | 66 | 1 |
| | Consolidated Statements of Changes in Equity for the Years Ended December 31, 2021, 2020, and 2019 | 67 | 1 |
| | Consolidated Statements of Cash Flows for the Years Ended December 31, 2021, 2020, and 2019 | 68 | 1 |
| | Notes to Consolidated Financial Statements | 69 | 111 |
| Supplementary Schedules | | | |
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| Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68 | | | |
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**Information presented herein are based on the separate financial statements of D.M. Wenceslao and Associates, Inc.*



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **D.M. Wenceslao & Associates, Inc. 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, 2021, 2020 and 2019, 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 Company or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for 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.

PUNONGBAYAN & ARAULLO, the independent auditors appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

SYLVIA C. WENCESLAO

Chairman

DELFIN ANGELO C. WENCESLAO

Chief Executive Officer

ATTY. HEHERSON ASIDDAO

Chief Financial Officer

Signed this 10th day March of 2022.

• CONSTRUCTION • SUPERVISION AND MANAGEMENT • PLANNING AND DESIGN • DEVELOPMENT •



MEMBER



Management Service



Accreditation by the Joint Accreditation System
of Australia and New Zealand URL
www.jas-anz.org/register

Cert. No. TUV 100 05 1867



SUBSCRIBED AND SWORN to before me this 05 day of APR 2022 at Makati City,
Philippines, affiants exhibiting to me their respective Passports, to wit:

| <u>Name</u> | <u>Passport No.</u> | <u>Date & Place of Issue</u> |
|----------------------------|---------------------|----------------------------------|
| Sylvia C. Wenceslao | P3646411A | July 11, 2017 |
| Delfin Angelo C. Wenceslao | P5710494A | January 22, 2018 |
| Atty. Heherson M. Asiddao | P5573311A | January 10, 2018 |

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ATTY. MA. FILIPINAS L. PIADAGAGAN
Notary Public for Makati City
Roll No. 60631
6105 Garcia St., South Cembo, Makati City
Email Add: atty.piadagagan@gmail.com
JBP No. 147336 valid until December 31, 2022, Makati City
PTR No. 8852436, January 4, 2022, Makati City
6th MCLE Compliance Certificate No. VI-0028824
Commission No. M-39 until 31 December 2021
Extended until June 30, 2022 (B.M. 3795, September 28, 2021)





P&A
Grant Thornton

FOR SEC FILING

Consolidated Financial Statements and
Independent Auditors' Report

**D.M. Wenceslao & Associates, Incorporated
and Subsidiaries**

December 31, 2021, 2020 and 2019



Report of Independent Auditors

Punongbayan & Araullo

20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

The Board of Directors and Stockholders
D.M. Wenceslao & Associates, Incorporated and Subsidiaries
(A Subsidiary of Wendel Holdings Co., Inc.)
15th Floor, Aseana 3
D. Macapagal Blvd. corner Asean Ave., Aseana City
Parañaque City

Opinion

We have audited the consolidated financial statements of D.M. Wenceslao & Associates, Incorporated and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) and described in Note 2 to the financial statements.

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 our audits 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.

Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements, which indicates that the consolidated financial statements have been prepared in accordance with PFRS, as modified by the financial reporting reliefs issued and approved by the SEC. The qualitative impact of the financial reporting reliefs on the consolidated financial statements are disclosed in Note 2 to the consolidated financial statements. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements, as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit of the consolidated financial statements of the Group are the following:

(a) Revenue Recognition for Rental of Investment Properties***Description of the Matter***

In 2021, the Group recognized revenue from rentals of investment properties amounting to P1,779.0 million, which represents 52% of the Group's total revenue. Rental income on long-term leases is recognized on a straight-line basis over the term of the relevant lease agreements as disclosed in Note 2 to the consolidated financial statements.

We identified the revenue recognition from rentals as significant to our audit due to the materiality of the amount of rental revenue, and the significant management judgment and complexity involved in the application of the provisions and terms of the lease agreements relative to the requirements of the applicable accounting standard, PFRS 16, *Leases*. An error in the Group's understanding of the significant terms and conditions of the lease agreements and accounting treatment may result in overstatement or understatement of the reported revenues and the related receivables recognized therefrom.

The Group's disclosures relating to revenues from rentals are disclosed in Notes 4, 15, 26 and 29.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to recognition of revenue from rentals included the following:

- inspecting, on a sample basis, the lease agreements entered into with the Group's tenants, and understanding the significant terms and conditions, as disclosed in Note 29 to the consolidated financial statements, affecting the recognition of rental income;
- determining, based on the significant terms and conditions of the lease agreements, whether the recognition of rental income is in compliance with the revenue recognition requirements of PFRS 16;

- recomputing, on a sample basis, the amounts of rental income and the related receivables taking into consideration, among others, the lease payments, lease terms (including rent-free periods), periodic rent escalations, and effect of any modifications; and,
- testing, on a sample basis, whether rental income related to existing lease agreements have been recognized in the proper accounting period.

(b) Revenue Recognition on Sale of Condominium Units

Description of the Matter

In 2021, the Group recognized revenue from sale of condominium units amounting to P615.4 million. As disclosed in Notes 2 and 3 to the consolidated financial statements, the Group recognizes revenue from sale of condominium units over time proportionate to the progress of the project development. The Group uses the input method in determining the percentage-of-completion after satisfying the gating criteria of PFRS 15, *Revenue from Contracts with Customers*, including establishing that collection of the total contract price is reasonably assured.

We identified the revenue recognition on sale of condominium units as significant to our audit as it requires significant management judgment in assessing the collectibility of the contract price, and estimating the stage of completion of the development project. An error in application of judgment and estimate could cause a material misstatement in the consolidated financial statements.

The details of revenue on sale of condominium units are disclosed in Note 4 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to revenue recognition on sale of condominium units included, among others, the following:

- evaluating appropriateness of the Group's revenue recognition policy, testing the design and operating effectiveness of processes and controls related to the recognition of revenues from sale of condominium units;
- determining, among others, whether the parties to the contract have approved the contract in writing; each party's rights regarding the condominium units and progress of development thereof can be identified; the payment terms can be identified; the risk, timing or amount of the future cash flows is expected to change as a result of the contract has been identified; and, the collection of the consideration is probable;
- evaluating the reasonableness of the percentage-of-completion by analyzing the costs incurred to date as a proportion of the total estimated and budgeted costs;
- examining, on a sample basis, contracts with customers and other relevant supporting documents to ascertain revenue occurrence and proper recognition and measurement based on contract terms and conditions;
- testing, on a sample basis, actual costs incurred through direct examination of relevant supporting documents;
- assessing the reasonableness of estimated contract costs with reference to contractors' and suppliers' quotes and historical costs of similar and recently completed projects, taking into consideration the effect of variation to the original contract terms;

- recomputing the revenues and costs recognized during the year based on the percentage-of-completion and tracing the revenues and costs recognized to the accounting records; and,
- evaluating appropriateness of the Group's continuous application of PFRS 15 on its real estate transactions.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A, and Annual Report for the year ended December 31, 2021, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2021 are 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 audits, or otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, as modified by the application of the financial reporting reliefs issued and approved by the SEC, 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding the independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is John Endel S. Mata.

PUNONGBAYAN & ARAULLO



By: John Endel S. Mata
Partner

CPA Reg. No. 0121347
TIN: 257-622-627
PTR No. 8852338, January 3, 2022, Makati City
SEC Group A Accreditation
Partner – No. 121347-SEC (until Dec. 31, 2023)
Firm – No. 0002 (until Dec. 31, 2024)
BIR AN 08-002551-040-2019 (until Dec. 15, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 10, 2022

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020
(Amounts in Philippine Pesos)

| | Notes | 2021 | 2020 |
|---|-------|-------------------------|------------------|
| <u>A S S E T S</u> | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 8 | P 5,665,952,194 | P 4,429,489,615 |
| Receivables - net | 9 | 3,313,198,467 | 2,673,656,536 |
| Contract asset | 10 | 33,217,659 | 92,002,207 |
| Land and land development costs | 11 | 2,080,156,703 | 2,112,536,724 |
| Property development costs | 10 | 1,589,013,035 | 1,068,576,685 |
| Other current assets | 12 | 1,367,905,540 | 1,873,156,315 |
| | | 14,049,443,598 | 12,249,418,082 |
| TOTAL Current Assets | | | |
| NON-CURRENT ASSETS | | | |
| Receivables | 9 | 3,925,600,540 | 3,573,191,833 |
| Contract asset | 10 | 110,874,110 | - |
| Investments in associates and a joint venture | 13 | 117,605,994 | 87,884,681 |
| Property and equipment - net | 14 | 322,642,051 | 370,166,803 |
| Investment properties - net | 15 | 17,566,285,617 | 15,539,479,768 |
| Deferred tax assets - net | 25 | 98,757,680 | 192,274,139 |
| Other non-current assets | 17 | 792,273,813 | 844,606,196 |
| | | 22,934,039,805 | 20,607,603,420 |
| TOTAL Non-current Assets | | | |
| TOTAL ASSETS | | P 36,983,483,403 | P 32,857,021,502 |

| | Notes | 2021 | 2020 |
|---|-------|--------------------------------|-------------------------|
| <u>LIABILITIES AND EQUITY</u> | | | |
| CURRENT LIABILITIES | | | |
| Loans and borrowings | 18 | P 1,094,850,000 | P 1,114,670,000 |
| Trade and other payables | 19 | 1,994,093,513 | 1,732,954,569 |
| Contract liability | 10 | 246,577,141 | 486,576,915 |
| Advances from and due to a related party | 26 | 4,034,868,945 | 4,033,118,154 |
| Deposits and advances | 20 | 791,435,455 | 921,641,564 |
| Lease liabilities | 16 | 46,564,508 | 11,282,400 |
| Income tax payable | | 199,140,295 | 56,357,206 |
| Total Current Liabilities | | <u>8,407,529,857</u> | <u>8,356,600,808</u> |
| NON-CURRENT LIABILITIES | | | |
| Loans and borrowings | 18 | 2,187,500,000 | 282,350,000 |
| Contract liability | 10 | 205,956,339 | 204,234,787 |
| Deposits and advances | 20 | 453,260,827 | 473,332,036 |
| Deferred tax liabilities - net | 25 | 989,064,015 | 1,056,709,662 |
| Lease liabilities | 16 | 487,471,404 | 154,244,514 |
| Retirement benefit obligation - net | 24 | 28,522,844 | 45,264,808 |
| Total Non-current Liabilities | | <u>4,351,775,429</u> | <u>2,216,135,807</u> |
| Total Liabilities | | <u>12,759,305,286</u> | <u>10,572,736,615</u> |
| EQUITY | | | |
| Equity attributable to shareholders of the parent company | | | |
| Capital stock | 28 | 3,395,864,100 | 3,395,864,100 |
| Additional paid-in capital | 28 | 6,964,649,807 | 6,964,649,807 |
| Revaluation reserves - net | 28 | (52,292,139) | (61,251,333) |
| Other reserves | 2, 28 | (275,974,845) | (275,974,845) |
| Retained earnings | 28 | 13,590,761,227 | 11,681,066,379 |
| Total equity attributable to shareholders of the parent company | | 23,623,008,150 | 21,704,354,108 |
| Noncontrolling interest | 2 | 601,169,967 | 579,930,779 |
| Total Equity | | <u>24,224,178,117</u> | <u>22,284,284,887</u> |
| TOTAL LIABILITIES AND EQUITY | | <u>P 36,983,483,403</u> | <u>P 32,857,021,502</u> |

See Notes to Consolidated Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

| | Notes | 2021 | 2020 | 2019 |
|--|-------------------|------------------------|------------------------|------------------------|
| REVENUES | | | | |
| Rentals: | | | | |
| Land | 4, 15, 20, 26, 29 | P 967,938,663 | P 978,480,504 | P 979,051,345 |
| Building | 4, 15, 20, 26, 29 | 811,036,957 | 809,094,738 | 793,491,115 |
| Other revenues | 2 | <u>213,216,218</u> | <u>172,690,275</u> | <u>186,239,052</u> |
| | | <u>1,992,191,838</u> | <u>1,960,265,517</u> | <u>1,958,781,512</u> |
| Land sales | 2, 4 | 787,600,000 | - | 935,850,000 |
| Sale of condominium units | 2, 4 | 615,411,761 | 749,297,294 | 547,652,588 |
| Construction contracts | 2, 4 | <u>51,509,315</u> | <u>24,802,115</u> | <u>71,107,851</u> |
| | | <u>3,446,712,914</u> | <u>2,734,364,926</u> | <u>3,513,391,951</u> |
| COSTS OF SERVICES AND SALES | | | | |
| Rentals | 23 | | | |
| Rentals | 21 | 275,832,932 | 237,283,824 | 267,201,442 |
| Sale of condominium units | 2, 10, 21 | 227,588,283 | 409,473,489 | 314,461,056 |
| Land sales | 11 | 55,212,604 | - | 66,743,881 |
| Construction contracts | 21 | <u>39,719,448</u> | <u>16,372,838</u> | <u>45,901,447</u> |
| | | <u>598,353,267</u> | <u>663,130,151</u> | <u>694,307,826</u> |
| | | <u>2,848,359,647</u> | <u>2,071,234,775</u> | <u>2,819,084,125</u> |
| GROSS PROFIT | | | | |
| OTHER OPERATING INCOME (EXPENSES) | | | | |
| General and administrative | 23 | (436,340,082) | (465,582,990) | (473,632,491) |
| Selling | 23 | (31,119,300) | (36,385,809) | (128,823,478) |
| Other operating income | 22 | <u>105,470,295</u> | <u>138,072,368</u> | <u>54,255,794</u> |
| | | <u>(361,989,087)</u> | <u>(363,896,431)</u> | <u>(548,200,175)</u> |
| | | <u>2,486,370,560</u> | <u>1,707,338,344</u> | <u>2,270,883,950</u> |
| OPERATING PROFIT | | | | |
| OTHER INCOME (CHARGES) | | | | |
| Finance costs | 18, 22, 24 | (54,245,821) | (41,061,721) | (98,524,967) |
| Share in net earnings of associates and joint ventures | 13 | 29,721,313 | 26,013,531 | 6,036,685 |
| Finance income | 8, 22 | 16,006,786 | 91,468,484 | 297,338,273 |
| Dividend income | | 3,034,360 | 2,940,008 | 1,470,004 |
| Other income | 4, 13, 22 | <u>-</u> | <u>1,000,000,000</u> | <u>850,000,000</u> |
| | | <u>(5,483,362)</u> | <u>1,079,360,302</u> | <u>1,056,319,995</u> |
| | | <u>2,480,887,198</u> | <u>2,786,698,646</u> | <u>3,327,203,945</u> |
| PROFIT BEFORE TAX | | | | |
| TAX EXPENSE | 25 | <u>389,953,629</u> | <u>622,489,507</u> | <u>1,075,233,429</u> |
| NET PROFIT | | | | |
| | | <u>P 2,090,933,569</u> | <u>P 2,164,209,139</u> | <u>P 2,251,970,516</u> |
| Net profit attributable to: | | | | |
| Equity shareholders of the parent company | | P 2,069,694,381 | P 2,130,725,241 | P 2,374,037,110 |
| Noncontrolling interest | | <u>21,239,188</u> | <u>33,483,898</u> | <u>(122,066,594)</u> |
| | | <u>P 2,090,933,569</u> | <u>P 2,164,209,139</u> | <u>P 2,251,970,516</u> |
| Earnings Per Share - Basic and Diluted | 27 | <u>P 0.609</u> | <u>P 0.627</u> | <u>P 0.699</u> |

See Notes to Consolidated Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

| | Notes | 2021 | 2020 | 2019 |
|---|--------|------------------------|-----------------|-----------------|
| NET PROFIT | | P 2,090,933,569 | P 2,164,209,139 | P 2,251,970,516 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| Items that will not be reclassified subsequently to profit or loss | | | | |
| Remeasurements of post-employment defined benefit plan | 24 | 21,935,146 | (38,431,996) | 27,514,967 |
| Tax income (expense) | 25 | (5,483,787) | 11,529,599 | (8,254,490) |
| | | 16,451,359 | (26,902,397) | 19,260,477 |
| Fair valuation of financial assets at fair value through other comprehensive income | 17, 28 | (7,492,165) | (26,205,316) | 1,120,238 |
| Other Comprehensive Income (Loss) – net of tax | 28 | 8,959,194 | (53,107,713) | 20,380,715 |
| TOTAL COMPREHENSIVE INCOME | | P 2,099,892,763 | P 2,111,101,426 | P 2,272,351,231 |
| Total comprehensive income attributable to: | | | | |
| Equity shareholders of the parent company | | P 2,078,653,575 | P 2,077,617,528 | P 2,394,417,825 |
| Noncontrolling interest | | 21,239,188 | 33,483,898 | (122,066,594) |
| | | P 2,099,892,763 | P 2,111,101,426 | P 2,272,351,231 |

See Notes to Consolidated Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

| Notes | Attributable to Shareholders of the Parent Company | | | | | | | Noncontrolling Interest | Total Equity |
|---|--|----------------------------|------------------------|-------------------------|-------------------------|------------------------|-------------------------|-------------------------|-------------------------|
| | Capital Stock | Additional Paid-in Capital | Revaluation Reserves | Other Reserves | Retained Earnings | | Total | | |
| | | | | | Unappropriated | Appropriated | | | |
| Balance at January 1, 2021 | P 3,395,864,100 | P 6,964,649,807 | (P 61,251,333) | (P 275,974,845) | P 10,481,066,379 | P 1,200,000,000 | P 21,704,354,108 | P 579,930,779 | P 22,284,284,887 |
| Cash dividend declared | - | - | - | - | (159,999,533) | - | (159,999,533) | - | (159,999,533) |
| Net profit for the year | - | - | - | - | 2,069,694,381 | - | 2,069,694,381 | 21,239,188 | 2,090,933,569 |
| Other comprehensive income for the year | - | - | 8,959,194 | - | - | - | 8,959,194 | - | 8,959,194 |
| Balance at December 31, 2021 | P 3,395,864,100 | P 6,964,649,807 | (P 52,292,139) | (P 275,974,845) | P 12,390,761,227 | P 1,200,000,000 | P 23,623,008,150 | P 601,169,967 | P 24,224,178,117 |
| Balance at January 1, 2020 | P 3,395,864,100 | P 6,964,649,807 | (P 8,143,620) | (P 275,974,845) | P 8,710,340,671 | P 1,200,000,000 | P 19,986,736,113 | P 546,446,881 | P 20,533,182,994 |
| Cash dividend declared | - | - | - | - | (359,999,533) | - | (359,999,533) | - | (359,999,533) |
| Net profit for the year | - | - | - | - | 2,130,725,241 | - | 2,130,725,241 | 33,483,898 | 2,164,209,139 |
| Other comprehensive loss for the year | - | - | (53,107,713) | - | - | - | (53,107,713) | - | (53,107,713) |
| Balance at December 31, 2020 | P 3,395,864,100 | P 6,964,649,807 | (P 61,251,333) | (P 275,974,845) | P 10,481,066,379 | P 1,200,000,000 | P 21,704,354,108 | P 579,930,779 | P 22,284,284,887 |
| Balance at January 1, 2019 | P 3,395,864,100 | P 6,964,649,807 | (P 28,524,335) | (P 275,974,845) | P 6,941,450,177 | P 1,200,000,000 | P 18,197,464,904 | P 668,513,475 | P 18,865,978,379 |
| Effect of consolidation of a subsidiary | - | - | - | - | (80,634,966) | - | (80,634,966) | - | (80,634,966) |
| Cash dividend declared | - | - | - | - | (524,511,650) | - | (524,511,650) | - | (524,511,650) |
| Net profit for the year | - | - | - | - | 2,374,037,110 | - | 2,374,037,110 | (122,066,594) | 2,251,970,516 |
| Other comprehensive income for the year | - | - | 20,380,715 | - | - | - | 20,380,715 | - | 20,380,715 |
| Balance at December 31, 2019 | P 3,395,864,100 | P 6,964,649,807 | (P 8,143,620) | (P 275,974,845) | P 8,710,340,671 | P 1,200,000,000 | P 19,986,736,113 | P 546,446,881 | P 20,533,182,994 |

See Notes to Consolidated Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

| | Notes | 2021 | 2020 | 2019 |
|--|------------|--------------------------|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Profit before tax | | P 2,480,887,198 | P 2,786,698,646 | P 3,327,203,945 |
| Adjustments for: | | | | |
| Depreciation and amortization | 14, 15, 16 | 156,271,009 | 153,829,871 | 149,241,253 |
| Interest expense and other charges | 22 | 46,375,568 | 39,767,185 | 98,347,073 |
| Share in net earnings of associates and joint ventures | 13 | (29,721,313) | (26,013,531) | (6,036,685) |
| Interest income | 22 | (14,711,878) | (88,678,484) | (296,920,773) |
| Dividend income | | (3,034,360) | (2,940,008) | (1,470,004) |
| Fair value loss (gain) in financial assets at fair value through profit or loss | 22 | 2,070,000 | (2,790,000) | (417,500) |
| Unrealized foreign currency losses (gains) - net | | (1,294,908) | 1,294,536 | 177,894 |
| Gain on derecognition of advances from a co-joint venturer | 13 | - | (1,000,000,000) | - |
| Operating profit before working capital changes | | <u>2,636,841,316</u> | <u>1,861,168,215</u> | <u>3,270,125,203</u> |
| Increase in receivables | | (934,882,669) | (854,447,715) | (639,659,242) |
| Decrease (increase) in contract asset | | (52,089,562) | 157,010,743 | (82,360,613) |
| Decrease (increase) in land and land development costs | | 55,730,227 | (100,043,074) | (45,711,473) |
| Decrease (increase) in property development costs | | (510,080,489) | 138,754,903 | (58,818,239) |
| Decrease (increase) in other assets | | (7,783,844) | (272,450,284) | 644,606,851 |
| Increase in trade and other payables | | 261,138,943 | 550,338,053 | 70,199,818 |
| Increase (decrease) in contract liability | | (238,278,222) | 136,076,571 | 344,275,310 |
| Increase (decrease) in deposits and advances | | (160,062,420) | (158,465,664) | 249,880,833 |
| Increase in retirement benefit obligation | | 5,193,182 | 3,153,787 | 1,298,028 |
| Cash generated from operations | | <u>1,055,726,462</u> | <u>1,461,095,535</u> | <u>3,753,836,476</u> |
| Cash paid for income taxes | 25 | (253,908,677) | (888,363,949) | (522,750,448) |
| Interest received | | <u>12,641,878</u> | <u>91,468,484</u> | <u>266,287,639</u> |
| Net Cash From Operating Activities | | <u>814,459,663</u> | <u>664,200,070</u> | <u>3,497,373,667</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Construction in progress, development costs and acquisition of investment properties | 15 | (1,777,174,343) | (3,076,360,543) | (1,306,139,986) |
| Maturities of (investments in) short-term placements | 12 | 585,000,000 | 1,475,000,000 | (2,060,000,000) |
| Additional advances to related parties | 26 | (81,520,669) | (31,185,661) | (376,675,636) |
| Collection of advances to related parties | 26 | 24,452,700 | 24,546,137 | 420,346,968 |
| Acquisitions of property and equipment | 14 | (12,024,850) | (11,557,531) | (154,152,354) |
| Dividend received | | <u>3,034,360</u> | <u>2,940,008</u> | <u>1,470,004</u> |
| Net Cash Used in Investing Activities | | <u>(1,258,232,802)</u> | <u>(1,616,617,590)</u> | <u>(3,475,151,004)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Additional interest-bearing loans and borrowings | 18 | 3,000,000,000 | 1,000,000,000 | - |
| Repayments of interest-bearing loans and borrowings | 18 | (1,114,670,000) | (114,700,000) | (1,417,200,000) |
| Cash dividends declared and paid to stockholders of parent company | 28 | (159,999,533) | (160,000,000) | (119,999,650) |
| Additional advances from related parties | 26 | 117,184,362 | - | - |
| Repayments of advances from related parties | 26 | (115,433,571) | (318,616,168) | (323,999,539) |
| Repayments of lease liabilities | 16 | (32,004,586) | (11,282,400) | (10,764,618) |
| Interest paid | | (16,135,862) | (23,602,439) | (83,386,399) |
| Cash dividends declared and paid by subsidiaries to its other shareholders | 28 | - | (199,999,533) | (404,512,000) |
| Net Cash From Financing Activities | | <u>1,678,940,810</u> | <u>171,799,460</u> | <u>(2,359,862,206)</u> |
| Effect of Changes in Foreign Exchange Rate on Cash and Cash Equivalents | | <u>1,294,908</u> | <u>(1,294,536)</u> | <u>(177,894)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | 1,236,462,579 | (781,912,596) | (2,337,817,437) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | 4,429,489,615 | 5,211,402,211 | 7,549,219,648 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | P 5,665,952,194 | P 4,429,489,615 | P 5,211,402,211 |

Supplemental Information on Non-cash Activities - See Note 31

See Notes to Consolidated Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Incorporation and Operations

D.M. Wenceslao & Associates, Incorporated (DMWAI or the Parent Company) was incorporated in the Philippines on April 7, 1965. DMWAI is presently engaged in the trade and business of general builders and contractors and related activities such as acting as specialty construction contractors, supervisors or managers in all cases of constructions, erections and works both public and private, real estate business and leasing.

On June 29, 2018, the Parent Company's shares of stock were listed at the Philippine Stock Exchange (PSE) (see Note 28.1).

DMWAI holds certain investments in entities that are either subsidiaries, associates or joint ventures and all are incorporated in the Philippines (see Notes 1.2 and 13).

DMWAI is a subsidiary of Wendel Holdings, Co., Inc. (WHI or Ultimate Parent Company), a company incorporated and domiciled in the Philippines. WHI is presently engaged in raising investments either through borrowings, sale or lease of its capital assets. The effective percentage of ownership of WHI in DMWAI aggregates to 79.96% and 62.92% as of December 31, 2021 and 2020, respectively.

On April 24, 2020, the Parent Company's Board of Directors (BOD) approved the change of DMWAI's registered office address from 3rd Floor Aseana Powerstation Building, Pres. Macapagal Avenue, Aseana Business Park, Parañaque City to 15th Floor, Aseana 3, D. Macapagal Blvd. corner Asean Ave., Aseana City, Parañaque City. The change in registered office address was approved by the Securities and Exchange Commission (SEC) and Bureau of Internal Revenue (BIR) on January 4, 2021 and March 15, 2021, respectively. DMWAI's principal place of business is located at 15th and 16th Floor, Aseana 3 Bldg., D. Macapagal Blvd. cor. Asean Avenue, Aseana City, Parañaque City.

On November 5, 2020, the WHI's BOD approved the change of WHI's registered office from 306 E. Rodriguez Sr. Boulevard, Quezon City to 15th Floor Aseana 3, Asean Ave., cor Pres. Macapagal Blvd., Brgy. Tambo, Parañaque City. The change in WHI's registered office address was approved by the SEC on August 16, 2021 but remains pending with the BIR as of the date of the issuance of the 2021 consolidated financial statements.

1.2 Subsidiaries, Associates and Joint Ventures

The Parent Company holds effective ownership interests in certain subsidiaries (together with the Parent Company, collectively hereinafter referred to as the "Group"), associates, and joint ventures, that are currently operating or are established to engage in businesses related to the main business of the Parent Company, in these consolidated financial statements.

As of December 31, 2021 and 2020, the following summarizes the effective percentage of ownership or interest of DMWAI over these entities:

| Name of Subsidiaries/Associates/Joint Ventures | Explanatory Notes | Effective Percentage of Ownership/Interest | |
|--|-------------------|--|---------|
| | | 2021 | 2020 |
| Subsidiaries: | | | |
| <i>Direct:</i> | | | |
| Aseana Residential Holdings Corp. (ARHC) | (a) | 100.00% | 100.00% |
| Aseana Holdings, Inc. (AHI) | (b) | 99.98% | 99.98% |
| Fabricom, Inc. (FI) | (c) | 99.98% | 99.98% |
| Fabricom Realty Development Corporation (FRDC) | (d) | 62.20% | 62.20% |
| R-1 Consortium, Inc. (R-1) | (e) | 55.45% | 55.45% |
| Alphaland Bay City Corporation (ABCC) | (f) | 100.00% | 100.00% |
| <i>Direct and Indirect:</i> | | | |
| Portal Holdings, Inc. (PHI) | (g) | 100.00% | 100.00% |
| Mandaue Land Consortium, Inc. (MLCI) | (h) | 81.00% | 81.00% |
| Aseana I.T. Plaza, Inc. (AITPI) | (i) | 66.97% | 66.97% |
| SHLP BBP Realty, Inc. (SBRI) | (j) | 55.96% | 55.96% |
| Aseana Ground Floor Holdings Corp. (AGFHC) | (k) | 82.50% | - |
| <i>Indirect:</i> | | | |
| 58 Jupiter Inc. (formerly Reine, Inc.) (58 Jupiter) – <i>Accounted for as Asset Acquisition</i> | (l) | 100.00% | 100.00% |
| L&B Development Corporation (LBDC) – <i>Accounted for as Asset Acquisition</i> | (m) | 100.00% | 100.00% |
| Boracay International Airport & Dev't Corp. (BIADC) | (n) | 99.98% | 99.98% |
| U-City Technologies Philippines, Inc. (UCTPI) | (o) | 99.98% | 99.98% |
| Aseana City Transport & Travel Corp. (ACTTC) | (p) | 99.98% | 99.98% |
| Aseana Gas Energy Corp. (AGEC) | (q) | 99.98% | 99.98% |
| Aseana Real Estate Services Management Corp. (ARESM) | (r) | 95.98% | 95.98% |
| Bay Area Holdings, Inc. (BAHI) | (s) | 59.98% | 59.98% |
| Aseana Resi Rent Corp. (ARRC) | (t) | 100.00% | 100.00% |
| Associates: | | | |
| Alphaland Heavy Equipment, Corp. (AHEC) | (u) | 50.00% | 50.00% |
| European Resources and Technology, Inc. (ERTT) | (v) | 42.00% | 42.00% |
| Aseana CL, Beach and Marina Development Corporation (ACBMDC) | (w) | 36.00% | 36.00% |
| Joint venture – | | | |
| Bay Resources and Development Corporation (BRADCO) | (x) | 50.00% | 50.00% |

Notes:

- (a) Established to purchase, acquire and own, hold, use, assign, transfer, mortgage, pledge, exchange or otherwise dispose of, subject to limitations imposed by law, real and personal property, including but not limited to, land, buildings, condominiums, shares of stock, bonds and other securities.
- (b) Established to engage in the business of owning, holding, exchanging, or otherwise disposing such items as real and personal properties, and securities such as stocks, bonds and to take part and assist in any legal matter for the purchase and sale of any securities as may be allowed by law without acting as or engaging in the business of an investment house, mutual fund or broker or dealer in securities.

- (c) Established to engage in the business of importation and marketing of heavy equipment, industrial equipment or any commercial products, which may be the object of commerce for the attainment of corporate objectives. As more fully discussed in Note 28.4, the increase in the Parent Company's effective percentage ownership in FI and BAHJ is a result of a deed of exchange representing a business combination that is accounted for under pooling of interest method involving entities under common control.
- (d) Established to engage in housing and real estate development and selling and engaging in other related activities.
- (e) Established to engage in general construction and other allied businesses including constructing, enlarging, repairing, removing, developing, or otherwise engaging in any work upon building roads, highways, manufacturing plants, bridges, airfields, piers, docks, mines, masonry and earth construction, and to make, execute, bid for and take or receive any contracts or assignment of contracts in relation thereto.
- (f) ABCC was established to own, use, improve, develop, subdivide, sell, exchange, lease and hold for investment or otherwise, real estate of all kinds, including buildings, houses, apartments and other structures. As more fully discussed in Note 13.3(b), ABCC became a subsidiary of DMWAI starting in 2019.
- (g) DMWAI's effective interest is derived from its 40.00% direct ownership and 60.00% indirect holdings through ARHC. PHI was established to purchase, subscribe for, or otherwise acquire and own, hold, use, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property, including but not limited to, land, buildings, condominiums, shares of stock, bonds and other securities.
- (h) DMWAI's effective interest is derived from its 40.00% direct ownership and 41.00% indirect holdings through AHI and R-1 which own 30.00% and 20.00%, respectively. MLCI was established to engage in general realty and other allied businesses including owning, improving, subdividing, developing, reclaiming, enlarging, repairing, constructing, exchanging, leasing and holding investment or otherwise, real estate and lands of all kinds and any buildings, houses and other structures.
- (i) DMWAI's effective ownership interest is derived from its 41.98% direct ownership and 24.99% indirect holdings through PHI. ATPI was established to engage in the business of owning, using, improving, developing, selling, exchanging, leasing, and holding for investment or otherwise, real estate of all kinds, including building houses, apartments and other structures, and related activities.
- (j) DMWAI's effective ownership is derived from its 29.98% direct ownership and 25.98% indirect holdings through AHI, BAHJ and PHI which each owns 9.99% of SBRI. SBRI was established to engage in real estate development and engaging in other related activities.
- (k) The Group obtained control over AGFHC upon initial subscription of DMWAI and AHI to the additional common shares of AGFHC resulting to 7.5% direct ownership and 75% indirect ownership through AHI. The acquisition was accounted for as pooling-of-interest method of accounting as the previous stockholders of AGFHC were the principal stockholders of the Group [see Note 3.1(k)]. Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting and no restatements are made to the financial information in the consolidated financial statements for periods prior to the business combination [see Note 2.3(a)(ii)]. AGFHC was incorporated in November 2019 and has not yet started commercial operations as of the acquisition date; hence, the assets and liabilities acquired amounting to P0.4 million and P0.6 million, respectively, were assessed by management to be not significant. AGFHC was established to purchase, acquire, own, lease except financial leasing, sell and convey real properties such as lands, buildings, factories and warehouses and machineries, equipment and other personal properties as may be necessary or incidental to the conduct of the corporate business, and to pay in cash, shares of its capital stock, debentures and other evidences of indebtedness, or other securities, as may be deemed expedient, for any business or property acquired by the corporation.
- (l) 58 Jupiter was acquired in 2017 and indirectly owned through AHI [see Notes 3.1(k) and 13.4]; established to acquire by purchase, lease, donation, or otherwise, and to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop, and hold for investment or otherwise, real estate of all kinds, whether improve, manage or otherwise dispose of buildings, houses, apartments, and other structures of whatever kind, together with their appurtenances.
- (m) LBDC was acquired in 2020 and indirectly owned through ARHC [see Notes 3.1(k) and 13.4]; established to engage in real estate business; to acquire by purchase, lease, donation or otherwise, use improve, develop, subdivide, sell, mortgage, exchange, lease, develop and hold investment or otherwise, real estate of all kinds, whether improved, managed, or otherwise deal in or dispose of buildings, houses, apartments, townhouses, condominiums, and other structures of whatever kind together with the appurtenances or improvements found thereon.
- (n) Indirectly owned through AHI; established to build an international airport in Boracay, Municipality of Malay and/ or Carabao Island, San Jose, Romblon, Philippines.
- (o) Indirectly owned through AHI; established to install and provide electronic security apparatus and products to industrial, commercial and other establishments whether public or private for the purpose of securing or protecting properties and other related services. In 2016, AHI acquired through cash consideration the entire 40.00% minority interest of the other stockholder resulting in 100.00% direct ownership by AHI in UCTPI (see Note 28.4).
- (p) Indirectly owned through AHI; established to engage in the business of transportation of passengers by means of public utility vehicles for the general public and to lease out or rent its public utility vehicles for special trips.
- (q) Indirectly owned through AHI; established to engage in, conduct and carry on the business of buying, selling, distributing, marketing of liquefied petroleum gas and other fuel products at wholesale or retail and to construct a reticulation network in strategically located tank to enable safe and sufficient distribution of piped gas to end users in Aseana Business Park.

- (r) Indirectly owned through AHI; established to acquire and manage properties such as commercial, residential, office condominium and industrial real estate.
- (s) Indirectly owned through FI; established to purchase, acquire, or otherwise own and hold, use, sell, assign, transfer, mortgage, pledge, or otherwise dispose of, real and personal property, including land, buildings, condominiums and engaging in other related activities. As more fully discussed in Note 28.4, the increase in the Parent Company's effective percentage ownership in FI and BAHI is a result of a deed of exchange representing a business combination that is accounted for under pooling of interest method involving entities under common control.
- (t) Indirectly owned through AHI; established to engage in realty business, provided that it shall not solicit, accept or take investments or placements from the public, neither shall it issue investment contracts.
- (u) Indirectly owned through FI; established to purchase, import, or otherwise acquire, lease, sell, distribute, market, convey or otherwise dispose heavy equipment, machinery and related implements. As of December 31, 2021, AHEC is currently in the process of liquidation (see Note 13.1).
- (v) Established to engage in collecting, segregating, recycling, composting, filling, disposing, treating or otherwise managing household, industrial and other kinds of garbage for local, or other government units and private persons and firms as well as extended guidance and education for proper waste management.
- (w) DMWAP's effective interest is derived from its 10.00% direct ownership and 26.00% indirect holdings through AHI. ACBMDC was established to engage in real estate business with marinas, cruise liner facilities and beach resorts in all its aspects; to acquire, rent or otherwise deal in and dispose of all kinds or real estate objects, involving commercial, industrial, urban, residential or other kinds of real property.
- (x) BRADCO was established to acquire, develop and market real estate properties [see Note 13.3(a)].

As of December 31, 2021, FRDC, R-1, MLCI, AITPI, SBRI, BIADC, AGECE, ACBMDC, ABCC and ARRC have not yet started commercial operations.

1.3 Continuing Impact of COVID-19 Pandemic on the Group's Business

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020. The measures taken by the government to contain the virus have affected economic conditions and the Group's business operations.

In 2021 and 2020, the Group has taken the following measures to mitigate the adverse effects of the COVID-19 pandemic to the Company's business:

- re-evaluated schedules and completion of projects under construction;
- launched digital platform and collection portal towards the end of the third quarter in 2020 to provide convenient payment access to the customers;
- granted discount and/or waiver of penalties to certain tenants and deferment of payments for lessees and residential buyers on a case to case basis;
- activated digital marketing initiatives to reach existing and potential residential buyers; and,
- organized vaccination programs and implemented stringent health protocols within the Group's offices and project sites.

As a result of the actions taken by management, the Group's operations improved in 2021 as discussed as follows:

- revenues relatively increased as compared to that of 2020, as a result of high tenant retention due to reasonable negotiated lease terms which consider the ongoing impact of the pandemic, and continuance of construction projects as more manpower are able to work on-site after the roll-out of vaccines;
- mitigated temporary setbacks in pre-selling of residential units encountered in 2020; and,
- recognition of lower impairment losses on financial assets as compared to that of 2020.

Based on the actions and measures taken by management to mitigate the adverse effect of the pandemic, it projects that the Group would continue to report positive results of operations and would remain liquid to meet current obligation as it falls due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

1.4 Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2021 (including the comparative consolidated financial statements as of December 31, 2020 and for the years ended December 31, 2020 and 2019) were authorized for issue by the Parent Company's BOD on March 10, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis for Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The financial reporting reliefs availed of by the Group are disclosed in details below and in the succeeding pages. PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy (BOA).

The consolidated financial statements have been prepared using the measurement bases specified by PFRS, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic, for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) SEC Financial Reporting Reliefs Availed by the Group

In 2020, the Group has availed of several financial reporting reliefs granted by the SEC under Memorandum Circular (MC) No. 14-2018, *Philippine Interpretation Committee Question and Answer (PIC Q&A) No. 2018-12 Implementation Issues Affecting Real Estate Industry*, MC No. 3-2019, *PIC Q&A Nos. 2018-12-H and 2018-14*, MC No. 4-2020, *Deferment of the Implementation of IFRS Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Costs) for Real Estate Industry*, and MC 34-2020, *Deferral of PIC Q&A No. 2018-12 and IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry for another period of three years or until 2023*, relating to several implementation issues of PFRS 15, *Revenue from Contracts with Customers*, affecting the real estate industry.

In 2021, MC No. 2021-08, *Amendment to SEC MC No. 2018-14, MC No. 2019-03, MC No. 2020-04, and MC No. 2020-34 to clarify transitory provision*, provides real estate companies the accounting policy option of applying either the full retrospective approach or the modified retrospective approach when they apply the provisions of the PIC and IFRIC pronouncement.

Discussed below and in the succeeding pages are the financial reporting reliefs availed of by the Group, including the descriptions of the implementation issues and their qualitative impacts to the financial statements. The Group opted to avail the reliefs until the end of the deferment period as provided under the relevant MC.

| Relief | Description and Implication | Deferral Period |
|---|---|-------------------------|
| IFRIC Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry | <p>The IFRIC concluded that any inventory (work-in-progress) for unsold units under construction that the entity recognizes is not a qualifying asset, as the asset is ready for its intended sale in its current condition (i.e., the developer intends to sell the partially constructed units as soon as it finds suitable customers and, on signing a contract with a customer, will transfer control of any work-in-progress relating to that unit to the customer). Accordingly, no borrowing costs can be capitalized on such unsold real estate inventories.</p> <p>Generally, an entity that capitalized borrowings costs and elected not to defer the IFRIC Agenda Decision would have the following impact in its financial statements:</p> <ul style="list-style-type: none"> • interest expense would have been higher; • cost of real estate inventories would have been lower; • total net profit and total comprehensive income would have been lower; • retained earnings would have been lower; and, • the carrying amount of real estate inventories would have been lower. | Until December 31, 2023 |

| Relief | Description and Implication | Deferral Period |
|--|---|--------------------------------|
| <p>PIC Q&A No. 2018-12-D, <i>Concept of the significant financing component in the contract to sell</i> and PIC Q&A No. 2020-04, <i>Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch between the Percentage of Completion and Schedule of Payments (continued)</i></p> | <p>PFRS 15 requires that in determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component.</p> <p>There is no significant financing component if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference. Further, the Group does not need to adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception that the timing difference of the receipt of full payment of the contract price and that of the completion of the project, are expected within one year and significant financing component is not expected to be significant.</p> <p>Had the Group elected not to defer this provision of the standard, it would have an impact in the consolidated financial statements as there would have been a significant financing component when there is a difference between the POC of the real estate project and the right to the consideration based on the payment schedule stated in the contract. The Group would have recognized an interest income when the POC of the real estate project is greater than the right to the consideration and interest expense when lesser. Both interest income and expense will be calculated using the effective interest rate method. This will impact the retained earnings, real estate sales, and profit or loss in 2021 and prior years.</p> | <p>Until December 31, 2023</p> |

| Relief | Description and Implication | Deferral Period |
|---|--|---|
| PIC Q&A No. 2018-12-E, <i>Treatment of land in the determination of POC</i> | <p>Land on which the real estate development will be constructed shall also be excluded in the assessment of POC.</p> <p>Had the Company elected not to defer this provision of the standard, it would have the following impact on the consolidated financial statements:</p> <ul style="list-style-type: none"> • real estate sales and cost of real estate sales would have been higher; • total comprehensive income would have been higher; and, • retained earnings would have been higher. | Exclusion of land in the assessment of progress is deferred until December 31, 2023 |

(c) *Presentation of Consolidated Financial Statements*

The consolidated financial statements are presented in accordance with PAS 1, *Presentation of Financial Statements*. The Group presents the consolidated statements of comprehensive income separate from the consolidated statements of profit or loss.

The Group presents a consolidated third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to the consolidated third statement of financial position are not required to be disclosed.

(d) *Functional and Presentation Currency*

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of Amended PFRS

(a) *Effective in 2021 that are Relevant to the Group*

The Group adopted the following amendments to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2021:

| | |
|---|---|
| PFRS 7, PFRS 9 and PFRS 16 (Amendments) | : Financial Instruments: Disclosures, Financial Instruments and Leases – Interest Rate Benchmark Reform Phase 2 |
| PFRS 16 (Amendments) | : Leases – COVID-19-Related Rent Concessions beyond June 30, 2021 |

Discussed below are the relevant information about these pronouncements.

- (i) PFRS 7 (Amendments), *Financial Instruments: Disclosures*, PFRS 9 (Amendments), *Financial Instruments*, and PFRS 16 (Amendments), *Leases – Interest Rate Benchmark Reform Phase 2*. The amendments address issues that may affect financial reporting during the interest rate benchmark reform, including the effect of changes to contractual cash flows or hedging relationships resulting from the replacement of the London Interbank Offered Rate (LIBOR) with alternative benchmark rates. The Phase 2 amendments had no significant impact to the Group's consolidated financial statements as the Group did not have any financial instruments and leases subject to LIBOR.
 - (ii) PFRS 16 (Amendments), *Leases – COVID-19-Related Rent Concessions beyond June 30, 2021* (effective from April 1, 2021). The amendments extend for one year the use practical expedient of not assessing whether rent concessions reducing payments up until June 30, 2022 occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The application of these amendments had no significant impact to the Group's consolidated financial statements as the Group did not receive any rent concession from its lessor in 2021.
- (b) *Effective Subsequent to 2021 but not Adopted Early*

There are pronouncements effective for annual periods subsequent to 2021, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

- (i) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework* (effective from January 1, 2022)
- (ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022)
- (iii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective from January 1, 2022)
- (iv) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Group:
 - PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 percent' Test for Derecognition of Liabilities*
 - Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*
- (v) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)

- (vi) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)
 - (vii) PAS 8 (Amendments), *Presentation of Financial Statements – Definition of Accounting Estimates* (effective from January 1, 2023)
 - (viii) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)
 - (ix) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely)
- (c) *PIC Q&As Relevant to the Real Estate Industry Applicable in 2021*

Discussed below and in the succeeding page are the PIC Q&As effective January 1, 2021 that are applicable to the Group, including the description of their impact to the Group's consolidated financial statements.

- (i) PIC Q&A No. 2018-12-E, *Treatment of uninstalled materials in the determination of POC* and PIC Q&A No. 2020-02, *Conclusion on PIC Q&A No. 2018-12-E: On the Treatment of Materials Delivered on Site but not yet Installed in Measuring the Progress of the Performance Obligation*

PIC Q&A No. 2018-12-E specifies, in recognizing revenue using a cost-based input method, the cost incurred for customized materials not yet installed are to be included in the measurement of progress to properly capture the efforts expended by the Group in completing its performance obligation. In the case of uninstalled materials delivered on-site that are not customized, such as steels and rebars, elevators and escalators, which are yet to be installed or attached to the main structure are excluded in the assessment of progress. Control over the uninstalled materials is not transferred to the customer upon delivery to the site but only when these are installed or when they are used in the construction. The application of the PIC Q&A had no significant financial impact to Group's consolidated financial statements since the Company does not include uninstalled materials that are not customized in determining measure of progress for revenue recognition.

- (ii) PIC Q&A No. 2020-03, *Conclusion on PIC Q&A No. 2018-12-D: On the Accounting Treatment for the Difference when the POC is Ahead of the Buyer's Payment*

PIC Q&A No. 2020-03 concludes that the difference when the POC is ahead of the buyer's payment can be accounted for either as a contract asset or receivable. The PIC has concluded that both views are acceptable as long as this is consistently applied in transactions of the same nature. The Group assessed to continue its current treatment of accounting for the difference when the POC is ahead of the buyer's payment as part of the Contract Assets account, hence, the adoption did not have a significant impact on the 2021 consolidated financial statements.

- (iii) PIC Q&A No. 2020-05, *Accounting for Cancellation of Real Estate Sales* (PIC Q&A No. 2020-05 will supersede PIC Q&A No. 2018-14)

There are three acceptable approaches in accounting for sales cancellation and repossession of the property as follows:

- reposessed property is recognized at fair value less cost to repossess;
- reposessed property is recognized at fair value plus repossession cost; or,
- cancellation is accounted for as a modification of the contract.

The Group accounts for cancellation of sales contract as modification of contract, hence, the adoption of this PIC Q&A did not have significant impact on the consolidated financial statements of the Group.

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries, after the elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

The Parent Company accounts for its investments in subsidiaries, associates, joint ventures and noncontrolling interests (NCI) as presented below and in the succeeding pages.

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when (i) it has power over the entity, (ii) it is exposed, or has rights to, variable returns from its involvement with the entity, and (iii) it has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Group obtains control.

The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

(i) Accounting for Business Combination Using the Acquisition Method

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any.

The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any noncontrolling interest in the acquiree, either at fair value or at the noncontrolling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any noncontrolling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.9).

(ii) *Accounting for Business Combination Using the Pooling-of-interests Method*

Business combinations arising from transfers of interests in entities that are under the common control of the principal stockholder are accounted for under the pooling-of-interests method. Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting; hence, the assets and liabilities are reflected in the consolidated financial statements at carrying values and no adjustments are made to reflect fair values or recognize any new assets or liabilities, at the date of the combination that otherwise would have been done under the acquisition method. No restatements are made to the financial information in the consolidated financial statements for periods prior to the business combination as allowed under *PIC Q&A No. 2012-01, PFRS 3.2; Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements, (Amended by PIC Q&A No. 2015-01 and PIC Q&A No. 2018-13)*; hence, the profit and loss of the acquiree is included in the consolidated financial statements for the full year, irrespective of when the combination took place. Also, no goodwill is recognized as a result of the business combination and any excess between the net assets of the acquiree and the consideration paid is accounted for as equity reserves, which will eventually be closed to additional paid-in capital. Also, any pre-acquisition income and expenses of a subsidiary are no longer included in the consolidated financial statements.

The assets and liabilities of the acquired entities are combined using their respective carrying values and any difference is accounted for and recognized in Other Reserves account presented under the consolidated statement of changes in equity.

(b) *Investment in Associates*

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in associate is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recognized in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Group's share in the associate is included in the amount recognized as investment in an associate.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Group's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Share in Net Earnings or Losses of Associates and Joint Ventures account in the consolidated statement of profit or loss.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered.

Changes resulting from other comprehensive income transactions of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Group, as applicable. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Dividends distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

(c) *Investment in Joint Ventures*

A jointly controlled entity is a corporation, partnership, or other entity in which two or more venturers have an interest, under a contractual arrangement that establishes joint control over the entity. Each venturer usually contributes cash or other resources to the jointly controlled entity. Those contributions are included in the accounting records of the venturer and recognised in the venturer's financial statements as an investment in the jointly controlled entity.

Investments in joint venture are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in the jointly controlled entity is subject to the purchase method. The purchase method involves the recognition of the jointly controlled entity's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recognized in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the venturer's share of the identifiable net assets of the joint venture at the date of acquisition. Any goodwill or fair value adjustment attributable to the venturer's share in the joint venture is included in the amount recognized as investment in joint venture.

All subsequent changes to the ownership interest in the equity of the joint venture are recognized in the venturer's carrying amount of the investments. Changes resulting from the profit or loss generated by the joint venture are credited or charged against the Share in Net Earnings or Losses of Associates and Joint Ventures account in the consolidated statement of profit or loss.

Impairment loss is provided when there is objective evidence that the investment in joint venture will not be recovered (see Note 2.21).

Changes resulting from other comprehensive income transactions of the jointly controlled entity or items recognized directly in the jointly controlled entity's equity are recognized in other comprehensive income or equity of the venturer, as applicable. However, when the venturer's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the venturer does not recognize further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity. If the jointly controlled entity subsequently reports profits, the venturer resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the jointly controlled entity are accounted for as a reduction of the carrying value of the investment.

(d) *Transactions with Noncontrolling Interests*

The Group's transactions with noncontrolling interests that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity (i.e., Other Reserves account). Disposals of equity investments to noncontrolling interests result in gains and losses for the Group that are also recognized in other components of equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Parent Company holds interests in various subsidiaries and in an associate as presented in Notes 1 and 13, respectively.

2.4 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments – Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) *Classification, Measurement and Reclassification of Financial Assets*

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets that are applicable to the Group are described below and in the succeeding pages.

(i) *Financial Assets at Amortized Cost*

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

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Receivables (except Advances to suppliers), Short-term placements (presented as part of Other Current Assets account), and Refundable deposits (presented as part of Other Non-current Assets account).

Financial assets measured at amortized cost are included in current assets, except for those with maturities greater than 12 months after the end of reporting period, which are classified as non-current assets.

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(ii) *Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)*

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,
- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as fair value through profit or loss (FVTPL). The Group has designated unquoted equity instruments and proprietary golf club shares as Financial assets at FVOCI on initial recognition. These are presented as Financial assets at FVOCI under the Other Non-current Assets account in the consolidated statement of financial position.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Retained Earnings account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

Any dividends earned on holding equity instruments are recognized in profit or loss under Other Income, when the Group's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and, the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

(iii) *Financial Assets at Fair Value Through Profit or Loss*

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVTPL. Also, equity securities are classified as financial assets at FVTPL, unless the Group designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Group's financial assets at FVTPL significantly include equity securities and a small portion of convertible debt securities, which are held by the Group for trading purposes and designated as at FVTPL, respectively.

Financial assets at FVTPL are initially measured at fair value. Subsequently, they are measured at fair value with gains or losses recognized in profit or loss as part of Finance Income in the consolidated statements of profit or loss.

Interest income on financial assets measured at amortized cost is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The Group calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired and or are purchased or originated credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, the calculation of interest income reverts to gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset subsequently improves.

Interest income earned is recognized in the consolidated statement of profit or loss as part of Finance Income.

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria. A change in the objective of the Group's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(b) *Impairment of Financial Assets*

At the end of the reporting period, the Group assesses and recognizes for expected credit loss (ECL) on a forward-looking basis associated with its financial assets carried at amortized cost. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of the future cash flows of the financial assets. Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument evaluated based on a range of possible outcomes.

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables (other than advances to and rental receivables from related parties) and other financial assets carried at amortized costs. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. The Group uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. The Group also assesses impairment of receivables such as rental and contract receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due [see Note 5.2(b)].

On the other hand, the Group applies a general approach in relation to advances to and rental receivables from related parties. The maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of these receivables from related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties. If the Group cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of advances to related parties can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

The key elements used in the calculation of ECL are as follows:

- *Probability of default* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.
- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral or effect of any credit enhancement.
- *Exposure at default* – It represents the gross carrying amount of the financial instruments in *the* event of default which pertains to its amortized cost.

The Group recognizes an impairment loss in profit or loss for all financial instruments subjected to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt instruments measured at FVOCI, if applicable, for which the loss allowance is recognized in other comprehensive income and accumulated in Revaluation Reserves account, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

(c) *Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.5 Land and Land Development Costs and Property Development Costs

(a) Land and Land Development Costs

Land and land development costs are initially recognized at acquisition cost or cost of land reclamation and related land development costs, if the land is reclaimed. Land and land development costs include capitalized borrowing costs incurred before the completion of the reclamation project (see Note 2.23). A valuation allowance is provided for land development costs that are no longer recoverable.

Subsequent to initial recognition, land and land development costs are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. An item of land and land development cost is derecognized upon disposal or when no future economic benefits are expected to arise from the sale of asset.

(b) Property Development Costs

The costs of land, development and construction of the residential condominium projects of the Group are accumulated in the Property Development Costs account in the consolidated statement of financial position. These costs are initially recognized at cost when the Group obtained control over the land, and when materials purchased and services performed in relation to the development of the residential condominium projects have been delivered or rendered. Borrowing costs, if any, on certain loans incurred during the development of the real estate properties are also capitalized by the Group as part of property development costs (see Note 2.23). All costs relating to the real estate properties sold are recognized as cost/expense as the work to which they relate is performed.

Costs of properties and projects accounted for as Property Development Costs are assigned using specific identification of their individual costs. These properties and projects are subsequently measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale.

The Group recognizes the effect of revisions in the total project cost estimates based on the input method in the year in which these changes become known [see Note 2.16(c)]. Any impairment loss from a real estate project is charged to operations during the period in which the loss is determined.

The Group accounts for sales cancellation as a contract modification [see Note 2.2(c)]. Accordingly, the related repossessed property arising from a sales cancellation is recognized at cost. The difference between the carrying amount of the receivable or contract asset to be derecognized and the cost of the repossessed property is recognized in the consolidated statement of profit or loss.

2.6 Property and Equipment

Except for land stated at acquisition cost less any impairment in value, property and equipment are stated at acquisition cost or construction cost less accumulated depreciation, amortization and any impairment losses. The cost of an asset comprises its purchase price or construction cost and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while regular expenditures for repairs and maintenance are charged to expense as incurred.

Construction in progress pertains to the accumulated costs of putting up the assets, additions or improvements including the applicable borrowing cost (see Note 2.23). Cost is recognized when materials purchased and services performed in relation to construction of the asset have been delivered or rendered. When the asset has become available for use, the accumulated cost is transferred to the appropriate asset account, and depreciation is recognized based on the estimated useful life of such asset.

Depreciation is computed on a straight-line basis over the estimated useful life of the assets as follows:

| | |
|--------------------------------------|-----------|
| Building improvements | 30 years |
| Land improvements | 15 years |
| Machinery and construction equipment | 3-5 years |
| Transportation equipment | 5 years |
| Furniture and office equipment | 2-5 years |
| Other equipment | 3 years |

Amortization of leasehold improvements is recognized over the estimated useful lives of improvements or the term of the lease, whichever is shorter.

Fully depreciated and amortized assets are retained in the accounts until these are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.21).

The residual values, estimated useful lives and method of depreciation and amortization of property and equipment are reviewed and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation and amortization, and impairment losses, if any, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. 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 item) is included in profit or loss in the year the item is derecognized.

2.7 Other Assets

Other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), are classified as non-current assets.

Advances to suppliers that will be applied as payment for construction of condominium units accounted for as real estate inventories are classified and presented under the Other Current Asset account. On the other hand, advances to suppliers that will be applied as payment for construction of property and equipment, and investment properties are classified and presented under the Other Non-current Assets account. These classification and presentation are based on the eventual realization of the asset to which it was advanced for.

2.8 Investment Properties

Properties held for lease under operating lease agreements and/or for capital appreciation, which comprise mainly of land (including its land development costs), buildings and improvements and condominium units, are classified as investment property and carried at cost less accumulated depreciation and any impairment loss except for land, which is carried at cost less any impairment in value (see Note 2.21).

Depreciation is computed on a straight-line basis over the estimated useful life of the assets as follows:

| | |
|----------------------------|----------|
| Buildings and improvements | 30 years |
| Condominium units | 25 years |

Construction in progress pertains to the accumulated costs of putting up the assets, additions or improvements including the applicable borrowing costs (see Note 2.23). Cost is recognized when materials purchased and services performed in relation to construction of an asset have been delivered or rendered. When the asset has become available for use, the accumulated cost is transferred to the appropriate investment property account, and depreciation is recognized based on the estimated useful life of such asset.

The residual values, useful life and method of depreciation of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period.

Transfers from other accounts (such as Land and Land Development Costs and Property and Equipment) are made to investment property when and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers from investment property are made when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent measurement is its carrying value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

An item of investment property, including the related accumulated depreciation and impairment losses, if any, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. 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 item) is included in profit or loss in the year the item is derecognized.

2.9 Business Combinations

PFRS 3 requires that an entity shall determine whether a transaction or other event is a business combination. If the assets acquired are not a business, the entity shall account for the transaction as an asset acquisition. Business acquisitions are accounted for using the acquisition or pooling-of-interest method of accounting [see Note 2.3(a)(ii)]. The accounting policy for asset acquisition is more fully discussed in Note 2.17.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Parent Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.10 Financial Liabilities

Financial liabilities, which include loans and borrowings, trade and other payables (except tax-related liabilities), lease liabilities, advances from and due to related parties, rental deposits and construction bond under Deposits and Advances account, are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on financial liability, except those capitalized as part of qualifying asset, are recognized as an expense under Finance Costs account in the consolidated statement of profit or loss.

Loans and borrowings are raised for support of short and long-term funding of operations. They are recognized at proceeds received, net of direct issue costs. Finance costs are charged to profit or loss, except for capitalized borrowing costs for qualifying assets, on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables and lease liabilities [see Note 2.18(a)] are initially recognized at their fair values and subsequently measured at amortized cost, using effective interest method for those with maturities beyond one year, less settlement payments.

Advances from and due to related parties, advances from a co-joint venture and construction bonds are initially recognized at its nominal value and subsequently measured at amortized cost less settlement payments.

Rental deposits are recognized when cash is received or becomes receivable from tenants based on the terms of the lease agreements. These are initially measured at the amount of cash received or receivables in accordance with the terms of the lease agreement. Rental deposits are subsequently measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.11 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's executive committee; its chief operating decision-maker. The executive committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 4, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All intersegment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.12 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

2.13 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.14 Non-current Asset Held for Disposal or Termination

Non-current asset held for disposal or termination pertains to an investment property whereby the Group intends to recover such investment through the transfer of the investment property within one year from the date of classification as held for disposal or expected recovery of the underlying asset by the Group due to the termination of a certain joint venture agreement with a co-joint venturer, subject to fulfillment of certain conditions [see Note 13.3(b)].

The Group classifies a non-current asset (or disposal group) as held for disposal or termination if its carrying amount will be recovered principally through a disposal or termination transaction rather than through continuing use, and that the Group is committed to recover the underlying asset. In the event that the disposal or termination of the asset is extended beyond one year, the extension of the period required to complete the disposal or termination does not preclude an asset from being classified as held for disposal if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to dispose or terminate the investment in shares of stock and recover the underlying land to be accounted for as investment property in the future.

Non-current asset held for disposal or termination is measured at the lower of its carrying amount, immediately prior to their classification as held for disposal or termination, and its fair value less costs to dispose or terminate. The Group shall recognize an impairment loss for any initial or subsequent write-down of the asset at fair value less cost to dispose. Gain from any subsequent increase in fair value less cost to dispose of an asset is recognized to the extent of the cumulative impairment loss previously recognized.

If the Group has classified an asset as held for disposal or termination, but the criteria for it to be recognized as held for disposal or termination are no longer satisfied, the Group shall cease to classify the asset as held for disposal or termination.

The gain or loss arising from the disposal or termination, or remeasurement of the asset held for disposal or termination, if any, is recognized in profit or loss and included as part of Other Income (Charges) in the consolidated statement of profit or loss.

2.15 Contract Asset and Contract Liability

Contract assets pertain to rights to consideration in exchange for goods or services that the Group has transferred to a customer that is conditioned on something other than passage of time. Under its contracts with customers, the Group will receive an unconditional right to payment for the total consideration upon the completion of the development of the property sold (see Note 2.16). Any rights to consideration recognized by the Group as it develops the property are presented as Contract Asset account in the consolidated statement of financial position. Contract asset is subsequently tested for impairment in the same manner as the Group assesses impairment of its financial assets (see Note 2.21).

Any consideration received by the Group in excess of the amount for which the Group is entitled is presented as Contract Liability account in the consolidated statement of financial position (see Note 2.16). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2.16 Revenue and Expense Recognition

Revenue comprises revenue from rentals (see Note 2.18), construction contracts, and sale of land and condominium units.

To determine whether to recognize revenue, the Group follows a five-step process:

- (a) identifying the contract with a customer;
- (b) identifying the performance obligation;
- (c) determining the transaction price;
- (d) allocating the transaction price to the performance obligations; and,
- (e) recognizing revenue when/as performance obligations are satisfied.

The Group determines whether a contract with customer exists by evaluating whether the following gating criteria are present:

- (a) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
- (b) each party's rights regarding the goods or services to be transferred or performed can be identified;
- (c) the payment terms for the goods or services to be transferred or performed can be identified;
- (d) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
- (e) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- (a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- (c) the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The Group enters into transactions involving rentals, construction services, sale of land and condominium units, and other contracts containing performance obligations with counterparties. The significant judgments used in determining the transaction price and the amounts allocated to the performance obligations are disclosed in Note 3.1(c). The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the asset or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

Except as disclosed in the consolidated financial statements, the Group uses the practical expedient in PFRS 15 for customer contracts entered into other than for construction services and sale of land, with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting periods and the explanation of when such amount will be recognized as revenue since such Group's contracts with customers have original expected duration of one year or less.

In addition, the following specific recognition criteria must also be met before revenue is recognized [significant judgments in determining the timing of satisfaction of the following performance obligations are disclosed in Note 3.1(b)]:

- (a) *Sale of land* – revenue from sale of land is recognized as the control transfers at the point in time with the buyer, that is when the Group delivered the possession and buyer accepted the property. At that point, the buyer may already use the property and the Group becomes entitled to the full amount due from the sales contract which are normally collected within one year from the contract inception date.

Payments received from buyers which do not meet the revenue recognition criteria are presented as Buyers' deposits under the Deposits and Advances account in the consolidated statement of financial position.

For tax reporting purposes, revenue on sale and cost of raw land sold are recognized in full when more than 25% of the contract price is collected within the taxable year; otherwise, revenue and cost of raw land sold are recognized based on the percentage of collections over the contract price, excluding value-added tax (VAT).

- (b) *Construction contracts* – revenue is recognized based on the percentage-of-completion determined through the input method as the construction services are provided. The stage of completion is measured on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation (i.e., resources consumed, labor hours expended, other costs incurred, etc.) relative to the total expected inputs to the satisfaction of such performance obligation. Contract costs are recognized when incurred.

Customers are invoiced based on certain milestone as work progresses, which are also due upon receipt by the customers, depending on applicable credit terms. Any amounts remaining unbilled at the end of a reporting period are presented in the consolidated statement of financial position as receivables as only the passage of time is required before payment of these amounts will be due.

There were no recognized Contract Asset or Contract Liability accounts applicable to construction contracts as of the end of the reporting periods.

Progress billings not yet paid by customers and retention are presented as part of Receivables in the consolidated statement of financial position.

- (c) *Sale of condominium units* – for financial reporting purposes, revenues from transactions covering sale of condominium units are recognized over time under the percentage-of-completion method which is in reference to input method of measuring progress of completion. The input method measures the percentage of total actual costs incurred to date relative to the total estimated costs to complete the projects [see Note 2.2(c)].

Revenue recognized from real estate sales is presented as Sale of Condominium Units in the consolidated statement of profit or loss while the related asset or liability arising from the sale and progress of the development is presented as part of Contract Asset or Contract Liability accounts, as applicable, in the consolidated statement of financial position (see Note 2.15).

Cost of condominium units sold before the completion of the projects include the acquisition cost of the land, development costs incurred to date, any applicable borrowing costs (see Note 2.23) and in accordance with the percentage-of-completion as determined based on the input method [see Note 2.5(b)].

Payments received from customers which do not meet the revenue recognition criteria are presented as Reservation deposits under the Deposits and Advances account in the consolidated statement of financial position (see Note 2.15).

For tax reporting purposes, revenue on sale and cost of condominium units sold are recognized in full when more than 25% of the contract price is collected within the taxable year; otherwise, revenue and cost of condominium units sold are recognized based on the percentage of collections over the contract price, excluding VAT.

- (d) *Other revenues from common use service area (CUSA)* – Other revenues arising from CUSA charges related to leasing activities are recognized over time as the Group performs the contractually agreed task. Customers are invoiced monthly as work progresses, which are also due upon receipt by the customers.

The Group assesses its revenue agreement against the specific criteria in order to determine if it is acting as a principal or an agent [see Note 3.1(l)]. Billings from common area, air conditioning and other dues are presented at gross amounts since the Group acts as a principal. Other revenues from electricity and water dues, in which the Group acts as an agent, are presented in excess of actual charges and consumption.

- (e) *Rendering of administrative and other services* – This is recognized on a time-and-materials basis as the services (i.e., consultancy and strategic real estate management activities) are provided to third party property owners, tenants and other counterparties within Aseana City. Customers are also invoiced monthly as work progresses, which are also due upon receipt by the customers. Any amounts remaining unbilled at the end of a reporting period are presented in the consolidated statement of financial position as receivables as only the passage of time is required before payment of these amounts will be due.

Incremental costs of obtaining a contract to sell the condominium units to customers are recognized as part of Contract acquisition costs under Other Current Assets and Other Non-current Assets accounts and is subsequently amortized over the duration of the contract on the same basis as revenue from such contract is recognized. Except when the impact to the consolidated financial statements is significant for incremental costs in obtaining contracts relative to sale of condominium units and other customer contracts, the Group uses the practical expedient in PFRS 15 and has expensed such costs as incurred (i.e., for construction activities and sale of land) since the expected amortization period of these costs, if capitalized, would be less than one year.

The Group also incurs costs in fulfilling contracts with customers [see Note 3.2(i)]. When determining the appropriate accounting treatment for such costs, the Group first considers any other applicable standards. If other standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15. If other standards are not applicable to contract fulfillment cost, the Group applies the following criteria, which, if met, result in capitalization:

- (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract;
- (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (iii) the costs are expected to be recovered.

Any contract fulfillment assets or capitalized costs are amortized based on the transfer of goods or services the asset relates to. Furthermore, these are derecognized either upon disposal or when no further economic benefits are expected to flow from its use or disposal.

Costs of rentals and other costs and operating expenses are recognized in the profit or loss upon utilization of the goods or services or at the date they are incurred. Finance costs are reported on an accrual basis except capitalized borrowing costs (see Note 2.23).

2.17 Acquisition of Assets

Acquisition of interest in an entity that holds investment property which does not constitute a business is accounted for as an asset acquisition (see Note 2.9). A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members and participant. Under the asset purchase accounting, the purchase costs are allocated to identifiable assets and liabilities based on relative fair values of individual items; goodwill or gain on bargain purchase is not recognized; and, transaction costs are capitalized.

2.18 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

For any new contracts entered into, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability in the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequently, the Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.21).

On the other hand, the Group measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the consolidated statement of financial position, right-of-use assets have been presented as part of investment properties since it relates to leases of certain parcels of land where the Group constructed improvements therein and which such assets are subsequently leased out to third parties under operating leases (see Notes 15 and 16) while lease liabilities have been presented separately from other liabilities. The current portion of the lease liabilities is the amount of lease payments that are due to be settled within one year or less after the end of reporting period.

(b) Group as Lessor

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term, including any minimum rent free period therein, plus additional rent free period as mutually agreed by the contracting parties. Revenue from rentals arise from the lease of investment property comprising of land and buildings.

2.19 Related Party Relationships and Transactions

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Transactions amounting to 10% or more of the total assets based on the latest audited consolidated financial statements that were entered into with related parties are considered material under SEC Memorandum Circular No. 10, Series of 2019, *Rules on Material Related Party Transactions for Publicly-listed Companies*.

All individual material related party transactions shall be approved by at least two-thirds vote of the board of directors, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 10% of the Group's total assets based on the latest audited consolidated financial statements, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

Directors with personal interest in the transaction should abstain from participating in the discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

2.20 Foreign Currency Transactions and Translation

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the reporting period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of foreign currency denominated transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized as part of Finance income or Finance costs under Other Income (Charges) account in the consolidated statement of profit or loss.

2.21 Impairment of Non-financial Assets

The Group's investments in associates and a joint venture, property and equipment, investment properties, right-of-use assets and other non-financial assets are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.22 Employee Benefits

The Group provides short-term and post-employment benefits to employees through defined benefit and defined contribution plans, and other employee benefits which are recognized as follows:

(a) Short-term Employee Benefits

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before twelve months after the end of the annual reporting period during which an employee services are rendered, but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in the consolidated profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Accrued expenses under Trade and Other Payable accounts in the consolidated statement of financial position.

(b) *Post-employment Defined Benefit Plan*

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero coupon government bonds [using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL)], that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs account (or Finance Income account, as applicable) in the consolidated statement of profit or loss.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

(c) *Post-employment Defined Contribution Plans*

A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent entity (e.g., Social Security System). Under this plan, the Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are normally of a short-term nature.

(d) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(e) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included as part of Accrued expenses in the Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.23 *Borrowing Costs*

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset (see Notes 2.5, 2.6 and 2.8). The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.24 *Income Taxes*

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for, using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

2.25 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Revaluation reserves comprise of:

- (a) Gains or losses due to the changes in fair value of financial assets at FVOCI;
- (b) Remeasurements of retirement benefit obligation based on the cumulative balance of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions used in the determination of post-employment defined benefit obligation; and,
- (c) Gains and losses due to the revaluation of certain investment property, previously classified as property and equipment, which is treated as part of the deemed cost upon transition to PFRS.

Other reserves pertain to the difference between the proportionate share of the Parent Company in the net assets of certain subsidiaries over the cost of the investment in the subsidiaries under the common control business combination which is accounted for using the pooling-of-interest method.

Retained earnings include all current and prior period results of operations as reported in the consolidated statement of profit or loss, reduced by the amounts of dividends declared, if any. Retained earnings also include an appropriated portion and therefore, are not available for dividend declaration or being restricted to cover the business expansion of the Group (see Note 28.3).

2.26 Earnings and Diluted Earnings Per Share

Basic earnings per share (EPS) is determined by dividing net profit attributable to the Parent Company's shareholders by the weighted average number of common shares issued, adjusted for any stock dividends or stock splits, less any shares held in treasury during the reporting period (see Note 27).

Diluted EPS is also computed by dividing net profit attributable to the Parent Company's shareholders by the weighted average number of common shares issued and outstanding during the reporting period. However, net profit attributable to common shares and the weighted average number of common shares outstanding are adjusted to reflect the effects of any potentially dilutive preferred shares, convertible loan and stock option.

Currently, the basic and diluted earnings per share are the same as there are no dilutive preferred shares, convertible loan and stock option (see Note 27).

2.27 Events After the End of the Reporting Period

Any post year-end event that provides additional information about the Group's financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The Group's consolidated financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) *Determination of Lease Term of Contracts with Renewal and Termination Options*

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated and the renewal of the contract is not subject to mutual agreement of both parties.

The factors that are normally the most relevant are (a) if there are significant penalties should the Group pre-terminate the contract, and (b) if any land improvements are expected to have a significant remaining value, the Group is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset. The Group considers the extension period as part of the lease term for a certain lease of land (as lessee) due to its enforceability that does not require mutual agreement of both parties for renewal purposes.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

(b) *Determining the Timing of Satisfaction of Performance Obligations*

(i) *Construction Contracts*

The Group determined that its revenue from construction services shall be recognized over time in accordance with the percentage-of-completion method. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group provides the construction services that create or enhance an asset that the customer controls as the asset is created or enhanced. This demonstrates that the customer obtains the benefits of the Group's rendering of construction service as it performs.

In determining the best method of measuring the progress of the Group's rendering of construction services, management considers the input method under PFRS 15 because of the direct relationship between the Group's effort, in terms of incurred labor hours and materials used, and the transfer of service to the customers.

(ii) *Sale of Condominium Units*

The Group determined that its performance obligation to develop properties promised in its contracts with customers is satisfied over time. In making this judgment, the Group considers any asset created or enhanced as the Group performs and the ability of the customer to control such asset as it is being created or enhanced; the timing of receipt and consumption of benefits by the customer; and the Group's enforceable right for payment for performance completed to date and the alternative use of the asset created to the Group.

In determining the best method of measuring the progress of the Group's property development, management considers the input method (i.e., percentage of total costs incurred to date over the estimated costs to complete the projects) under PFRS 15.

Under this method, revenue is recognized by reference to the stage of development of the properties, i.e., revenue is recognized in the period in which the work is performed. This method faithfully depicts the transfer of goods or services because in a sale of real property, not all of the benefits are consumed by the customer until the complete satisfaction of the performance obligation.

(iii) Sale of Raw Land

The Group exercises critical judgment in determining whether the performance obligation to deliver and transfer the control over the land to customers is satisfied over time or at a point in time. In making this judgment, the Group considers the delivery to and acceptance by the buyer of the property as a transfer of control at specific point in time since the Group does not have a significant continuing involvement with the property sold to the buyer and the earning process is virtually complete. Further, the Group's enforceable right for payment becomes due upon transfer of control over the land.

(iv) Other Income Arising from the Consideration Agreement

The Group exercises critical judgment in determining whether each performance obligation stipulated in the Consideration Agreement entered into in 2018 with certain counterparties is satisfied over time or at a point in time [see Note 13.3(b)]. In making this judgment, the Group identified the two performance obligations from the Consideration Agreement as separate and distinct from one another with a corresponding consideration or transaction price specifically identified to each performance obligation, which is disclosed in Note 13.3(b). Accordingly, the Group recognized other income in 2018 for the non-refundable portion of the consideration as it assessed that the first performance obligation has been satisfied at a specific point in time in 2018 (see Note 22.4). On the other hand, the Group determined that the second performance obligation is to be satisfied over time since there are future actions that are required to be undertaken by the Group and its counterparties, which commences in January 2019 based on the Consideration Agreement. The Group recognized income in 2019 based on performance obligations satisfied in accordance with the Consideration Agreement (see Note 22.4).

(c) Determining the Transaction Price and Amounts Allocated to Performance Obligations

The transaction price for a contract is allocated amongst the material right and other performance obligations identified in the contract based on their stand-alone selling prices, which are all observable. The transaction price for a contract excludes any amounts collected on behalf of third parties (i.e., VAT).

The Group uses the practical expedient in PFRS 15 with respect to non-adjustment of the promised amount of consideration for the effects of significant financing component as the Group expects, at contract inception, that the period between the Group transfers promised assets or services to the customer and payment due date is one year or less.

(d) *Determining the ECL on Trade and Other Receivables and Contract Asset*

The Group uses a provision matrix to calculate ECL for non-related party trade and other receivables and contract asset. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by revenue stream type and, customer type and rating).

The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Management determined that there is no required ECL to be recognized on its Contract Asset account since the condominium units sold is collateralized to the related contract asset arising from the sale. Therefore, there is no expected loss given default as the recoverable amount from the subsequent re-sell of the condominium units is sufficient.

On the other hand, the Group uses a general approach to calculate ECL for advances to and rental receivables from related parties [see Note 2.4(b)]. The Group's management determines possible impairment based on the counterparties' ability to repay the receivables upon demand at the reporting date taking into consideration the historical defaults from the counterparties.

Details about the ECL on the Group's receivables and contract asset are disclosed in Note 5.2(b).

(e) *Distinguishing Investment Properties and Owner-managed Properties*

The Group determines whether a property qualifies as an investment property or owner-occupied property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the performance of the Group's construction and other activities, and its supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the construction and supply of goods and services or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the construction or 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.

(f) *Distinguishing Real Estate Inventories and Investment Properties*

The Group's management identifies a property as real estate inventories (property to be developed and/or eventually sold in the normal course of business) or Investment Properties (properties intended to earn rentals, capital appreciation or held for a currently undetermined future use) at the end of each reporting period following the approved plan of the Group.

As of December 31, 2021 and 2020, parcels of land identified as Land and Land Development Costs amounted to P2,080.2 million and P2,112.5 million, respectively (see Note 11).

Parcels of land, classified as Investment Properties, amounted to P10,001.8 million and P9,904.3 million as of December 31, 2021 and 2020, respectively (see Note 15).

(g) *Distinguishing Operating and Finance Leases for Contracts Where the Group is the Lessor*

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Management has assessed that all of its existing lease arrangements as a lessor at the end of each reporting period qualify under operating lease.

(h) *Determining Capitalization of Borrowing Costs*

The Group determines whether borrowing costs qualify for capitalization as part of the cost of the qualifying asset, or expensed outright. The accounting treatment for the borrowing costs is determined by assessing whether the asset is a qualifying asset taking into consideration the period of time to get the asset ready for its intended use. Failure to make the right judgment will result in misstatement of assets and net profit (see Notes 15 and 18).

(i) *Evaluating Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.13 and relevant disclosures thereon are presented in Note 29.

(j) *Determining Joint Control in an Arrangement and Significant Influence over an Investee*

Judgment is exercised in determining whether the Group has joint control of an arrangement or significant influence over an entity. In assessing the Group's interest in an arrangement or influence over an entity, the Group considers voting rights, representation on the BOD or equivalent governing body of the investee, participation in policy-making process and all other facts and circumstances, including the terms of any contractual arrangement.

(k) *Distinguishing Between Business Combination and Asset Acquisition*

The Group determines whether an acquisition of an entity constitutes a business combination or an asset acquisition. The accounting treatment for the acquisition is determined by assessing whether the transaction involved a purchase of a business taking into consideration the substance of the transaction. Failure to make the right judgment will result in misstatement of assets and other accounts that could have been affected by the transaction.

Although the Group purchased shares of stock resulting in full equity ownership interest in LBDC in 2020 and 58 Jupiter in 2016, the Group has assessed that under PFRS 3, the acquisition is to be accounted for as an asset acquisition since it does not constitute a purchase of a “business” (see Notes 1.2, 2.17 and 13.4). On the other hand, the Group accounted for its acquisition of ARESM in 2016 as a business combination under PFRS 3 since it represents a purchase of a “business” (see Note 1.2).

In 2021, the Group subscribed to 82.5% newly issued common shares of AGHFC. Management assessed that the acquisition of AGFHC is a combination of entities under common control. In making the assessment, management considered the composition of the stockholders of AGFHC prior to acquisition, who are also the principal stockholders of the Group. Given this assessment, the acquisition was accounted for under the pooling-of-interest method of accounting [see Note 2.3(a)(ii)].

(l) *Evaluating Principal Versus Agent Consideration*

The Group exercises judgment to determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e., the Group is a principal) or to arrange for the other party to provide those goods or services (i.e., the Group is an agent). Failure to make the right judgment will result in misstatement of revenues and expenses accounts. The Group assessed that it is only acting as an agent for utility transactions of its tenants under operating leases. The amount of utility revenues and utility expenses, which were set-off against each other amounted to P76.1 million, P75.9 million and P139.7 million in 2021, 2020 and 2019, respectively, in the consolidated statements of profit or loss.

(m) *Determination on Whether Lease Concessions Granted Constitute a Lease Modification*

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

In making this judgment, the Group determines whether the lease concessions granted has changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease. The Group assessed that the lease concessions it granted to lessees qualify as lease modifications since the terms and conditions under the corresponding lease contracts have been modified by the waiver.

The rent concessions granted by the Group as lessor amounted to P3.6 million and P4.5 million in 2021 and 2020, respectively.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) *Estimating Useful Lives of Property and Equipment, Investment Properties and Right-of-use Assets*

The Group estimates the useful lives of property and equipment, investment properties (except for land) and right-of-use assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment, investment properties and right-of-use assets 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 the assets.

The carrying amounts of property and equipment, investment properties and right-of-use assets are analyzed in Notes 14, 15 and 16, respectively. Based on management's assessment, there is no change in the estimated useful lives of those assets in 2021 and 2020. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(c) *Determining Net Realizable Value of Land and Land Development Costs*

In determining the net realizable value of land and land development costs, management takes into account the most reliable evidence such as the comparable price of recent sale of adjacent properties and appraisal of the asset available at the time the estimate is made. Changes in the sources of estimation may cause significant adjustments to the carrying amount of the Group's land and land development costs within the next reporting period.

As indicated in Note 11, management assessed that the net realizable values of its land and land development costs is higher than its cost; hence, those assets are carried at cost as of the end of the reporting periods.

(d) *Determining Net Realizable Value of Property Development Costs*

In determining the net realizable value of property development costs, management takes into account the most reliable evidence available at the time the estimates are made. The future realization of the carrying amounts of property development costs is affected by price changes for the cost to complete, and upon completion, the selling prices in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation uncertainty and may cause significant adjustments to the carrying amounts of the Group's property development costs within the next reporting period.

As more fully discussed in Note 10, management assessed that the net realizable values of its property development costs is higher than its cost; hence, those assets are carried at cost as of the end of the reporting periods.

(e) *Determining Principal Assumptions for Management's Estimation of Fair Value of Investment Properties*

Investment properties are measured using the cost model, however, the financial reporting standard requires the disclosure of its fair value. In determining the fair value of these assets, the Group engaged the services of professional and independent appraisers applying the relevant valuation methodologies. The fair value disclosed in the consolidated financial statements is determined using the:

- Market approach for land based on information on current or recent transaction prices for 2021 and 2020; and,
- Cost approach based on consideration of the cost to reproduce or replace the buildings and improvements to its service capacity in accordance with current market prices for similar assets less depreciation for 2021 and 2020.

The Group determined that the cost approach for buildings and improvements more appropriately reflects the highest and best use of the property based on market conditions and development. The Group consistently uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

The fair values of investment properties as of December 31, 2021 and 2020 are disclosed in Note 15 while the relevant valuation methodology and fair value hierarchy are disclosed in Note 7.4.

(f) *Estimating Probability of Collection for Revenue Recognition*

The Group exercises judgment in evaluating the probability of collection (as one of the gating criteria) of transaction price on customer or counterparty contracts wherein revenue is recognized over time or specific point in time. The Group uses historical payment pattern of customers and counterparties in establishing a percentage of collection threshold, or in some instances, when the Group is certain that the sale or contract will not be cancelled (i.e., considering financial capacity, credit worthiness, and business interests of the customer or counterparty) even if the collection is below such threshold but which the Group determines that collection of the transaction price is reasonably assured.

The percentage benchmark used by the Group in determining whether collection of the transaction price is reasonably assured is 20% collection of the total contract price for sale of condominium units and 25% collection of the total contract price for sale of raw land. Management believes that the established collection thresholds are appropriate based on the collection history and credit worthiness of customers in each revenue segment. Buyer's interest in the property (i.e., condominium unit or raw land) is considered to have vested when the payment of the applicable percentage benchmark of the contract price has been received from the buyer and the Group has ascertained the buyer's commitment and ability to complete the payment of the total contract price.

The related revenues recognized by the Group are presented as Construction contracts, Sale of condominium units and Land sales under the Revenues account in the consolidated statements of profit or loss while the related other income arising from the Consideration Agreement is presented as part of Other Income account in the 2019 consolidated statement of profit or loss (see Note 4.6).

(g) Determining Percentage-of-Completion for Real Estate Transactions

In determining the amount of revenue to be recognized for real estate transactions involving sale of condominium units wherein performance obligations are satisfied over time, the Group measures progress based on the input method that measures the percentage of total costs incurred to date over the estimated costs to complete the projects. The Group estimates the total development costs with reference to the project development plan and any agreement with customers. Management regularly monitors its estimates and applies changes as necessary. A significant change in estimated costs would result in a significant change in the amount of revenue recognized in the year of change.

The Group recognized revenues from sale of condominium units amounting to P615.4 million, P749.3 million and P547.7 million in 2021, 2020, and 2019, respectively, and is presented as Sale of condominium units under Revenues account in the consolidated statements of profit or loss (see Note 4.6).

(h) Determining Percentage-of-Completion for Construction Contracts

The Group also recognizes its revenue from construction contracts based on percentage-of-completion method of the project whereby the performance obligations are satisfied over time. The Group's application of the percentage-of-completion method is based on its efforts or inputs (i.e., actual costs incurred) to the satisfaction of a performance obligation relative to the total expected construction costs. Review of the benchmarks set by management necessary for the determination of percentage-of-completion is done regularly. Actual data is being compared to the related benchmarks and critical judgment is exercised to assess the reliability of the percentage of completion procedures which are currently in place and make the necessary revisions in the light of current progress.

(i) *Determining the Amount of Costs Incurred to Obtain or Fulfill a Contract with Customers*

In determining the amount of costs to obtain a contract that should be capitalized, the Group identifies those costs that would have not been incurred if the contract had not been obtained. The carrying amounts, net of subsequent amortization, of costs incurred to obtain the contracts with customers (or counterparties) relating to the sale of condominium units, and the Consideration Agreement are presented as part of Contract acquisition costs under Other Current Assets and Other Non-current Assets accounts in the consolidated statements of financial position (see Notes 12 and 17).

For the costs incurred in fulfilling a contract, the Group recognizes an asset only if those costs related directly to a contract or to an anticipated contract can be specifically identified; those costs generate or enhance the Group's resources that will be used in satisfying performance obligation in the future; and, the Group expects those costs to be recovered.

(j) *Estimating Allowance for ECL*

The measurement of the allowance for ECL is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers/counterparties defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 5.2(b).

Based on management's assessment, the outstanding balances of receivables, net of outstanding allowance, and contract asset as of December 31, 2021 and 2020 are fully collectible (see Notes 9 and 10).

(k) *Determining the Fair Value of Financial Instruments*

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying values of the Group's financial assets at FVTPL and FVOCI and the amounts of fair value changes recognized on those assets are disclosed in Notes 12 and 17.2, respectively.

(l) *Determining Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period 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.

Management assessed that the deferred tax assets as of December 31, 2021 and 2020, will be fully utilized as it is expecting sufficient taxable profits against which the deferred tax assets can be applied (see Note 25).

(m) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.21). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Based on management's evaluation, there is no impairment losses required to be recognized on the Group's non-financial assets in 2021, 2020 and 2019.

(n) *Valuation of Post-employment Defined Benefit Obligation*

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions are described in Note 24.2 and include, among others, discount rates and expected rate of salary increases. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used on estimating such obligation are presented in Note 24.2.

4. SEGMENT REPORTING

4.1 *Business Segments*

The Group's operating businesses are recognized and managed separately according to the nature of services provided (primary segments) and the different markets served (secondary segments) with a segment representing a strategic business unit. The Group's business segments follow:

- (a) *Rentals* – refers to leasing of real estate properties, including land and building and other structures.
- (b) *Construction* – principally refers to general construction business which involves site development, earthworks, structural and civil works, masonry works, architectural finishes, electrical works, plumbing and sanitary works, fire protection works and mechanical works.
- (c) *Sale of Land and Condominium Units* – involve the development and sale of industrial and other parcels of land and residential condominium units.

The Group has not identified any segment based on geographical location (see Note 4.4).

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash, receivables, contract asset, land and land development cost, property development costs, property and equipment, and investment properties. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of loans and borrowings, trade and other payables, contract liability and deposits and advances. Segment assets and liabilities do not include deferred taxes.

4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

4.4 Analysis of Segment Information

Segment information is analyzed as follows for the years ended December 31, 2021 and, 2020 and 2019 (in thousands):

| | <u>Rentals</u> | | | <u>Construction</u> | | | <u>Sale of Land and Condominium Units</u> | | | <u>Total</u> | | |
|--|--------------------|-------------|-------------|---------------------|-------------|-------------|---|-------------|-------------|--------------------|-------------|-------------|
| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
| REVENUES | | | | | | | | | | | | |
| Sales to external customers | P 1,992,192 | P 1,960,266 | P 1,958,782 | P 51,509 | P 24,802 | P 71,107 | P 1,403,012 | P 749,297 | P 1,483,503 | P 3,446,713 | P 2,734,365 | P 3,513,392 |
| Intersegment sales | 185,843 | 187,278 | 187,456 | 509,085 | 816,385 | 1,048,004 | 120,710 | - | 2,394,000 | 815,638 | 1,003,663 | 3,629,460 |
| Total revenues | 2,178,035 | 2,147,544 | 2,146,238 | 560,594 | 841,187 | 1,119,111 | 1,523,722 | 749,297 | 3,877,503 | 4,262,351 | 3,738,028 | 7,142,852 |
| COSTS AND OTHER OPERATING EXPENSES | | | | | | | | | | | | |
| Cost of sales and services excluding depreciation and amortization | 158,007 | 128,264 | 165,014 | 39,719 | 16,249 | 44,494 | 282,801 | 409,473 | 381,205 | 480,527 | 553,986 | 590,713 |
| Depreciation and amortization | 117,826 | 107,728 | 110,176 | - | 124 | 1,407 | - | - | - | 117,826 | 107,852 | 111,583 |
| Other expenses – net | 118,135 | 37,681 | 104,341 | 15,061 | 12,462 | 4,722 | 13,108 | 65,232 | 99,323 | 146,304 | 116,667 | 208,386 |
| | 393,968 | 273,673 | 379,531 | 54,780 | 28,835 | 50,623 | 295,909 | 474,705 | 480,528 | 744,657 | 778,505 | 910,682 |
| SEGMENT OPERATING PROFIT | P 1,784,067 | P 1,873,871 | P 1,766,707 | P 505,814 | P 812,352 | P 1,068,488 | P 1,227,813 | P 274,592 | P 3,396,975 | P 3,517,694 | P 2,959,523 | P 6,232,170 |

Segment assets and liabilities are allocated to each segment as follows (in thousands):

| | <u>Rentals</u> | | <u>Construction</u> | | <u>Sale of Land and Condominium Units</u> | | <u>Total</u> | |
|--------------------------|---------------------|--------------------------|---------------------|--------------------------|---|--------------------------|---------------------|--------------------------|
| | <u>Total Assets</u> | <u>Total Liabilities</u> | <u>Total Assets</u> | <u>Total Liabilities</u> | <u>Total Assets</u> | <u>Total Liabilities</u> | <u>Total Assets</u> | <u>Total Liabilities</u> |
| December 31, 2021 | P 29,819,979 | P 11,716,325 | P 3,995,652 | P 668,336 | P 8,338,685 | P 3,320,733 | P 42,154,316 | P 15,705,393 |
| December 31, 2020 | 24,311,272 | 10,954,766 | 6,557,870 | 727,516 | 7,312,057 | 2,691,120 | 38,184,791 | 14,360,392 |

Currently, the Group's operation is concentrated in one location; hence, it has no geographical segment (see Note 4.1).

In 2021, 2020 and 2019, rental revenues from a single lessee account for 21.30% or P734.2 million, 26.85% or P734.2 million and 20.56% or P722.3 million, respectively, of the consolidated revenues. In 2021 and 2019, revenues from sale of land are generated from a single customer, and which account for 22.85% or P787.6 million and 26.64% or P935.9 million of the consolidated revenues, respectively. There were no revenues from sale of land in 2020.

Rentals segment assets include certain real estate assets (i.e., parcels of land) held as investment properties for capital appreciation or future lease.

4.5 Reconciliations

The total segment balances presented for the Group's operating segments reconciled to the Group's consolidated balances as presented in the consolidated financial statements are as follows (in thousands):

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|---------------------------|---------------------|---------------------|
| Revenues | | | |
| Total segment revenues | P 4,262,351 | P 3,738,028 | P 7,142,852 |
| Elimination of intersegment revenues | <u>(815,638)</u> | <u>(1,003,663)</u> | <u>(3,629,460)</u> |
| Revenues as reported in the consolidated statements of profit or loss | <u>P 3,446,713</u> | <u>P 2,734,365</u> | <u>P 3,513,392</u> |
| Profit or loss | | | |
| Segment operating profit | P 3,517,694 | P 2,959,523 | P 6,232,170 |
| Elimination of intersegment revenues | <u>(815,637)</u> | <u>(1,003,663)</u> | <u>(3,629,460)</u> |
| Other unallocated operating expenses – net | <u>(215,686)</u> | <u>(248,522)</u> | <u>(331,826)</u> |
| Operating profit as reported in the consolidated statements of profit or loss | 2,486,371 | 1,707,338 | 2,270,884 |
| Finance income | 16,007 | 91,468 | 297,338 |
| Finance costs | <u>(54,246)</u> | <u>(41,062)</u> | <u>(98,525)</u> |
| Share in net earnings of associates and joint ventures | 29,721 | 26,014 | 6,037 |
| Dividend income | 3,034 | 2,940 | 1,470 |
| Other unallocated income* | <u>-</u> | <u>1,000,000</u> | <u>850,000</u> |
| Profit before tax as reported in the consolidated statements of profit or loss | <u>P 2,480,887</u> | <u>P 2,786,698</u> | <u>P 3,327,204</u> |

* Other unallocated income pertains to the income from reversal of advances from a co-joint venturer in 2020 and income from the Consideration Agreement in 2019.

| | <u>2021</u> | <u>2020</u> |
|--|----------------------------|----------------------------|
| Assets | | |
| Segment assets | P 42,154,316 | P 38,184,791 |
| Deferred tax assets – net | 98,758 | 192,274 |
| Other unallocated assets** | 6,353,570 | 6,615,157 |
| Elimination of intercompany accounts | (11,623,161) | (12,135,200) |
| Total assets reported in consolidated statements of financial position | <u>P 36,983,483</u> | <u>P 32,857,022</u> |
| Liabilities | | |
| Segment liabilities | P 15,705,393 | P 14,360,392 |
| Deferred tax liabilities – net | 989,064 | 1,056,710 |
| Other unallocated liabilities** | 540,334 | 555,433 |
| Elimination of intercompany accounts | (4,475,486) | (5,399,798) |
| Total liabilities as reported in consolidated statements of financial position | <u>P 12,759,305</u> | <u>P 10,572,737</u> |

***Other unallocated assets and liabilities mostly pertain to intercompany advances to and/ or from related parties not eliminated in the consolidation.*

4.6 Disaggregation of Revenue from Contracts with Customers and Other Counterparties

When the Group prepares its investor presentations and when the Group's Executive Committee evaluates the financial performance of the operating segments, it disaggregates revenue similar to its segment reporting as presented in Notes 4.1 and 4.4.

The Group determines that the categories used in the investor presentations and financial reports used by the Group's Executive Committee can be used to meet the objective of the disaggregation disclosure requirement of PFRS 15, which is to disaggregate revenue from contracts with customers and other counterparties [except for rentals accounted for under PFRS 16 and disclosed herein as additional information] into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. A summary of additional disaggregation from the segment revenues and other unallocated income are shown in the succeeding page.

| | <u>Segment Revenues (Sales to External Customers)</u> | | | | <u>Other Unallocated Income</u> | | | <u>Total</u> |
|---------------------------|---|---------------------|---------------------|----------------------------------|---|---|----------------|----------------|
| | <u>Rentals and others</u> | <u>Construction</u> | <u>Sale of land</u> | <u>Sale of condominium units</u> | <u>Consideration Agreement and Reversal of Advances (see Note 13)</u> | <u>Rendering of administrative services</u> | | |
| December 31, 2021: | | | | | | | | |
| Lease | P1,778,975,620 | P - | P - | P - | P - | P - | P - | P1,778,975,620 |
| Over time | 213,216,218 | 51,509,315 | - | 615,411,761 | - | 38,734,451 | 918,871,745 | |
| Point in time | - | - | 787,600,000 | - | - | - | 787,600,000 | |
| Short-term | - | 51,509,315 | 787,600,000 | - | - | 38,734,451 | 877,843,766 | |
| Long-term | 1,992,191,838 | - | - | 615,411,761 | - | - | 2,607,603,599 | |
| December 31, 2020: | | | | | | | | |
| Lease | P1,787,575,242 | P - | P - | P - | P - | P - | P1,787,575,242 | |
| Over time | 172,690,275 | 24,802,115 | - | 749,297,294 | - | 34,581,021 | 981,370,705 | |
| Short-term | - | 24,802,115 | - | - | - | 34,581,021 | 59,383,136 | |
| Long-term | 1,960,265,517 | - | - | 749,297,294 | - | - | 2,709,562,811 | |
| December 31, 2019: | | | | | | | | |
| Lease | P1,772,542,460 | P - | P - | P - | P - | P - | P1,772,542,460 | |
| Over time | 186,239,052 | 71,107,851 | - | 547,652,588 | 850,000,000 | 43,348,238 | 1,698,347,729 | |
| Point in time | - | - | 935,850,000 | - | - | - | 935,850,000 | |
| Short-term | - | 71,107,851 | 935,850,000 | - | 850,000,000 | 43,348,238 | 1,900,306,089 | |
| Long-term | 1,958,781,512 | - | - | 547,652,588 | - | - | 2,506,434,100 | |

Additional information not included above is the other income aggregating to P19.9 million, P66.6 million and P10.9 million in 2021, 2020 and 2019, respectively, that are considered by management insignificant to the Group's disaggregation information of revenues (see Note 22.3). On the other hand, the other income representing the derecognition of certain advances from a co-joint venturer is not covered by PFRS 15.

5. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's financial assets and financial liabilities by category are summarized in Note 6. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is in close cooperation with the BOD, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed to are described in the succeeding pages.

5.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from its operating and financing activities.

(a) *Foreign Currency Risk*

Most of the Group's transactions are carried out in Philippine peso, its functional currency. The Group also holds United States (U.S.) dollar and European Union (Euro) denominated cash and cash equivalents. The Group does not have any financial liabilities denominated in foreign currency.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency denominated financial assets, translated into Philippine peso at the closing rate, are as follows:

| | 2021 | | 2020 | |
|------------------|---------------------|--------------------|--------------|-------------|
| | U.S. Dollar | Euro | U.S. Dollar | Euro |
| Financial assets | P 28,509,938 | P 9,322,435 | P 26,852,799 | P 8,448,329 |

The following table illustrates the sensitivity of the Group's profit before tax and equity in 2021 and 2020 with respect to changes in the exchange rates of Philippine peso against foreign currencies. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months prior to the end of the reporting period at a 99% confidence level.

| | 2021 | | |
|-------------|------------------------------------|-----------------------------|--------------------|
| | Reasonably possible change in rate | Effect in profit before tax | Effect in equity |
| U.S. Dollar | +/-11.30% | P 3,221,623 | P 2,416,217 |
| Euro | +/-19.91% | 1,856,097 | 1,392,073 |
| Total | | P 5,077,720 | P 3,808,290 |
| | 2020 | | |
| | Reasonably possible change in rate | Effect in profit before tax | Effect in equity |
| U.S. Dollar | +/-9.51% | P 2,553,701 | P 1,787,591 |
| Euro | +/-23.85% | 2,014,926 | 1,410,449 |
| Total | | P 4,568,627 | P 3,198,040 |

If the Philippine peso had strengthened against the U.S. dollar and Euro, with all other variables held constant, the Group's profit before tax and equity would have been lower by P5.1 million and P3.8 million, respectively, in 2021 and P4.6 million and P3.2 million, respectively, in 2020. Conversely, if the Philippine peso had weakened against the U.S. dollar and Euro by the same percentage, with all variables held constant, profit before tax and equity would have been higher in 2021 and 2020 by the same amount.

Exposures to foreign exchange rates vary during the period depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be a reasonable estimation of the Group's currency risk.

(b) Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. As at December 31, 2021 and 2020, the Group is exposed to changes in market interest rates affecting the cash flows from cash and cash equivalents, short-term placements and certain interest-bearing loans and borrowings which are subject to variable interest rates (see Notes 8 and 18). All other financial assets and financial liabilities have fixed rates or are noninterest-bearing.

Interest-bearing loans and borrowings, cash and cash equivalents and short-term placements which are subject to repricing are tested on a reasonably possible change (weighted average) of +/-0.97% and +/-1.01% Philippine peso in 2021 and 2020, respectively. On the other hand, the Group's exposure to foreign currency interest rate is insignificant. The percentages have been determined based on the average market volatility of interest rates, using standard deviation, in the previous 12 months estimated at 99% level of confidence. The sensitivity analysis is based on the Group's financial instruments held at the end of each reporting period, with the effect estimated from the beginning of the year. All other variables are held constant.

The changes in percentages would affect profit or loss before tax by +/-P20.1 million and +/-P55.2 million in 2021 and 2020, respectively.

(c) Other Price Risk

The Group's market price risk arises from its investments carried at fair value. The Group manages exposures to price risk by monitoring the changes in the market price of the investments (see Note 7.2) and at some extent, diversifying the investment portfolio in accordance with the limit set by management.

5.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, arising from granting loans and receivables to customers, including related parties, and placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of revenues, advance payments are received to mitigate credit risk.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position and in the detailed analysis provided in the notes to the consolidated financial statements, as summarized in the succeeding page.

| | Notes | <u>2021</u> | <u>2020</u> |
|--|-------|-------------------------------|------------------------|
| Cash and cash equivalents | 8 | P 5,665,952,194 | P 4,429,489,615 |
| Short-term placement <i>(presented as part of Other Current Assets)</i> | 12 | - | 585,000,000 |
| Receivables – net <i>(except for Advances to suppliers and Advances to officers and employees)</i> | 9 | 6,722,609,928 | 5,789,026,395 |
| Contract asset | 10 | 144,091,769 | 92,002,207 |
| Refundable deposits <i>(presented as part of Other Non-current Assets)</i> | 17 | <u>32,340,519</u> | <u>30,313,000</u> |
| | | <u>P12,564,994,410</u> | <u>P10,925,831,217</u> |

None of the Group’s financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents and short-term placements, rental receivables and contract receivables as described below and in the succeeding pages.

(a) Cash and Cash Equivalents and Short-term Placements

The credit risk for cash and cash equivalents and short-term placements are considered negligible since the counterparties are reputable banks with high quality external credit ratings. Included in cash and cash equivalents are cash in banks which is secured by a maximum coverage of P0.5 million for every depositor per banking institution, as provided for under Republic Act (R.A.) No. 9302, *Charter of Philippine Deposit Insurance Corporation*, which is also subjected to credit risk.

(b) Trade and Other Receivables and Contract Asset

The Group applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all non-related party receivables and contract asset.

To measure the expected credit losses, receivables and contract asset have been grouped based on shared credit risk characteristics and the days past due (age buckets). The other receivables relate to receivables from both third parties other than trade receivables and have substantially the same risk characteristics as the trade receivables. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables.

The expected loss rates are based on the payment profiles of revenues over a period of 36 months before December 31, 2021 and 2020, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified interest rates to be the most relevant factor during the reporting periods, and accordingly adjusts the historical loss rates based on expected changes in these factors.

ECL for advances to related parties are measured and recognized using the liquidity approach. Management determines possible impairment based on the counterparties' ability to repay the receivables upon demand at the reporting date taking into consideration the historical defaults from the counterparties. Management assessed that portion of the outstanding receivables from certain related parties as of December 31, 2021 and 2020 are not fully recoverable since these related parties do not have enough capacity to pay the advances and loans upon demand.

The Group does not consider any significant risks in the remaining advances to related parties since the Group, whose credit risks for liquid funds are considered negligible, have committed to financially support these related parties as part of the its long-term corporate strategy.

The Group identifies a default when the receivables become credit impaired or when the customer has not been able to settle the receivables beyond the normal credit terms of 45 to 90 days, depending on the terms with the customers; hence, these receivables were already considered as past due on its contractual payment. In addition, the Group considers qualitative assessment in determining default such as in instances where the customer is unlikely to pay its obligations and is deemed to be in significant financial difficulty.

Large portion of the Group's receivables pertains to rental receivables from leasing operations to third parties, advances to related parties which are secured by an undertaking of another related party to pay in case of default, and contract receivables from the Philippine Reclamation Authority (PRA) related to various implementing agreements under the memorandum of agreement (MOA) entered into by the Group in relation to the reclamation and development of Aseana Business Park (ABP), which is also part of the Aseana City (see Notes 9.1, 9.2, 9.3 and 9.4). On July 15, 2015, the PRA's BOD approved the conveyance of certain properties to the Group in settlement of PRA's liabilities related to various implementing agreements entered into with the Group. As of December 31, 2021, the title to the properties are not yet transferred to the Group. Except for rental receivables from various and diversified profile of third party tenants, this makes the Group exposed to significant credit risk exposure to a single group of counterparties having similar characteristics.

The Group's rental receivables are secured to the extent of advance rentals and security deposits received from lessees. Further, in case of delay in collection of rentals from lessees, the Group imposes penalties pursuant to its standard lease agreements.

The Contract Asset account is secured to the extent of the fair value of the condominium units sold (i.e., based on current prices less estimated cost to sell) since the title to the real estate properties remains with the Group until the contract assets are fully collected. The fair value of the condominium units sold is usually higher than the carrying value of the related contract asset, hence, there is no expected loss given default on the contract asset.

With respect to refundable deposits, management assessed that these financial assets have low probability of default since these relate to reputable power and water distribution companies (i.e., with high quality external credit ratings) that sustain the operation of Aseana City and other related projects.

The estimated fair value of collaterals held against contract asset and rental receivables are presented below.

| | <u>Gross Maximum Exposure</u> | <u>Fair Value of Collaterals</u> | <u>Net Exposure</u> |
|--|---------------------------------------|--|-------------------------|
| December 31, 2021 | | | |
| Contract asset | P 144,091,769 | P 1,332,275,890 | P - |
| Rental receivables <i>(excluding rental receivables arising from PFRS 16 adjustments)</i> | <u>98,916,201</u> | <u>408,086,738</u> | <u>-</u> |
| | <u>P 243,007,970</u> | <u>P 1,740,362,628</u> | <u>P -</u> |
| December 31, 2020 | | | |
| Contract asset | P 92,002,207 | P 143,836,821 | P - |
| Rental receivables <i>(excluding rental receivables arising from PFRS 16 adjustments)</i> | <u>152,119,269</u> | <u>278,777,253</u> | <u>-</u> |
| | <u>P 244,121,476</u> | <u>P 422,614,074</u> | <u>P -</u> |

Based on the foregoing considerations and analyses, the loss allowance as at December 31, 2021 and 2020 for non-related party receivables was determined based on months past due while loss allowance for related party receivables is based on capacity to pay. The loss allowance provided by the Group are summarized as follows:

| | <u>0-30 days</u> | <u>31-60 days</u> | <u>61-90 days</u> | <u>Over 90 days</u> | <u>Total</u> |
|--------------------------------------|------------------|-------------------|-------------------|---------------------|---------------|
| December 31, 2021 | | | | | |
| <i>Expected credit loss rate</i> | | | | | |
| Land sale receivable | P 590,700,000 | P - | P - | P - | P 590,700,000 |
| Loss allowance | - | - | - | - | - |
| <i>Expected credit loss rate</i> | - | 2.72% | 27.61% | 56.63% | |
| Rental and other receivables | P 20,624,277 | P 53,287,022 | P 4,776,660 | P 23,452,399 | P 102,140,358 |
| Loss allowance | - | 1,449,890 | 1,318,679 | 13,281,375 | 16,049,944 |
| <i>Expected credit loss rate</i> | - | - | - | 3.77% | |
| Contract and retention receivable | P - | P 6,041,629 | P 36,421,008 | P 628,526,505 | P 670,989,142 |
| Loss allowance | - | - | - | 23,698,580 | 23,698,580 |
| <i>Expected credit loss rate</i> | - | - | - | 1.95% | |
| Advances to related parties | P - | P - | P - | P 808,358,847 | P 808,358,847 |
| Loss allowance | - | - | - | 15,739,101 | 15,739,101 |
| December 31, 2020 | | | | | |
| <i>Expected credit loss rate</i> | 0.11% | 4.53% | 10.12% | 38.63% | |
| Rental and other receivables | P 94,560,538 | P 42,635,605 | P 8,906,602 | P 29,318,873 | P 175,421,618 |
| Loss allowance | 99,379 | 1,932,734 | 900,925 | 15,220,680 | 18,153,718 |
| <i>Expected credit loss rate</i> | - | - | - | 3.70% | |
| Contract and retention receivable | P 96,340,620 | P - | P 22,025,941 | P 634,309,789 | P 752,676,350 |
| Loss allowance | - | - | - | 23,484,462 | 23,484,462 |
| <i>Expected credit loss rate</i> | - | - | - | 2.27% | |
| Advanced to related parties | P - | P - | P - | P 751,290,878 | P 751,290,878 |
| Loss allowance | - | - | - | 17,017,700 | 17,017,700 |

A reconciliation of the allowance for impairment for trade and receivables and advances to related parties as at December 31, 2021 and 2020 is presented below (see Note 9):

| | <u>December 31, 2021</u> | | <u>December 31, 2020</u> | |
|------------------------------|-------------------------------------|------------------------------------|-------------------------------------|------------------------------------|
| | <u>Trade and other receivables*</u> | <u>Advances to related parties</u> | <u>Trade and other receivables*</u> | <u>Advances to related parties</u> |
| Balance at beginning of year | P 41,638,180 | P 17,017,700 | P 34,010,170 | P 61,493,994 |
| Additional ECL | - | - | 7,628,010 | - |
| Reversal | (1,889,656) | (1,278,599) | - | (44,476,294) |
| Balance at end of year | <u>P 39,748,524</u> | <u>P 15,739,101</u> | <u>P 41,638,180</u> | <u>P 17,017,700</u> |

**Excluding advances to related parties*

In 2021 and 2020, the Group reversed a portion of its allowance for impairment on certain advances to a related party due to partial collection and substantial improvement of the related party's financial condition and operations [see Note 26.1].

Also in 2020, certain trade receivables from third party tenants amounting to P10.4 million with no previously provided allowance for impairment have been directly written off due to management's assessment of uncollectibility. There was no similar write off in 2021.

The reversal of impairment loss on financial assets, net of additional ECL and direct write off in 2021 and 2020, is presented as Reversal of impairment loss on financial assets – net, while the additional ECL in 2019 is presented as Impairment loss on financial assets in the consolidated statements of profit or loss, respectively (see Notes 22.3 and 23).

5.3 Liquidity Risk

Liquidity risk is the risk that cash may not be available to meet operating requirements and to pay obligations when due at a reasonable cost. Prudent liquidity risk management requires maintaining sufficient cash and credit facilities at reasonable cost to satisfy current requirements whenever the need arises. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for six-month and one-year periods are identified monthly.

As of December 31, 2021 and 2020, the Group's financial liabilities (excluding lease liabilities – see Note 16) have contractual maturities as follows:

| | <u>Notes</u> | <u>Current</u> | | <u>Non-current</u> |
|--|--------------|---|-------------------------------|-------------------------------|
| | | <u>Upon Demand/ Within 6 months</u> | <u>6 to 12 Months</u> | <u>1 to 5 Years</u> |
| <u>December 31, 2021</u> | | | | |
| Loans and borrowings | 18 | P 115,041,915 | P 1,087,849,629 | P 2,380,384,790 |
| Trade and other payables (except tax liabilities) | 19 | 618,732,925 | 639,412,323 | - |
| Advances from and due to related parties | 26.2 | 4,034,868,945 | - | - |
| Rental deposits | 20 | - | 32,307,530 | 256,222,831 |
| Construction bond | 20 | - | 36,825,167 | - |
| | | <u>P 4,768,643,785</u> | <u>P 1,796,394,649</u> | <u>P 2,636,607,621</u> |
| <u>December 31, 2020</u> | | | | |
| Loans and borrowings | 18 | P 79,465,288 | P 1,073,885,013 | P 317,132,863 |
| Trade and other payables (except tax liabilities) | 19 | 703,501,314 | 331,578,862 | - |
| Advances from and due to related parties | 26.2 | 4,033,118,154 | - | - |
| Rental deposits | 20 | - | 50,041,094 | 210,654,440 |
| Construction bond | 20 | - | 48,837,148 | - |
| | | <u>P 4,816,084,756</u> | <u>P 1,504,342,117</u> | <u>P 527,787,303</u> |

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the financial liabilities at the end of the reporting periods.

6. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

6.1 Carrying Values and Fair Values by Category

The carrying values and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown in the succeeding page.

| | Notes | 2021 | | 2020 | |
|---|-------|------------------------|------------------------|------------------------|------------------------|
| | | Carrying Values | Fair Values | Carrying Values | Fair Values |
| Financial Assets | | | | | |
| <i>At amortized cost:</i> | | | | | |
| Cash and cash equivalents | 8 | P 5,665,952,194 | P 5,665,952,194 | P 4,429,489,615 | P 4,429,489,615 |
| Short-term placement (presented as part of Other Current Assets) | 12 | - | - | 585,000,000 | 585,000,000 |
| Receivables – net | 9 | 6,722,609,928 | 6,589,860,151 | 5,789,026,395 | 5,668,193,821 |
| Refundable deposits (presented as part of Other Non-current assets) | 17 | 32,340,519 | 32,340,519 | 30,313,000 | 30,313,000 |
| | | <u>12,420,902,641</u> | <u>12,288,152,864</u> | 10,833,829,010 | 10,712,996,436 |
| <i>At FVTPL</i> | 12 | 58,888,290 | 58,888,290 | 51,318,288 | 51,318,288 |
| <i>At FVOCI</i> | 17.2 | 42,178,662 | 42,178,662 | 49,670,827 | 49,670,827 |
| | | <u>P12,521,969,593</u> | <u>P12,389,219,816</u> | <u>P10,934,818,125</u> | <u>P10,813,985,551</u> |
| Financial Liabilities | | | | | |
| <i>At amortized cost:</i> | | | | | |
| Loans and borrowings | 18 | P 3,282,350,000 | P 3,254,904,746 | P 1,397,020,000 | P 1,367,650,029 |
| Trade and other Payables | 19 | 1,258,145,248 | 1,258,145,248 | 1,035,080,176 | 1,035,080,176 |
| Advances from and due to related parties | 26.2 | 4,034,868,945 | 4,034,868,945 | 4,033,118,154 | 4,033,118,154 |
| Rental deposits | 20 | 288,530,361 | 288,530,361 | 260,695,534 | 260,695,534 |
| Construction bond | 20 | 36,825,167 | 36,825,167 | 48,837,148 | 48,837,148 |
| Lease liabilities | 16.2 | 534,035,912 | 534,035,912 | 165,526,914 | 165,526,914 |
| | | <u>P 9,434,755,633</u> | <u>P 9,407,310,379</u> | <u>P 6,940,277,926</u> | <u>P 6,910,907,955</u> |

See Notes 2.4 and 2.10 for a description of the accounting policies for financial assets and financial liabilities, respectively, including the determination of fair values. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 5.

6.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set-off financial instruments as of December 31, 2021 and 2020 and it does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) may have the option to settle all such amounts on a net basis in the event of default of the other party through approval of both parties' BODs and stockholders or upon instruction by the Ultimate Parent Company.

Advances to related parties under Receivables account in the consolidated statements of financial position can be offset by the amount of outstanding Advances from and Due to a Related Parties account.

For rental receivables and security deposits, each party of the lease agreement will have the option to settle such amount on a net basis in the event of default of the other party.

| | Notes | Gross amounts recognized in the consolidated statements of financial position | Related amounts not set off in the consolidated statements of financial position | Net amount |
|--|---------|--|---|------------------------|
| Advances to related parties: | 26.1 | | | |
| December 31, 2021 | | P 808,358,847 | (P 473,211,213) | P 335,147,634 |
| December 31, 2020 | | 751,290,878 | (440,851,530) | 310,439,348 |
| Advances from and due to related parties: | 26.2 | | | |
| December 31, 2021 | | P 4,034,868,945 | (P 473,211,213) | P 3,561,657,732 |
| December 31, 2020 | | 4,033,118,154 | (440,851,530) | 3,592,266,624 |
| Rental receivables: | 9.1, 19 | | | |
| December 31, 2021 | | P 98,916,201 | (P 89,213,574) | P 9,702,627 |
| December 31, 2020 | | 152,119,269 | (146,527,402) | 5,591,867 |
| Security deposits: | 9.1, 19 | | | |
| December 31, 2021 | | P 364,610,546 | (P 89,213,574) | P 275,396,972 |
| December 31, 2020 | | 340,573,779 | (146,527,402) | 194,046,377 |

7. FAIR VALUE MEASUREMENT AND DISCLOSURES

7.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which an asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which does not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

7.2 Financial Instruments Measurement at Fair Value

The Group's financial assets at FVOCI include proprietary golf club shares, which are categorized within Level 2 as their prices are not derived from market considered as active due to lack of regular trading activities among market participants at the end or close to the end of the reporting period. Moreover, equity security held in a private company is included in Level 3 since its market value is not quoted in an active market, hence, measured using the net asset value approach by reference to the fair value of its assets and liabilities. With respect to financial assets as FVTPL which include investments in equity securities, these are categorized under Level 1 as their prices are quoted in active market. On the other hand, debt security issued by a private company is included in Level 3.

As of December 31, 2021 and 2020, the Group's financial assets at FVOCI measured at fair value amounted to P42.2 million and P49.7 million, respectively (see Note 17.2) while the Group's financial assets at FVTPL measured at fair value amounted to P58.9 million and P51.3 million, respectively (see Note 12).

The Group has no financial liabilities measured at fair value as of December 31, 2021 and 2020.

There were no transfers between Levels 1 and 2 but there were changes in the carrying amount of Level 3 instruments in both years. Unrealized fair value loss and unrealized fair value gain amounting to P7.5 million and P26.2 million, respectively, is recognized on financial assets at FVOCI in 2021 and 2020 (see Note 17).

7.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The tables in the succeeding page summarize the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

| | | December 31, 2021 | | | |
|--|---------|-------------------------------|-------------------|-------------------------------|--------------------------------|
| Notes | Level 1 | Level 2 | Level 3 | Total | |
| Financial Assets | | | | | |
| Cash and cash equivalents | 8 | P 5,665,952,194 | P - | P - | P 5,665,952,194 |
| Receivables – net | 9 | - | - | 6,589,860,151 | 6,589,860,151 |
| Refundable deposits (presented as part of Other Non-current Assets) | 17 | - | - | 32,340,519 | 32,340,519 |
| | | <u>P 5,665,952,194</u> | <u>P -</u> | <u>P 6,622,200,670</u> | <u>P 12,288,152,864</u> |

| | | | | | |
|--|------|-------------------|-------------------|-------------------------------|-------------------------------|
| Financial Liabilities | | | | | |
| Loans and borrowings | 18 | P - | P - | P 3,254,904,746 | P 3,254,904,746 |
| Trade and other payables | 19 | - | - | 1,258,145,248 | 1,258,145,248 |
| Advances from and due to related parties | 26.2 | - | - | 4,034,868,945 | 4,034,868,945 |
| Rental deposits | 20 | - | - | 288,530,361 | 288,530,361 |
| Construction bond | 20 | - | - | 36,825,167 | 36,825,167 |
| Lease liabilities | 16.2 | - | - | 534,035,912 | 534,035,912 |
| | | <u>P -</u> | <u>P -</u> | <u>P 9,407,310,379</u> | <u>P 9,407,310,379</u> |

| | | December 31, 2020 | | | |
|--|---------|-------------------------------|-------------------|-------------------------------|--------------------------------|
| Notes | Level 1 | Level 2 | Level 3 | Total | |
| Financial Assets | | | | | |
| Cash and cash equivalents | 8 | P 4,429,489,615 | P - | P - | P 4,429,489,615 |
| Short-term placement (presented as part of Other Current Assets) | 12 | 585,000,000 | - | - | 585,000,000 |
| Receivables – net | 9 | - | - | 5,668,193,821 | 5,668,193,821 |
| Refundable deposits (presented as part of Other Non-current Assets) | 17 | - | - | 30,313,000 | 30,313,000 |
| | | <u>P 5,014,489,615</u> | <u>P -</u> | <u>P 5,698,506,821</u> | <u>P 10,712,996,436</u> |

| | | | | | |
|--|------|-------------------|-------------------|-------------------------------|-------------------------------|
| Financial Liabilities | | | | | |
| Loans and borrowings | 18 | P - | P - | P 1,367,650,029 | P 1,367,650,029 |
| Trade and other payables | 19 | - | - | 1,035,080,176 | 1,035,080,176 |
| Advances from and due to related parties | 26.2 | - | - | 4,033,118,154 | 4,033,118,154 |
| Rental deposits | 20 | - | - | 260,695,534 | 260,695,534 |
| Construction bond | 20 | - | - | 48,837,148 | 48,837,148 |
| Lease liability | 16.2 | - | - | 165,526,914 | 165,526,914 |
| | | <u>P -</u> | <u>P -</u> | <u>P 6,910,907,955</u> | <u>P 6,910,907,955</u> |

The fair values of financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability base of the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data.

7.4 Fair Value Disclosures for Investment Properties Carried at Cost

The table shows the levels within the hierarchy of non-financial assets that are not measured at fair value but for which fair values are disclosed.

| | Note | Level 1 | Level 2 | Level 3 | Total |
|----------------------------|------|------------|-------------------------|-------------------------|-------------------------|
| December 31, 2021 | | | | | |
| Land | P | - | P127,451,168,524 | P - | P127,451,168,524 |
| Buildings and improvements | | - | - | 10,349,934,514 | 10,349,934,514 |
| Construction in progress | | - | - | 4,791,919,186 | 4,791,919,186 |
| | 15 | <u>P -</u> | <u>P127,451,168,524</u> | <u>P 15,141,853,700</u> | <u>P142,593,022,224</u> |
| December 31, 2020 | | | | | |
| Land | P | - | P120,641,893,758 | P - | P120,641,893,758 |
| Buildings and improvements | | - | - | 6,148,672,244 | 6,148,672,244 |
| Construction in progress | | - | - | 3,309,920,402 | 3,309,920,402 |
| | 15 | <u>P -</u> | <u>P120,641,893,758</u> | <u>P 9,458,592,646</u> | <u>P130,100,486,404</u> |

The fair value of the Group's investment properties as of December 31, 2021 and 2020 are determined on the basis of the appraisals performed by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's investment properties is their current use.

The fair values of the Group's investment properties were determined based on the following approaches:

(a) *Fair Value Measurement for Land*

The Level 2 fair value of land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations as determined by an independent appraiser. Under this approach, when sales prices and/or actual sales transaction of comparable land in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2.

The fair value is determined by the Group using the fair values of certain parcels of land adjacent to the location of the Group's investment. The fair value is based on the market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction as at the valuation date. Such amount is influenced by different factors including the location and specific characteristics of the property (e.g., size, features, and capacity), quantity of comparable properties available in the market, and economic condition and behavior of the buying parties.

(b) *Fair Value Measurement for Buildings and Improvements and Construction in Progress*

As of December 31, 2021 and 2020, the Level 3 fair value of the buildings and improvements was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties. Based on the foregoing inputs, the actual cost incurred to date recorded under Construction in Progress approximates its fair value.

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

| | <u>2021</u> | <u>2020</u> |
|---------------------------|-------------------------------|------------------------|
| Cash on hand and in banks | P 4,750,990,553 | P 2,633,527,974 |
| Short-term placements | <u>914,961,641</u> | <u>1,795,961,641</u> |
| | <u>P 5,665,952,194</u> | <u>P 4,429,489,615</u> |

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements are made for varying periods of between 30 to 90 days and earn effective interest ranging from 0.58% to 2.85% per annum in 2021, from 1.00% to 5.10% per annum in 2020 and from 3.38% to 6.75% per annum in 2019. Interest income from cash in banks and short-term placements amounting to P14.7 million, P69.9 million and P263.7 million in 2021, 2020 and 2019, respectively, are included as part of Interest income under Finance Income in the consolidated statements of profit or loss (see Note 22.2). Accrued interest from short-term placements is presented as part of Others under Receivables account in the consolidated statements of financial position (see Note 9).

9. RECEIVABLES

This account is composed of the following:

| | <u>Notes</u> | <u>2021</u> | <u>2020</u> |
|----------------------------|---------------------|------------------------|------------------------|
| Current: | | | |
| Rental receivables | 9.1 | P 778,904,739 | P 757,389,580 |
| Advances to: | 9.2 | | |
| Related parties | 26.1 | 808,358,847 | 751,290,878 |
| Suppliers | | 504,311,073 | 447,738,231 |
| Officers and employees | | 11,878,006 | 10,083,743 |
| Contracts receivables | 9.3, 26.5 | 659,179,521 | 647,309,556 |
| Receivable from land sales | | 590,700,000 | - |
| Retention receivables | 9.4, 26.5 | 11,809,620 | 105,366,794 |
| Others | 8, 9.5, 12, 26.3 | 3,544,286 | 13,133,634 |
| | | 3,368,686,092 | 2,732,312,416 |
| Allowance for impairment | 5.2(b) | (55,487,625) | (58,655,880) |
| | | 3,313,198,467 | 2,673,656,536 |
| Non-current – | | | |
| Rental receivables | 9.1 | 3,925,600,540 | 3,573,191,833 |
| | | P 7,238,799,007 | P 6,246,848,369 |

Receivables do not bear any interest. All receivables (except advances to suppliers) are subject to credit risk exposures (see Note 5.2).

9.1 Rental Receivables

Rental receivables represent uncollected monthly receivables from third party tenants of the Group. This includes rent receivables arising from the application of PFRS 16, which represent the difference between the cash basis rent income and the straight-line rent income of all outstanding lease contracts as of the end of the reporting periods. Rent receivables from PFRS 16 adjustments amounted to P4,614.7 million and P4,167.0 million as of December 31, 2021 and 2020, respectively.

9.2 Advances

Except for certain advances which are secured by an undertaking of another related party to pay in case of default, advances to related parties are unsecured, noninterest-bearing and are granted for working capital requirements (see Note 26.1). There are no definite repayment and settlement term on these advances.

Advances to suppliers under Other Current Assets pertain to mobilization funds provided to various suppliers for use primarily in the construction and development of the Group's residential condominium projects while those under Other Non-current Assets pertain to advances to suppliers for investment property additions (see Notes 10, 15 and 17). These are reduced proportionately upon receipt of progress billings from the said suppliers.

Advances to officers and employees are noninterest-bearing and collectible through liquidation, or salary deduction within 12 months from the end of the reporting period.

9.3 *Contracts Receivables*

Contracts receivables are noninterest-bearing and usually due within 270 days. Of the total outstanding balance, P557.5 million is due from PRA as of December 31, 2021 and 2020. Management believes that these receivables are fully recoverable through collection of the accounts from customers. With respect to the amount due from PRA, the receivable is recoverable in full through transfer of certain properties owned by PRA to the Group (see Note 5.2).

9.4 *Retention Receivables*

In 2019, the Group sold certain parcels of land located in Aseana City to a third party buyer. The related 10% retention receivable as of December 31, 2020 amounted to P93.6 million, which is to be collected upon transfer of the land title to the buyer. As of December 31, 2021, the title to the parcels of land has been transferred to the buyer and the related retention has been collected by the Group.

The remaining retention receivables pertains to the outstanding balances with a related party as of December 31, 2021 and 2020 (see Note 26.5).

9.5 *Other Receivables*

Other receivables include accrued interest income from short-term placements (see Note 8). These also include amounts collectible for rendering of certain services incidental to the Group's leasing and real estate business (see Note 26.3).

10. PROPERTY DEVELOPMENT COSTS AND CONTRACT ACCOUNTS

10.1 *Property Development Costs*

The Group capitalized certain costs as property development costs representing properties under development and construction. Costs incurred comprise of actual costs of land, construction and related engineering, architectural and other consultancy fees, and borrowing costs related to the development of residential condominium projects, namely, "Pixel Residences", "MidPark Towers" and "One Parq Suites", all of which are located in Aseana City, 1702 Parañaque City, Metro Manila. It also includes certain parcels of land previously classified as investment properties which will be developed for the Group's other residential projects (see Note 15). As of December 31, 2021, the Group has capital commitments relating to future development costs over these parcels of land.

The accumulated balance of Property Development Costs as presented in the consolidated statements of financial position amounted to as follows:

| | <u>2021</u> | <u>2020</u> |
|--------------------|------------------------------|-------------------------------|
| MidPark Residences | P1,149,570,083 | P 602,660,068 |
| Raw land | 397,831,294 | 397,831,294 |
| Pixel Residences | 26,136,740 | 54,708,425 |
| One Parq Suites | <u>15,474,918</u> | <u>13,376,898</u> |
| | <u>P1,589,013,035</u> | <u>P 1,068,576,685</u> |

In 2021, Property development costs also includes capitalized borrowing costs, amortization of right-of-use asset and interest expense on lease liability amounting to P24.9 million, P10.3 million and P0.7 million, respectively (see Note 16). There was no similar capitalization in 2020.

Cost of condominium units sold amounted to P227.6 million, P409.5 million, and P314.5 million in 2021, 2020 and 2019, respectively (see Notes 21.2 and 23) and are presented under Cost of Services and Sales section in the consolidated statements of profit or loss.

10.2 Contract Accounts

The significant changes in the contract asset and liability balances during the reporting periods are as follows:

| | 2021 | | 2020 | |
|--|----------------------|----------------------|---------------------|----------------------|
| | Contract Asset | Contract Liability | Contract Asset | Contract Liability |
| Balance at beginning of year | P 92,002,207 | P 690,811,702 | P 249,012,950 | P 554,735,131 |
| Increase as a result of changes in measurement of progress | 52,089,562 | - | - | - |
| Decrease due to collections | - | - | (157,010,743) | - |
| Revenue recognized that was included in contract liability at the beginning of year | - | (277,586,337) | - | (80,953,843) |
| Increase due to cash received excluding amount recognized as revenue during the year | - | 39,308,115 | - | 217,030,414 |
| Balance at end of year | <u>P 144,091,769</u> | <u>P 452,533,480</u> | <u>P 92,002,207</u> | <u>P 690,811,702</u> |

Contract asset and liability is presented in the consolidated statements of financial position as at December 31, 2021 and 2020 as follows:

| | 2021 | | 2020 | |
|-------------|----------------------|----------------------|---------------------|----------------------|
| | Contract Asset | Contract Liability | Contract Asset | Contract Liability |
| Current | P 33,217,659 | P 246,577,141 | P 92,002,207 | P 486,576,915 |
| Non-current | <u>110,874,110</u> | <u>205,956,339</u> | - | <u>204,234,787</u> |
| | <u>P 144,091,769</u> | <u>P 452,533,480</u> | <u>P 92,002,207</u> | <u>P 690,811,702</u> |

The transaction price allocated to the remaining performance obligation (unsatisfied or partially satisfied) as at December 31, 2021 and 2020 are as follows:

| | 2021 | 2020 |
|-----------------------------------|------------------------|-----------------------|
| Within one year | <u>P 2,530,025,491</u> | P1,122,856,639 |
| More than one year to three years | <u>1,373,369,287</u> | <u>3,246,335,030</u> |
| | <u>P 3,903,394,778</u> | <u>P4,369,191,669</u> |

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

11. LAND AND LAND DEVELOPMENT COSTS

This account pertains to the cost of land available for sale located in Aseana Business Park, Parañaque City; Ciudad Nuevo Park, Cavite City; and Lunzuran Heights Subdivision, Zamboanga City with a total lot area of 236,219 square meters and 238,009 square meters as of December 31, 2021 and 2020, respectively.

The analysis of the movements of the balance of Land and Land Development Costs is as follows:

| | <u>Note</u> | <u>2021</u> | <u>2020</u> |
|-----------------------------------|-------------|-------------------------------|-------------------------------|
| Balance at beginning of year | | P 2,112,536,724 | P 2,012,493,650 |
| Development costs during the year | | 22,832,583 | 100,043,074 |
| Sales during the year | 23 | (55,212,604) | - |
| Balance at end of year | | <u>P 2,080,156,703</u> | <u>P 2,112,536,724</u> |

Management has estimated that the net realizable value of Land and Land Development Costs is higher than its carrying value as of December 31, 2021 and 2020. As of December 31, 2021 and 2020, certain portion of the parcels of land owned by the Group with a total lot area of 2,777 square meters and carrying amounts of P52.9 million and P52.1 million, respectively, is used as collateral to secure certain peso denominated interest-bearing loans (see Note 18). The loans do not contain any restriction on the sale of the land except that the mortgage is annotated in the titles of the said properties.

12. OTHER CURRENT ASSETS

This account consists of the following:

| | <u>Notes</u> | <u>2021</u> | <u>2020</u> |
|----------------------------|--------------|-------------------------------|-------------------------------|
| Deferred input VAT | | P 595,350,899 | P 345,995,214 |
| Input VAT | | 531,937,236 | 680,951,322 |
| Prepayments | | 107,397,891 | 116,805,902 |
| Financial assets at FVTPL | 7.2 | 58,888,290 | 51,318,288 |
| Contract acquisition costs | 3.2(i) | 46,548,285 | 38,177,486 |
| Creditable withholding tax | | 27,782,939 | 54,908,103 |
| Short-term placements | | - | 585,000,000 |
| | | <u>P 1,367,905,540</u> | <u>P 1,873,156,315</u> |

Short-term placement pertains to a time deposit with maturity of 102 days from date of acquisition. The related interest income amounting to P18.8 million and P33.2 million is included as part of Interest income under Finance income account in the consolidated statements of profit or loss (see Note 22.2) in 2020 and 2019, respectively, while accrued interest is presented as part of Others under Receivables account in the consolidated statement of financial position as of December 31, 2020 (see Note 9).

Deferred input VAT pertains to the corresponding input VAT on subcontract services, which are yet to be recognized in installments in the next reporting period.

Prepayments mostly pertain to real property taxes and other incidental business prepayments which are expected to be realized within 12 months after the end of the reporting period.

Financial assets at FVTPL consist of investments in equity and convertible debt securities which are held for trading purposes. Fair value loss amounting to P2.1 million in 2021 is recognized and presented as part of Finance Costs account in the 2021 consolidated statement of profit or loss and fair value gain amounting to P2.8 million in 2020, is recognized and presented as part of Finance income account in the 2020 consolidated statement of profit or loss (see Note 22.1 and 22.2).

13. INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE

This account consists of the following:

| | <u>Note</u> | <u>2021</u> | <u>2020</u> |
|---------------|-------------|-----------------------------|---------------------|
| Joint venture | 13.3 | P 68,715,066 | P 38,917,570 |
| Associates | 13.1 | <u>48,890,928</u> | <u>48,967,111</u> |
| | | <u>P 117,605,994</u> | <u>P 87,884,681</u> |

The Group's associates and a joint venture are all incorporated and with principal operations in the Philippines. These entities are engaged in businesses related to the Parent Company's operations.

The components of the carrying amounts of investments in associates and a joint venture are as follows:

13.1 Investments in Associates

The movements in the carrying amount of investments in associates which is accounted for under the equity method in the consolidated financial statements of the Group, are shown in the succeeding page.

| | <u>2021</u> | <u>2020</u> |
|----------------------------------|----------------------------|---------------------|
| Acquisition costs | <u>P 56,913,213</u> | <u>P 56,913,213</u> |
| Accumulated share in net losses: | | |
| Balance at beginning of year | (7,946,102) | (7,870,045) |
| Share in net losses | (76,183) | (76,057) |
| Balance at end of year | (8,022,285) | (7,946,102) |
| | <u>P 48,890,928</u> | <u>P 48,967,111</u> |

The Group's associates include ERTI, ACBMDC and AHEC. Although AHEC is currently in the process of liquidation [see Note 1.2(u)], the Group has assessed that the Group's existing share in the net assets of AHEC exceeds the carrying amount of its investment considering that AHEC has sufficient assets, including construction equipment related to the business of the Group. Upon completion of AHEC's liquidation, management of the Group believes that the Group may obtain portion of these assets in the form of a return of invested capital.

13.2 Financial Information of Associates and Joint Ventures

There were no associates and joint venture which are considered material to the Group in 2021 and 2020.

No dividends were received from the associates and joint venture in 2021, 2020 and 2019.

These associates and joint venture are not listed in the local stock exchange; hence, the fair value of the shares cannot be determined reliably. However, management believes that the carrying amounts of the investments are fully recoverable based on the prospect of the business of these associates and joint venture.

13.3 Investment in a Joint Venture

In 2019, the investment in ABCC classified and presented as Investment in Joint Venture Held for Termination was reclassified to Investment Properties as this pertains to the land previously transferred in exchange for ABCC's shares of stock (see Notes 2.14 and 15). As a result of the termination of the joint venture agreement (JV Agreement) [see Note 13.3(b)], ABCC has been considered as a subsidiary starting in 2019 as the remaining shares are now all held by the Parent Company in the same year [see Note 1.2(f)]. ABCC had not commenced operations since its incorporation and only incurred real property taxes and other administrative expenses. The effect of the reclassification amounting to P80.6 million (net of P36.2 million cumulative share in net losses of ABCC) representing the deficit of ABCC was recognized as an adjustment to the Retained Earnings account in 2019.

As of the end of the reporting periods, the remaining investment in joint venture consist only of 50% investment in BRADCO.

a) *BRADCO*

The movements in the carrying amount of investments in BRADCO, which is accounted for under the equity method in the consolidated financial statements of the Group, are shown below.

| | <u>2021</u> | <u>2020</u> |
|----------------------------------|----------------------------|---------------------|
| Acquisition costs | <u>P 2,000,000</u> | <u>P 2,000,000</u> |
| Accumulated share in net income: | | |
| Balance at beginning of year | 36,917,570 | 10,827,982 |
| Share in net income | <u>29,797,496</u> | <u>26,089,588</u> |
| Balance at end of year | <u>66,715,066</u> | <u>36,917,570</u> |
| | <u>P 68,715,066</u> | <u>P 38,917,570</u> |

On February 15, 1992, the Parent Company entered into a joint venture agreement with the Armed Forces of the Philippines Retirement and Separation Benefits System (AFPRSBS) to form BRADCO, a joint venture. The Parent Company and AFPRSBS each owns 50% interest in the joint venture.

Pursuant to the JV Agreement, the Parent Company and BRADCO entered into a construction agreement whereby the Parent Company undertook the construction of a building intended to be held for lease. The construction of the building was completed in 2015 with the accumulated costs totaling P38.6 million recognized as part of Buildings and improvements under Investment Properties account in the consolidated statements of financial position (see Note 15).

There are no significant risks, commitments, or contingencies related to the Group's interests in BRADCO during the reporting periods.

b) *ABCC*

On December 23, 2010, the Parent Company, WHI and Alphaland Development, Inc. (ADI) entered in a MOA whereby the Parent Company, WHI and ADI agreed to transfer certain parcels of land located in ABP in exchange for shares of stock of ABCC, the joint venture entity. While the increase in authorized capital stock of ABCC is pending approval by the SEC, the Parent Company agreed to transfer 96,751 square meters of land. Relative to this, the Parent Company recognized investment in ABCC, under a deed of assignment, representing the parcels of land contributed at the time of investment and accounted for as an investment in a joint venture.

Further, the Parent Company and WHI agreed to contribute additional parcels of land to ABCC in exchange for additional shares of stock upon transfer of ownership and control of the subject parcels of land from PRA to the Parent Company and WHI.

Likewise in 2010, the Parent Company agreed, through the MOA, to receive noninterest-bearing advances amounting to P1,000.0 million from ADI in consideration of which the Parent Company agreed to assign all its rights and interest on certain number of common shares to be issued by ABCC to the Parent Company so as to arrive at the agreed ownership structure of ABCC. Since then, the assignment has been put on hold pending the performance of certain conditions under the MOA. These advances are presented as Advances from a Co-joint Venturer account in the 2019 consolidated statement of financial position.

In 2018, the Parent Company, along with WHI and ABCC, entered into a Settlement Agreement (SA) with ADI regarding their JV Agreement, and all disputes related thereto, in relation to the development of the Alphaland Bay City project located in Aseana City. Under the SA, the parties have agreed to terminate, rescind or otherwise cancel the JV Agreement, and waive and release any and all rights or interests they, or may have arising therefrom subject to certain conditions.

Also in 2018, the Parent Company entered into a Consideration Agreement (CA) with certain third parties whereby one of the performance obligations of the Parent Company, together with WHI, in exchange for the Parent Company's non-refundable cash consideration is to transfer their rights provided for under a certain JV Agreement, through giving their consent in favor of the third parties to be able to acquire from ADI certain parcels of land contributed by ADI to the joint venture. The related performance obligation was accordingly satisfied by the Parent Company in 2018. The same Consideration Agreement also requires a second performance obligation in exchange for another cash consideration whereby the Parent Company shall provide specific guidelines, review the compliance and undertake related activities thereto, in favor of the third parties with respect to its development project design on the parcels of land purchased by one of the third parties from ADI in Aseana City. The second performance obligation is to be satisfied over time from January to August 2019. Subject to the foregoing certain terms and conditions governing the transfer of such rights to the third parties and their ability to take full and unrestricted control over the development of the parcels of land, the Parent Company is entitled to consideration totaling P2,050.0 million collectible in two years.

The non-refundable portion amounting to P1,200.0 million was received by the Parent Company in 2018 as the consideration for the consent given by the Parent Company and the remaining P850.0 million was received by the Parent Company in 2019 as completion of the second performance obligation. These are included as part of Other income account in the 2019 consolidated statements of profit or loss, respectively (see Note 22.4).

As part of the termination of the JV Agreement, the parties agreed to withdraw their earlier request for a tax free ruling from the BIR on the property contributions for shares in ABCC and to petition the SEC to cancel its approval of the increase in capital stock of ABCC in 2012. The approval by the SEC was obtained on December 18, 2018 whereby it ordered ABCC's capital stock to be corrected.

Management, in consultation with its external legal counsel, is of the opinion that the cancellation of the aforementioned SEC's approval on the increase in capital stock of ABCC should be accounted for retrospectively. Consequently, the Group restated its investment in ABCC in 2018 to recognize such investment amounting to P127.1 million, which is equivalent to the previous carrying value of its parcels of land amounting to P163.3 million, net of P36.2 million cumulative share in net losses of ABCC (see Note 31). Furthermore, the Group classified the same asset, which is lower than its fair value less cost to terminate, under the Investment in Joint Venture Held for Termination account as of December 31, 2018 as the Group intended to recover the foregoing investment in ABCC held for termination through the receipt of the previously contributed investment property within one year from the end of 2018, subject to the fulfillment of the conditions as set forth in the SA by 2019.

Pursuant to the fulfillment of the conditions in 2019 as set forth in the SA and receipt of the previously contributed investment property, the Group reclassified the Investment in Joint Venture Held for Termination account to Investment Properties account in the same year (see Note 15). A portion of the Investment in Joint Venture Held for Termination account amounting to P10,000 was reclassified also to Investment in Subsidiaries representing the 100% ownership of the Group in ABCC and was eliminated during consolidation in 2019.

In 2020, the Group reversed the advances from ADI amounting to P1,000.0 million upon completion of all administrative matters relating to the CA and SA in 2020 and prescription. Management, in consultation with its legal counsel, believes that full restitution of ADI was already served and no further claims against DMWAI under the JV Agreement is expected. The reversal of such advances is presented as Other Income in the 2020 consolidated statement of profit or loss (see Note 22.4).

13.4 Acquisition of Assets

On October 1, 2020, ARHC acquired 100% equity ownership interest in LBDC. Also on December 9, 2016, AHI acquired 100% equity ownership interest in 58 Jupiter. LBDC and 58 Jupiter hold investment properties representing land and building (see Note 15).

In accordance with the Group's policy (see Note 2.17), the transactions are accounted by the Group as asset acquisitions since the transactions do not constitute a business combination. The purchase price upon acquisition amounting to P630.0 million for LBDC and P160.0 million for 58 Jupiter, were allocated among the asset and liability accounts based on their relative fair values in their applicable periods.

Subsequent to the date of acquisition, any changes in the carrying value of the net assets acquired in the books of LBDC and 58 Jupiter arising from its own operations shall be updated and accounted for in the books of the Group on a line-by-line basis, as if they are consolidated into a single entity. The registered office of LBDC, which is also its principal place of business, is located in Makati City. The registered office of 58 Jupiter is located in Escolta, Manila while its principal place of business is in Makati City.

13.5 Noncontrolling Interests

Noncontrolling interests pertain to the equity ownership of minority stockholders in FRDC, R-1, MLCI, AITPI, SBRI, ARESM, AGFHC and BAHI. Among these subsidiaries, only BAHI has material noncontrolling interests as follows:

| Proportion of Ownership Interest and Voting Rights Held by NCI | | | Subsidiary's Consolidated Profit (Loss) Allocated to NCI | | | Accumulated Equity of NCI | | |
|--|--------|--------|--|--------------|--------------|---------------------------|---------------|---------------|
| 2021 | 2020 | 2019 | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| 40.02% | 40.02% | 40.02% | P 21,698,767 | P 35,137,817 | P 12,582,648 | P 599,911,122 | P 578,212,355 | P 543,074,538 |

The summarized financial information of BAHI, before intragroup eliminations, is shown below.

| | 2021 | 2020 |
|---|------------------------|------------------------|
| Non-current assets | P 5,660,135,683 | P 5,660,135,683 |
| Current assets | <u>374,966,019</u> | <u>381,595,708</u> |
| Total assets | <u>P 6,035,101,702</u> | <u>P 6,041,731,391</u> |
| Non-current liabilities | P 69,797,783 | P 69,163,577 |
| Current liabilities | <u>3,969,244,784</u> | <u>4,030,728,485</u> |
| Total liabilities | <u>P 4,039,042,567</u> | <u>P 4,099,892,062</u> |
| Equity attributable to owners of the parent | <u>P 1,396,148,014</u> | <u>P 1,363,626,974</u> |
| Non-controlling interest | <u>P 599,911,121</u> | <u>P 578,212,355</u> |

| | 2021 | 2020 | 2019 |
|--|-----------------------|---------------------|------------------------|
| Revenue | <u>P 87,519,336</u> | <u>P 79,784,571</u> | <u>P 2,470,824,467</u> |
| Profit for the year attributable to owners of the parent | 32,521,040 | 52,662,824 | 18,858,252 |
| Profit for the year attributable to NCI | <u>21,698,766</u> | <u>35,137,816</u> | <u>12,582,648</u> |
| Profit for the year | <u>54,219,806</u> | <u>87,800,640</u> | <u>31,440,900</u> |
| Other comprehensive income for the year (all attributable to owners of the parent) | - | - | - |
| Total comprehensive income for the year attributable to owners of the parent | 32,521,040 | 52,662,824 | 18,858,252 |
| Total comprehensive income for the year attributable to NCI | <u>21,698,766</u> | <u>35,137,816</u> | <u>12,582,648</u> |
| Total comprehensive income for the year | <u>P 54,219,806</u> | <u>P 87,800,640</u> | <u>P 31,440,900</u> |
| Net cash from (used in) operating activities | (P 27,433,912) | P 970,380,813 | P 36,001,834 |
| Net cash from investing activities | 5,514 | 254,463 | 1,000,036,742 |
| Net cash used in financing activities | (10,050) | (926,565,225) | (1,025,146,809) |
| Net cash inflow (outflow) | <u>(P 27,438,448)</u> | <u>P 44,070,051</u> | <u>P 10,891,767</u> |

Management determined that the difference between the respective equity ownership of minority stockholders over the equity of the aforementioned subsidiaries and the amount of NCI recognized in the consolidated statements of financial position is not material to the consolidated financial statements.

14. PROPERTY AND EQUIPMENT

The gross carrying amounts and the accumulated depreciation and amortization of property and equipment at the beginning and end of 2021 and 2020 are shown below.

| | <u>Land</u> | <u>Land Improvements</u> | <u>Leasehold Improvements</u> | <u>Machinery and Construction Equipment</u> | <u>Transportation Equipment</u> | <u>Furniture and Office Equipment</u> | <u>Other Equipment</u> | <u>Building and Improvements</u> | <u>Total</u> |
|---|---------------------------|---------------------------|-------------------------------|---|---------------------------------|---------------------------------------|-------------------------|----------------------------------|-----------------------------|
| December 31, 2021 | | | | | | | | | |
| Cost | P 9,291,800 | P 4,034,354 | P 38,370,564 | P 473,492,206 | P 60,284,558 | P 161,761,337 | P 14,587,506 | P 239,649,209 | P1,001,471,534 |
| Accumulated depreciation and amortization | <u>-</u> | <u>(3,435,845)</u> | <u>(32,957,310)</u> | <u>(449,863,681)</u> | <u>(44,815,376)</u> | <u>(103,738,934)</u> | <u>(14,062,186)</u> | <u>(29,956,151)</u> | <u>(678,829,483)</u> |
| Net carrying amount | <u>P 9,291,800</u> | <u>P 598,509</u> | <u>P 5,413,254</u> | <u>P 23,628,525</u> | <u>P 15,469,182</u> | <u>P 58,022,403</u> | <u>P 525,320</u> | <u>P 209,693,058</u> | <u>P 322,642,051</u> |
| December 31, 2020 | | | | | | | | | |
| Cost | P 9,291,800 | P 4,034,354 | P 37,831,686 | P 473,082,079 | P 52,052,629 | P 159,260,525 | P 14,244,402 | P 239,649,209 | P 989,446,684 |
| Accumulated depreciation and amortization | <u>-</u> | <u>(3,171,083)</u> | <u>(30,853,552)</u> | <u>(428,654,198)</u> | <u>(40,766,854)</u> | <u>(77,808,868)</u> | <u>(14,060,405)</u> | <u>(23,964,921)</u> | <u>(619,279,881)</u> |
| Net carrying amount | <u>P 9,291,800</u> | <u>P 863,271</u> | <u>P 6,978,134</u> | <u>P 44,427,881</u> | <u>P 11,285,775</u> | <u>P 81,451,657</u> | <u>P 183,997</u> | <u>P 215,684,288</u> | <u>P 370,166,803</u> |
| January 1, 2020 | | | | | | | | | |
| Cost | P 9,291,800 | P 4,034,354 | P 37,831,686 | P 467,104,401 | P 48,127,629 | P 157,605,672 | P 14,244,402 | P 239,649,209 | P 977,889,153 |
| Accumulated depreciation and amortization | <u>-</u> | <u>(2,906,319)</u> | <u>(26,344,443)</u> | <u>(389,301,114)</u> | <u>(37,472,421)</u> | <u>(49,708,981)</u> | <u>(14,038,209)</u> | <u>(15,976,614)</u> | <u>(535,748,101)</u> |
| Net carrying amount | <u>P 9,291,800</u> | <u>P 1,128,035</u> | <u>P 11,487,243</u> | <u>P 77,803,287</u> | <u>P 10,655,208</u> | <u>P 107,896,691</u> | <u>P 206,193</u> | <u>P 223,672,595</u> | <u>P 442,141,052</u> |

A reconciliation of the carrying amounts at the beginning and end of 2021 and 2020 of property and equipment is shown below.

| | <u>Land</u> | <u>Land Improvements</u> | <u>Leasehold Improvements</u> | <u>Machinery and Construction Equipment</u> | <u>Transportation Equipment</u> | <u>Furniture and Office Equipment</u> | <u>Other Equipment</u> | <u>Building and Improvements</u> | <u>Total</u> |
|--|---------------------------|------------------------------|-----------------------------------|---|-------------------------------------|---|----------------------------|--|-----------------------------|
| Balance at January 1, 2021, net of accumulated depreciation and amortization | P 9,291,800 | P 863,271 | P 6,978,134 | P 44,427,881 | P 11,285,775 | P 81,451,657 | P 183,997 | P 215,684,288 | P 370,166,803 |
| Additions | - | - | 538,878 | 410,127 | 8,231,929 | 2,500,812 | 343,104 | - | 12,024,850 |
| Depreciation and amortization charges for the year | - | (264,762) | (2,103,758) | (21,209,483) | (4,048,522) | (25,930,066) | (1,781) | (5,991,230) | (59,549,602) |
| Balance at December 31, 2021, net of accumulated depreciation and amortization | <u>P 9,291,800</u> | <u>P 598,509</u> | <u>P 5,413,254</u> | <u>P 23,628,525</u> | <u>P 15,469,182</u> | <u>P 58,022,403</u> | <u>P 525,320</u> | <u>P 209,693,058</u> | <u>P 322,642,051</u> |
| Balance at January 1, 2020, net of accumulated depreciation and amortization | P 9,291,800 | P 1,128,035 | P 11,487,243 | P 77,803,287 | P 10,655,208 | P 107,896,691 | P 206,193 | P 223,672,595 | P 442,141,052 |
| Additions | - | - | - | 5,977,678 | 3,925,000 | 1,654,853 | - | - | 11,557,531 |
| Depreciation and amortization charges for the year | - | (264,764) | (4,509,109) | (39,353,084) | (3,294,433) | (28,099,887) | (22,196) | (7,988,307) | (83,531,780) |
| Balance at December 31, 2020, net of accumulated depreciation and amortization | <u>P 9,291,800</u> | <u>P 863,271</u> | <u>P 6,978,134</u> | <u>P 44,427,881</u> | <u>P 11,285,775</u> | <u>P 81,451,657</u> | <u>P 183,997</u> | <u>P 215,684,288</u> | <u>P 370,166,803</u> |

As of December 31, 2021, and 2020, fully depreciated assets with original costs amounting to P493.6 million and P340.2 million, respectively, are still being used in operations.

The amount of depreciation and amortization is allocated as follows:

| | Notes | 2021 | 2020 | 2019 |
|---|--------------------|---------------------|---------------------|---------------------|
| Cost of construction contracts Capitalized as part of land and land development costs | 21.3 2.5(a), 11 | P - | P 124,169 | P 1,407,880 |
| General and administrative expenses | 23 | <u>22,623,427</u> | <u>39,270,880</u> | <u>36,145,587</u> |
| | | <u>36,926,175</u> | <u>44,136,731</u> | <u>36,776,322</u> |
| | | <u>P 59,549,602</u> | <u>P 83,531,780</u> | <u>P 74,329,789</u> |

The management believes that the carrying amount of property and equipment is recoverable in full; hence, no impairment loss is recognized in 2021, 2020 and 2019.

There are no contractual commitments for the acquisition of property and equipment as of December 31, 2021 and 2020.

15. INVESTMENT PROPERTIES

The carrying amount of this account is composed of the following:

| | Notes | 2021 | 2020 |
|-----------------------------|-----------------|-------------------------------|-------------------------|
| Investment properties – net | | P17,056,908,137 | P 15,386,931,236 |
| Right-of-use assets – net | 2.18(a) 16.1 | <u>509,377,480</u> | <u>152,548,532</u> |
| | | <u>P17,566,285,617</u> | <u>P 15,539,479,768</u> |

The gross carrying amounts and the accumulated depreciation of investment properties (except Right-of-use assets, see Note 16.1) at the beginning and end of 2021 and 2020 are shown below.

| | Land | Building and Improvements | Condominium Units | Construction in Progress | Total |
|--------------------------|-------------------------|---------------------------|---------------------|--------------------------|-------------------------|
| December 31, 2021 | | | | | |
| Cost | P 10,001,795,507 | P 2,995,351,909 | P 25,228,650 | P 4,791,919,186 | P 17,814,295,252 |
| Accumulated depreciation | - | (750,852,239) | (6,534,876) | - | (757,387,115) |
| Net carrying amount | <u>P 10,001,795,507</u> | <u>P 2,244,499,670</u> | <u>P 18,693,774</u> | <u>P 4,791,919,186</u> | <u>P 17,056,908,137</u> |
| December 31, 2020 | | | | | |
| Cost | P 9,904,289,891 | P 2,797,681,966 | P 25,228,650 | P 3,309,920,402 | P 16,037,120,909 |
| Accumulated depreciation | - | (644,663,943) | (5,525,730) | - | (650,189,673) |
| Net carrying amount | <u>P 9,904,289,891</u> | <u>P 2,153,018,023</u> | <u>P 19,702,920</u> | <u>P 3,309,920,402</u> | <u>P 15,386,931,236</u> |
| January 1, 2020 | | | | | |
| Cost | P 8,867,542,310 | P 2,797,479,316 | P 25,228,650 | P 1,270,510,090 | P 12,960,760,366 |
| Accumulated depreciation | - | (541,754,063) | (4,516,584) | - | (546,270,647) |
| Net carrying amount | <u>P 8,867,542,310</u> | <u>P 2,255,725,253</u> | <u>P 20,712,066</u> | <u>P 1,270,510,090</u> | <u>P 12,414,489,719</u> |

The reconciliation of the carrying amounts of investment properties (except Right-of-use Assets, see Note 16.1) at the beginning and end of 2021 and 2020 is shown below.

| | <u>Land</u> | <u>Building and Improvements</u> | <u>Condominium Units</u> | <u>Construction in Progress</u> | <u>Total</u> |
|---|--------------------------------|--------------------------------------|------------------------------|-------------------------------------|--------------------------------|
| Balance at January 1, 2021, net of accumulated depreciation | P 9,904,289,891 | P 2,153,018,023 | P 19,702,920 | P 3,309,920,402 | P 15,386,931,236 |
| Additions | 97,505,616 | 197,669,943 | - | 1,481,998,784 | 1,777,174,343 |
| Depreciation charges for the year | - | (106,188,296) | (1,009,146) | - | (107,197,442) |
| Balance at December 31, 2021, net of accumulated depreciation | <u>P 10,001,795,507</u> | <u>P 2,244,499,670</u> | <u>P 18,693,774</u> | <u>P 4,791,919,186</u> | <u>P 17,056,908,137</u> |
| Balance at January 1, 2020, net of accumulated depreciation | P 8,867,542,310 | P 2,255,725,253 | P 20,712,066 | P 1,270,510,090 | P 12,414,489,719 |
| Additions | 406,747,581 | 202,650 | - | 2,039,410,312 | 2,446,360,543 |
| Asset acquisition (see Note 13.4) | 630,000,000 | - | - | - | 630,000,000 |
| Depreciation charges for the year | - | (102,909,880) | (1,009,146) | - | (103,919,026) |
| Balance at December 31, 2020, net of accumulated depreciation | <u>P 9,904,289,891</u> | <u>P 2,153,018,023</u> | <u>P 19,702,920</u> | <u>P 3,309,920,402</u> | <u>P 15,386,931,236</u> |

The amount of depreciation is allocated as follows:

| | <u>Notes</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|--------------|-----------------------------|-----------------------------|-----------------------------|
| Cost of rentals | 21.1 | P 105,678,139 | P 102,909,880 | P 102,187,258 |
| General and administrative expenses | 23 | <u>1,519,303</u> | <u>1,009,146</u> | <u>3,219,847</u> |
| | 15 | <u>P 107,197,442</u> | <u>P 103,919,026</u> | <u>P 105,407,105</u> |

a) Building and Improvements

Building and improvements include the building of 58 Jupiter amounting to P2.9 million arising from the asset acquisition by AHI (see Note 13.4).

The Group received certain condominium unit with parking lots valued at P23.7 million as a result of a deed of exchange in 2015 (see Note 28.1). The remaining estimated useful life of these assets approximates to those applied in depreciating similar type of assets.

Construction in progress account also includes capitalized borrowing costs from interest-bearing loans partially obtained to finance the construction amounting to P28.7 million in 2021 (nil in 2020 and 2019), at an average capitalization rate of 3.40% (see Note 18).

b) Land

In 2019, the Group reclassified certain parcels of land which were previously presented under Land and Land Development Costs to Investment Properties amounting to P231.6 million (see Note 31). The reclassification resulted from the change in management use evidenced by rentals for the parcels of land in 2019.

Similarly, in 2019, the land under the Investment in Joint Venture Held for Termination in prior years amounting to P163.3 million relating to the Parent Company's investment in ABCC was reclassified back to investment property [see Note 13.3(b)]. A reclassification was also made from Investment Properties to Property Development Costs amounting to P397.8 million in 2019 as such land will be developed for the Group's other residential projects (see Note 31).

Land also include the property owned by 58 Jupiter and LBDC amounting to P153.4 million and P630.0 million, respectively, acquired through and accounted for under asset acquisition (see Note 13.4).

c) Other Information

Land and building rental revenues recognized from investment properties amounted to P1,779.0 million, P1,787.6 million, and P1,772.5 million in 2021, 2020 and 2019, respectively, and are shown as part of Rentals under Revenues account in the consolidated statements of profit or loss. Costs incurred related to investment properties, including the depreciation, are presented as Rentals under Costs of Services and Sales account in the consolidated statements of profit or loss (see Note 21.1).

The fair value of investment properties amounted to P142,593.0 million and P130,100.5 million as of December 31, 2021 and 2020, respectively (see Note 7.4).

Management believes that the carrying amounts of investment properties are recoverable in full; hence, no impairment loss is recognized in 2021, 2020 and 2019.

Certain investment properties with carrying amounts of P1,578.6 million and P1,567.0 million as of December 31, 2021 and 2020, respectively, are used as collateral for certain loans with local banks (see Note 18).

There are no contractual commitments for the acquisition of investment properties as of December 31, 2021 and 2020, except for the development of the parcels of land in Aseana City (see Note 29.4).

16. LEASES

The Group leases certain parcels of land from WHI (see Note 26.3) where the Group's certain investment properties are situated. Such leases have original terms up to 30 years, and subject to escalation rate of 3% and enforceable renewal/extension options. The leases with WHI are reflected in the consolidated statements of financial position as right-of-use assets under Investment Properties [see Notes 2.18(a) and 15] and lease liabilities.

The lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. A lease is either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Group is prohibited from selling or pledging the underlying leased assets as security. Further, the Group must insure the leased assets and incur maintenance fees on such items in accordance with the lease contract.

16.1 *Right-of-use Assets*

The carrying amount of the Group's right-of-use assets as at December 31 and the movements during the periods are shown below (see Note 15).

| | <u>2021</u> | <u>2020</u> |
|------------------------------|-----------------------------|----------------------|
| Balance at beginning of year | P 152,548,532 | P 158,198,478 |
| Additions | 379,332,201 | - |
| Amortization | (22,503,253) | (5,649,946) |
| Balance at end of year | <u>P 509,377,480</u> | <u>P 152,548,532</u> |

Amortization of the Group's right-of-use assets amounting to P12.1 million and P5.6 million in 2021 and 2020, respectively, is presented in the consolidated statements of profit or loss as part of Cost of Rentals (see Note 21.1) while P10.4 million is capitalized in the 2021 and nil in 2020 as presented in the consolidated statement of financial position as part of Property Development Costs (see Note 10.1).

16.2 *Lease Liabilities*

The lease liabilities are secured by the related underlying assets. Such liabilities are presented in the consolidated statements of financial position as at December 31 as follows:

| | <u>2021</u> | <u>2020</u> |
|-------------|-----------------------------|----------------------|
| Current | P 46,564,508 | P 11,282,400 |
| Non-current | <u>487,471,404</u> | <u>154,244,514</u> |
| | <u>P 534,035,912</u> | <u>P 165,526,914</u> |

Interest expense in relation to lease liabilities amounted to P20.4 million and P12.4 million in 2021 and 2020, respectively, and is presented as part of Finance Costs in the 2021 and 2020 consolidated statements of profit or loss (see Note 22.1) while P0.7 million is capitalized as in the 2021 consolidated statement of financial position as part of Property Development Costs (see Note 10.1).

The movements in the lease liabilities recognized in the consolidated statements of financial position are as follows:

| | <u>2021</u> | <u>2020</u> |
|------------------------------|-----------------------------|----------------------|
| Balance at beginning of year | P 165,526,914 | P 164,383,712 |
| Additions | 379,332,201 | - |
| Interest accretion | 21,181,383 | 12,425,602 |
| Lease payments | (32,004,586) | (11,282,400) |
| Balance at end of year | <u>P 534,035,912</u> | <u>P 165,526,914</u> |

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's business strategy and the economic benefits of exercising the option exceeds the expected overall cost. However, the Group is not potentially exposed to future cash outflows relating to its existing lease with WHI as it does not require any termination fee and similarly has no advance rentals or lease deposit that would be forfeited in case of termination.

As of December 31, 2021 and 2020, the Group has no commitments for leases (as lessee) entered into but which had not commenced.

The maturity analysis of lease liabilities as at December 31, 2021 and 2020 are as follows:

| | <u>Within 1 year</u> | <u>1 to 2 years</u> | <u>2 to 3 years</u> | <u>3 to 4 years</u> | <u>4 to 5 years</u> | <u>More than 5 years</u> | <u>Total</u> |
|--------------------------|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|------------------------------|----------------------|
| December 31, 2021 | | | | | | | |
| Lease payments | P 46,564,508 | P 47,547,307 | P 37,986,832 | P 38,716,051 | P 39,785,639 | P1,274,863,620 | P1,485,463,957 |
| Finance charge | (40,674,001) | (41,004,264) | (41,315,244) | (41,551,551) | (41,760,924) | (745,122,061) | (951,428,045) |
| Net present values | <u>P 5,890,507</u> | <u>P 6,543,043</u> | <u>(P 3,328,412)</u> | <u>(P 2,835,500)</u> | <u>(P 1,975,285)</u> | <u>P 529,741,559</u> | <u>P 534,035,912</u> |
| December 31, 2020 | | | | | | | |
| Lease payments | P 11,282,400 | P 11,901,589 | P 11,901,589 | P 12,461,344 | P 12,461,344 | P 371,584,032 | P 431,592,298 |
| Finance charge | (12,514,783) | (12,589,082) | (12,642,713) | (12,680,786) | (12,697,904) | (202,940,116) | (266,065,384) |
| Net present values | <u>(P 1,232,383)</u> | <u>(P 687,493)</u> | <u>(P 741,124)</u> | <u>(P 219,442)</u> | <u>(P 236,560)</u> | <u>P 168,643,916</u> | <u>P 165,526,914</u> |

16.3 Other Information

The Group has elected not to recognize a lease liability for any applicable low value assets and short-term leases. Payments made under such leases are expensed on straight-line basis.

Consequently, low value leases amounting to P0.8 million, P0.7 million, and P0.2 million, respectively is presented as part of Others under General and Administrative account in the consolidated statements of profit or loss (see Note 23). On the other hand, the Group has no short-term leases.

17. OTHER NON-CURRENT ASSETS

This account includes the following:

| | <u>Notes</u> | <u>2021</u> | <u>2020</u> |
|--------------------------------|--------------|-----------------------------|----------------------|
| Advances to suppliers | 9.2 | P 535,847,581 | P 579,018,623 |
| Project advances | 17.3 | 118,771,204 | 116,964,427 |
| Deposits for future investment | 17.1 | 54,026,935 | 54,026,935 |
| Financial assets at FVOCI | 17.2 | 42,178,662 | 49,670,827 |
| Refundable deposits | 17.4 | 32,340,519 | 30,313,000 |
| Contract acquisition costs | 3.2(i) | - | 5,503,473 |
| Others | | <u>9,108,912</u> | <u>9,108,911</u> |
| | | <u>P 792,273,813</u> | <u>P 844,606,196</u> |

17.1 Deposits for Future Investment

Included in the deposits for future investment as of December 31, 2021 and 2020 are deposits totaling to P40.3 million made by the Group to acquire certain properties. While the title of the properties are not yet transferred to the Group, management remains committed to purchase the properties as of December 31, 2021 and 2020.

This account also includes deposits made by the Group to third party landowners of certain parcels of land located in Romblon under a joint agreement to develop the property. The Group is entitled to an irrevocable and exclusive option to purchase the property from the landowners. In case the Group exercises the said option, the total amount from which the landowners have received the deposits shall form part of the total purchase price; otherwise, whatever amount of deposits received by the landowners shall be forfeited in favor of the latter. The project development over the land is yet to commence as of the date of issuance of the consolidated financial statements as necessary documentations are still being processed; however, the Group remains committed under the joint agreement. As of both December 31, 2021 and 2020, the deposits made by the Group amounted to P13.7 million.

17.2 Financial Assets at Fair Value Through Other Comprehensive Income

As of December 31, financial assets at FVOCI is composed of the following:

The reconciliation of the carrying amounts of financial assets at FVOCI is as follows:

| | <u>Note</u> | <u>2021</u> | <u>2020</u> |
|------------------------------|-------------|----------------------------|----------------------------|
| Balance at beginning of year | | P 49,670,827 | P 75,876,143 |
| Unrealized fair value losses | 28.2 | (7,492,165) | (26,205,316) |
| Balance at end of year | | <u>P 42,178,662</u> | <u>P 49,670,827</u> |

Financial assets at FVOCI consist of investment in golf club shares and certain unquoted equity securities. The Group used Level 2 and 3 in determining the fair value of Financial assets at FVOCI (see Note 7.2).

As of December 31, financial assets at FVOCI is composed of the following:

| | <u>2021</u> | <u>2020</u> |
|----------------------------|----------------------------|----------------------------|
| Unquoted equity securities | P 38,603,662 | P 46,295,827 |
| Golf club shares | <u>3,575,000</u> | <u>3,375,000</u> |
| | <u>P 42,178,662</u> | <u>P 49,670,827</u> |

Fair value gains and losses recognized on these Financial assets at FVOCI are shown as part of Other Comprehensive Income (Loss) in the consolidated statements of comprehensive income which formed part of the balance of revaluation reserves on financial assets at FVOCI presented as part of Revaluation Reserves under the equity section of the consolidated statements of financial position (see Note 28.2).

17.3 Project Advances

Project advances significantly pertain to a Contract of Reclamation entered into in prior years with the City of Mandaue, Cebu. In 2018, the Construction Industry Arbitration Commission issued the Writ of Execution ordering the City of Mandaue to honor the Contract of Reclamation, and the parties to comply with their reciprocal obligations therein, without prejudice to the parties agreeing to alternative reclamation sites to avoid further delay in the implementation of the contract.

The Group may opt to be paid either in the form of land or cash proceeds from the sale of land to be reclaimed. As of December 31, 2021 and 2020, the project has not commenced but the Group has assessed that the amount of project advances are collectible in the form of land is recoverable in full.

There are other projects with similar nature and circumstances (i.e., feasibility and/or pre-development stages) with the Philippine government and other counterparties, of which management has assessed that the related project advances remain recoverable as of December 31, 2021 and 2020.

17.4 Refundable Deposits

Refundable deposits significantly include deposits, which are perpetual in nature, made to power and water distribution companies pursuant to the supply needs of the Group's existing and on-going projects in Aseana City.

18. LOANS AND BORROWINGS

The Group's short-term and long-term loans and borrowings are classified in the consolidated statements of financial position as follows:

| | <u>2021</u> | <u>2020</u> |
|-------------|-------------------------------|-------------------------------|
| Current | P 1,094,850,000 | P 1,114,670,000 |
| Non-current | <u>2,187,500,000</u> | <u>282,350,000</u> |
| | <u>P 3,282,350,000</u> | <u>P 1,397,020,000</u> |

The Group obtained bank loans to support its working capital requirements, financing and investing activities, which include the Group's construction and development of certain investment properties (see Note 15). In 2020, the Group also obtained short-term loans to finance the acquisition of LBDC (see Note 13.4).

18.1 Parent Company

In 2015, the Parent Company has fully drawn a P450.0 million secured loan from a term loan facility subject to a term of eight years from and after the initial drawdown date, inclusive of a grace period of two years. The loan was acquired to partially finance the redemption of mortgaged properties with a certain corporation as payment for completing the Phase 4 of the Manila Bay Area Reclamation Project. In 2021, the loan bears an average floating interest rate of 4.75%.

18.2 ARHC

In 2020, ARHC obtained a one-year, P1,000.0 million secured loan to partially finance the acquisition of LBDC. The loan bears an average floating rate of 2.25% and was payable in lump sum on its maturity date. The loan was fully paid as of December 31, 2021.

In 2021, ARHC availed a five-year, P1,000.0 million secured term loan facility from a local bank to partially finance the construction of MidPark Residences. The term loan facility is fully drawn in the same year; and is repayable in 12 equal quarterly installments after the end of a two-year grace period from date of availment. In 2021, the term loans bears an average floating interest rate of 2.50%.

Also, in 2021, ARHC availed a one-year, P500.0 million secured term loan facility as incremental funds to partially finance the construction of MidPark Residences. The term loan is fully drawn in the same year and is payable in lump sum in 2022. In 2021, the term loan bears an average floating interest rate of P3.50%.

18.3 AHI

In 2014 and 2015, AHI obtained eight-year, unsecured loans amounting to P171.0 million and P27.5 million, respectively, for working capital purposes that are subject to variable interest rates, which are repriced quarterly and with an annual average interest rates of 4.75% and 4.88% in 2021 and 2020, respectively. The loans are payable in 20 quarterly installments over a period of seven years starting in the second year from initial loan release.

In 2021, AHI availed a five-year, P1,000.0 million secured term loan facility from a local bank to partially finance AHI's various capital expenditures. The term loan facility is fully drawn in the same year; and is payable in 12 equal quarterly installments after the end of a two-year grace period from date of availment. In 2021, the term loan bears an average floating interest rate of 3.75%.

Also, in 2021, AHI availed a five-year, P1,500.0 million secured term loan facility to partially finance the construction of Parqal, a mixed-use development project of AHI. The loan is payable in 12 equal quarterly installments to commence on the ninth quarter from initial drawdown date. In the same year, AHI made a drawdown of P500.0 million, which bears an average floating interest rate of 3.85%.

The bank loans availed by AHI and ARHC in 2021 are secured by continuing suretyship by the Parent Company, and certain investment properties owned by the Parent Company and BAHI (see Note 15).

As of December 31, 2021 and 2020, the Group's bank loans are secured by certain assets as follows:

| | <u>Notes</u> | <u>2021</u> | <u>2020</u> |
|--------------------------------|--------------|-------------------------------|-------------------------------|
| Investment properties | 15 | P 1,578,577,269 | P 1,566,957,955 |
| Land and land development cost | 11 | <u>52,941,702</u> | <u>52,109,636</u> |
| | | <u>P 1,631,518,971</u> | <u>P 1,619,067,591</u> |

The reconciliation of the carrying amounts of the Group's loans and borrowings arising from financing activities is shown below.

| | <u>2021</u> | <u>2020</u> |
|------------------------------|-------------------------------|-------------------------------|
| Balance at beginning of year | P 1,397,020,000 | P 511,720,000 |
| Additional borrowings | 3,000,000,000 | 1,000,000,000 |
| Repayments | (1,114,670,000) | (114,700,000) |
| Balance at end of year | <u>P 3,282,350,000</u> | <u>P 1,397,020,000</u> |

In 2021, 2020, and 2019, interest costs related to bank loans amounted to P16.1 million, P23.6 million, and P82.2 million, respectively, and were recognized as part of Interest expense under Finance costs account in the consolidated statements of profit or loss (see Note 22.1).

In 2021, capitalized borrowing costs amounted to P53.7 million as a result of the specific borrowings acquired for the construction of Parqal and MidPark Residences (See Note 10 and 15). Portion of the capitalized borrowing costs amounting to P24.9 million and P28.7 million were capitalized under the Group's property development costs and investment properties, respectively. There were no capitalized borrowing costs in 2020 and 2019 as management assessed that the amount of interest capitalizable from the outstanding general borrowings is not significant to the consolidated financial statements.

There is no unpaid interest related to bank loans as of December 31, 2021 and 2020.

Except as disclosed in Note 30, the Group has no other significant loan covenants as of December 31, 2021 and 2020.

19. TRADE AND OTHER PAYABLES

This account consists of the following:

| | <u>Note</u> | <u>2021</u> | <u>2020</u> |
|-----------------------------|-------------|-------------------------------|-------------------------------|
| Deferred output VAT payable | | P 714,707,155 | P 682,122,394 |
| Accrued expenses | | 524,849,484 | 194,878,351 |
| Trade payables | 26.7 | 360,109,777 | 403,109,987 |
| Retention payable | | 258,658,222 | 300,391,327 |
| Other payables | | <u>135,768,875</u> | <u>152,452,510</u> |
| | | <u>P 1,994,093,513</u> | <u>P 1,732,954,569</u> |

Deferred output VAT payable relates to outstanding receivables from construction contracts and sale of land as of the end of the reporting periods.

Retention payable represent a portion of progress billings received from third party contractors for the construction work performed which is retained by the Group to bind the contractors in completing the agreed performance obligation.

Other payables include withholding taxes on compensation, expanded withholding taxes and other statutory liabilities that are expected to be settled within 12 months from the end of each reporting period.

20. DEPOSITS AND ADVANCES

This account consists of:

| | <u>Notes</u> | <u>2021</u> | <u>2020</u> |
|----------------------|--------------|-------------------------------|------------------------|
| Current: | | | |
| Reservation deposits | 2.16(c) | P 490,596,454 | P 577,863,090 |
| Advance rentals | | 219,114,647 | 228,663,931 |
| Construction bond | 9.3 | 36,825,167 | 48,837,148 |
| Rental deposits | | 32,307,530 | 50,041,094 |
| Unearned rent income | | 8,240,491 | 12,007,782 |
| Buyers' deposits | 2.16(a) | 1,009,196 | 1,009,196 |
| Others | | <u>3,341,970</u> | <u>3,219,323</u> |
| | | <u>791,435,455</u> | <u>921,641,564</u> |
| Non-current: | | | |
| Rental deposits | | 256,222,831 | 210,654,440 |
| Retention payable | | 83,510,600 | 132,362,000 |
| Unearned rent income | | 59,321,324 | 61,178,807 |
| Advance rentals | | 48,378,239 | 63,308,956 |
| Buyers' deposits | 2.16(a) | <u>5,827,833</u> | <u>5,827,833</u> |
| | | <u>453,260,827</u> | <u>473,332,036</u> |
| | | <u>P 1,244,696,282</u> | <u>P 1,394,973,600</u> |

Advance rentals pertain to payments received from tenants to be applied on future rentals due on the lease of the Group's properties held under operating lease agreements. For income tax purposes, advance rentals are considered as part of taxable income upon receipt, less initial direct costs incurred by the Group in negotiating and arranging the specific operating lease, which shall be amortized over the same term as that of the advance rentals (see Note 25).

Unearned rent income resulted from the recognition of day-one gain on discounting of rental deposits, which are amortized over the remaining lease term. The Group realized portions of its unearned rent income from discounting amounting to P14.7 million, P4.2 million, and P1.9 million in 2021, 2020, and 2019, respectively, and is presented as part of the Rental revenues in the consolidated statements of profit or loss. The related amortization of discount on security deposits amounted to P9.8 million, P4.0 million, and P1.6 million in 2021, 2020, and 2019, respectively, and is presented under the Finance Costs in the consolidated statements of profit or loss.

Buyers' deposits represent advances received from customers for real estate land to be sold. Buyers' deposits will be applied against the receivables from customers upon consummation of sale.

21. COSTS OF SERVICES AND SALES

21.1 Cost of Rentals

The following are the details of direct costs and expenses of rentals, including common usage and service area charges:

| | <u>Notes</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|-------------------------|--------------|-----------------------------|----------------------|----------------------|
| Depreciation | 15, 16.1 | P 117,825,531 | P 108,559,826 | P 107,837,204 |
| Real property tax | | 44,334,623 | 43,497,150 | 45,824,623 |
| Outside services | | 32,438,878 | 26,180,808 | 31,298,846 |
| Utilities | | 26,090,630 | 21,028,714 | 29,482,200 |
| Professional fees | | 12,576,968 | 9,808,005 | 9,985,598 |
| Repairs and maintenance | | 12,120,687 | 8,017,840 | 13,390,266 |
| Office supplies | | 8,952,490 | 9,710,261 | 13,357,723 |
| Others | | 21,493,125 | 10,481,220 | 16,024,982 |
| | 23 | <u>P 275,832,932</u> | <u>P 237,283,824</u> | <u>P 267,201,442</u> |

Others includes cost of janitorial services, garbage fees and other incidental fees.

21.2 Cost of Sale of Condominium Units

The following are the details of direct costs and expenses of condominium units sold:

| | <u>Notes</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|-------------------|--------------|-----------------------------|----------------------|----------------------|
| Development costs | 23 | P 172,163,389 | P 340,989,767 | P 253,420,496 |
| Land cost | 23 | 26,706,722 | 44,704,517 | 40,754,932 |
| Others | | 28,718,172 | 23,779,205 | 20,285,628 |
| | 10.1, 23 | <u>P 227,588,283</u> | <u>P 409,473,489</u> | <u>P 314,461,056</u> |

Development costs pertain to work done by third party contractors relating to planning, design, architectural, and construction of the condominium units.

Others include permits and licenses, development charges, surveying, monumenting and titling fees.

21.3 Cost of Construction Contracts

The details of cost of construction contracts are shown below.

| | <u>Notes</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--------------------------------|--------------|----------------------------|---------------------|---------------------|
| Subcontract services | 26.8 | P 39,350,226 | P 15,066,514 | P 28,044,714 |
| Construction materials | | 339,222 | 1,017,919 | 15,190,908 |
| Salaries and employee benefits | 24.1 | 30,000 | 116,479 | 555,572 |
| Depreciation and amortization | 14 | - | 124,169 | 1,407,880 |
| Gasoline and oil | | - | 47,757 | 702,373 |
| | 23 | <u>P 39,719,448</u> | <u>P 16,372,838</u> | <u>P 45,901,447</u> |

22. OTHER OPERATING AND NON-OPERATING INCOME (CHARGES)

Presented below are the details of other income (charges).

22.1 Finance Costs

| | <u>Notes</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|--------------|----------------------------|----------------------------|----------------------------|
| Interest expense: | | | | |
| Lease liabilities | 16.2 | P 20,454,604 | P 12,425,602 | P 11,299,906 |
| Bank loans | 18 | 16,135,862 | 23,602,439 | 82,227,742 |
| Amortization of discount on security deposits | 20 | 9,785,102 | 3,966,104 | 1,590,239 |
| Retirement benefit obligation | 24.2 | 1,792,486 | 181,521 | 2,070,529 |
| Fair value loss on financial assets at FVTPL | | 2,070,000 | - | - |
| Foreign currency loss | | - | 697,562 | 177,894 |
| Others | | 4,007,767 | 188,493 | 1,158,657 |
| | | <u>P 54,245,821</u> | <u>P 41,061,721</u> | <u>P 98,524,967</u> |

Others represent incidental service and other bank related charges.

22.2 Finance Income

| | <u>Notes</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|--------------|----------------------------|----------------------------|-----------------------------|
| Interest income | 8, 12 | P 14,711,878 | P 88,678,484 | P 296,920,773 |
| Foreign currency gain | | 1,294,908 | - | - |
| Fair value gain on financial assets at FVTPL | 12 | - | 2,790,000 | 417,500 |
| | | <u>P 16,006,786</u> | <u>P 91,468,484</u> | <u>P 297,338,273</u> |

22.3 Other Operating Income

| | <u>Notes</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|--------------|-----------------------------|-----------------------------|----------------------------|
| Gain on sales cancellation | | P 43,656,016 | P - | P - |
| Income from rendering of administrative and other services | 26.6 | 38,734,452 | 34,581,021 | 43,348,238 |
| Reversal of impairment loss on financial assets – net | 5.2(b) | 3,168,255 | 36,848,284 | - |
| Others | | 19,911,572 | 66,643,063 | 10,907,556 |
| | | <u>P 105,470,295</u> | <u>P 138,072,368</u> | <u>P 54,255,794</u> |

Others also includes sale of air rights, parking fee income, vetting fee and signage rental.

22.4 Other Income

Other income presented in the 2020 consolidated statement of profit or loss pertains to the income from the derecognition of certain advances from a co-joint venturer, while other income in 2019 pertains to the income recognized from the Consideration Agreement amounting to P850.0 million [see Note 13.3(b)].

23. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

| | Notes | 2021 | 2020 | 2019 |
|-------------------------------------|------------|-------------------------------|-------------------------------|-------------------------------|
| Development costs | | P 172,163,389 | P 340,989,767 | P 253,420,496 |
| Taxes and licenses | | 161,050,694 | 147,039,387 | 130,166,238 |
| Salaries and employee benefits | 24.1 | 158,708,420 | 156,690,815 | 137,508,259 |
| Depreciation and amortization | 14, 15, 16 | 156,271,009 | 153,829,872 | 149,241,253 |
| Cost of sale of land | 11 | 55,212,604 | - | 66,743,881 |
| Outside services | | 40,087,483 | 31,978,195 | 38,475,516 |
| Subcontract services | 26.8 | 39,350,226 | 15,066,514 | 28,044,714 |
| Association dues | 26.7 | 35,214,358 | 32,476,130 | 33,320,380 |
| Professional fees | | 31,233,444 | 26,969,019 | 29,930,579 |
| Utilities | | 28,057,196 | 22,301,808 | 34,718,873 |
| Commission | | 27,662,003 | 32,731,210 | 117,060,351 |
| Land cost | 21.2 | 26,706,722 | 44,704,517 | 40,754,932 |
| Representation and entertainment | | 26,580,263 | 24,665,029 | 36,761,781 |
| Office supplies | | 16,670,586 | 18,617,517 | 24,627,158 |
| Repairs and maintenance | | 14,854,179 | 13,547,678 | 17,379,340 |
| Bond and insurance | | 4,870,472 | 14,927,660 | 19,951,721 |
| Transportation and travel | | 2,730,116 | 2,916,179 | 6,172,001 |
| Corporate affairs | | 2,478,784 | 1,963,495 | 10,028,359 |
| Construction materials | | 339,222 | 1,017,919 | 15,190,908 |
| Impairment loss on financial assets | 5.2(b) | - | - | 41,246,758 |
| Others | 16.3 | 65,571,479 | 82,666,239 | 66,020,297 |
| | | <u>P 1,065,812,649</u> | <u>P 1,165,098,950</u> | <u>P 1,296,763,795</u> |

Others include gasoline and oil, postage and communication, bid documents, subsistence, low value leases and other incidental expenses under the ordinary course of business.

These expenses are classified in the consolidated statements of profit or loss as follows:

| | Notes | 2021 | 2020 | 2019 |
|-------------------------------------|------------|-------------------------------|-------------------------------|-------------------------------|
| Cost of rentals | 21.1 | P 275,832,932 | P 237,283,824 | P 267,201,442 |
| Cost of sale of condominium units | 10.1, 21.2 | 227,588,283 | 409,473,489 | 314,461,056 |
| Cost of sale of land | 11 | 55,212,604 | - | 66,743,881 |
| Cost of construction contracts | 21.3 | 39,719,448 | 16,372,838 | 45,901,447 |
| General and administrative expenses | | 436,340,082 | 465,582,990 | 473,632,491 |
| Selling expenses | | 31,119,300 | 36,385,809 | 128,823,478 |
| | | <u>P 1,065,812,649</u> | <u>P 1,165,098,950</u> | <u>P 1,296,763,795</u> |

The details of general and administrative expenses are shown below.

| | <u>Notes</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|-------------------------------------|--------------|-----------------------------|-----------------------------|-----------------------------|
| Salaries and employee benefits | 24.1 | P 158,678,420 | P 156,574,336 | P 136,952,687 |
| Taxes and licenses | | 116,716,071 | 103,542,237 | 84,341,615 |
| Depreciation and amortization | 14, 15 | 38,445,478 | 45,145,877 | 39,996,169 |
| Association dues | 26.7 | 35,214,358 | 32,476,130 | 33,320,380 |
| Representation and entertainment | | 26,580,263 | 24,665,029 | 36,761,781 |
| Professional fees | | 18,656,476 | 17,161,014 | 19,334,981 |
| Office supplies | | 7,718,096 | 8,907,256 | 11,269,435 |
| Outside services | | 7,648,605 | 5,797,387 | 7,176,670 |
| Bond and insurance | | 4,870,472 | 4,446,440 | 3,926,729 |
| Repairs and maintenance | | 2,733,492 | 5,529,838 | 3,989,074 |
| Transportation and travel | | 2,730,116 | 2,916,179 | 6,172,001 |
| Corporate affairs | | 2,478,784 | 1,963,495 | 10,028,359 |
| Utilities | | 1,966,566 | 1,273,094 | 5,236,673 |
| Impairment loss on financial assets | 5.2(b), 26 | - | - | 41,246,758 |
| Others | 16.3 | 11,902,885 | 55,184,678 | 33,879,179 |
| | | <u>P 436,340,082</u> | <u>P 465,582,990</u> | <u>P 473,632,491</u> |

Others include gasoline and oil, postage and communication, bid documents, subsistence, low value leases and other incidental expenses under the ordinary course of business.

24. EMPLOYEE BENEFITS

24.1 Salaries and Employee Benefits Expense

The details of salaries and employee benefits are presented below.

| | <u>Notes</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---------------------------------|--------------|-----------------------------|-----------------------------|-----------------------------|
| Short-term employee benefits | | P 155,258,365 | P 153,736,841 | P 135,217,751 |
| Post-employment defined benefit | 24.2 | 3,450,055 | 2,953,974 | 2,290,508 |
| | 23 | <u>P 158,708,420</u> | <u>P 156,690,815</u> | <u>P 137,508,259</u> |

Salaries and employee benefits are classified and presented in the consolidated statements of profit or loss as follows:

| | <u>Notes</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|-------------------------------------|--------------|-----------------------------|-----------------------------|-----------------------------|
| Cost of construction contracts | 21.3 | P 30,000 | P 116,479 | P 555,572 |
| General and administrative expenses | 23 | 158,678,420 | 156,574,336 | 136,952,687 |
| | 23 | <u>P 158,708,420</u> | <u>P 156,690,815</u> | <u>P 137,508,259</u> |

24.2 Post-employment Defined Benefit Obligation

(a) Characteristics of the Post-employment Defined Benefit Plan

The Group is in the process of establishing a non-contributory post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Group. The trustee bank manages the fund in coordination with the Group's management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The Group conforms to the minimum requirement of Philippine Law wherein it accrues the estimated cost of retirement benefits required by the provisions of R.A. No. 7641. R.A. No. 7641 does not, however, require it to be funded.

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the post-employment benefit cost. All amounts presented are based on the actuarial valuation report obtained from an independent actuary in 2021, 2020 and 2019.

The amounts of post-employment defined benefit obligation recognized in the consolidated statements of financial position are determined as follows:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------|----------------------------|----------------------------|
| Present value of the obligation | P 66,771,063 | P 87,122,610 |
| Fair value of plan assets | (38,248,219) | (41,857,802) |
| | <u>P 28,522,844</u> | <u>P 45,264,808</u> |

The movements in the present value of the post-employment defined benefit obligation recognized in the books are as follows:

| | <u>2021</u> | <u>2020</u> |
|--------------------------------------|----------------------------|----------------------------|
| Balance at beginning of year | P 87,122,610 | P 56,916,643 |
| Current service cost | 4,503,790 | 3,612,921 |
| Interest expense | 3,450,055 | 2,953,974 |
| Actuarial losses (gains) | | |
| arising from: | | |
| - experience adjustments | (19,262,411) | 17,641,950 |
| - changes in financial assumptions | (7,287,446) | 6,456,256 |
| - changes in demographic assumptions | (652,441) | - |
| Benefits paid | (1,103,094) | (459,134) |
| Balance at end of year | <u>P 66,771,063</u> | <u>P 87,122,610</u> |

The movements in the fair value of plan assets are presented below.

| | <u>2021</u> | <u>2020</u> |
|---|----------------------------|---------------------|
| Balance at beginning of year | P 41,857,802 | P 53,419,139 |
| Remeasurement gain (loss) - return on plan assets (excluding amounts included in net interest) | (5,267,152) | (14,333,790) |
| Interest income | <u>1,657,569</u> | <u>2,772,453</u> |
| Balance at end of year | <u>P 38,248,219</u> | <u>P 41,857,802</u> |

Plan assets consists only of the Parent Company's own financial instruments (see Note 26.4). The fair value of the equity securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy).

The components of amounts recognized in the consolidated statements of profit or loss and in the consolidated statements of comprehensive income in respect of the post-employment defined benefit plan are as follows:

| | <u>Notes</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|--------------|------------------------------|---------------------|-----------------------|
| <i>Recognized in consolidated profit or loss:</i> | | | | |
| Current service cost | 24.1 | P 4,503,792 | P 3,612,921 | P 2,290,508 |
| Net interest expense | 22.1 | <u>1,792,486</u> | <u>181,521</u> | <u>2,070,529</u> |
| | | <u>P 6,296,278</u> | <u>P 3,794,442</u> | <u>P 4,361,037</u> |
| <i>Recognized in consolidated other comprehensive income (loss):</i> | | | | |
| Actuarial losses (gains) arising from: | | | | |
| - experience adjustments | | (P 19,262,411) | P 17,641,950 | (P 28,370,524) |
| - changes in financial assumptions | | (7,287,446) | 6,456,256 | 8,435,797 |
| - remeasurement loss (gain) on plan assets | | 5,267,152 | 14,333,790 | (7,580,240) |
| - changes in demographic assumptions | | (652,441) | - | - |
| | 28.2 | <u>(P 21,935,146)</u> | <u>P 38,431,996</u> | <u>(P 27,514,967)</u> |

Current service cost is recognized as part of Salaries and employee benefits under General and Administrative Expenses account in the consolidated statements of profit or loss (see Note 24.1). The net interest expense is included as part of Finance costs under Other Income (Charges) account in the consolidated statements of profit or loss (see Note 22.1).

Amount recognized in consolidated other comprehensive income (loss) is included and presented as item that will not be reclassified subsequently to consolidated profit or loss.

In determining the amounts of post-employment defined benefit obligation, the following significant actuarial assumptions were used:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------------|--------------|-------------|
| Discount rates | 5.03% | 3.96% |
| Expected rate of salary increases | 3.00% | 3.00% |

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working life of an individual retiring at the age of 60 is 22.9 years and 22.4 years as of December 31, 2021 and 2020, respectively, both for males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Post-employment Plan*

The plan exposes the Group to actuarial risks such as interest rate risk and longevity and salary risks.

(i) *Investment and Interest Risk*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has investment in equity securities. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Company's long-term strategy to manage the plan efficiently.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions and the timing and uncertainty of future cash flows related to the post-employment defined benefit plan are described in the succeeding page.

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the post-employment defined benefit obligation as of December 31, 2021 and 2020:

| | <u>Impact on Post-employment Defined Benefit Obligation</u> | | | |
|---------------------------------|---|----|-------------------------------|-------------------------------|
| | <u>Change in Assumption</u> | | <u>Increase in Assumption</u> | <u>Decrease in Assumption</u> |
| <u>December 31, 2021</u> | | | | |
| Discount rate | +/- 1.0% | (P | 5,769,235) | P 6,770,647 |
| Salary growth rate | +/- 1.0% | | 6,843,399 | (5,927,209) |
| <u>December 31, 2020</u> | | | | |
| Discount rate | +/- 1.0% | (P | 5,348,270) | P 6,356,443 |
| Salary growth rate | +/- 1.0% | | 6,353,780 | (5,442,472) |

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Funding Arrangements and Expected Contributions*

At the end of the reporting period, the Group has not determined yet the additional funding of its post-employment defined benefit obligation. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in the future when a significant number of employees is expected to retire.

The maturity profile of undiscounted expected benefit payments in the next 10 years from the plan as of December 31 follows:

| | <u>2021</u> | <u>2020</u> |
|----------------------------------|----------------------------|---------------------|
| Within five years | P 23,597,400 | P 49,847,191 |
| More than five years to 10 years | <u>32,035,240</u> | <u>11,574,676</u> |
| | <u>P 55,632,640</u> | <u>P 61,421,867</u> |

The weighted average duration of the defined benefit obligation at the end of the reporting period is 9.4 years.

25. INCOME TAXES

25.1 Current and Deferred Taxes

The components of tax expense (income) reported in the consolidated statements of profit or loss are as follows:

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|-----------------------------|-----------------------------|-------------------------------|
| <i>Reported in consolidated profit or loss:</i> | | | |
| Current tax expense: | | | |
| Regular corporate | | | |
| income tax (RCIT) at 25% or 20% | | | |
| in 2021 and 30% in 2020 and 2019 | P 404,842,447 | P 459,891,844 | P 965,532,781 |
| Effect of change in income tax rate | (38,275,867) | - | - |
| Final tax at 20%, 15% and 7.5% | 3,000,024 | 17,916,299 | 59,723,260 |
| Minimum corporate | | | |
| income tax (MCIT) at 2% | <u>-</u> | <u>-</u> | <u>2,814</u> |
| Utilization of excess MCIT over RCIT | <u>-</u> | <u>477,808,143</u> | <u>1,025,258,855</u> |
| | <u>369,566,604</u> | <u>477,808,143</u> | <u>(61,278)</u> |
| | | | <u>1,025,197,577</u> |
| Deferred tax expense relating to: | | | |
| Origination and reversal of | | | |
| temporary differences | 159,928,264 | 144,681,364 | 50,035,852 |
| Effect of change in | | | |
| income tax rate | (139,541,239) | - | - |
| | <u>20,387,025</u> | <u>144,681,364</u> | <u>50,035,852</u> |
| | <u>P 389,953,629</u> | <u>P 622,489,507</u> | <u>P 1,075,233,429</u> |

The components of tax expense (income) reported in the consolidated consolidated statements of comprehensive income are as follows:

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|---------------------------|------------------------------|---------------------------|
| <i>Reported in consolidated other comprehensive income (loss) –</i> | | | |
| Deferred tax expense (income) | | | |
| relating to – | | | |
| Remeasurement of | | | |
| retirement benefit obligation | <u>P 5,483,787</u> | <u>(P 11,529,599)</u> | <u>P 8,254,490</u> |

Management has assessed that the impact of remeasurement arising from the effect of change in income tax rate on the deferred tax component of other comprehensive income in 2021 is not significant to the consolidated financial statements.

The reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the consolidated statements of profit or loss is as follows:

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|-----------------------------|-----------------------------|-------------------------------|
| Tax on pretax profit at 25% or 20% in 2021 and 30% in 2020 and 2019 | P 614,110,275 | P 836,009,594 | P 998,161,184 |
| Adjustment in 2020 income taxes due to change in income tax rate | (177,817,106) | - | - |
| Adjustment for income subjected to lower tax rates | (872,170) | (8,503,152) | (29,559,371) |
| Tax effects of: | | | |
| Excess of optional standard deduction (OSD) over itemized deductions | (46,780,005) | (174,575,821) | (447,627,912) |
| Non-deductible expenses and other taxable income eliminated during consolidation | 5,027,745 | 20,090,576 | 612,064,445 |
| Non-taxable income | (4,669,847) | (51,255,470) | (60,441,740) |
| Unrecognized deferred tax on net operating loss carryover (NOLCO) and other temporary differences | 958,959 | 754,166 | 2,748,326 |
| Applied NOLCO | (4,222) | (30,386) | (20,766) |
| Applied MCIT | - | - | (61,278) |
| Utilization of previously unrecognized DTA on NOLCO | - | - | (29,459) |
| | <u>P 389,953,629</u> | <u>P 622,489,507</u> | <u>P 1,075,233,429</u> |

The net deferred tax liabilities relate to the following as of December 31:

| | <u>2021</u> | <u>2020</u> |
|--|-------------------------------|-------------------------------|
| Net deferred tax assets: | | |
| Excess deferred gross profit on sale of condominium units | P 101,128,055 | P 193,045,439 |
| Commissions | (3,147,894) | (1,548,819) |
| Allowance for impairment of receivables | 720,275 | 720,275 |
| Unrealized foreign currency loss | <u>57,244</u> | <u>57,244</u> |
| | <u>98,757,680</u> | <u>192,274,139</u> |
| Net deferred tax liabilities: | | |
| Accrued rent income based on PFRS 16 | (1,172,695,277) | (1,266,933,803) |
| Advance rentals | 65,641,980 | 86,328,284 |
| ROUA and lease liabilities | 50,020,304 | 42,030,519 |
| Allowance for impairment on receivables | 46,866,870 | 51,581,482 |
| Retirement benefit obligation | 26,195,831 | 35,609,864 |
| Revaluation increment on land | (4,761,973) | (5,714,368) |
| Unrealized foreign currency (gain) loss | <u>(331,750)</u> | <u>388,360</u> |
| | <u>(989,064,015)</u> | <u>(1,056,709,662)</u> |
| Net deferred tax liabilities | <u>(P 890,306,335)</u> | <u>(P 864,435,523)</u> |

Movements in net deferred tax liabilities for the years ended December 31, 2021, 2020 and 2019 are as follows:

| | <u>Profit or Loss</u> | | | <u>Other Comprehensive Income (Loss)</u> | | |
|---|-----------------------|----------------------|---------------------|--|-----------------------|--------------------|
| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
| Accrued rent income based on PFRS 16 | (P 94,238,526) | P 162,512,578 | P 163,184,829 | P - | P - | P - |
| Excess deferred gross profit on sale of condominium units | 91,917,384 | (22,739,224) | (122,364,499) | - | - | - |
| Advance rentals | 20,686,304 | 48,263,084 | 46,681,553 | - | - | - |
| ROUA and lease liabilities | (7,989,785) | (19,310,409) | (22,720,110) | - | - | - |
| Allowance for impairment of receivables | 4,714,612 | (23,650,508) | (14,303,027) | - | - | - |
| Retirement benefit obligation | 3,930,246 | (1,832,328) | (1,968,796) | 5,483,787 | (11,529,599) | 8,254,490 |
| Commissions – net | 1,599,075 | 1,548,819 | - | - | - | - |
| Revaluation increment on land | (952,395) | - | - | - | - | - |
| Unrealized foreign currency gain (loss) | 720,110 | (160,621) | (1,177,648) | - | - | - |
| NOLCO | - | 49,973 | 2,159,164 | - | - | - |
| MCIT | - | - | 544,386 | - | - | - |
| Deferred tax expense (income) – net | <u>P 20,387,025</u> | <u>P 144,681,364</u> | <u>P 50,035,852</u> | <u>P 5,483,787</u> | <u>(P 11,529,599)</u> | <u>P 8,254,490</u> |

The Group is subject to MCIT which is computed at 1% in 2021, and 2% in 2020 and 2019, of gross income, as defined under the tax regulations or RCIT, whichever is higher (see Note 25.2). The Group is liable for RCIT in 2021, 2020 and 2019 since RCIT was higher than MCIT, except for R-1 which was subjected to MCIT in 2019.

The Group did not recognize deferred tax assets on NOLCO and MCIT of certain subsidiaries as management has assessed that those subsidiaries may not be able to realize their related tax benefits within the prescribed availment period. The unrecognized deferred tax assets relating to NOLCO and MCIT are presented below.

| | <u>2021</u> | <u>2020</u> |
|-------|---------------------------|---------------------------|
| NOLCO | P 3,960,388 | P 6,704,158 |
| MCIT | <u>2,814</u> | <u>27,847</u> |
| | <u>P 3,963,402</u> | <u>P 6,732,005</u> |

The details of NOLCO and MCIT related to the Parent Company's certain subsidiaries, which can be claimed as deduction from future taxable income and regular corporate income tax liabilities, respectively, within three to five years from the year the NOLCO and MCIT were incurred are shown below and in the succeeding page. Specifically, NOLCO incurred in 2021 and 2020 of such subsidiaries can be claimed as deduction for the next five consecutive taxable years or until 2026 and 2025, respectively, in accordance with Section 4 of R.A. 11494, *Bayaniban to Recover as One Act*.

| <u>Year Incurred</u> | <u>Amount</u> | <u>Applied</u> | <u>Expired</u> | <u>Remaining Balance</u> | <u>Valid Until</u> |
|----------------------|----------------------------|--------------------------|-----------------------------|----------------------------|--------------------|
| 2021 | P 4,157,270 | (P 27,641) | P - | P 4,129,629 | 2026 |
| 2020 | 4,280,135 | - | - | 4,280,135 | 2025 |
| 2019 | 8,411,737 | - | - | 8,411,737 | 2022 |
| 2018 | <u>9,655,322</u> | - | (<u>9,655,322</u>) | - | 2021 |
| | <u>P 26,504,464</u> | <u>(P 27,641)</u> | <u>(P 9,655,322)</u> | <u>P 16,821,501</u> | |

| <u>Year Incurred</u> | <u>Amount</u> | <u>Applied</u> | <u>Expired</u> | <u>Remaining Balance</u> | <u>Valid Until</u> |
|----------------------|------------------------|-------------------|--------------------------|--------------------------|--------------------|
| MCIT: | | | | | |
| 2019 | P 2,814 | P - | P - | P 2,814 | 2022 |
| 2018 | <u>25,033</u> | <u>-</u> | <u>(25,033)</u> | <u>-</u> | 2021 |
| | <u>P 27,847</u> | <u>P -</u> | <u>(P 25,033)</u> | <u>P 2,814</u> | |

In 2021, 2020 and 2019, the Group claimed itemized deductions in computing its income tax due, except for AHI and BAHI, which opted to claim OSD in 2021, 2020 and 2019; ARHC, which opted to claim OSD in 2021 and 2020; and DMWAI, which opted to claim OSD in 2020 and 2019.

25.2 Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, R.A. No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, as amended, was signed into law and became effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Group:

- RCIT rate was reduced from 30% to 25% or 20% starting July 1, 2020;
- MCIT rate was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,
- the allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax.

As a result of the application of the lower RCIT rate of 25% or 20% starting July 1, 2020, the current income tax expense and income tax payable or tax credits, as presented in their respective 2020 annual income tax returns (ITR) of the entities within the Group, was lower by a net amount of P38.3 million than the amount presented in their respective 2020 financial statements and such net amount was charged to 2021 consolidated profit or loss.

In 2021, the recognized net deferred tax liabilities as of December 31, 2020 was remeasured to 25%. This resulted in a decline in the recognized net deferred tax liabilities in 2020 by P139.5 million and such was recognized in the 2021 consolidated profit or loss.

26. RELATED PARTY TRANSACTIONS

The Group's related parties include its Ultimate Parent Company, associates, joint venture, related parties under common ownership and management, stockholders and key management personnel as described below.

The summary of the Group's transactions in 2021, 2020 and 2019 with its related parties and the outstanding balances as of December 31, 2021 and 2020 are presented below and in the succeeding pages.

| Related Party Category | Note | Outstanding Balances | | Amount of Transactions | | |
|---|-------|----------------------|------------------|------------------------|---------------|----------------|
| | | 2021 | 2020 | 2021 | 2020 | 2019 |
| Ultimate parent company: | | | | | | |
| Cash advances granted | 26.1 | P 473,211,213 | P 440,851,531 | P 32,359,682 | P 4,170,677 | P 6,325,443 |
| Advances from purchase of land | 26.2 | (3,990,125,069) | (3,990,125,069) | - | 321,583,236 | 292,458,713 |
| Transfer of parcels of land | 26.10 | - | - | - | - | (262,230,400) |
| Cash advances assumed | 26.2 | (44,743,876) | (42,993,085) | (1,750,791) | (42,993,085) | - |
| Management fee | 26.3 | 3,640,676 | - | 3,640,676 | - | - |
| Right-of-use assets | 26.3 | 509,377,480 | 152,548,532 | 356,828,948 | (5,649,946) | 158,198,478 |
| Lease liabilities | 26.3 | (534,035,912) | (165,526,914) | (368,508,998) | (1,143,202) | (164,383,712) |
| Amortization | 26.3 | - | - | 22,503,253 | 5,649,946 | 5,649,946 |
| Interest expense | 26.3 | - | - | 21,181,383 | 12,425,602 | 11,299,906 |
| Associates – | | | | | | |
| Cash advances granted | 26.1 | 7,557,729 | 7,555,429 | 2,300 | 202,601 | 202,398 |
| Joint venture: | | | | | | |
| Cash advances granted (collected) | 26.1 | 37,583,941 | 37,583,941 | - | (7,415,124) | (51,068,314) |
| Construction contracts | 26.5 | 45,128,657 | 27,673,758 | 17,454,899 | (27,896,666) | 26,657,431 |
| Co-joint venturer – | | | | | | |
| Cash advances transferred (obtained) | 26.2 | - | - | - | (40,026,017) | (40,026,017) |
| Related parties under common ownership and management: | | | | | | |
| Cash advances granted (collected) | 26.1 | 192,892,494 | 168,244,877 | 24,647,617 | (3,370,655) | (8,140,027) |
| Cash advances paid (obtained) | 26.2 | - | - | - | 28,642,185 | 7,007,796 |
| Association dues | 26.7 | 45,817,770 | 39,439,101 | 35,214,358 | 32,476,130 | 33,320,380 |
| Contracts of services | 26.8 | - | - | 15,724,500 | 15,063,235 | 26,498,598 |
| Other income | 26.6 | - | - | 39,160,904 | 24,138,804 | 14,400,000 |
| Rentals | 26.3 | - | - | - | - | 58,175 |
| Stockholders – | | | | | | |
| Cash advances granted | 26.1 | 97,113,470 | 97,055,100 | 58,370 | 13,052,025 | 9,009,168 |
| Key management personnel – | | | | | | |
| Compensation | 26.9 | - | - | 46,058,460 | 59,771,967 | 56,202,722 |
| Retirement fund | | | | | | |
| | 26.4 | 38,248,219 | 41,857,802 | (3,609,583) | (11,561,337) | 10,744,336 |

The outstanding balance of receivables and payables from these transactions are unsecured, noninterest-bearing and due upon demand, unless otherwise stated.

The Group's outstanding receivables with related parties were subjected to impairment. The application of the ECL methodology and the corresponding movements in the allowance for ECL relating to the outstanding balances with related parties is fully disclosed in Note 5.2(b).

26.1 Advances to Related Parties

In the normal course of business, the Group grants unsecured and noninterest-bearing cash advances to related parties for working capital requirements and other purposes. The advances have no fixed repayment terms and collectible upon demand.

Certain advances to related parties are secured by an undertaking of another related party to pay in case of default. These advances are presented as Advances to related parties under Receivables account in the consolidated statements of financial position (see Note 9).

| | <u>2021</u> | <u>2020</u> |
|---|-----------------------------|----------------------|
| Ultimate parent company | P 473,211,213 | P 440,851,531 |
| Related parties under common ownership and management | 192,892,495 | 168,244,878 |
| Stockholders | 97,113,470 | 97,055,100 |
| Joint ventures | 37,583,941 | 37,583,941 |
| Associates | <u>7,557,728</u> | <u>7,555,428</u> |
| | <u>P 808,358,847</u> | <u>P 751,290,878</u> |

The movements in the carrying amount of the advances to related parties in 2021 and 2020 are as follows:

| | <u>Ultimate parent company</u> | <u>Related parties under common ownership and management</u> | <u>Stockholders</u> | <u>Joint Ventures</u> | <u>Associates</u> | <u>Total</u> |
|------------------------------|--------------------------------|--|----------------------------|----------------------------|---------------------------|-----------------------------|
| December 31, 2021 | | | | | | |
| Balance at beginning of year | P 440,851,531 | P 168,244,878 | P 97,055,100 | P 37,583,941 | P 7,555,428 | P 751,290,878 |
| Additions | 32,359,682 | 27,227,607 | 14,765,781 | - | 7,167,599 | 81,520,669 |
| Collections | - | (2,579,990) | (14,707,411) | - | (7,165,299) | (24,452,700) |
| Balance at end of year | <u>P 473,211,213</u> | <u>P 192,892,495</u> | <u>P 97,113,470</u> | <u>P 37,583,941</u> | <u>P 7,557,728</u> | <u>P 808,358,847</u> |
| December 31, 2020 | | | | | | |
| Balance at beginning of year | P 436,680,854 | P 171,615,532 | P 84,003,075 | P 44,999,065 | P 7,352,828 | P 744,651,354 |
| Additions | 4,170,677 | 7,010,359 | 19,802,025 | - | 202,600 | 31,185,661 |
| Collections | - | (10,381,013) | (6,750,000) | (7,415,124) | - | (24,546,137) |
| Balance at end of year | <u>P 440,851,531</u> | <u>P 168,244,878</u> | <u>P 97,055,100</u> | <u>P 37,583,941</u> | <u>P 7,555,428</u> | <u>P 751,290,878</u> |

26.2 Advances from and Due to a Related Party

The Group has outstanding amount due to the Ultimate Parent Company representing a payable for certain land acquired in prior years. The Group also obtains cash advances from other related parties to assist its daily operational and other requirements. These also include the portion of advances owed to ADI, which is presented as part of Advances from a Co-Joint Venturer in the 2019 consolidated statement of financial position. In 2020, the remaining advances owed to ADI amounting to P40.0 million are reclassified as part of advances from related parties due to the assumption of the liability by the Ultimate Parent Company.

Advances from and due to a related party and the portion of advances owed to arise from and are considered as financing activities. The reconciliation of the carrying amounts of these accounts with movements during the reporting periods as presented in the consolidated statements of cash flows is shown below.

| | <u>2021</u> | <u>2020</u> |
|------------------------------|-------------------------------|-------------------------------|
| Balance at beginning of year | P 4,033,118,154 | P 4,351,734,322 |
| Additions | 117,184,362 | - |
| Repayments | (115,433,571) | (318,616,168) |
| Balance at end of year | <u>P 4,034,868,945</u> | <u>P 4,033,118,154</u> |

Outstanding balances with related parties are unsecured, noninterest-bearing, have no fixed repayment and settlement terms, except as disclosed in Note 5.3, and are presented as Advances from and Due to Related Parties account in the consolidated statements of financial position.

26.3 Rentals

The Group leases certain parcels of land and portion of a building to its associates and other related parties under common ownership and management for terms ranging from one to 12 years and with annual escalation rate of 2.00%. Rental income from these transactions amounted to P0.1 million in 2019. There was no similar transaction in 2021 and 2020. There were no outstanding receivables from these transactions as of December 31, 2021 and 2020.

In 2019, the Group entered into a lease agreement with the Ultimate Parent Company for certain parcels of land with lease term of 30 years. In accordance with PFRS 16 (see Note 16), the Group recognized right-of-use asset and lease liability amounting to P163.8 million for this lease arrangement. The Group incurred amortization expense amounting to P5.6 million in 2021, 2020 and 2019, respectively. Interest expense related to said lease amounted to P12.5 million, P12.4 million, and P11.3 million in 2021, 2020, and 2019, respectively.

In 2021, the Group entered into two additional lease agreements with the Ultimate Parent Company for certain parcels of land with lease terms of 3 years and 25 years. In accordance with PFRS 16 (see Note 16), the Group recognized right-of-use assets and lease liabilities amounting to P379.3 million for these lease arrangements. In 2021, the Group incurred amortization expense and interest expense amounting to P6.5 million and P7.9 million, respectively, which are charged to profit or loss. Amortization expense and interest expense amounting to P10.4 million and P0.8 million, respectively, is capitalized as part of Property Development Costs in the 2021 consolidated statement of financial position.

In 2021, the Group also entered into a contract with WHI to render certain performance obligations relative to the management and administration of the latter's real estate properties, including portions leased to a third party. Revenue recognized from this arrangement amounted to P3.6 million and presented as part of Other Revenues from Rentals under the Revenues section of the 2021 consolidated statement of profit or loss. The outstanding balance, which is unsecured and noninterest-bearing, for the same amount is presented as part of Other receivables under Receivables account in the 2021 consolidated statement of financial position (see Note 9).

26.4 Transactions with the Retirement Fund

As discussed in Note 24.2, the Group is in the process of establishing a non-contributory post-employment benefit plan that is being administered by a trustee bank. The quoted equity securities included in the plan assets pertain to the shares of the Parent Company measured at its fair value as of December 31, 2021 and 2020.

26.5 Contract Revenues and Receivables

The Group and BRADCO entered into certain construction contracts in 2016 and prior years whereby the Group undertook to complete the design and construction of the roads drainage system and underground utilities of certain lots situated at Aseana City. The construction was completed in 2017. The related contract receivable, which is unsecured, noninterest-bearing and payable in 90 days, amounting to P45.1 million and P22.7 million and retention receivable at nil and amounting to P5.0 million as of December 31, 2021 and 2020, respectively, are included as part of Contract receivables and Retention receivables under Receivables account in the consolidated statements of financial position (see Note 9).

26.6 Other Income from Rendering of Administrative Services

The Group recognized income amounting to P39.1 million, P24.1 million, and P14.4 million in 2021, 2020 and 2019, respectively, from rendering of various administrative services to its related parties and are included as part of Other Operating Income account in the consolidated statements of profit or loss (see Note 22.3). There are no outstanding receivables related to these transactions.

26.7 Association Dues

The Group incurred association dues amounting to P35.2 million, P32.5 million, and P33.3 million and in 2021, 2020 and 2019, respectively, as member of Aseana Business Park Estate Association and Aseana Power Station Association, Inc., which are presented as part of Association dues under General and Administrative Expenses account in the consolidated statements of profit or loss (see Note 23). Outstanding payables, which are due upon demand, related to these transactions amounting to P45.9 million and P39.4 million as of December 31, 2021 and 2020, respectively, are included as part of Trade payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 19).

26.8 Contracts of Services

On October 13, 2010, the Group renewed its contract of services with a certain related party under common ownership and management. Under such contract, the same related party will provide consultancy, management, and labor services to the Group upon the latter's request. Total costs incurred related to these contracts amounted to P15.7 million P15.1 million, and P26.5 million for the years ended December 31, 2021, 2020 and 2019, respectively, and are shown as part of Cost of construction contracts under Costs of Services and Sales account in the consolidated statements of profit or loss (see Note 21.3). There was no outstanding liability related to this transaction as of December 31, 2021 and 2020.

26.9 Key Management Personnel Compensation

Compensation paid to key management personnel consist of short-term and post employment benefits, which include among others, salaries and allowances, bonuses and other employee benefits totaling P46.1 million, P59.8 million, and P56.2 million in 2021, 2020, and 2019, respectively. There are no outstanding liabilities arising from this transaction.

26.10 Transfer of Land to ARHC

In 2017, the Group purchased certain property from WHI to be used for the Group's residential project. The property is presented as part of Property Development Costs account while the liability, which was noninterest-bearing and due upon demand, was fully paid in 2019.

27. EARNINGS PER SHARE

Basic and diluted earnings per share were computed as follows:

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|-----------------------------|----------------------|----------------------|
| Net profit attributable to the equity shareholders of the Parent Company | P 2,069,694,381 | P 2,130,725,241 | P 2,374,037,110 |
| Divided by weighted average number of outstanding common shares* | <u>3,395,864,100</u> | <u>3,395,864,100</u> | <u>3,395,864,100</u> |
| Basic and diluted earnings per share | P <u>0.609</u> | P <u>0.627</u> | P <u>0.699</u> |

*The Group has no potential dilutive common shares as of December 31, 2021, 2020 and 2019.

28. EQUITY

28.1 Capital Stock

The Parent Company has an authorized capital stock of P4,000,000,000 divided into 4,000,000,000 shares with a par value of P1 per share, of which 3,395,864,100 shares or P3,395,864,100 are issued and outstanding as of December 31, 2021 and 2020.

On March 6, 2018, the Parent Company filed its application with the PSE for the listing of its common shares, which was approved by the PSE on May 23, 2018. Also on March 6, 2018, the Parent Company filed a Registration Statement covering the Initial Public Offering (IPO) of its common shares with the PSE, in accordance with the provisions of the SEC's Securities Regulation Code. Pursuant to its filing with the PSE, on June 29, 2018, the Parent Company issued through the IPO the additional 679,172,800 common shares at P12.00 price per share generating offering proceeds of P8,150.1 million. The related additional paid-in capital arising from the IPO, after deducting transaction costs associated with the issuance of shares, amounted to P6,964.6 million. The common share price closed at P6.8 per share and P7.6 per share as of December 31, 2021 and 2020, respectively.

In 2015, the Parent Company issued 3,216,910 common shares at par value of P100.00 per share to a certain individual stockholder pursuant to a deed of exchange (see Note 15).

On May 14, 2020, the Parent Company's BOD unanimously approved a P1,000.0 million buyback program of the Parent Company's shares through the open market on the PSE subject to applicable SEC and PSE rules, for a period of two years or upon full utilization of the appropriated amount, whichever comes first. The Parent Company acknowledges that the share buyback program shall have an effect on the Parent Company's Minimum Public Ownership (MPO), and that it commits to bringing the MPO to the required percentage within a period of twelve months. As of the date of issuance of the 2021 consolidated financial statements, the SEC is yet to approve the Parent Company's buyback program and management has projected that the approved amount may only reach to P300.0 million.

As of December 31, 2021, there are 22 holders of the listed common shares owning at least one board lot of 100 shares. The public float lodged with PCD Nominee is counted as one stockholder only.

28.2 Revaluation Reserves

The movements of this account in 2021, 2020 and 2019 are as follows:

| | Investment Properties <i>(see Note 2.25)</i> | Retirement Benefit Obligation <i>(see Notes 24.2 and 25)</i> | Financial Assets at FVOCI <i>(see Note 17.2)</i> | Total |
|--|--|--|--|-----------------------|
| Balance as of January 1, 2021 | P 19,047,893 | (P 54,393,773) | (P 25,905,453) | (P 61,251,333) |
| Remeasurements of post-employment defined benefit plan | | 21,935,146 | | 21,935,146 |
| Fair value loss on financial assets at FVOCI | - | - | (7,492,165) | (7,492,165) |
| Other comprehensive income (loss) before tax | - | 21,935,146 | (7,492,165) | 14,442,981 |
| Tax expense | - | (5,483,787) | - | (5,483,787) |
| Other comprehensive income (loss) after tax | - | 16,451,359 | (7,492,165) | 8,959,194 |
| Balance as of December 31, 2021 | P 19,047,893 | (P 37,942,414) | (P 33,397,618) | (P 52,292,139) |

| | Investment Properties (see Note 2.25) | Retirement Benefit Obligation (see Notes 24.2 and 25) | Financial Assets at FVOCI (see Note 17.2) | Total |
|--|---|---|---|----------------|
| Balance as of January 1, 2020 | P 19,047,893 | (P 27,491,376) | P 299,863 | (P 8,143,620) |
| Remeasurements of post-employment defined benefit plan | - | (38,431,996) | - | (38,431,996) |
| Fair value loss on financial assets at FVOCI | - | - | (26,205,316) | (26,205,316) |
| Other comprehensive loss before tax | - | (38,431,996) | (26,205,316) | (64,637,312) |
| Tax income | - | 11,529,599 | - | 11,529,599 |
| Other comprehensive loss after tax | - | (26,902,397) | (26,205,316) | (53,107,713) |
| Balance as of December 31, 2020 | P 19,047,893 | (P 54,393,773) | (P 25,905,453) | (P 61,251,333) |
| Balance as of January 1, 2019 | P 19,047,893 | (P 46,751,853) | (P 820,375) | (P 28,524,335) |
| Remeasurements of post-employment defined benefit plan | - | 27,514,967 | - | 27,514,967 |
| Fair value gain on financial assets at FVOCI | - | - | 1,120,238 | 1,120,238 |
| Other comprehensive income before tax | - | 27,514,967 | 1,120,238 | 28,635,205 |
| Tax expense | - | (8,254,490) | - | (8,254,490) |
| Other comprehensive income after tax | - | 19,260,477 | 1,120,238 | 20,380,715 |
| Balance as of December 31, 2019 | P 19,047,893 | (P 27,491,376) | P 299,863 | (P 8,143,620) |

In 2003, certain parcel of land located in Quezon City, classified as property and equipment, was appraised by independent appraisers and resulted in revaluation increment of P19.0 million. In 2007, upon change of the intention of the management, such parcel of land was transferred from property and equipment to investment property at the appraised amount of P30.4 million. As of December 31, 2021, the parcel of land is held by the management for capital appreciation. The amount of revaluation reserves of the land remains to be recognized under equity until the land is derecognized.

28.3 Unrestricted Retained Earnings

In meetings held on December 23, 2013 and October 8, 2012, the Parent Company's BOD approved the appropriation of the unrestricted retained earnings of the Parent Company amounting to P500.0 million and P700.0 million, respectively, necessary to cover the business expansion of the Group as part of its long term corporate strategy. Relative to this, the Group was able to complete two additional buildings under similar nature and purpose of its existing investment properties in 2017 and 2018. Also in 2018, the Group commenced the construction of a new building, which was completed in 2020. As of December 31, 2021, the Group has two additional ongoing projects for leasing activities, which are expected to be completed on various dates within 2022 to 2024. Accordingly, the management has retained the appropriation until the expected completion of the on-going development of its most recent projects, which shall add to its existing portfolio of investment properties.

As a matter of policy, stockholders may be entitled to receive, upon declaration by the Parent Company's BOD and subject to the availability of unrestricted retained earnings, dividends equivalent to at least 30% of the prior year's net income after tax based on the Parent Company's audited financial statements as of such year, except when: (i) justified by definite corporate expansion projects or programs approved by the Parent Company's BOD; (ii) when the Group is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or (iii) when it can be clearly shown that retention of earnings is necessary under special circumstances obtaining in the Group, such as when there is a need for special reserves for probable contingencies. The Group's retained earnings are restricted up to the extent of its accumulated equity shares in its associates and joint ventures as of the end of the reporting periods (see Note 13).

In 2021 and 2020, the Parent Company's BOD approved the declaration of cash dividends of P0.047 per share or equivalent to P160.0 million each reporting period out of its unrestricted retained earnings as of December 31, 2020 and 2019 to stockholders of records as of March 22, 2021 and March 11, 2020, respectively. Such dividends were fully paid in the same year of declaration.

Also in 2020 and 2019, BAHI's BOD approved the declaration of cash dividends of P100 per share and P200 per share to its stockholders of records as of August 13, 2020 and October 31, 2019, respectively. Of the total cash dividends, P200.0 million and P404.5 million is attributable and fully paid to other shareholders of BAHI in 2020 and 2019, respectively. No similar declaration of dividends were made in 2021.

Subsequently, in March 2022, the Parent Company's BOD approved the declaration of cash dividends, which shall be taken out of the unrestricted earnings of the Parent Company as of December 31, 2021 (see Note 32).

28.4 Other Reserves

Other Reserves account in the consolidated statements of financial position includes the excess of the consideration paid by the Group for the additional 40% direct ownership in FI and the excess minority share in net assets of UCTPI over the cost of additional investments acquired by the Group in previous years which amounted to P297.4 million and P21.4 million, respectively.

29. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

29.1 Operating Leases – Group as a Lessor

The Group is a lessor under operating leases covering certain real estate properties presented in the consolidated statements of financial position as Investment Properties. Lease agreements with large tenants have terms ranging from five to 45 years with monthly rental payment on certain rate per square meter of leased area subject to annual escalation rates of 5.00% to 10.00% per annum. Some lease agreements have a term of one year, subject to annual renewal and monthly payment of minimum rental plus additional rental based on certain percentage of the lessee's gross sales.

The future minimum lease collections under these operating leases as of the end of the reporting periods are as follows:

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|-------------------------------|------------------------|------------------------|
| Within one year | P 1,012,135,869 | P 1,125,340,220 | P 1,188,416,411 |
| After one year but not more than two years | 827,493,840 | 1,116,198,259 | 1,144,817,861 |
| After two years but not more than three years | 681,549,765 | 789,636,576 | 1,115,943,947 |
| After three years but not more than four years | 599,984,911 | 599,029,983 | 793,305,118 |
| After four years but not more than five years | 570,284,221 | 508,305,072 | 602,117,416 |
| More than five years | <u>31,381,180,770</u> | <u>31,861,464,258</u> | <u>32,319,145,099</u> |
| | <u>P35,072,629,376</u> | <u>P35,999,974,368</u> | <u>P37,163,745,852</u> |

The total rent income recognized on investment properties amounted to P1,779.0 million, P1,787.6 million and P1,772.5 million, including rent income resulting from the application of the straight-line basis of revenue recognition in accordance with PFRS 16 amounting to P462.0 million, P500.5 million and P568.1 million in 2021, 2020 and 2019, respectively, and are presented as Land and Building Rentals under Revenues account in the consolidated statements of profit or loss.

Variable rent, which pertains to a certain percentage share in the lessees' revenues, is included as part of total rent income amounting to P24.5 million, P22.0 million and P28.6 million in 2021, 2020 and 2019, respectively.

The Group is subject to risks associated with the rights it retains in the properties it leases, such as alterations made by the lessee that may impair the value of the leased properties. To manage the exposure on such risks, the Group exercises strict control over the fit-out process and no alterations are allowed to be made without prior approval of the Group. Moreover, the Group retains its right to inspect the leased properties over the lease term. In case of expiration of lease term or early termination due to the default of the lessee, the Group is entitled to the improvements installed on the leased properties without any obligation to reimburse the lessee for the costs of improvements.

29.2 Legal Claims

There are pending claims and legal actions filed by the Group or against the Group arising from the normal course of its business. Management believes that the ultimate liability, if any, with respect to such litigations, claims and disputes will not materially affect the financial position and results of operations of the Group.

29.3 Deficiency Tax Assessments

The Group has certain final deficiency tax assessment and has received letters of authority from the BIR, pursuant to which the BIR has sought to investigate certain tax periods of the Group and consequently examine certain books, records and accounts that relate to transactions in the ordinary course of business. There are final deficiency tax assessments in the ordinary course of business against the Parent Company that are pending with the BIR covering taxable years 2013 and 2009. Pursuant to the Group's policy of addressing such actions in line with prudent business practice, the Group has engaged tax counsels and advisors in relation to these matters.

As of December 31, 2021, the final deficiency tax assessments are still under protest. Management believes that the Group has enough legal basis under the law, Supreme Court and Court of Tax Appeals decisions and evidence to support their claim; hence, no provisions were recognized in the consolidated financial statements.

29.4 Capital Commitments in Aseana City

Aseana City is an integrated community currently being developed by the Group, which is situated on the land reclaimed by the Group and home of several entertainment, commercial and residential establishments. The Group has capital commitments pertaining to the estimated development costs (i.e., civic and structural works; power, water and telecommunication distribution systems; roadworks and streetlights; drainage and sewerage systems; and, the estimated restoration costs thereto) of such parcels of land whereby the Group has an unconditional obligation to complete the development of the parcels of land in accordance with the entire estate of Aseana City. The estimated liability for land development costs is based on the estimates of the engineering department of the Parent Company. The details of these capital commitments in Aseana City are shown below.

| | <u>Land and Land Development Costs (see Note 11)</u> | <u>Land under Investment Properties (see Note 15)</u> | <u>Total</u> |
|---|--|---|--------------------------------|
| December 31, 2021: | | | |
| Gross valuation | P 2,970,048,253 | P15,619,133,351 | P 18,589,181,604 |
| Estimated liability for land development costs | (889,891,550) | (5,617,337,844) | (6,507,229,394) |
| Net amounts | <u>P 2,080,156,703</u> | <u>P10,001,795,507</u> | <u>P 12,081,952,210</u> |
| December 31, 2020: | | | |
| Gross valuation | P 3,025,260,857 | P15,584,518,464 | P 18,609,779,321 |
| Estimated liability for land development costs | (912,724,133) | (5,680,228,573) | (6,592,952,706) |
| Net amounts | <u>P 2,112,536,724</u> | <u>P 9,904,289,891</u> | <u>P 12,016,826,615</u> |

The movements in the estimated land development costs are as follows:

| | <u>2021</u> | <u>2020</u> |
|--|-------------------------------|-------------------------------|
| Balance at beginning of year | P 6,592,952,706 | P 7,099,743,361 |
| Development costs incurred during the year | (85,723,312) | (506,790,655) |
| Balance at end of year | <u>P 6,507,229,394</u> | <u>P 6,592,952,706</u> |

29.5 Reclaimed Land and Others

The Group's existing land holdings in Aseana City, which were obtained pursuant to certain series of agreements involving reclamation and related projects with the Philippine Government, are entirely located on reclaimed foreshore land. Although the Group holds registered titles to these land holdings, Philippine law provides that issuance of titles does not create or vest title, but only constitutes evidence of ownership over such properties. In view of this, the Group's ownership, registration, and possession of titles and actual possession of these land holdings do not negate the possibility that the Philippine Government or third parties may at any time, file lawsuits to challenge the Group's rights to these land holdings. While the PRA and the Philippine Office of the Government Corporate Counsel (OGCC) are of the opinion that the Group's titles can no longer be invalidated, there is no assurance that the Philippine Government or third parties will not challenge the Group's rights to such reclaimed lands in the future. Notwithstanding the foregoing, the Group is not aware of the validity of the Group's titles being questioned, impugned, challenged or invalidated by the Philippine Government or any other third party since the time the Group acquired ownership over these land holdings in Aseana City and up to the audit report date. In addition to the opinions of the PRA and OGCC, management believes that the Group has enough basis in law and in the decisions of the relevant courts, to support the validity of its titles and ownership over these subject properties.

There are other commitments, litigations and contingencies that arise in the normal course of the Group's operations which are not reflected in the consolidated financial statements. As of December 31, 2021, management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Group's consolidated financial statements.

30. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure that the Group maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions primarily those current and expected future events that affect or likely to affect the real estate and leasing sector. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group monitors its capital gearing by measuring the ratio of loans and borrowings to total capital and net loans and borrowings to total capital. Loans include all short-term and long-term borrowings while net interest-bearing loans include all short-term and long-term loans net of cash and cash equivalents.

As of December 31, 2021 and 2020, the Group's ratios of net interest-bearing loans to total capital are as follows:

| | <u>Notes</u> | <u>2021</u> | <u>2020</u> |
|--|--------------|-------------------------------|------------------------|
| Total loans and borrowings | 18 | P 3,282,350,000 | P 1,397,020,000 |
| Less: Cash and cash equivalents and short-term placements | 8, 12 | (5,665,952,194) | (5,014,489,615) |
| Net loans and borrowings (a) | | (2,383,602,194) | (3,617,469,615) |
| Total equity | | <u>24,224,178,117</u> | <u>22,284,284,887</u> |
| Net loans and borrowings and equity (b) | | <u>P21,840,575,923</u> | <u>P18,666,815,272</u> |
| Gearing ratio (a/b) | | <u>-11%</u> | <u>-19%</u> |

Certain loans with a local bank are subject to a cross default arrangement wherein if the Group fails to pay or default in the payments of any installment of the principal or interest, the Group's obligation will become due and demandable without the need for notice of demand for payment. Moreover, if the Group fails to comply with or commits breach or violation of any term, condition or stipulation of any other agreement, contract, or document with the lending bank, the Group's obligation to the lending bank and any of the lending bank's related parties will only become due and demandable upon notice of demand for payment.

As of December 31, 2021 and 2020, the Group is in compliance with the loan covenants. (see Note 18).

31. SUPPLEMENTAL INFORMATION ON NON-CASH ACTIVITIES

The following discusses the supplemental information on non-cash activities as presented in the consolidated statements of cash flows for the years ended December 31, 2021, 2020 and 2019:

- In 2021 and 2019, the Company recognized right-of-use assets and lease liabilities both amounting to P379.3 million and P163.8 million, respectively (see Note 16). There was no similar transaction in 2020.
- In 2021, capitalized borrowing costs to investment properties amounted to P53.7 million (see Notes 10, 15 and 18). There was no similar transaction in 2020 and 2019.
- In 2021, 2020, and 2019, the Group capitalized certain portion of depreciation of property and equipment amounting to P22.9 million, P39.3 million, and P36.1 million, respectively, as part of land and land development costs [see Notes 2.5(a) and 14].

- In 2020, Advances from a Co-joint Venturer amounting to P40.0 million was reclassified as part of Advances from and Due to Related Parties due to the assumption of the liability by the Ultimate Parent Company (see Note 26.2). There was no similar transaction in 2021 and 2019.
- In 2019, the Group reclassified certain parcels of land which were previously presented under Land and Land Development Costs to Investment Properties amounting to P231.6 million (see Notes 11 and 15). There was no similar transaction in 2021 and 2020.
- In 2019, total advances amounting to P64.6 million were assumed by the Group due to the consolidation of ABCC [see Notes 13.3(b) and 26.2]. There was no similar transaction in 2021 and 2020.
- In 2019, the Group reclassified certain parcels of land amounting to P397.8 million from investment properties to property development costs (see Notes 10.1 and 15). There was no similar transaction in 2021 and 2020.
- In 2019, the Group reclassified a portion of the investment properties amounting to P231.7 million to property and equipment representing the portion of a certain building held for administrative purposes (see Notes 14 and 15). There was no similar transaction in 2021 and 2020.
- In 2019, the Group reclassified Investment in Joint Venture Held for Termination to Land under Investment Properties amounting to P163.3 million [see Note 13.3(b)]. There was no similar transaction in 2021 and 2020.

32. EVENT AFTER THE END OF THE REPORTING PERIOD

On March 10, 2022, the Parent Company's BOD approved the declaration of cash dividends of P0.061 per share or equivalent to P207.0 million to stockholders of record as of March 22, 2022. The dividends which is payable on April 8, 2022, shall be taken out of the unrestricted earnings of the Parent Company as of December 31, 2021 (see Note 28.3).

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

Punongbayan & Araullo

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The Board of Directors and Stockholders
D.M. Wenceslao & Associates, Incorporated and Subsidiaries
(A Subsidiary of Wendel Holdings Co., Inc.)
15th Floor, Aseana 3
D. Macapagal Blvd. corner Asean Ave., Aseana City
Parañaque City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of D.M. Wenceslao & Associates, Incorporated and Subsidiaries (the Group) for the year ended December 31, 2021, on which we have rendered our report dated March 10, 2022. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO



By: John Endel S. Mata
Partner

CPA Reg. No. 0121347
TIN: 257-622-627
PTR No. 8852338, January 3, 2022, Makati City
SEC Group A Accreditation
Partner – No. 121347-SEC (until Dec. 31, 2023)
Firm – No. 0002 (until Dec. 31, 2024)
BIR AN 08-002551-040-2019 (until Dec. 15, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 10, 2022

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
LIST OF SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

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**Information presented herein are based on the separate financial statements of D.M. Wenceslao & Associates, Incorporated*

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES

SEC Released Revised SRC Rule 68

Annex 68-J

Schedule A - Financial Assets

December 31, 2021

(Amounts in Philippine Pesos)

| Name of Issuing Entity and Association of Each Issue | Number of Shares or Principal Amount | Amount Shown in the Consolidated Statement of Financial Position | Value Based on Market Quotation at Statement of Condition Date | Income Received and Accrued |
|--|--------------------------------------|--|--|-----------------------------|
| FINANCIAL ASSETS AT AMORTIZED COST | | | | |
| Cash and cash equivalents | | P 5,665,952,194 | P 5,665,952,194 | P 14,711,878 |
| Receivables - net | | 6,734,487,934 | 6,734,487,934 | - |
| Refundable deposits | | <u>32,340,519</u> | <u>32,340,519</u> | <u>-</u> |
| | | <u>12,432,780,647</u> | <u>12,432,780,647</u> | <u>14,711,878</u> |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | | | | |
| Equity Securities | | | | |
| Petron Corporation | 7,500 | P 7,500,000 | P 7,500,000 | - |
| Arthaland Corporation | 350,000 | 46,085,000 | 46,085,000 | - |
| Debt Security | | | | |
| P1B Global Holdings PTE Ltd. | 5,289,370 | <u>5,303,288</u> | <u>5,303,288</u> | <u>-</u> |
| | | <u>58,888,288</u> | <u>58,888,288</u> | <u>-</u> |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME | | | | |
| Equity Securities | | | | |
| Powersource Philippine Distributed Power Holdings, Inc. | 72,453,780 | P 38,148,299 | P 38,148,299 | p - |
| Tagaytay Highland International Golf Club Inc. | 1 | 1,425,000 | 1,425,000 | - |
| Tagaytay Midland Golf Club | 1 | 1,550,000 | 1,550,000 | - |
| Quezon City Sport Club | 1 | 600,000 | 600,000 | - |
| Alphaland City Club | 1 | 450,000 | 450,000 | - |
| Philippine Long Distance Telephone Company | 1 | 4,363 | 4,363 | - |
| Philippine Construction Association | 1 | <u>1,000</u> | <u>1,000</u> | <u>-</u> |
| | | <u>42,178,662</u> | <u>42,178,662</u> | <u>-</u> |
| GRAND TOTAL | | <u>P 12,533,847,597</u> | <u>P 12,533,847,597</u> | <u>P 14,711,878</u> |

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES

SEC Released Revised SRC Rule 68

Annex 68-J

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

December 31, 2021

(Amounts in Philippine Pesos)

| Name and Designation of Debtor | Balance at Beginning of Period | Additions | Deductions | | Ending Balance | | Balance at End of Period |
|--|--------------------------------|---------------------|--------------------------|---------------------|----------------------|-------------|--------------------------|
| | | | Amounts Collected/Offset | Amounts Written-off | Current | Not Current | |
| Amounts Receivable from Related Parties | | | | | | | |
| Wendel Holdings Co., Inc. | P 440,851,531 | P 32,359,682 | P - | P - | P 473,211,213 | P - | P 473,211,213 |
| Stockholders | 97,055,100 | 14,765,781 | 14,707,411 | - | 97,113,470 | - | 97,113,470 |
| Wendel Vega Marine Carrier | 97,259,953 | 551,314 | 1,091,523 | - | 96,719,744 | - | 96,719,744 |
| BRADCO | 37,583,941 | - | - | - | 37,583,941 | - | 37,583,941 |
| Wendel Ground Improvement, Inc | 25,386,762 | 1,800 | - | - | 25,388,562 | - | 25,388,562 |
| Urban Agro Products, Inc. | 20,119,157 | 140,500 | 5,000 | - | 20,254,657 | - | 20,254,657 |
| Wendel Construction Co., Inc. | - | 13,220,530 | - | - | 13,220,530 | - | 13,220,530 |
| European Resources & Technologies, Inc. | 7,555,428 | 7,167,599 | 7,165,299 | - | 7,557,728 | - | 7,557,728 |
| Bay Security Services, Inc. | 4,896,964 | 18,054 | - | - | 4,915,018 | - | 4,915,018 |
| 10k South Concrete Mix | 4,827,265 | - | - | - | 4,827,265 | - | 4,827,265 |
| Wendel Osaka Realty Corporation | 1,675,978 | 18,044 | - | - | 1,694,022 | - | 1,694,022 |
| Aseana CL, Beach and Marina | - | 1,037,961 | - | - | 1,037,961 | - | 1,037,961 |
| Aseana Power Station Association, Inc. (APAI) | - | 818,930 | - | - | 818,930 | - | 818,930 |
| Cagayan Economic Development | 750,000 | - | - | - | 750,000 | - | 750,000 |
| Cagayan Valley Bio Energy | 539,500 | - | - | - | 539,500 | - | 539,500 |
| Aseana Urban Art Foundation | 497,648 | - | 227,214 | - | 270,434 | - | 270,434 |
| Patriot Log Home Asia, Inc. | 63,182 | 17,544 | - | - | 80,726 | - | 80,726 |
| Others | 12,228,469 | 11,402,930 | 1,256,253 | - | 22,375,146 | - | 22,375,146 |
| TOTAL | P 751,290,878 | P 81,520,669 | P 24,452,700 | P - | P 808,358,847 | P - | P 808,358,847 |

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES

SEC Released Revised SRC Rule 68

Annex 68-J

Schedule C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

December 31, 2021

(Amounts in Philippine Pesos)

| Name and Designation of Debtor | Balance at Beginning of Period | Additions | Deductions | | Ending Balance | | Balance at End of Period |
|---|--------------------------------|---------------------|---------------------|---------------------|----------------------|-------------|--------------------------|
| | | | Amounts Collected | Amounts Written-off | Current | Not Current | |
| Aseana Residential Holdings Corp. | P 170,329 | P 4,859 | P 174,255 | P - | P 933 | P - | P 933 |
| Aseana Holdings, Inc. | 9,985,680 | 15,648,325 | 7,816,394 | - | 17,817,611 | - | 17,817,611 |
| Alphaland Bay City Corporation | 41,660,821 | 305,020 | 93,795 | - | 41,872,046 | - | 41,872,046 |
| Fabricom, Inc. | - | 6,339 | - | - | 6,339 | - | 6,339 |
| Fabricom Realty Development Corporation | 6,275,473 | 80,580 | - | - | 6,356,053 | - | 6,356,053 |
| R-1 Consortium, Inc. | 7,228,226 | 80,630 | 1,250,000 | - | 6,058,856 | - | 6,058,856 |
| Mandaue Land Consortium, Inc. | 810,179 | 230,580 | 28,200 | - | 1,012,559 | - | 1,012,559 |
| SHLP BBP Realty, Inc. | 360,679 | 169,055 | - | - | 529,734 | - | 529,734 |
| Aseana I.T. Plaza, Inc. | 73,920 | 80,580 | - | - | 154,500 | - | 154,500 |
| Bay Dredging, Inc. | 1,438,387 | 122,137 | - | - | 1,560,524 | - | 1,560,524 |
| Boracay International Airport & Dev't Corp. | 48,897,021 | 82,380 | - | - | 48,979,401 | - | 48,979,401 |
| Aseana City Transport & Travel Corp. | 5,513,656 | 4,398,897 | 11,031 | - | 9,901,522 | - | 9,901,522 |
| Aseana Gas Energy Corp. | 473,000 | 81,680 | (102,771) | - | 657,451 | - | 657,451 |
| Portal Holdings, Inc. | 214,521 | 8,359 | - | - | 222,880 | - | 222,880 |
| 58 Jupiter Inc. | - | 279,731 | - | - | 279,731 | - | 279,731 |
| Aseana Real Estate Services & Management Corp | 4,967,161 | 4,475,857 | 1,348,654 | - | 8,094,364 | - | 8,094,364 |
| Aseana Resi Rent Corp. | 2,132,445 | 144,861 | - | - | 2,277,306 | - | 2,277,306 |
| Bay Area Holdings, Inc. | 10,050 | - | 10,050 | - | - | - | - |
| | P 130,211,548 | P 26,199,870 | P 10,629,608 | P - | P 145,781,810 | P - | P 145,781,810 |

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES

SEC Released Revised SRC Rule 68

Annex 68-J

Schedule D - Long-term Debt

December 31, 2021

(Amounts in Philippine Pesos)

| Title of Issue and Type of Obligation | Amount Shown Under Caption "Current Portion of Long-term Debt" in Related Consolidated Statement of Financial Position | Amount Shown Under Caption "Long-term Debt" in related Consolidated Statement of Financial Position |
|---|--|---|
| Security Bank of the Philippines Loans payable | P 1,000,000,000 | 1,500,000,000 |
| Bank of the Philippine Islands Term loan | 19,850,000 | 500,000,000 |
| BPI Family Savings Bank Term loan | <u>75,000,000</u> | <u>187,500,000</u> |
| TOTAL | <u>P 1,094,850,000</u> | <u>P 2,187,500,000</u> |

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES

SEC Released Revised SRC Rule 68

Annex 68-J

Schedule E - Indebtedness to Related Parties (Non-current Liabilities)

December 31, 2021

(Amounts in Philippine Pesos)

| Name of Related Party | Balance at Beginning of Period | Balance at End of Period | Purpose |
|-----------------------|-----------------------------------|-----------------------------|---------|
|-----------------------|-----------------------------------|-----------------------------|---------|

Not Applicable

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES

SEC Released Revised SRC Rule 68

Annex 68-J

Schedule F - Guarantees of Securities of Other Issuers

December 31, 2021

(Amounts in Philippine Pesos)

| 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 | Amount Owned by Person for which This Statement is Filed | Nature of Guarantee |
|--|---|---|--|---------------------|
|--|---|---|--|---------------------|

Not Applicable

The Group does not have any guarantee of securities of Other Issuers as at December 31, 2021.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES

SEC Released Revised SRC Rule 68

Annex 68-J

Schedule G - Capital Stock

December 31, 2021

(Amounts in Philippine Pesos)

| Title of Issue | Number of Shares Authorized | Number of Shares Issued and Outstanding as Shown Under the Related Statement of Condition of Condition Caption | Number of Shares Reserved for Options, Warrants, Conversion and Other Rights | Number of Shares Held by | | |
|--------------------------------|-----------------------------|--|--|--------------------------|-----------------------------------|-------------|
| | | | | Related Parties | Directors, Officers and Employees | Others |
| Common shares, P1.00 Par Value | 4,000,000,000 | 3,395,864,100 | - | 2,715,353,627 | 72,457 | 680,438,016 |

D. M. WENCESLAO & ASSOCIATES, INCORPORATED
15th Floor, Aseana 3
D. Macapagal Blvd. corner Asean Ave., Aseana City, Parañaque City

Reconciliation of Retained Earnings Available for Dividend Declaration
As of December 31, 2021

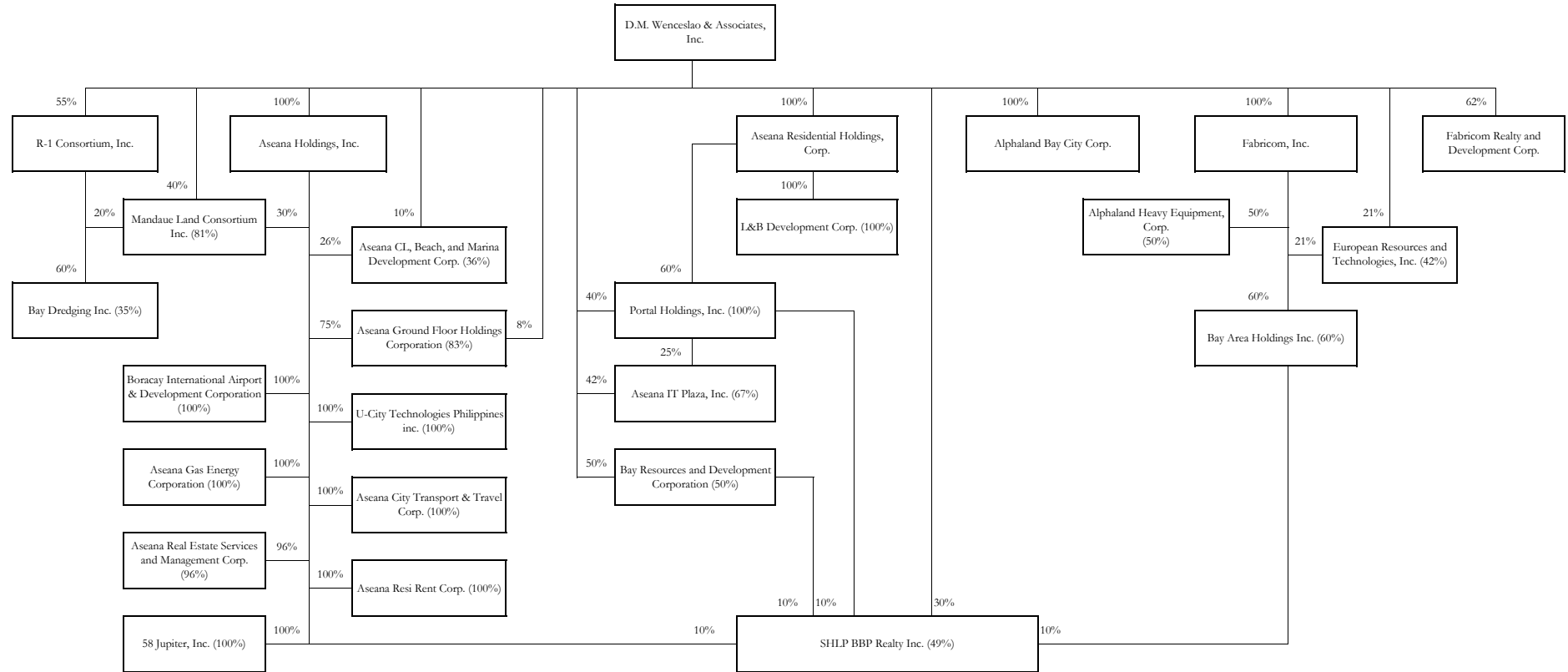
| | |
|---|-------------------------------|
| Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year | P 8,634,912,438 |
| Rent income based on Philippine Financial Reporting Standard (PFRS), 16, Leases | (3,936,537,470) |
| Deferred tax income from deferred tax assets | (105,994,496) |
| Remeasurement of deferred tax assets as an effect of change in income tax rate | 17,665,749 |
| Revaluation increment on land | (<u>19,047,893</u>) |
| Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year (As Adjusted) | <u>4,590,998,328</u> |
| Net Profit Realized During the Year | |
| Net profit per audited financial statements | 1,356,416,199 |
| Non-actual/unrealized income | |
| Accrued rent income based on PFRS 16, Leases | (475,825,335) |
| Deferred tax income from deferred tax assets | (<u>14,396,555</u>) |
| | <u>866,194,309</u> |
| Other Transactions During the Year | |
| Cash dividends declared | (<u>159,999,533</u>) |
| Unappropriated Retained Earnings Available for Dividend Declaration at End of Year | <u>P 5,297,193,104</u> |

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES

SEC Released Revised SRC Rule 68

Annex 68-J

15th floor, Aseana 3 D, Macapagal Blvd. corner Asean Ave., Aseana City, Parañaque City
December 31, 2021



Report of Independent Auditors on Components of Financial Soundness Indicators

Punongbayan & Araullo

20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

The Board of Directors and Stockholders
D.M. Wenceslao & Associates, Incorporated and Subsidiaries
(A Subsidiary of Wendel Holdings Co., Inc.)
15th Floor, Aseana 3
D. Macapagal Blvd. corner Asean Ave., Aseana City
Parañaque City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of D.M. Wenceslao & Associates, Incorporated and Subsidiaries (the Group) for the year ended December 31, 2021 and 2020, on which we have rendered our report dated March 10, 2022. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at and for the years ended December 31, 2021 and 2020, and no material exceptions were noted.

PUNONGBAYAN & ARAULLO



By: John Endel S. Mata
Partner

CPA Reg. No. 0121347
TIN: 257-622-627
PTR No. 8852338, January 3, 2022, Makati City
SEC Group A Accreditation
Partner – No. 121347-SEC (until Dec. 31, 2023)
Firm – No. 0002 (until Dec. 31, 2024)
BIR AN 08-002551-040-2019 (until Dec. 15, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 10, 2022

D.M. WENCESLAO AND ASSOCIATES, INC.
Supplemental Schedule of Financial Soundness Indicators
December 31, 2021 and 2020

| Ratio | Formula | 2021 | Formula | 2020 |
|------------------------------|---|-------------|---|-------------|
| Current ratio | Total Current Assets divided by Total Current Liabilities Total Current Assets 14,049,443,598 Divide by: Total Current Liabilities <u>8,407,529,857</u> Current ratio 1.67 | 1.67 | Total Current Assets divided by Total Current Liabilities Total Current Assets 12,249,418,082 Divide by: Total Current Liabilities <u>8,356,600,808</u> Current ratio 1.47 | 1.47 |
| Acid test ratio | Quick assets (Total Current Assets less Other Current Assets) divided by Total Current Liabilities Total Current Assets 14,049,443,598 Less: Contract Assets (33,217,659) Land and land Development Costs (2,080,156,703) Property Development Costs (1,589,013,035) Other Current Assets* <u>(1,367,905,540)</u> Quick Assets 8,979,150,661 Divide by: Total Current Liabilities <u>8,407,529,857</u> Acid test ratio 1.07 | 1.07 | Quick assets (Total Current Assets less Other Current Assets) divided by Total Current Liabilities Total Current Assets 12,249,418,082 Less: Contract Assets (92,002,207) Land and land Development Costs (2,112,536,724) Property Development Costs (1,068,576,685) Other Current Assets* <u>(1,288,156,315)</u> Quick Assets 7,688,146,151 Divide by: Total Current Liabilities <u>8,356,600,808</u> Acid test ratio 0.92 | 0.92 |
| Solvency ratio | Total Assets divided by Total Liabilities Total Assets 36,983,483,403 Divide by: Total Liabilities <u>12,759,305,286</u> Solvency ratio 2.90 | 2.90 | Total Assets divided by Total Liabilities Total Assets 32,857,021,502 Divide by: Total Liabilities <u>10,572,736,615</u> Solvency ratio 3.11 | 3.11 |
| Debt-to-equity ratio | Total Loans and Borrowings divided by Total Equity Attributable to Owners of Parent Company Total Loans and Borrowings 3,282,350,000 Divide by: Total Equity Attributable to Owners of Parent Company <u>23,623,008,150</u> Debt-to-equity ratio 0.14 | 0.14 | Total Loans and Borrowings divided by Total Equity Attributable to Owners of Parent Company Total Loans and Borrowings 1,397,020,000 Divide by: Total Equity Attributable to Owners of Parent Company <u>21,704,354,108</u> Debt-to-equity ratio 0.06 | 0.06 |
| Assets-to-equity ratio | Total Assets divided by Total Equity Attributable to Owners of Parent Company Total Assets 36,983,483,403 Divide by: Total Equity Attributable to Owners of Parent Company <u>23,623,008,150</u> Asset-to-equity ratio 1.57 | 1.57 | Total Assets divided by Total Equity Attributable to Owners of Parent Company Total Assets 32,857,021,502 Divide by: Total Equity Attributable to Owners of Parent Company <u>21,704,354,108</u> Asset-to-equity ratio 1.51 | 1.51 |
| Interest rate coverage ratio | Earnings before interest and taxes (EBIT) divided by Total Interest EBIT 2,535,133,019 Divide by: Total Interest ** <u>73,263,907</u> Interest rate coverage ratio 34.60 | 34.60 | Earnings before interest and taxes (EBIT) divided by Total Interest EBIT 2,875,377,130 Divide by: Total Interest <u>23,602,439</u> Interest rate coverage ratio 121.83 | 121.83 |

*Excluding Short-term placements

** Includes interest expense and capitalized interest from bank loans

| Ratio | Formula | 2021 | Formula | 2020 |
|---------------------|---|------|---|------|
| Return on equity | Net Profit divided by Average Total Equity Net Profit 2,090,933,569 Divide by: Average <u>Total Equity 23,254,231,502</u> Return on equity 0.09 | 0.09 | Net Profit divided by Average Total Equity Net Profit 2,164,209,139 Divide by: Average <u>Total Equity 21,408,733,941</u> Return on equity 0.10 | 0.10 |
| Return on assets | Net Profit divided by Average Total Assets Net Profit 2,090,933,569 Divide by: Average <u>Total Assets 34,920,252,453</u> Return on assets 0.06 | 0.06 | Net Profit divided by Average Total Assets Net Profit 2,164,209,139 Divide by: Average <u>Total Assets 32,061,909,856</u> Return on assets 0.07 | 0.07 |
| Net profit margin | Net Profit divided by Total Revenue Net Profit 2,090,933,569 <u>Divide by: Total Revenue 3,446,712,914</u> Net profit margin 0.61 | 0.61 | Net Profit divided by Total Revenue Net Profit 2,164,209,139 <u>Divide by: Total Revenue 2,734,364,926</u> Net profit margin 0.79 | 0.79 |
| Debt Ratio | Total Loans and Borrowings divide by Total Assets Total Loans and Borrowings 3,282,350,000 <u>Divide by: Total Assets 36,983,483,403</u> Debt ratio 0.09 | 0.09 | Total Loans and Borrowings divide by Total Assets Total Loans and Borrowings 1,397,020,000 <u>Divide by: Total Assets 32,857,021,502</u> Debt ratio 0.04 | 0.04 |
| Gross Profit Margin | Gross Profit divided by Total Revenue Gross Profit 2,848,359,647 <u>Divide by: Total Revenue 3,446,712,914</u> Gross profit margin 0.83 | 0.83 | Gross Profit divided by Total Revenue Gross Profit 2,071,234,775 <u>Divide by: Total Revenue 2,734,364,926</u> Gross profit margin 0.76 | 0.76 |

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
INDEX TO SUSTAINABILITY REPORT

FORM 14-A, ITEM 7

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2021 Chapter on Sustainability

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ABOUT THIS CHAPTER

Tenets of sustainability have long been embedded throughout the operations, building practices, and overall business philosophy of D.M. Wenceslao & Associates, Inc. (DMWAI). This year, we continue to report on the progress of our sustainability journey through our Five Pillars of Sustainability.

This chapter has been written in accordance with the Philippine Securities and Exchange Commission (SEC)'s annual sustainability reporting requirements. It showcases how environmental, social, and governance (ESG) impacts, risks, and opportunities are managed across our operations, in alignment with the company's material ESG topics and United Nations Sustainable Development Goals (SDG) commitments.

COMPANY INFORMATION

Company Details

D.M. Wenceslao & Associates, Incorporated (“DMWAI or the Company”) is an integrated property developer specializing in land reclamation, construction, and real estate development. DMWAI is an “AAAA” licensed contractor with a 57-year corporate history. Since 1965, we have reclaimed more than 2.4 million sqm of land, leased or developed 250,000 sqm of land and buildings, and completed over 140 construction and infrastructure projects, including large, complex government developments throughout the Philippines.

We are the master developer and primary owner of Aseana City, with a total land area of 107.5 hectares located along the coastal waters of Manila Bay, bordering the City of Pasay and the City of Parañaque. Table 1 shows DMWAI’s operational commercial and residential assets as of writing.

Table 1. Operational DMWAI Assets

| Project | Location |
|------------------------------|---|
| Aseana One | Aseana City, Parañaque City, Metro Manila |
| Aseana Two | Aseana City, Parañaque City, Metro Manila |
| Aseana Three | Aseana City, Parañaque City, Metro Manila |
| Aseana Power Station | Aseana City, Parañaque City, Metro Manila |
| Aseana Square | Aseana City, Parañaque City, Metro Manila |
| Aseana Town Center | Aseana City, Parañaque City, Metro Manila |
| S&R Building (Second Floor) | Aseana City, Parañaque City, Metro Manila |
| 8912 Asean Ave | Aseana City, Parañaque City, Metro Manila |

| | |
|------------------|---|
| Pixel Residences | Aseana City, Parañaque City, Metro Manila |
| DMWAI Building | Quezon City |
| 58 Jupiter | Jupiter, Makati City |
| Erlag Building | Legazpi, Makati City |

Scope

This chapter covers the key performance indicators for the Company's material ESG topics from January 1 to December 31, 2021. This report highlights our year-over-year (YoY) performance in various ESG categories and key sustainability activities and performance.

The information contained in this chapter applies to the legal entities and properties within these entities, as indicated below:

- Aseana Residential Holdings Corp. (ARHC) – our wholly-owned subsidiary and exclusive residential arm. ARHC currently has two low-density residential projects within its portfolio:
 - Pixel Residences, a 170-unit development currently on ready-for-occupancy (RFO) status
 - MidPark Towers, a 4-tower development with 669 large format units (currently under construction and not included in this report)
- Aseana Holdings, Inc. (AHI) – our 100% owned subsidiary that caters to the development potential of Aseana City. Under its portfolio are our completed office and commercial properties: Aseana One, Aseana Two, Aseana Three, 8912 Asean Ave, Aseana Powerstation, and Aseana Square.
- U-City Technologies Philippines, Inc. – operates the smart city, public city, and surveillance services for Aseana City.
- Aseana City Transport and Travel Corporation – established to operate public utility transport services for Aseana City.
- Fabricom, Inc. – operates the importation of heavy equipment and machinery for our Group. Our DMWAI Field Office serves as the main office for Fabricom, Inc.
- Aseana Real Estate Services and Management Corporation – operates the property management services of our Group.

Atty. Heherson M. Asiddao, our Chief Finance Officer and Chief Risk Officer, is the highest-ranking person responsible for this report.

MATERIALITY PROCESS

Materiality

In accordance with the SEC Guidelines, the content of this chapter is informed by the principle of materiality. It focuses on the economic, environmental, social, and corporate governance aspects of our operations and activities in the Philippines and the Company's approaches to the material ESG topics listed below.

With the COVID-19 pandemic causing a paradigm shift in the way we live, the Company opted to conduct a new Materiality Assessment to ensure that our Material Sustainability Issues and Sustainability Focus Areas remain relevant during and after the pandemic.

The process of selecting these material ESG topics included: 1) conducting stakeholder engagement and employee engagement surveys; 2) hosting senior leadership workshops; and 3) holding two-way conversations within DMWAI's workforce. The resulting list incorporates the Company's core values, mission, and vision in an articulated set of ESG priorities. The materiality matrix below reflects our perception of these topics' impacts on our business and stakeholders.

Figure 1. Material Sustainability Issues



*Business Conduct and Ethics include Corruption & Bribery, Fair-dealing, Whistle Blowing, and Data Privacy

**Human Rights includes Child labor, Forced labor, Discrimination, and Harassment

Stakeholder Engagement

Our engagements involved internal and external stakeholders: brokers, customers, employees, shareholders, investors, government and regulatory bodies, business partners and suppliers, and local community groups. We engage regularly and extensively with these stakeholder groups to promote understanding and dialogue regarding our material ESG topics.

Table 2. Summary of Key Stakeholder Engagement Activities

| ENGAGEMENT CHANNELS AND FREQUENCY | MATERIAL TOPICS | COMPANY'S RESPONSE |
|---|---|--|
| BROKERS | | |
| Broker's Day | Customer Experience | Quality product offers |
| CUSTOMERS | | |
| <ul style="list-style-type: none"> ● Press releases (regular) ● Corporate sponsorships ● Media placements ● Distribution of collaterals ● Open houses (monthly) ● Corporate sponsorships (occasional) ● Company hotlines | <ul style="list-style-type: none"> ● Safe, secure, and clean environment ● Quick turnaround time ● Complaints resolution ● Customer experience ● Connectivity ● Disaster risk reduction efforts ● Access to world-class facilities ● Innovation | <ul style="list-style-type: none"> ● 24/7 building management ● Master-planned city development (value-adding tenants to estate, construction of walkways, pedestrian and bike lanes) ● Resolution of customer complaints ● CCTVs covering the entire estate ● Disaster Risk Resilience, including flood mitigation, included in project planning ● Safety-seal certified mixed-use and office buildings in Aseana |
| EMPLOYEES | | |

- Employee consultations (quarterly)
- Extracurricular events/ activities (occasional)
- Training sessions (as planned)
- New employee orientation
- Health and safety
- Work-life balance
- Training and development
- Human rights
- Discrimination
- Harassment
- Employee retention
- [Employee Code of Conduct](#)
- [Human Rights Commitment, Anti-Corruption Policy, Whistleblowing Policy](#)
- Social events
- Employee engagement activities
- Skills and competency development through training and seminars
- Orientation and property tour
- Hybrid work arrangements
- Flexible working hours

SHAREHOLDERS/INVESTORS

- Stockholder meeting (annual)
- Investor briefings (quarterly)
- Non-deal roadshows (at least 2x/ year)
- Investor conferences/ corporate access events (at least once a year)
- One-on-one meetings, emails, and conference calls (regular)
- Site tours (at least 4x/year)
- Philippine Stock Exchange (regular)
- Company website (regular)
- Financial and operating performance
- Effective risk management
- Good governance
- ESG related performance
- Operational eco-efficiency (energy efficiency, waste management, water conservation, GHG emissions)
- Submission of structured and unstructured continuing disclosures
- Regular investor and analyst access to management through multiple communication channels and events

GOVERNMENT AND REGULATORY BODIES

- Review of compliance requirements (as needed)
- Meetings
- Environmental compliance
- Compliance with other regulations
- Economic value generated
- Employment generated
- Acquisition of proper permits
- [Waste Management Policy](#)
- Monitoring of activities
- Payment of appropriate taxes

BUSINESS PARTNERS AND SUPPLIERS

- Contractual agreements
- Alignment meetings
- Compliance with contractual obligations
- Work-site safety
- Labor practices
- [Ethical Business Conduct](#) (Corruption, Bribery, Data Privacy, Fair Dealing, Whistleblowing)
- Procurement through proper channels
- [Supplier Code of Conduct](#)
- [Human Rights Commitment, Anti-Corruption Policy, Whistleblowing Policy, Data Privacy Policy](#)

LOCAL COMMUNITIES

- Nutrition assistance
- Scholarship (annual)
- Medical and funeral assistance (as needed)
- Livelihood programs (as planned)
- Programs intended for food, education, general welfare, and livelihood
- Enforcement of the mission of the foundation






SUSTAINABILITY PILLARS

At DMWAI, we strive to be the leading city developer in the country. We aim to create city-scale real estate products which will contribute to sustainable local and national development. Our sustainability framework guides us in this mission, which we updated to reflect the results of our new Materiality Assessment and considers the Company's rich history, culture, and values.

The framework consists of five pillars that provide an integrated approach to addressing our material ESG topics and our commitments to the UN SDGs. Like the UN SDGs, our pillars interact to contribute to the sustainability of DMWAI. For instance, our Good Governance and Ethical Business Practice policies ensure that we have Decent Labor Practices. By investing in our workforce, we contribute to Economic Development and continue developing estates that provide a good Quality of Life to our clients. These are discussed in detail in our sustainability performance.

Table 3. Sustainability Pillars

| Quality of Life | Environmental Stewardship | Good Governance and Ethical Business Practice | People-Centric Labor Practices | Economic Development |
|---|--|--|--|---|
| The masterplan for our estate and projects is centered on providing world-class quality of living to our locators and customers through immediate access to necessary facilities and infrastructure, cleanliness and safety, pedestrian mobility, and constant innovation to align with emerging tenant needs amid ever-changing times. | DMW recognizes corporations' role as stewards of the environment. Across the organization, natural resources are used efficiently with energy and water conservation and waste management and recycling programs in place. Our developments are planned to judiciously reduce consumption and emissions. | Good governance and adherence to ethical business practices are embedded in the Company's DNA. This allows us to forge relationships with our business partners built on the foundation of mutual trust. | Just as DMW prioritizes the quality of life of its tenants, the company is also committed to ensuring the well-being of its employees, contractors, and partners through fundamental respect for human rights, providing avenues for growth, and ensuring a safe and conducive work environment. | As one of the top Philippine property companies in terms of market capitalization, DMW recognizes its role in contributing to the Philippine economy through taxes, local procurement, and employment generation. |
| <ul style="list-style-type: none"> ● Health and Safety | <ul style="list-style-type: none"> ● Environmental Compliance | <ul style="list-style-type: none"> ● Business Conduct and Ethics | <ul style="list-style-type: none"> ● Human Rights (Child labor, forced labor, | <ul style="list-style-type: none"> ● Economic value generated |

| | | | | |
|---|--|--|---|---|
| <ul style="list-style-type: none"> • Customer Satisfaction • Pedestrian Mobility and Transportation • Access to Needed Facilities & Infrastructure • Disaster Risk Resilience • Innovation | <ul style="list-style-type: none"> • Energy Efficiency • Water Conservation • GHG Emissions • Waste Management and Recycling | <p>(Corruption, Bribery, Data Privacy, Fair-Dealing)</p> <ul style="list-style-type: none"> • Risk Management | <p>discrimination, harassment)</p> <ul style="list-style-type: none"> • Employee well-being • Employee Retention • Human Capital Development • Health and Safety | <ul style="list-style-type: none"> • Employment generated • Local purchases |
|  |  |  |  |  |
| <p>GRI 416: Customer Health and Safety</p> | <p>GRI 302: Energy</p> <p>GRI 303: Water and Effluents</p> <p>GRI 305: Emissions</p> <p>GRI 306: Waste</p> <p>GRI 307: Environmental Compliance</p> | <p>GRI 205: Anti-Corruption</p> | <p>GRI 202: Market Presence</p> <p>GRI 403: Occupational Health & Safety</p> <p>GRI 404: Training and Education</p> <p>GRI 405: Diversity and Equal Opportunity</p> <p>GRI 406: Non-Discrimination</p> <p>GRI 408: Child Labor</p> <p>GRI 409: Forced Labor</p> | <p>GRI 201: Economic Performance</p> <p>GRI 401: Employment</p> |

SUSTAINABILITY PERFORMANCE

Quality of Life

We have always been committed to providing our estate residents and locators with an elevated quality of life through our real estate products. This pillar emphasizes our dedication to people’s wellbeing and as such, over 30% of our material topics are clustered under this pillar. Our material topics are listed in Table 4 with the relevant UN SDGs commitments.

The pandemic has highlighted the importance of this Sustainability Pillar, as health and safety, pedestrian mobility, access to needs, and innovation became top-of-mind considerations of estate residents and locators, along with the topic of disaster risk resilience.

We envision Aseana City as a place where people can live, work, and form meaningful connections. Considering this, our material topics contribute to our goal of maintaining Aseana City as an estate for all to experience an exceptional quality of life.

Table 4. Material Topics under Quality of Life

| Material topics | UN SDGs |
|--|---|
| <ul style="list-style-type: none"> ● Health and Safety ● Customer Satisfaction ● Pedestrian Mobility and Transportation ● Access to Needed Facilities & Infrastructure ● Disaster Risk Resilience ● Innovation | <ul style="list-style-type: none"> ● SDG 3: Good Health and Well-being ● SDG 9: Industry, Innovation, and Infrastructure ● SDG 11: Sustainable Cities and Communities ● SDG 13: Climate Action ● SDG 16: Peace, Justice, and Strong Institutions |

Health and Safety

The well-being of our customers and employees is of utmost importance. As such, the topic of health and safety is core to our Quality of Life pillar. The pandemic has instilled the importance of proper sanitation and well-ventilated spaces in combating risks such as the spread of infection. With this in mind, we amplified our efforts to create a safe and healthy environment in Aseana City to exceed COVID-redefined health and safety standards.

Since the beginning of the pandemic, the Company has urgently responded to the health crisis. We appointed and trained safety marshals, conducted regular disinfection and sanitation, strictly complied with protocols on contact tracing, installed temperature checks, placed well-positioned disinfecting sprays and mats across our assets, constantly communicated with building tenants, and continuously engaged with property managers to guarantee that updated protocols were being followed, among others.

Building on the success of our health and safety efforts in 2020, we further bolstered our actions with the launch of the ‘Two Shots Forward’ vaccination program in the first half of 2021, as soon as the vaccines were made available. By the end of 2021, 100% of DM Wenceslao’s employees and Aseana City’s estate personnel have been fully vaccinated. Apart from this, we successfully gained Safety Seal certifications for our office and mixed-use buildings in Aseana. This voluntary certification scheme affirms that establishments comply with the minimum public health standards set by the government and is integrated with the StaySafe.ph digital contact-tracing app. Among the certified assets are Aseana One, Aseana Two, Aseana Three, and Aseana Powerstation.

Further, we recorded zero substantiated health and safety complaints from our office buildings (Aseana 1 to 3) and Residential Project Pixel Residences. Altogether, these efforts allowed us a high average net promoter score of 22.2 in COVID Response and COVID mitigation, reflecting customer satisfaction in these aspects. Refer to Customer Satisfaction for further discussion.

As we move forward, we will continue to execute the health and safety programs laid out while remaining nimble to quickly recalibrate our approach amid a still-evolving COVID phase.

Customer Satisfaction

Monitoring customer feedback allows us knowledge of the concerns of our residents and locators, providing us with valuable points for improvement. To date, there have been no substantiated customer complaints on privacy, marketing and labeling, and health and safety.

For our Customer Experience Survey, we used the Net Promoter Score (NPS) as a metric to better assess our clients’ satisfaction. Various insights are gained from NPS calculations, such as customer experience and general brand perception.

A 10-point scale survey was used with values ranging from “poor” to “excellent.” Customers who responded with ratings ranging from ‘1’ to ‘6’ were treated as ‘detractors’; ‘7’ to ‘8’ – ‘passives’; and ‘9’ to ‘10’ – ‘promoters.’ To arrive at the net promoter score, the percentage of ‘detractors’ is deducted from the percentage of ‘promoters.’ Bain & Company, the creators of NPS, suggest that a score above 0 is ‘good’ and indicates general customer satisfaction, a score above 20 is ‘favorable’, and above 50 is ‘excellent.’¹

Table 5 summarizes our NPS over the past year across Aseana 1, Aseana 2, and Aseana 3. Our average scores for each establishment range from ‘good’ to ‘favorable’ (Aseana 1 = 26.2, Aseana 2 = 22.4, Aseana 3 = 9.9). The average NPS per building significantly increased in 2021 compared to the year ago, along with the notable rise in our average NPS for each criterion – Building Management Team, Security Services, Cleaning Conditions, Repairs and Maintenance, COVID-19 Response, and Others. The marked improvement in our net promoter scores validates the merits of our actions.

¹[Good NPS score](#)

We will continue to conduct this survey to remain updated with the evolving needs of our customers and from there, continue to recalibrate and improve our approach.

Table 5. Summary of NPS for Aseana One, Two, and Three

| Criteria | Aseana One | Aseana Two | Aseana Three | Average (per criteria) |
|------------------------------|------------|------------|--------------|------------------------|
| Building Team | 24.3 | 19.3 | 9.0 | 17.5 |
| Security Services | 30.2 | 28.6 | 11.0 | 23.3 |
| Cleaning Condition | 26.5 | 21.1 | 6.0 | 17.8 |
| Repairs and Maintenance | 20.6 | 18.5 | 7.0 | 15.4 |
| Others | 26.1 | 22.9 | 5.0 | 18.0 |
| COVID-19 Mitigation Measures | 28.3 | 23.4 | 15.0 | 22.2 |
| COVID-19 Response | 27.3 | 23.4 | 16.0 | 22.2 |
| Average (per property) | 26.2 | 22.4 | 9.9 | - |

Pedestrian Mobility and Transportation

Mobility and means for active transportation are crucial to DMWAI's mission of creating sustainable city-scale real estate products.

In the pandemic, our open spaces, well-positioned pedestrian lanes, bike lanes, and elevated walkways served a greater purpose to our locators. These allowed them to conveniently access shops, F&B outlets, and essential stores across Aseana City despite varying degrees of lockdowns.

Currently, we have 16,840.00 m of pedestrian lanes which comprise 59% of the estimated total of 28,404 m once Aseana is fully built, whereas our skywalks and bike paths stand at 772 m and 2,509 m as of current. These skywalks and bike paths are expected to increase over five-fold to 4,412 m and 16,315 m upon full-build out of Aseana City.

These upcoming pedestrian lanes, skywalks, and bike lanes will complement the continued development of office, retail, F&B, condominiums, shopping warehouses, hospitals, and other mixed-use buildings soon to rise in Aseana.

Access to Needed Facilities & Infrastructure

With the lockdowns and mobility restrictions, the pandemic underscored the vitality of having accessible facilities all within proximity. Even before the pandemic, DMW's master plan for Aseana City has always been centered on creating a genuinely mixed-use city where the community has immediate access to necessary facilities.

We have been developing Aseana City as a “Next Generation” central business district (CBD) in Metro Manila—with a growing number of recreational and entertainment outlets, commercial and retail developments, prime office space, residential condominiums, grocery warehouses, as well as a soon-to-rise hospital of the leading healthcare institution in the country.

Through this holistic development approach, estate residents and office workers were able to conveniently access shops and businesses located within the vicinity even with COVID-related quarantine measures in place.

Building on the growing community of Aseana and the need for religious spaces, we officially opened the Church of St. John Paul II to the public. Inspired by the papal hat or mitre, the Church of St. John Paul II is an imposing edifice welcoming all locators and visitors of Aseana.

Our flagship commercial project, Parqal, is set to open in 2022. Parqal is perceived to be one of the metro's top tourist hubs, boasting its impressive architectural design, first-rate retail and commercial outlets, prominent green spaces, and proximity to public transportations. Standing on five hectares of land, Parqal reimagines the street park experience into an integrated urban street with modern conveniences. Parqal is set to become the ideal model of a community-focused development by offering a wide selection of services and facilities that include lush greenery, office suites, shops and retails, and dining options.

Through our land leases, we attract highly prized tenants with developments that accrue to the holistic development of Aseana City. Soon to rise in 1.4 hectares of land inside Aseana is St. Luke's Medical Center Hospital, the leading healthcare institution in the country. This upcoming development will allow Aseana's locators and residents immediate access to world-class quality healthcare services and amenities.

More recently, Landers Philippines signed a lease agreement for a parcel of land in Aseana City. Landers is a major membership shopping chain in the country with several branches in Metro Manila and Cebu. Landers Superstores offer a wide array of local and international finds along with delectable in-house dining options. Landers will join a distinguished roster of grocery and dining options in Aseana.

Through these developments, we ensure a complete live, work, and play community experience for our locators. We aim to further expand the diversity of major brands and locators in Aseana City through our projects and partnerships with renowned and reputable institutions.

Disaster Risk Resilience

The Philippines, being in the Pacific Ring of Fire, is highly exposed to natural disasters. DMW recognizes that natural disasters and adverse weather conditions pose risks to Aseana City. As such, natural disasters are among the top risks identified in our Risk Management Manual, more comprehensively discussed under [Risk Management](#).

Among the strategies in place to mitigate the potential impact of natural disasters include 1) incorporation of disaster risk resilient features in the planning and build out of our buildings and the whole Aseana City in general; 2) strict on-site construction protocols implemented to ensure the safety of workers during day-to-day business operations and more importantly, during adverse weather conditions; and 3) appointment of safety marshalls and conduct of regular safety drills.

Further advancing our disaster risk resilience efforts, DMW has pledged 352,919 sqm of our office and mixed-use buildings to support the International Finance Corporation's (IFC) Building Resilience Index initiative. The [Building Resilience Index](#) is a web-based hazard mapping and resilience assessment framework that stakeholders can use to assess, improve, and disclose the resilience of their projects.

Through this pledge, DMW commits to assess the resilience of our buildings assets and from there evaluate and look to develop a roadmap to further improve on disaster risk resilience.

Innovation

DMW continues to innovate to meet the ever-changing needs of locators and customers. The pandemic has accelerated this cycle of change, accentuating the need for online and digital platforms.

In response, DMW has partnered with real estate platforms like Lamudi and Dot Property to strengthen online visibility; shifted to digital marketing events such as monthly virtual presentations and webinars; offered contactless services; adopted an online payment system; and launched an online 3D property showcase application. The Aseana City Showcase App allows potential clients to view a 3D masterplan and walkthrough of [Aseana City](#), [MidPark Towers](#), and [Pargal](#).

DMW will continue to innovate and apply best-in-class technology to constantly exceed evolving customer expectations.

Environmental Stewardship

DMWAI acknowledges our responsibility to manage our impact on the environment; we are aware that our use of resources has substantial effect. Environmental stewardship has become a more urgent matter with climate change, especially since the country is among those most affected. In response, we adopted a more holistic view of this pillar and considered more material topics compared to our framework from last year.

We have taken notable strides towards environmental stewardship, especially regarding resource management. We have integrated into our culture and operations to responsibly conserve energy, electricity, and materials. The Company has also made an effort to incorporate sustainability in designing our properties through energy efficiency.

Among our most significant undertakings has been the Parqal – we have been determined to construct Parqal as our most sustainable property. Parqal comprises nine independent four-story buildings on five hectares of land with mixed-use greenway pedestrian park and promenade that is being developed to address the need for public green spaces in Aseana City. Of its total area, 60% comprises lush green landscapes and open-air facilities. Parqal will also have a canopy made of ethylene tetrafluoroethylene (ETFE), which will enable natural light to penetrate and allow the property to be more energy efficient. All construction materials and design components of Parqal were designed in accordance with the Building for Ecologically Responsive Design Excellence (BERDE) Program of the Philippine Green Building Council. The BERDE Program is a tool for companies to follow best practices and a compliance and certification mechanism for green building.² In line with this, D.M. Wenceslao aims to achieve a four to five-star rating from the Philippine Green Building Council.

Regarding waste generation and management, we created our [Waste Management Policy](#). We appointed a DENR EMB-accredited Pollution Control Officer in compliance with the Philippine Environmental Impact State System (PD 1586), Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990 (RA 6969), Ecological Solid Waste Management of 2000 (RA 9003), and the Philippine Clean Water Act of 2004 (RA 9275). Since 2013, we have partnered with DENR on the Adopt an Estero Program to rehabilitate the 1,404-meter Redemptorist Water Channel that stretches from Roxas Boulevard to Manila Bay.

As discussed under each material topic, DMWAI aims to minimize impacts wherever possible. Note, however, that the country is currently re-opening and notable easing of quarantine restrictions have so far been implemented. As such, the Company expects a potential increase in resource consumption as operations begin to return to pre-pandemic level. The baseline which we set against our 2022 targets on reducing environmental impact is our reported data in 2019, which we believe is a more apt baseline given the expected return to normalcy in operations moving forward.

² [About the BERDE Program](#)

Table 6. Material Topics under Environmental Stewardship

| Material topics | UN SDGs |
|--|--|
| <ul style="list-style-type: none"> ● Environmental Compliance ● Energy Efficiency ● Water Conservation ● GHG Emissions ● Waste Management and Recycling | <ul style="list-style-type: none"> ● SDG 12: Responsible Consumption and Production ● SDG 13: Climate Action ● SDG 14: Life Below Water |

Environmental Compliance

DMW and its subsidiaries all strive for full compliance with the environmental regulations of the DENR and other regulatory bodies. Where there are any violations, the root cause is immediately assessed, reported, and addressed. We have detailed environmental protection initiatives across our operations more comprehensively discussed in p. 36 of our [2019 Annual and Sustainability Report](#).

DMW regularly engages with relevant stakeholders to ensure strict environmental compliance. There were no reported non-compliance incidents in 2021, which ascertains that the Company's measures to aim for full compliance have been effective. While there was an incident in the previous year, this was addressed swiftly and adequately.³ DMWAI made preventative measures and submitted a position paper to the DENR - EMB NCR.

Energy Efficiency

Resource management is embedded in the culture of DMW. Mindful conservation of resources have been instilled across the organization – from little ways such as turning off lights upon exiting a room to a larger scale planning and design of energy efficient projects such as Parqal.

DMW's energy consumption data in 2021 reflects the positive impact of all its conservation efforts. Operational activity and mobility were significantly higher in 2021 compared to the year prior, particularly during the 4Q21 as the National Capital Region and the country in general shifted to less-restrictive quarantine measures, allowing for a higher share of work on premise set up in our offices and higher foot traffic in our mixed-use developments. DMW also completed its largest office development and fully turned-over Pixel Residences in 2021. Despite all these, total energy consumption remained nearly unchanged at 13,310,897.28kWhs in 2021 from 13,275,561.93kWh in 2020. Notable declines in energy consumption were recorded in Aseana Three, Aseana Powerstation, and Aseana Square (Table 7).

As the country started transitioning to an endemic phase, we expect an increase in both office and retail activities moving forward. Despite this, we note that our properties have built-in energy-efficient features

³ [DMWAI Annual and Sustainability Report 2020, p. 35](#)

including variable refrigerant air-conditioning, double-glazed curtain walls, and LED lighting, among others. These features would help mitigate a potential increase in consumption.

The baseline which we set against our 2022 targets on reducing energy consumption per square meter is our reported data in 2019, which we believe is a more apt baseline given the expected return to normalcy in operations moving forward.

For the energy requirements of Aseana One and Aseana Two, DMW procures renewable energy from Aboitiz Power through Retail Electricity Supply Contracts. Approximately 71% of our total energy consumption is accounted for by clean energy, a higher percentage compared to 66% in 2020 (Table 7).

Moving forward, we intend to continue managing our energy consumption through mindful consumption and use of energy-efficient technologies. Further, we aim for a higher share of renewable energy to total consumption.

Table 7. Energy Consumption

| DMWAI Property | Fuel Type | Total Electricity Consumption 2020 (kWh) | Total Electricity Consumption 2021 (kWh) | % Change in Consumption |
|-------------------------------------|------------|--|--|-------------------------|
| Aseana One | Geothermal | 5,038,645.22 | 5,644,565.52 | +12.0% |
| Aseana Two | Geothermal | 2,443,948.71 | 2,568,412.01 | +5.1% |
| Aseana Three | Coal* | 4,602,339.00 | 3,234,552.75 | -29.7% |
| Aseana Powerstation | Coal* | 381,120.00 | 274,400.00 | -28.0% |
| Aseana Square | Coal* | 703,680.00 | 597,040.00 | -15.2% |
| DMWAI Field Office and Project Site | Coal* | 50,309.00 | 105,047.00 | +108.8% |
| Pixel Residences*** | Coal* | 55,520.00 | 242,880.00 | +337.5% |
| 8912 Asean Ave** | Coal* | N/A | 644,000.00 | N/A |
| Total Energy Consumption*** | | 13,275,561.93 | 13,310,897.28 | +0.3% |
| Total Renewable Energy Purchased* | | 8,814,976.57 | 9,385,499.07 | +6.5% |

* Around 23% of Meralco's distributed energy in Luzon was sourced from renewables while 77% is from coal.

**Aseana 8912 has been operational only since the fourth quarter of 2021.

***Except for Pixel Residences, energy consumption reported covers the consumption of the whole building. Data for Pixel Residences only cover energy consumption in common use areas and DMW-owned ground floor commercial space.

Diesel consumption declined 23% to 292,025.20 liters but gasoline consumption related to transportation activities increased to 10,926.42 liters largely due to increased mobility amid less restrictive restrictions in 2021 than in 2020 (Table 8).

Table 8. Gasoline and Diesel Consumption

| Fuel Type | Total Fuel Consumption 2020 (L) | Total Fuel Consumption 2021 (L) | % Change in Consumption |
|-----------|---------------------------------|---------------------------------|-------------------------|
| Gasoline | 4,081.08 | 10,926.42 | +167.7% |
| Diesel* | 380,581.39 | 292,025.20 | -23.3% |

Data in GJ not available

*Diesel use considers generator sets, transportation, construction equipment, and other diesel-intensive activities

Water Conservation

Just as energy conservation is embedded in our culture, so too is water conservation. We endeavor to conserve water throughout our operations and we ensure it is used mindfully and treated properly prior to discharge. We implement a wide range of water conservation initiatives in our buildings, ranging from the installation of more efficient equipment to educating employees about water-saving best practices. We track the use of water across our facilities to understand consumption patterns and make adjustments where possible, to manage our usage.

DMWAI properties consumed a total of 127,532 m³ throughout the year. Despite the increase in operations at Aseana City, we were able to keep the increase in water consumption at only two percent. We significantly reduced water usage in Aseana Three, Aseana Powerstation, and Aseana Square.

We aim to follow best practices, monitor our consumption, and improve our water distribution system based on collected data. DMWAI will also continue exploring green building technologies that apply to our properties.

Table 9. Water Consumption

| DMWAI Property | Total 2020 Consumption (m ³) | Total 2021 Consumption (m ³) | % Change in Consumption |
|---------------------|--|--|-------------------------|
| Aseana One | 26,679.00 | 31,712.00 | +18.87% |
| Aseana Two | 7,747.00 | 8,420.00 | +8.69% |
| Aseana Three | 37,810.00 | 21,776.00 | -42.41% |
| Aseana Powerstation | 13,679.00 | 9,758.00 | -28.66% |
| Aseana Square | 8,768.00 | 5,684.00 | -35.17% |

| | | | |
|-------------------------------------|------------|------------|--------|
| DMWAI Field Office and Project Site | 9,972.00 | 14,806.00 | 48.48% |
| Pixel Residences | 10,243.00 | 17,766.00 | 73.45% |
| Aseana 8912* | 9,912.00 | 17,610.00 | 77.66% |
| Total Water Consumption | 124,810.00 | 127,532.00 | 2.18% |

DMWAI does not have complete meters in place to accurately track and break down the volume of effluents. For the purpose of this report, we assume that Water Withdrawal is 100% equal to both Water Consumption and Water Discharge since wastewater data covers the entire building and cannot be broken down into DMW-occupied spaces and common areas.

*Aseana 8912 has been operational only since the fourth quarter of 2021.

Air Emissions (GHG Emissions)

As the real estate industry accounts for a chunk of global carbon emissions, DMW accepts the responsibility to manage and reduce emissions. We recognize that while efforts to limit environmental footprint across the globe have progressed, a lot more needs to be done to limit the increase of global average temperature to 1.5°C above pre-industrial baseline.

For its part, DMW moved to lower emissions by reducing reliance on non-renewable energy sources and creating a more energy-efficient portfolio, further discussed in this [section](#). We also regularly perform standard emissions testing to comply with relevant DENR regulations.

DMW strives to improve its sustainability performance by more accurately tracking our impacts. We adjusted our GHG computation methods to be in line with the Fifth Assessment Report (AR5) of the United Nations Intergovernmental Panel on Climate Change (IPCC). For our Scope 2 emissions, we included tenants' consumption of electricity in the assessment. We also applied these changes and estimated our 2020 data to adequately track our progress.

Our Scope 1 (direct) and Scope 2 (indirect) emissions are summarized based on the source, such as usage or fuel type and the Aseana property in Tables 10 to 11. We reduced our total direct GHG emissions by nearly 23% this year notwithstanding increased mobility. Meanwhile, our indirect emissions only crept 0.3% higher despite increased on-site activities and the addition of 8912 Asean Ave in the 4Q2021. It should be noted that renewable energy emits less GHG emissions than non-renewable energy. While our actual GHG emissions may be less than reported, we followed the standard practice in accounting for GHG emissions in the country. This is reflected in the figures we present in this report.

We will continue monitoring our impacts on air quality and enhance our resource management efficiency, thereby reducing our GHG and other emissions. We will also use the current scope and methodology for calculating GHG emissions in our future reports.

Table 10. GHG Emissions Scope 1

| Fuel type | GHG emissions 2020 (tonnes CO ₂) | GHG emissions 2021 (tonnes CO ₂) | % Change in Emissions |
|------------------------------|---|---|-----------------------|
| Gasoline | 9.71 | 25.99 | +167.7% |
| Diesel (Subtotal) | 4,145.57 | 3,180.95 | -23.3% |
| Diesel by business activity: | | | |
| Transport | N/A | 1,857.44 | N/A |
| Generator Sets | N/A | 344.32 | N/A |
| Construction Equipment | N/A | 979.19 | N/A |
| Total GHG emissions | 4,155.28 | 3,206.94 | -22.8% |

Table 11. GHG Emissions Scope 2

| DMWAI property | GHG emissions 2020 (tonnes CO ₂) | GHG emissions 2021 (tonnes CO ₂) | % Change in Emissions |
|--|---|---|-----------------------|
| Aseana One | 3,588.52 | 4,020.06 | +12.0% |
| Aseana Two | 1,740.58 | 1,829.22 | +5.1% |
| Aseana Three | 3,277.79 | 2,303.65 | -29.7% |
| Aseana Powerstation | 271.43 | 195.43 | -28.0% |
| Aseana Square | 501.16 | 425.21 | -15.2% |
| DMWAI Field Office and Project Site | 35.83 | 74.81 | +108.8% |
| Pixel Residences | 39.54 | 172.98 | +337.5% |
| Aseana 8912 | N/A | 458.66 | N/A |
| Total GHG emissions | 9,454.86 | 9,480.02 | +0.3% |

We also quantified other air pollutant emissions as we are aware that these can significantly affect our stakeholders' health and the overall air quality at our sites. Table 12 summarizes the nitrogen oxide (NOx) emissions while Table 13 summarizes carbon monoxide (CO) emissions. We've significantly reduced our NOx emissions across all Aseana properties, while most buildings had increased CO emissions. Regardless, all properties had NOx and CO emissions significantly lower than the DENR-EMB standard of 2,000 mg/Ncm and 500 mg/Ncm respectively. We aim to continue monitoring other air pollutant emissions and find ways to reduce them.

Table 12. Air Pollutants - Nitrogen oxides (NOx)

| DMWAI Property | Average concentration in 2020 (mg/Ncm) | Average concentration in 2021 (mg/Ncm) | % Change in Emissions |
|-----------------------|---|---|------------------------------|
| Aseana One | Generator Set 1: 590.8 | Generator Set 1: 115.70 | -80.42% |
| | Generator Set 2: 649.9 | Generator Set 2: 63.40 | -90.24% |
| Aseana Two | Generator Set 1: 831.9 | Generator Set 1: 51.70 | -93.79% |
| | Generator Set 2: 982.6 | Generator Set 2: 55.75 | -94.33% |
| Aseana Three | Generator Set 1: 1,301.0 | Generator Set 1: N/A | N/A |
| | Generator Set 2: 1,353.0 | Generator Set 2: 39.95 | -97.05% |
| Aseana Square | N/A | 46.07 | N/A |
| Pixel Residences | N/A | 353.10 | N/A |

The Company has not collected data for other air pollutants such as sulfur oxides (SOx), persistent organic pollutants (POPs), volatile organic compounds (VOCs), hazardous air pollutants (HAPs), and particulate matter (PM).

Table 13. Air Pollutants - Carbon monoxides (CO)

| DMWAI Property | Average concentration in 2020 (mg/Ncm) | Average concentration in 2021 (mg/Ncm) | % Change in Emissions |
|-----------------------|---|---|------------------------------|
| Aseana One | Generator Set 1: 47.6 | Generator Set 1: 108.2 | 127.31% |
| | Generator Set 2: 53.3 | Generator Set 2: 96.10 | 80.30% |
| Aseana Two | Generator Set 1: 64.8 | Generator Set 1: 69.53 | 7.30% |
| | Generator Set 2: 64.5 | Generator Set 2: 62.83 | -2.59% |
| Aseana Three | Generator Set 1: 294.0 | Generator Set 1: N/A | N/A |
| | Generator Set 2: 287.0 | Generator Set 2: 60.92 | -78.77% |
| Aseana Square | N/A | 66.44 | N/A |

| | | | |
|------------------|-----|--------|-----|
| Pixel Residences | N/A | 121.90 | N/A |
|------------------|-----|--------|-----|

The Company has not collected data for other air pollutants such as sulfur oxides (SOx), persistent organic pollutants (POPs), volatile organic compounds (VOCs), hazardous air pollutants (HAPs), and particulate matter (PM).

Waste Management and Recycling

We acknowledge that the development and operation of real estate assets account for large quantities of waste and material usage, which we manage as best we can to minimize negative impacts through reuse and recycling in our project development process and property management operations.

Our Waste Management Policy guides us to our goal of limiting our environmental footprint – encompassing waste minimization, segregation, proper handling, and recycling.

As a case in point, in the development of Parqal, all construction materials and design elements were selected in alignment and compliance with Philippine Green Building Council’s Building for Ecologically Responsive Design Excellence (BERDE) Program. By considering the lifecycle of all aspects of the architectural design, structural frames, and other construction material, we aim to achieve a 4 - 5 star ranking from BERDE. Further, materials in all our developments are vetted against occupant health through safe non-toxic materials, durability and end-of-life reclamation options.

DMW ensures that waste is properly handled through strict accreditation of third-party vendors. For solid wastes generated, Aseana City strictly requires all its partner-vendors to secure and periodically update its permit-to-dump issued by the Metro Manila Development Authority (MMDA). Similarly, for hazardous waste generated, DMW requires its vendors/partners to secure an updated TSD Registration Certificate and HW Transporter Registration Certificate. This ensures that vendors and partners are duly registered and recognized by the Environmental Management Bureau of the Department of Environment and Natural Resources.

Table 14 summarizes the amount of solid waste generated throughout our properties, while Table 15 shows the hazardous waste generated. Despite more activities in 2021 and the start of 8912 Asean Ave operations in the fourth quarter, we managed to limit the increase in solid waste to only 1%. This testifies to our efforts to manage resources more efficiently. Meanwhile, our reported hazardous waste in 2021 now covers a full year’s worth of hauling activities whereas the reported 2020 data only covers 6 months’ worth of hauling due to limited available data following the end of contract with our previous hauler in the 2H20. Moving forward, we aim for more consistent data reporting to aptly identify a baseline for our targets.

Considering effluents and water discharge, we regularly monitor and test parameters as required by the DENR Administrative Order 2016-08 for Water Quality Guidelines & General Effluents Standards. We plan to monitor and improve the treatment of our discharge, particularly to manage concentrations of

ammonia-nitrogen, fecal coliform, and phosphate. To this end, we aim to invest in technology to meet these mandated requirements.

We aim to have a sound waste and effluent management system by improving our monitoring, continuing proper segregation, labeling, and storage of waste, and engaging with relevant stakeholders.

Table 14. Solid Waste Generated

| DMWAI property | Most common waste | Total weight of collected waste bags 2020 (kg) | Total weight of collected waste bags 2021 (kg) |
|--|---|--|--|
| Aseana One | food waste, disposable food containers, tissues | 205,312 | 534,376 |
| Aseana Two | food waste, disposable food containers, tissues | 205,312 | 267,192 |
| Aseana Three | tissues, food waste (dry) | 621,160 | 241,744 |
| Aseana Powerstation | food wastes, tin cans, plastic bottles | 141,768 | 97,592 |
| Aseana Square | tissues, food waste (dry) | 214,376 | 222,864 |
| DMWAI Field Office and Project Site* | N/A | N/A | N/A |
| Pixel Residences | food waste, plastics, cartons, bottles, papers | 9,704 | 50,976 |
| Aseana 8912 | food waste, plastics, cartons, bottles, papers | 0 | 2,704 |
| Total weight of collected waste bags** | | 1,397,632 | 1,417,448 |

*DMWAI Field Office does not have a formal waste tracking method in place. Waste is minimal in our construction sites as materials are sent back to our warehouses to be used in our next projects. DMWAI maximizes the materials we use for our projects to minimize waste.

**Weight per type of waste (i.e. reusable, recyclable, composted, incinerated, residuals/landfilled) is not available

Table 15. Hazardous Waste Generated

| DMWAI property | Total weight of collected grease waste (kg) | Total weight of other hazardous waste* (kg) |
|---------------------|---|---|
| Aseana One | 1,800 | N/A |
| Aseana Two | 1,700 | N/A |
| Aseana Three | 12,243 | N/A |
| Aseana Powerstation | 7,384 | N/A |

| | | |
|---------------------------------------|--------|-----|
| Aseana Square | 11,550 | N/A |
| DMWAI Field Office and Project Site | N/A | N/A |
| Pixel Residences | N/A | N/A |
| Aseana 8912 | N/A | N/A |
| Total weight of collected waste bags* | 34,677 | |

*This pertains to used oil, lead batteries, paint sludge, busted lights, and other construction, industrial and chemical waste.

Table 16. Materials Used by the Company

| Material | Quantity | Unit |
|---------------------|-----------|----------------|
| Acetylene | 80 | tank |
| Cement | 1,838 | pcs |
| Common wire nail | 514 | kg |
| Concrete pile epoxy | 24 | set |
| Cutting disc | 72 | pcs |
| Deformed rebars | 5,916,000 | kg |
| Engine oil | 1,800 | liter |
| G.I. tie wire | 420 | kg |
| Gravel | 137 | m ³ |
| Grinding disc | 30 | pcs |
| HDPE coupling | 62 | pcs |
| HDPE pipe | 190 | rolls |
| HDPE stub-out | 50 | pcs |
| HDPE tee reducer | 14 | pcs |
| Hydraulic oil | 3,800 | liter |
| Marine plywood | 420 | pcs |
| Oxygen | 124 | tank |
| Paving block | 62,350 | pcs |
| Phenolic board | 665 | pcs |

| | | |
|--------------------|--------|----------------|
| Primer | 34 | pail |
| Ready-mix concrete | 25,525 | kg |
| Vibro sand | 129 | m ³ |

The weight and volume of some materials were not available

Good Governance and Ethical Business Practice

The company believes that sound policies, regulations, and management constitute the backbone of a successful organization. Emphasizing Good Governance and Ethical Business Practices allows us to forge relationships with our business partners built on the foundation of mutual trust. These themes are covered in the material topics identified in Table 17.

Crucial to good governance are concrete systems and policies that serve as comprehensive references to ensure consistent actions. Our publicly available [Code of Business Conduct and Ethics](#) detail the scope of our commitments and principles which our employees and business partners must adhere to.

Along with our [Employee Code of Conduct](#) and [Supplier Code of Conduct](#), our Human Rights Commitment, Anti-Corruption Policy, and Data Privacy Policy are also publicly available. More importantly, our Whistle Blowing policy provides a formal mechanism for relevant stakeholders to raise concerns and provides assurance that “whistleblowers” will be protected from any form of harassment for whistleblowing.

We utilize our [Risk Management Manual](#) to identify risks, outline processes to mitigate risks, and designate roles and responsibilities. The company’s Risk Management Manual is updated periodically to keep in-tune with both re-emerging and new risks.

Table 17. Material Topics under Good Governance and Ethical Business Practice

| Material topics | UN SDGs |
|--|---|
| <ul style="list-style-type: none"> ● Business Conduct and Ethics (Corruption, Bribery, Data Privacy, Fair-Dealing) ● Risk Management | <ul style="list-style-type: none"> ● SDG 16: Peace, Justice, and Strong Institutions |

Business Conduct and Ethics (Corruption, Bribery, Data Privacy, Fair-Dealing)

In its 57 years of operations, DMWAI has built a reputation of having fair and ethical business practices. Embedded in our codes of conduct are tenets of ethics and fair-dealing, which we implement and monitor with formal mechanisms for relevant stakeholders to raise concerns, along with an assurance that “whistleblowers” will be protected from any form of harassment.

The Anti-corruption Policy guides our employees and business partners against bribery, extortion, and the solicitation of money, material objects, free meals, signing privileges, discounts, and other special favors not permitted by the Company. DMWAI strictly enforces this and has a zero tolerance on corruption.

We discuss this comprehensively with new hires during the New Employee Orientation (NEO), periodically conduct anti-corruption training for tenured employees, consistently communicate it to stakeholders, and

include it in our contracts and agreements. As a case in point, provisions on Anti-Corruption, Anti-Bribery, Data Protection, Confidential Information, Intellectual Property, and others are included in our Employee Code of Conduct and Supplier Code of Conduct.

As with previous years, we have not had any reported incident of corruption within the company nor with our business partners. This testifies to our efforts in promoting proper business conduct – all of our suppliers and business partners were briefed on DMW’s anti-corruption policies, and all of DMW’s directors, management, and employees received anti-corruption training.

Our Whistleblowing Policy fortifies our anti-corruption efforts. This serves as a formal mechanism to encourage and protect internal and external stakeholders who whistle-blow on perceived malpractices.

Our commitment to data protection is also part of this material topic, which our Data Privacy Policy highlights. Our Data Privacy Policy, ensures compliance with all applicable laws concerning data protection and guarantees that any confidential business information or trade secrets gained by virtue of business activities with the company is maintained confidential and will not be improperly used or disclosed to third parties.

As always, we will continue to uphold principles of good governance and ethical business practices in our operations.

Risk Management

D.M. Wenceslao acknowledges that our activities and overall nature of business expose us to various risks including among others, operational, financial, and ESG risks. We adopted the Enterprise Risk Management (ERM) framework for our Risk Management Manual, further discussed [here](#) and the Manual itself. This involves 1) Identifying Risk, 2) Assessing and Prioritizing Risk, 3) Responding to Risk, and 4) Monitoring the Risk and Response. We recognize all risks that may affect DMWAI, encompassing environmental, social, and governance dimensions. As such, ESG-related topics are also integrated into our Risk Management Framework.

The Audit and Risk Committee oversees the Company’s ERM system and our Chief Risk Officer (CRO) champions, supervises, and improves the ERM process.

We recognize that the direct and indirect effects of climate change expose the Company to risks. This includes higher costs for resources, stricter government regulations, and potential damage to properties due to extreme weather events. With this in mind, we aim to begin conducting a detailed assessment of climate-related risks and opportunities in the future.

People-Centric Labor Practices

Just as DMW prioritizes the quality of life of its tenants, the company is also committed to ensure the well-being of its employees, contractors, and business partners through fundamental respect of human rights, providing avenues for growth, and ensuring a safe and conducive work-environment. Especially amid the pandemic, we found it crucial to safeguard the welfare of our employees and business partners. The material topics under this pillar focus on the items summarized in Table 18 below with the corresponding UN SDGs.

Table 18. Material Topics under People-Centric Labor Practices

| Material topics | UN SDGs |
|--|---|
| <ul style="list-style-type: none"> ● Human Rights (Child labor, forced labor, discrimination, harassment) ● Employee Retention ● Employee Well-being ● Health and Safety (Occupational) ● Human Capital Development | <ul style="list-style-type: none"> ● SDG 3: Good Health and Well-being ● SDG 5: Gender Equality ● SDG 8: Decent Work and Economic Growth ● SDG 10: Reduced Inequalities |

Human Rights (Child Labor, Forced Labor, Discrimination, Harassment)

Our [Human Rights Commitment](#) asserts our dedication toward a proper work environment, which includes preventing child labor, forced labor, human trafficking, harassment, and discrimination. This also includes upholding health and safety and fair working conditions both in our own operations and in that of our external business partners.

Our Company is proud to report that there have been no incidents of child labor, forced labor, discrimination, and harassment. We do not discriminate against gender and age, as shown in Tables 19 to 21, where we have men and women of different ages in various positions. There are currently no employees covered under Collective Bargaining Agreements, although we have conducted multiple sessions and consultations to discuss employee-related policies. We will continue to strictly implement and actively promote our Human Rights Commitment.

Table 19. Employee Breakdown by Company and Gender

| Company | Male | Female | Subtotal by company |
|---------|------|--------|---------------------|
| DMWAI | 110 | 64 | 174 |
| ACTCC | 1 | 0 | 1 |
| AHI | 6 | 19 | 25 |

| | | | |
|-------------------|-----|-----|-----|
| ARESM | 40 | 15 | 55 |
| ARHC | 12 | 14 | 26 |
| Fabricom | 42 | 0 | 42 |
| U-City | 4 | 3 | 7 |
| Total employees | 215 | 115 | 330 |
| % male and female | 65% | 35% | |

Table 20. Employee Breakdown by Position and Gender

| Position | Male | Female | Subtotal by position |
|----------------------------|------|--------|----------------------|
| Executive/Top Management | 6 | 1 | 7 |
| Senior Management | 10 | 2 | 12 |
| Middle Management | 23 | 11 | 34 |
| Officers and Professionals | 61 | 36 | 97 |
| Rank and File | 35 | 58 | 93 |
| Blue-collar Workers | 12 | 0 | 12 |
| Skilled workers | 55 | 1 | 56 |
| Consultant | 13 | 6 | 19 |
| Total employees | 215 | 115 | 330 |

Table 21. Employee Breakdown by Age and Gender

| Age | Male | Female | Subtotal by age |
|-----------------|------|--------|-----------------|
| < 30 years old | 54 | 62 | 116 |
| 30-50 years old | 122 | 47 | 169 |
| > 50 years old | 39 | 6 | 45 |
| Total employees | 215 | 115 | 330 |

Employee Well-being

At DMWAI, we prioritize our employees and ensure that they are fairly and competitively compensated. We offer our team a wide range of benefits to meet their needs and safeguard their well-being — ensuring a satisfied and fulfilled workforce.

Apart from the government-mandated benefits, the Company provides telecommuting, flexible working hours, cash advances, and a car plan. We will continue to provide and further improve these benefits to fit the evolving needs of our team. Table 22 summarizes the benefits we offer and the percentage of employees who availed them.

Table 22. Employee Benefits

| Benefits | % of women who availed | % of men who availed |
|----------------------------------|-------------------------------|-----------------------------|
| SSS | 17% | 21% |
| Philhealth | 2% | 1% |
| Pag-IBIG | 5% | 14% |
| Parental leave | 3% | 0% |
| Vacation leave | 59% | 43% |
| Sick leave | 55% | 33% |
| HMO coverage | 82% | 59% |
| Retirement fund (aside from SSS) | 6% | 0% |
| Telecommuting | 99% | 66% |
| Flexible working hours | 93% | 47% |
| Cash advances | 11% | 12% |
| Car plan | 1% | 3% |
| Magna Carta leave | 0% | 0% |

Employees who availed of benefits include those separated or resigned in 2021. These employees from all companies are eligible to receive all benefits for: a.) project-based employees (only provided government-mandated benefits and ineligible for HMO, company leave credits, telecommuting, and car plan) and b.) DMWAI and ARHC Consultants (only eligible for HMO, telecommuting, flexible working hours, and company leave credits per request and approval).

Occupational Health and Safety

There are inherent health and safety risks in the construction and property development business, further heightened by the pandemic. Our continued operations depend on maintaining the safety of our workplace, which is why we have taken extensive measures to this end.

We are systematic in maintaining OHS, such that all incidents are resolved within 24 to 48 hours and assessed to guarantee their future prevention. Our Company also implements policies such that our properties and work sites have the needed medical professionals, safety officers, and first aiders present at all times. We have also taken significant measures to protect our employees, tenants, and other stakeholders from the pandemic, which has been extensively discussed under [Health and Safety](#).

Across all companies, we had 826,313 safe man-hours and no work-related fatalities, illnesses, and major injuries. There were two recorded minor work-related injuries, which we immediately resolved by tending to the employees and having a safety officer assess the situation. We will continue promoting OHS and strictly implementing our safety policies in the workplace.

Employee Retention

Employees are indispensable to DMW. We value our employees and continuously invest in their development and well-being. We develop their skill sets through experience and mentorship as we recognize that a high attrition rate will significantly affect the efficiency of our operations.

The pandemic significantly affected the country's economy and labor force, with attrition rates rising across most industries.⁴ For instance, the attrition rate of the construction industry rose from 21.6% to 47.9%.⁵ While DMWAI's attrition rate also increased, it is still significantly lower than the industry average at 25.76%. This affirms that our programs delivered a positive impact in retaining our employees. We intend to continue weathering industry challenges by investing in our employees.

Human Capital Development

We provide training and learning sessions to upskill our employees. This has become especially relevant in the past two years as the COVID-19 pandemic caused a paradigm shift in the conduct of business, pushing industries to embrace digital and virtual solutions. These efforts have empowered our employees, directly manifesting in the quality of our service.

We provided more than 20 in-house and external training sessions for our employees (Tables 23 and 24). We continued our standard learning sessions and distributed memos that covered topics such as time management, personal finance, stress management, and COVID-19-related self-care recommendations. We supplement this by offering external courses and seminars covering various topics.

⁴ [More workers quit amid the pandemic, prefer hybrid work](#)

⁵ [The ongoing resignation of 2021: 5 ways companies can retain talent](#)

Our training hours doubled compared to last year, with more male and female employees participating in these sessions (Table 25). This affirms that these programs are appreciated and that our employees have become more interested in upgrading their skill sets.

We will continue promoting a culture of growth through providing best-in-class training programs and constantly improving and innovating on these programs to remain abreast with evolving needs. In addition, we aim to expand our Career Path Program which systematizes a proactive career path program for our high-performing employees.

Table 23. In-House Training Programs

| Program | Topics and Skills |
|--------------------------|---|
| New Employee Orientation | Company Profile, Vision, Mission and Values, The Wenceslao Family, House Rules, Policies and Procedures, Dress Code, Safety and Health Protocols and Guidelines |
| HR Hour | HR Updates, Timekeeping Policies and Procedures, Protocols and Guidelines and other pandemic-related topics (Resilience, Health Tips, Mental Health), Anti Money Laundering and other Law Updates |
| Sales Training | Presentation Skills for Property Specialists |
| Time Management | Handling time, urgent vs important, task management |
| Financial Management | Savings, Investment, Budgeting |
| Stress Management | How to handle stress, tips on overcoming adversity |
| Positive Mindset | Handling obstacles, overthinking |

Table 24. External Training Programs, Seminars, and Courses

| Program | Topics and Skills |
|---|--|
| Business Writing, Email, and Phone Standards Online Training | Customer Service, Business Correspondence, Professionalism |
| ISO Orientation | Quality Management |
| MS Excel | Data Presentation and Analysis |
| Presentation Skills | Presentation creation and delivery |
| Crisis Management Planning: Your Business Continuity Planning Guide Webinar | Business Continuity |
| Best Practices in Corporate Housekeeping Webinar | Legal Management and Documentation |

| | |
|--|---|
| Urban Design Lab: Photoshop Masterclass | Photo Editing |
| Basic Pollution Control Officer Training | Environment/Pollution Management, Compliance, Reports |
| CPD For Mechanical and Electrical Engineer | Construction Contract Management |
| CPD for MasterClass Quantity Surveying | Quantity Surveying |
| Loss Control Management | Safety and Loss Management |
| Basic Training and BERDE Qualification | Green Building, Sustainability |
| PMAP Conference | Industry Trends and Best Practices, People Management |
| Talent Management | Data Analysis, HR Analytics |

Table 25. Employee Training

| | Male | Female | All employees |
|--------------------------------------|----------|----------|---------------|
| Total training hours (hr) | 1,035.66 | 1,226.82 | 2,262.48 |
| Average training hours (hr/employee) | 10.52 | 19.67 | 6.86 |

Economic Development

As one of the largest property companies in the country in terms of market capitalization, DMW recognizes its role in contributing to the Philippine economy through payment of taxes, local procurement, and employment generation, among others. This pillar focuses on the Company's contribution to the country's economic development, as identified in Table 26.

Through our diverse products and services, DMWAI has stayed resilient throughout the ebb and flow of the industry for nearly 60 years. As of end-2021, DMW leases out 150,444 sqms of land, manages 162,351 sqms of leasable floor area, sells residential products, and undertakes several construction projects.

Table 26. Material Topics under Economic Development

| Material topics | UN SDGs |
|---|---|
| <ul style="list-style-type: none"> ● Economic value generated ● Employment generated ● Local purchases | <ul style="list-style-type: none"> ● SDG 1: No Poverty ● SDG 8: Decent Work and Economic Growth |

Economic Value Generated

Through the development of Aseana City, DMW generates employment, stirs economic activity, and contributes to overall economic growth. Throughout the development cycle, jobs are created; business opportunities are opened; and tax revenues are consistently generated for the government.

In 2021, DMW managed to grow its revenues significantly despite the challenges posed by the COVID-19 pandemic. Our Annual Report details the Company's financial performance for the year, summarized in Table 27. Revenues jumped 26% to Php3.4 billion from Php2.7 billion in 2020 while operating costs were controlled at Php790 million. Employee wages and benefits increased to Php159 million as we continued to grow our workforce despite the pandemic. Meanwhile, dividends to stockholders and interest payments totaled Php176 million. Taxes given to the government declined to Php486 million, largely due to the one-time tax adjustment related to CREATE Law. Payments to suppliers and community investments stood at Php2.0 billion and Php35.5 million, respectively.

Our financial performance highlights our resilience and marks our steady growth even during crises. We will further strengthen our presence in the property development industry in the years to come.

Table 27. Direct Economic Value Generated and Distributed

| Direct Economic Value | Amount (in PHP) |
|-----------------------|-----------------|
| | |

| | | |
|----------------------|--|------------------|
| Generated (Revenues) | | 3,446,712,914.00 |
| Distributed | Operating costs | 790,418,156.00 |
| | Employee wages and benefits | 158,678,421.00 |
| | Dividends to stockholders and Interest payments to loan providers | 176,135,394.94 |
| | Government taxes | 486,282,675.00 |
| | Payment to suppliers | 2,036,764,612.63 |
| | Community investments | 35,458,190.78 |

Employment Generated

Employees are indispensable assets of corporations. Employee requirements expand along with business expansion. As DMW grows, the employment opportunities we open also grow and by extent increases our contribution to the country's overall employment.

This year, we hired 86 new employees across all our companies, which resulted in a new hire rate of more than 20.28%. This is higher than the previous year, which is 11.9%. Given our planned expansions, we expect our workforce to continue growing moving forward.

Table 28. Newly-hired Employees

| Company | New female employees | New male employees | Total new employees |
|--------------|----------------------|--------------------|---------------------|
| DMWAI | 20 | 11 | 31 |
| ACTCC | 0 | 0 | 0 |
| AHI | 8 | 1 | 9 |
| ARE SM | 3 | 11 | 14 |
| ARHC | 9 | 12 | 21 |
| Fabricom | 0 | 11 | 11 |
| U-City | 0 | 0 | 0 |
| Total | 46 | 40 | 86 |

| | |
|---------------|--------|
| New hire rate | 20.28% |
|---------------|--------|

Local Purchases

DM Wenceslao aspires to continuously contribute to building a better nation. We strengthen our local economy by purchasing from local suppliers, which is crucial as the country recovers from the pandemic. In spending most of our procurement budget on domestic suppliers, we support local enterprises and help prevent further economic dips in the local industry. As we move ahead, we plan to further expand our roster of domestic suppliers.

Table 29. Procurement Practices

| Location | Number of suppliers | % of Total suppliers | % of Procurement Budget |
|---------------|---------------------|----------------------|-------------------------|
| Local | 209 | 99.5% | 94.6% |
| International | 1 | 0.5% | 5.4% |
| Total | 210 | 100% | 100% |

Local suppliers include foreign brands with local operations in the Philippines

SUMMARY OF DISCLOSURES**A. ECONOMIC DISCLOSURES**

| Economic disclosures | 2020 | 2021 | YOY change |
|---|----------------------|----------------------|-------------------|
| ECONOMIC PERFORMANCE | | | |
| Direct Economic Value Generated and Distributed | | | |
| Direct economic value generated (Revenue) | Php 2,734,364,926.00 | Php 3,446,712,914.00 | +26.05% |
| Direct economic value distributed: | | | |
| Operating costs | Php 850,394,544.00 | Php 790,418,156.00 | -7.05% |
| Employee wages & benefits | Php 156,690,816.00 | Php 158,678,421.00 | +1.27% |
| Payments to suppliers and other operating costs | Php 3,433,841,046.93 | Php 2,036,764,612.63 | -40.69% |
| Dividends to stockholders and interest payments to loan providers | Php 185,664,130.94 | Php 176,135,394.94 | -5.13% |
| Taxes given to government | Php 637,849,282.00 | Php 486,282,675.00 | -23.76% |
| Community investments (e.g. donations, CSR) | Php 82,361,694.00 | Php 35,458,190.78 | -56.95% |
| Climate-Related Risks and Opportunities ⁶ | | | |
| PROCUREMENT PRACTICES | | | |
| Proportion of Spending on Local Suppliers | | | |
| Percentage of procurement budget spent on local suppliers | 93% | 95% | +2.15% |

⁶ Refer to discussion in [Risk Management](#) section

| ANTI-CORRUPTION | | | |
|---|------|------|-----------|
| Training on Anti-corruption Policies and Procedures | | | |
| Percentage of employees briefed on corporate anti-corruption policies and procedures | 100% | 100% | No change |
| Percentage of business partners briefed on corporate anti-corruption policies and procedures | 100% | 100% | No change |
| Percentage of directors and management who have received anti-corruption training | 100% | 100% | No change |
| Percentage of employees and management who have received anti-corruption training | 100% | 100% | No change |
| Incidents of Corruption | | | |
| No. of incidents in which directors were removed or disciplined for corruption | 0 | 0 | No change |
| No. of incidents in which employees were removed or disciplined for corruption | 0 | 0 | No change |
| No. of incidents when contracts with business partners were terminated due to incidents of corruption | 0 | 0 | No change |

B. ENVIRONMENTAL DISCLOSURES

| Environmental disclosures | 2020 | 2021 | YOY change |
|---|------------------|------------------|------------|
| RESOURCE MANAGEMENT | | | |
| Energy Consumption and Reduction of Consumption | | | |
| Renewable Sources | 8,814,976.57 kWh | 9,385,499.07 kWh | +6.5% |

| | | | |
|---|------------------------|------------------------|-----------|
| Gasoline | 4,081.08 liters | 10,926.42 liters | +167.7% |
| LPG | N/A | N/A | N/A |
| Diesel | 380,581.39 liters | 292,025.20 liters | -23.3% |
| Electricity (total including renewable sources) | 13,275,561.93 | 13,310,897.28 | +0.3% |
| Water Consumption | | | |
| Water consumption | 124,810 m ³ | 127,532 m ³ | +2.18% |
| Water withdrawal | 124,810 m ³ | 127,532 m ³ | +2.18% |
| Water recycled and reused | 0 m ³ | 0 m ³ | No change |
| Materials Used | | | |
| Renewable | * | * | N/A |
| Percentage of recycled input materials used to manufacture the organization's primary products and services | * | * | N/A |
| Non-Renewable: | | | |
| Acetylene | 246 tanks | 80 tanks | -67.5% |
| Cement | 8,800 kg | 1,838 pcs | N/A |
| Common wire nail | 75 kg | 514 kg | +585.3% |
| Concrete pile epoxy | 1,490 sets | 24 sets | -98.4% |
| Cutting disc | 380 pcs | 72 pcs | -81.1% |

| | | | |
|----------------------------------|-------------------|-----------------------|----------|
| Deformed rebars | 3,125,539 kg | 5,916,000 kg | +89.3% |
| Engine oil | 3,000 liters | 1,800 liters | -40.0% |
| G.I. tie wire | 12,235 kg | 420 kg | -96.6% |
| Gravel | 32 m ³ | 137 m ³ | +328.1% |
| Grinding disc | 128 pcs | 30 pcs | -76.6% |
| HDPE coupling | 6 pcs | 62 pcs | +933.3% |
| HDPE pipe | 46 rolls | 190 rolls | +313.0% |
| HDPE stub-out | 24 pcs | 50 pcs | +108.3% |
| HDPE tee reducer | 1 pc | 14 pcs | +1300.0% |
| Hydraulic oil | 4,400 liters | 3,800 liters | -13.6% |
| Marine plywood | 760 pcs | 420 pcs | -44.7% |
| Oxygen | 501 tanks | 124 tanks | -75.2% |
| Paving block | 14,050 pcs | 62,350 pcs | +343.8% |
| Phenolic board | 170 pcs | 665 pcs | +291.2% |
| Primer | 17 pails | 34 pails | +100.0% |
| Ready-mix concrete | 24,571,080 kg | 25,525 m ³ | N/A |
| Vibro sand | 41,270 kg | 129 m ³ | N/A |
| Ecosystems and Biodiversity | | | |
| Operational sites owned, leased, | N/A | N/A | N/A |

| | | | |
|--|-----------------|---------------|--------|
| managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | | | |
| Habitats protected or restored | N/A | N/A | N/A |
| IUCN Red List species and national conservation list species with habitats in areas affected by operations | N/A | N/A | N/A |
| ENVIRONMENTAL IMPACT MANAGEMENT | | | |
| Air Emissions - Green House Gases | | | |
| Direct (Scope 1) GHG Emissions | 4,155.28 tCO2 | 3,206.94 tCO2 | -22.8% |
| Energy indirect (Scope 2) GHG Emissions | 9,454.86 tCO2 | 9,480.02 tCO2 | +0.3% |
| Emissions of ozone-depleting substances | N/A | N/A | N/A |
| Air Emissions - Air Pollutants | | | |
| Nitrogen oxides (NOx) | 5,709.20 mg/Ncm | 725.67 mg/Ncm | -87.3% |
| Carbon monoxide (CO) | 811.20 mg/Ncm | 585.92 mg/Ncm | -27.8% |
| Sulfur oxides (SOx) | N/A | N.A | N/A |
| Persistent organic pollutants (POPs) | N/A | N.A | N/A |
| Volatile organic compounds (VOCs) | N/A | N.A | N/A |
| Hazardous air pollutants (HAPs) | N/A | N.A | N/A |
| Particulate matter (PM) | N/A | N.A | N/A |

| | | | |
|---|------------------------|------------------------|-----------|
| Solid Waste | | | |
| Total solid waste generated | 1,417,448 kg | 1,397,632 kg | -1.4% |
| Breakdown of disposal method (reused, recycled, composted, incinerated, residuals) ⁷ | * | * | N/A |
| Hazardous Waste | | | |
| Total weight of hazardous waste generated and transported ** | 10,065.60 kg | 34,677 kg | +244.5% |
| Effluents | | | |
| Total volume of water discharges (assumed to be equal to water withdrawal due to no meter installed to measure effluents) | 124,810 m ³ | 127,532 m ³ | +2.18% |
| Percent of wastewater recycled | 0% | 0% | No change |
| ENVIRONMENTAL COMPLIANCE | | | |
| Total amount of monetary fines for non-compliance with environmental laws and/or regulations | Php 0 | Php 0 | No change |
| No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations | 0 | 0 | No change |
| No. of cases resolved through dispute resolution mechanism | 0 | 0 | No change |

*Data not tracked

**Reported hazardous waste in 2021 covers a full year's worth of hauling activities whereas the reported 2020 data only covers 6 months' worth of hauling due to limited available data following the end of contract with our previous hauler in the 2H20

C. SOCIAL DISCLOSURES

⁷ Refer to discussion in [Waste Management and Recycling](#) section

| Social disclosures | 2020 | 2021 | YOY change |
|--|-------|-------|------------|
| EMPLOYEE MANAGEMENT | | | |
| Employee Hiring and Benefits | | | |
| Total number of employees | 328 | 330 | +0.6% |
| No. of female employees | 111 | 115 | +3.6% |
| No. of male employees | 217 | 215 | -0.9% |
| Attrition rate | 17.4% | 25.8% | +48.3% |
| Ratio of lowest paid employee against minimum wage | 1:1 | 1:1 | No change |
| Female and male employees who availed of benefits: | | | |
| SSS - Female | 19% | 17% | -10.5% |
| SSS - Male | 23% | 21% | -8.7% |
| PhilHealth - Female | 5% | 2% | -60.0% |
| PhilHealth - Male | 2% | 1% | -50.0% |
| Pag-IBIG - Female | 5% | 5% | No change |
| Pag-IBIG - Male | 12% | 14% | +16.7% |
| Parental Leave - Female | 0% | 3% | N/A |
| Parental Leave - Male | 0% | 0% | N/A |
| Vacation Leave - Female | 66% | 59% | -10.6% |

| | | | |
|---|------|-----|-----------|
| Vacation Leave - Male | 46% | 43% | -6.5% |
| Sick Leave - Female | 65% | 55% | -15.4% |
| Sick Leave - Male | 40% | 33% | -17.5% |
| Medical benefits (HMO) - Female | 81% | 82% | +1.2% |
| Medical benefits (HMO) - Male | 58% | 59% | +1.7% |
| Retirement fund (aside from SSS) - Female | 0% | 6% | N/A |
| Retirement fund (aside from SSS) - Male | 4% | 0% | -100.0% |
| Telecommuting - Female | 96% | 99% | +3.1% |
| Telecommuting - Male | 63% | 66% | +4.8% |
| Flexible working hours - Female | 86% | 93% | +8.1% |
| Flexible working hours - Male | 54% | 47% | -13.0% |
| Cash advances - Female | 7% | 11% | +57.1% |
| Cash advances - Male | 17% | 12% | -29.4% |
| Car Plan - Female | 0% | 1% | N/A |
| Car Plan - Male | 0.4% | 3% | +650.0% |
| Magna Carta Leave for Women | 0% | 0% | No change |
| Housing assistance (aside from Pag-ibig) | N/A | N/A | N/A |
| Further education support | N/A | N/A | N/A |

| | | | |
|--|------------------|------------------|-----------|
| Company Stock options | N/A | N/A | N/A |
| Employee Training and Development | | | |
| Total training hours provided to employees | 1,112 hr | 2,262.5 hr | +103.5% |
| Female employees | 684.5 hr | 1,226.8 hr | +79.2% |
| Male employees | 427.5 hr | 1,035.7 hr | +142.3% |
| Average training hours provided to employees | 3.39 hr/employee | 6.86 hr/employee | +102.4% |
| Female employees | 10 hr/employee | 20 hr/employee | +100.0% |
| Male employees | 5 hr/employee | 11 hr/employee | +120.0% |
| Labor Management Relations | | | |
| Percentage of employees covered by Collective Bargaining Agreements | N/A | N/A | No change |
| No. of consultations conducted with employees concerning employee-related policies | 4 | 4 | No change |
| Diversity and Equal Opportunity | | | |
| Percentage of female workers in the workforce | 34% | 35% | +2.9% |
| Percentage of male workers in the workforce | 66% | 65% | -1.5% |
| No. of employees from indigenous communities and/or vulnerable sector | 78 (Class D & E) | 66 (Class D&E) | -15.4% |
| Workplace Conditions, Labor Standards, and Human Rights Occupational Health and Safety | | | |
| Safe Man-Hours (covers site-based workers only) | 220,712 hr | 826,313 hr | +274.4% |

| | | | |
|--|--|--|-----------|
| No. of work-related injuries | 1 | 2 | +100.0% |
| No. of work-related fatalities | 0 | 0 | No change |
| No. of work-related ill-health | 0 | 0 | No change |
| No. of safety drills and training (includes those undergone by both employees & on-site workers) | 6 employee safety trainings Weekly huddles to reinforce safety protocols for onsite workers | 6 employee safety trainings Weekly huddles to reinforce safety protocols for onsite workers | No change |
| Labor Laws and Human Rights | | | |
| Policies that explicitly disallow violations of labor laws and human rights in the workplace (Y/N): ⁸ | | | |
| Forced labor | Y | Y | No change |
| Child labor | Y | Y | No change |
| Human rights | Y | Y | No change |
| Anti-harassment | Y | Y | No change |
| No. of legal actions or employee grievances involving forced or child labor | 0 | 0 | No change |
| SUPPLY CHAIN MANAGEMENT | | | |
| Supplier Accreditation and Screening | | | |
| Supplier accreditation policy | Y | Y | No change |
| Considering sustainability topics when screening suppliers: | Y | Y | No change |

⁸ Refer to discussion in [Human Rights](#) section

| | | | |
|--|------|------|-----------|
| environmental performance, forced labor, child labor, human rights, bribery and corruption | | | |
| RELATIONSHIP WITH COMMUNITY | | | |
| Significant Impacts on Local Communities | | | |
| For operations affecting IPs, total number of Free and Prior Informed Consent (FPIC) consultations and Certification Preconditions (CPs) secured | N/A | N/A | No change |
| CUSTOMER MANAGEMENT | | | |
| Customer Satisfaction | | | |
| Average Customer Experience Survey scores by property (NPS): | | | |
| Aseana One | 18.1 | 26.2 | 44.8% |
| Aseana Two | 13.8 | 22.4 | 62.3% |
| Aseana Three | 9.2 | 9.9 | 7.6% |
| Did a third party conduct the customer satisfaction study? (Y/N) | N | N | No change |
| Health and Safety | | | |
| No of substantiated complaints on product or service health and safety | N/A | N/A | N/A |
| No. of complaints addressed | N/A | N/A | N/A |
| Marketing and Labeling | | | |
| No. of substantiated complaints on marketing and labeling | N/A | N/A | N/A |

| | | | |
|--|-----|-----|-----|
| No. of complaints addressed | N/A | N/A | N/A |
| Customer Privacy | | | |
| No. of substantiated complaints on customer privacy | N/A | N/A | N/A |
| No. of complaints addressed | N/A | N/A | N/A |
| No. of customers, users and account holders whose information is used for secondary purposes | N/A | N/A | N/A |
| Data Security | | | |
| No. of data breaches, including leaks, thefts and losses of data | N/A | N/A | N/A |



29 April 2022

SECURITIES AND EXCHANGE COMMISSION
G/F Secretariat Building, PICC Complex,
Roxas Boulevard, Pasay City

Attention: **Mr. Vicente Graciano P. Felizmenio, Jr.**
Director, Markets and Securities Regulation Department

Gentlemen:

In connection with the Annual Stockholders Meeting of **D.M. WENCESLAO & ASSOCIATES, INCORPORATED** (the "Corporation"), I hereby certify that none of the Corporation's directors or key officers holds any position in the Philippine government or in any government agency.

We hope the Commission finds everything in order.

Thank you very much.

Very truly yours,



ATTY. ROMMEL T. CASIPE
Compliance Officer

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ALBERTO P. FENIX, JR.**, Filipino, of legal age and a resident of 15E The Biltmore, 102 Aguirre St., Legazpi Village, Makati City 1229, Metro Manila, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **D.M. Wenceslao & Associates, Incorporated** (the "**Corporation**") and have been its independent director since **February 23, 2018**.
2. I am/was affiliated with the following companies:

| COMPANY/ORGANIZATION | POSITION/ RELATIONSHIP | PERIOD OF SERVICE |
|-----------------------------------|---------------------------|----------------------|
| Newtech Pulp Inc. | President | 1990-2015 |
| Ivoclar Vivadent Inc. | President | 1993-2018 |
| SPC Power Corporation | Executive Director | 1994-Present |
| Kepeco SPC Power Corporation | Director | 2000-Present |
| Bohol Light Company Inc. | Director | 2009-Present |
| SPC Island Power Corporation | Director | 2010-Present |
| Fenix Management and Capital Inc. | Chairman and President | 2009-Present |
| Victorias Milling Company Inc. | Director | 2012-2017 |
| VC Securities Corporation | Independent Director | 2019-Present |
| AiFEN True Water Inc. | Chairman and President | 2019-Present |

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities and Regulation Code, its Implementing Rules and Regulations and other Securities and Exchange Commission (SEC) issuances.
4. I am not related to any of the directors/officers/substantial shareholders of the Corporation, its subsidiaries, and affiliates nor a relative in any other way than the relationship provided under Rule 38 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I am not an officer or director of any government agencies or government-owned and controlled corporations.
7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Manual on Corporate Governance for Publicly Listed Companies and other SEC issuances.
8. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Executed this APR 28 2022 day of 2022.


ALBERTO P. FENIX JR.
Affiant

SUBSCRIBED AND SWORN to before me this APR 28 2022 2022 affiant exhibiting to me his Tax Identification Number _____ as competent evidence of his identity.

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NOTARY PUBLIC

ATTY. JOHN EDWARD TRINIDAD ANG

Notary Public for City of Manila
Notarial Commission No. 2019-633 Until 17/01/2021 Manila
(Under Supreme Court B.M. No. 3705 extended from Jan. 1 to June 30, 2022)
IBP No. 156319 Issued on Oct. 25, 2021 Until Dec. 31, 2022 Pasig City
PTR No. 0097472 Issued on Jan. 3, 2021 Until Dec. 31, 2022 Manila
Roll No. 68731 Issued on May 20, 2017
MCLE No. VI-0017185 Issued on Jan. 24, 2019 Valid Until April 14, 2022
2/F Midland Plaza Hotel, Alabaster Sky, Ermita, Manila

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **OSCAR S. REYES**, Filipino, of legal age and a resident of 58 Mckinley Road Forbes Park, Makati City, Metro Manila, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **D.M. Wenceslao & Associates, Incorporated** (the “**Corporation**”) and have been its independent director since **July 29, 2019**.
2. I am/was affiliated with the following companies:

| COMPANY/ORGANIZATION | POSITION/ RELATIONSHIP | PERIOD OF SERVICE |
|--|---|---------------------------|
| Bank of the Philippine Islands | Independent Director Member, Advisory Council | 2003-2016 2016-present |
| Manila Water Company Inc. | Independent Director | 2005-2020 |
| PLDT Inc. | Director Member, Advisory Council | 2001-2010 2010-present |
| Basic Energy Corporation | Independent Director Member, Advisory Board | 2007-2019 2019-present |
| Cosco Capital Inc. | Independent Director | 2009-present |
| Pepsi Cola Products Philippines, Inc. | Chairman | 2007-present |
| PXP Energy Inc. | Director | 2017-present |
| PLDT Equity Ventures Inc. | Director | 2013-present |
| Link Edge, Inc. | Chairman | 2002-present |
| Sun Life Financial Plans Inc. | Independent Director | 2006-present |
| Sun Life Prosperity Dollar Advantage Fund, Inc. | Independent Director | 2002-present |
| Sun Life Prosperity GS Fund, Inc. | Independent Director | 2011-present |
| Sun Life of Canada Prosperity Bond Fund, Inc. | Independent Director | 2011-present |
| Sun Life Prosperity Money Market Fund, Inc. | Independent Director | 2011-present |
| Sun Life Prosperity Dynamic Fund Inc. | Independent Director | 2018-present |
| Sun Life Prosperity Achiever Fund 2028 Inc. | Independent Director | 2018-present |
| Sun Life Prosperity Achiever Fund 2038 Inc. | Independent Director | 2018-present |
| Sun Life Prosperity Achiever Fund 2048 Inc. | Independent Director | 2018-present |
| Sun Life Prosperity World Equity Fund | Independent Director | 2018-present |
| Sun Life of Canada Prosp. Balance Fund | Independent Director | 2018-present |

| | | |
|---|----------------------|--------------|
| Sun Life of Canada Prosperity Equity Fund | Independent Director | 2018-present |
| Grepalife Fixed Income Fund Corporation | Independent Director | 2011-present |
| Grepalife Dollar Bond Fund Corporation | Independent Director | 2011-present |
| Grepalife Bond Fund Corporation | Independent Director | 2011-present |
| Petrolift Inc. | Independent Director | 2007-present |
| Eramen Minerals Inc. | Independent Director | 2004-present |
| Phil Dealing System Holdings Corp. | Independent Director | 2019-present |
| Phil. Dealing Exchange Corporation | Independent Director | 2019-present |
| Phil. Depository & Trust Corporation | Independent Director | 2019-present |
| Phil. Securities Settlement Corporation | Independent Director | 2019-present |
| Team Energy Corporation | Independent Director | 2019-present |

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities and Regulation Code, its Implementing Rules and Regulations and other Securities and Exchange Commission (SEC) issuances.
4. I am not related to any of the directors/officers/substantial shareholders of the Corporation, its subsidiaries, and affiliates nor a relative in any other way than the relationship provided under Rule 38 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I am not an officer or director of any government agencies or government-owned and controlled corporations.
7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Manual on Corporate Governance for Publicly Listed Companies and other SEC issuances.
8. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Executed this APR 28 2022 day of 2022.



OSCAR S. REYES
Affiant

SUBSCRIBED AND SWORN to before me this APR 28 2022 2022 affiant exhibiting to me his Tax Identification Number _____ as competent evidence of his identity.

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Book No. AS
Series of 2022.

ATTY. JOHN EDWARD TRINIDAD ANG
Notary Public for City of Manila
Notarial Commission No. 2010-033 Until 17-01-2021 Manila
(Under Supreme Court B.M. No. 3795 extended from Jan. 1 to June 30, 2022)
IBP No. 164318 Issued on Oct. 25, 2021 Until Dec. 31, 2022 Pasig City
PTR No. 0097472 Issued on Jan. 3, 2022 Until Dec. 31, 2022 Manila
Roll No. 68731 Issued on May 29, 2017
MCLE No. VI-0017105 Issued on Jan. 21, 2019 Valid Until April 14, 2022
2/F Midland Plaza Hotel, Adriatico St., Ermita, Manila

NOTARY PUBLIC