

**ARANETA PROPERTIES  
INCORPORATED**

**DEFINITIVE  
INFORMATION STATEMENT  
(SEC FORM 20-IS)**

**November 27, 2020**

**At 10:00 a.m.**

virtually at <https://aranetaproperties.com2096/webmaillogout.cgi>

**ARANETA PROPERTIES INCORPORATED**  
**21st Floor Citibank Tower, Paseo de Roxas, Makati City**  
**Phone: (02)-848-1501 to 04**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO OUR STOCKHOLDERS**

**NOTICE IS HEREBY GIVEN** that the Annual Meeting of Stockholders of **Araneta Properties Incorporated** (the “Company”) will be conducted virtually at <https://aranetaproperties.com2096/webmaillogout.cgi> on **Friday, November 27, 2020** at **10:00 o’ clock in the morning**, information about said virtual meeting can be accessed at the link provided in ARA’s website at <https://aranetaproperties.com> with the following agenda:

1. Call to order;
2. Proof of notice and due calling of meeting; Determination of a quorum;
3. Approval of Minutes of the Annual Stockholders’ Meeting held on December 06, 2019;
4. Report of the President;
5. Presentation and approval of the Financial Statements as of December 31, 2019;
6. Ratification of the acts of the Board of Directors and Officers;
7. Election of members of the Board of Directors;
8. Appointment of External Auditors;
9. Amendment of the Company’s By-Laws;
10. Other Matters;
11. Adjournment.

Only stockholders of record at the close of business on 20 October 2020 are entitled to notice of, and to vote at this meeting.

Due to COVID-19 pandemic, the Corporation will dispense with the physical attendance of stockholders at the meeting. Thus, the stockholders may attend only by remote communication or appointing the Chairman as proxy.

Proxies must be filed with and received by the Office of the Corporate Secretary at 8<sup>th</sup> Floor Valero corner Rufino Sts. Salcedo Village, Makati City, Philippines or sent to [corpsecara@aranetaproperties.com](mailto:corpsecara@aranetaproperties.com) not later than 17 November 2020 at 5:00 p.m. Validation of proxies shall be made on 20 November 2020 at 2:00 p.m. at 8<sup>th</sup> Floor Valero corner Rufino Sts. Salcedo Village, Makati City, Philippines

**Participation by Remote Communication**

The 2020 Annual Stockholders’ Meeting will be conducted by remote communication via Zoom. The stockholders may attend and participate at the meeting by following the instructions below:

1. Stockholders should notify the Corporation by sending an email to [corpsecara@aranetaproperties.com](mailto:corpsecara@aranetaproperties.com) on or before 17 November 2020.
2. All successfully registered stockholders will receive an invitation by email containing the link to the meeting and password and the meeting procedures.
3. Stockholders who have notified the Corporation and were registered will be included in the determination of the existence of a quorum.
4. The meeting shall be recorded in audio and video formats and copies thereof shall be retained by the Corporation.

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 20-IS**

**INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:  
 Preliminary Information Statement  
 Definitive Information Statement
2. Name of Registrant as specified in its charter: **ARANETA PROPERTIES, INC.**
3. **21st Floor, Citibank Tower, Paseo de Roxas, Makati City, Philippines**  
 Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number: **152249**
5. BIR Tax Identification Code: **050-000-840-355**
6. **21st Floor, Citibank Tower, Paseo de Roxas, Makati City, Philippines 1228**  
 Address of principal office Postal Code
7. Registrant's telephone number, including area code **(02) 848-1501 to 04**
8. Date, time and place of the meeting of security holders  
November 27, 2020; 10:00 a.m.; virtually via  
<https://aranetaproperties.com2096/webmaillogout.cgi>
9. Approximate date on which the Information Sheet is first to be sent or given to security holders on **November 4, 2020.**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Stock, Php1.00 par value	1,951,387,570 shares

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

Yes **X**      No   

If yes, disclose the name of such Stock Exchange and the class of securities listed therein: Philippine Stock Exchange, common shares

**Philippine Stock Exchange Common shares**

**ARANETA PROPERTIES INCORPORATED  
INFORMATION STATEMENT**

**A. GENERAL INFORMATION**

**ITEM 1: DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS**

**Date:** November 27, 2020

**Time:** 10:00a.m.

**Place:** virtually via <https://aranetaproperties.com2096/webmaillogout.cgi>

**Principal Office:** 21st Floor, Citibank Tower, Paseo de Roxas, Makati City

**Approximate Date of Distribution to Security Holders: November 4, 2020**

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

There are no matters to be acted upon at the meeting involving instances set forth in the Revised Corporation Code of the Philippines for which a stockholder may exercise the right of appraisal.

Pursuant to *Section 80 Title X, Appraisal Right, Revised Corporation Code of the Philippines*, any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of his shares in the following instances: (a) in case of any amendment to the articles of incorporation that has the effect of changing or restricting the rights of any stockholder or class of shares, or authorizing preferences in any respect superior to those of outstanding shares of any class, or 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, and (c) in case of merger.

*Section 81 of the Revised Corporation Code* also provides that, this appraisal right may be exercised by any stockholder who shall have voted against the proposed action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares. Failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed action is implemented or affected, the corporation shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the 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 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 the dissenting stockholder unless the bank has unrestricted retained earnings in its book 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.

From the time of demand for payment of the fair value of a stockholder's shares until either the abandonment of the corporate action involved or the purchase of the said shares by the corporation, all rights accruing to such shares, including voting and dividend right, shall be suspended, except the right of such stockholder to receive payment of the fair value thereof: Provided, that if the dissenting stockholder is not paid the value of his shares within 30 days after the award, his voting right and dividend rights shall immediately be restored (*Section 82 of the Revised Corporation Code*).

Within ten (10) days after demanding payment of his shares, a dissenting stockholder shall submit the certificate(s) of stock representing his shares to the Corporation for notation thereon that such shares are dissenting shares. His failure to do so shall, at the option of the Corporation, terminate his appraisal right (*Section 85, Revised Corporation Code*). No demand for payment as aforesaid may be withdrawn by the dissenting stockholder unless the Corporation consents thereto (*Section 83, Revised Corporation Code*).

The appraisal right shall be exercised in accordance with Title X of the Revised Corporation Code.

### **ITEM 3. INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON**

Other than the election to office, there is no matter to be acted upon during the Annual Stockholders' Meeting to which a beneficial owner, director or officer has any substantial interest.

No director has informed the Company in writing of his intentions to oppose any action to be taken during the proposed Annual Stockholders' Meeting.

## **B. CONTROL AND COMPENSATION INFORMATION**

### **ITEM 4. VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

As of September 30, 2020, there are 1,951,387,570 subscribed, issued and outstanding common shares entitled to vote at the meeting, with each share entitled to one vote. Out of the said issued and outstanding common shares 82,422,656 common shares are owned by foreigners.

All stockholders of record at the close of business hours of October 20, 2020 shall be entitled to cumulative voting rights with respect to the election of directors. A stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle among as many candidates as he shall see fit: Provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company as of October 20, 2020 multiplied by the whole number of directors to be elected.

## Security Ownership of Certain Record & Beneficial Owners and Management

### (1) Security Ownership of Certain Record and Beneficial Owners

There were no delinquent stocks, and the direct and indirect record and beneficial owners of more than five percent (5%) of the Company's voting securities as of September 30, 2020 are as follows:

Title of Class	Name and Address of Record owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Share	Nature of Ownership	% Held
Common	PCD Nominee	Various clients and Philippine Depository & Trust Corp. (PDTC)	Filipino	688,014,666	Direct	35.26%
Common	Carmel Development, Inc. 21/F Citibank Tower Paseo de Roxas, Makati City	Nominee: Gregorio Ma. Araneta III	Filipino	499,999,997	Direct	25.62%
Common	Gregorio Araneta, Inc. 6/F Adamson Center Suite A, 121 LP Leviste St., Makati City	Nominee: Gregorio Ma. Araneta III	Filipino	390,277,500	Direct	20.00%
Common	Gamma Properties, Inc., 21/F Citibank Tower Paseo de Roxas, Makati City	Nominee: Gregorio Ma. Araneta III	Filipino	136,000,000	Direct	6.97%
Common	Olongapo Mabuhay Express Corporation, LBCC Compound Aviation Center, Airport Road, Pasay City	Nominee: Gregorio Ma. Araneta III	Filipino	124,855,422	Direct	6.40%

### (2) Security Ownership of Management

The following is a summary of the aggregate shareholdings of the Company's Directors and executive officers in the Company and the percentage of their shareholdings as of September 30, 2020:

Title of Class	Name and Address of Beneficial Owner	No. of shares & Nature of Beneficial Ownership	Citizenship	Nature of Ownership	Percent of Class (%)
Common	<b>Gregorio Ma. Araneta</b> 21/F Citibank Tower Paseo de Roxas, Makati City	120,060  390,277,500 Gregorio Araneta, Inc.  499,999,997 Carmel Development Inc. 264,472,892 Gamma Properties, Inc. 136,000,000	Filipino	Direct  Indirect  Indirect	0.0096
Common	<b>Cesar Zalamea</b> 21/F Citibank Tower Paseo de Roxas, Makati City	1	Filipino	R&B Direct	0.0000
Common	<b>Alfonso Araneta</b> 21/F Citibank Tower, Paseo de Roxas, Makati City	1	Filipino	R&B Direct	0.0000

Common	<b>Luis Araneta</b> 21/F Citibank Tower, Paseo de Roxas, Makati City	1	Filipino	R&BDirect	0.0000
Common	<b>Perry L. Pe</b> Romulo Mabanta Law Offices 30/F Citibank Tower, Paseo de Roxas, Makati City	1	Filipino	R&BDirect	0.0000
Common	<b>Alfredo de Borja</b> Unit 300, Mile long Bldg. Amorsolo St. Legaspi Village, Makati City	1	Filipino	R&BDirect	0.0000
Common	<b>Alfredo D. Roa III</b> 119 Avocado Dr., Ayala Alabang, Muntinlupa City	1	Filipino	R&BDirect	0.0000
Common	<b>Crisanto Roy B. Alcidi</b> 21/F Citibank Tower, Paseo de Roxas, Makati City	1	Filipino	R&BDirect	0.0000
Common	<b>Francisco Araneta Segovia</b> FIFASCI GrpUnit 104-105 MetrostarBldg Barangay Sta. Cruz, Makati City	1,000	Filipino	R&BDirect	0.0000
<b>TOTAL FOR THE GROUP</b>					<b>0.0113</b>

*r* – record ownership  
*b* – beneficial ownership

### (3) Voting Trust Holders of 5% or More

There is no voting trust or similar arrangement involving the shares of stocks of the Company.

### (4) Security ownership of certain beneficial owners and management:

Name of Company	Class	Number of shares	Nature	Percentage
<b>Gregorio Araneta, Inc.</b> (of which 12.24% held by Gregorio Ma. Araneta III)	Common	390,277,500	Direct	20.00%
<b>Carmel Development, Inc.</b> (of which 99% held by Gregorio Ma. Araneta III)	Common	499,999,997	Direct	25.62%
<b>Gamma Properties, Inc.</b> (of which 50% held by Gregorio Ma. Araneta III)	Common	136,000,000	Direct	6.97%
<b>Olongapo Mabuhay Express Corp.</b> (of which 80% held by Ma. Joy A. Cruz)	Common	124,855,422	Direct	6.40%

## ITEM 5. DIRECTORS AND EXECUTIVE OFFICERS

Except in cases where voting by ballot is applicable, voting and counting shall be viva voce. If by ballot, the counting shall be supervised by the external auditors and transfer agent of the Company.

All stockholders of record at the close of business hours of October 20, 2020 shall be entitled to cumulative voting rights with respect to the election of directors. A stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle among as many candidates as he shall see fit: Provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company as of October 20, 2020 multiplied by the whole number of directors to be elected.

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

The incumbent directors, including independent directors and executive officers of the Company are as follows:

<b>Office</b>	<b>Name</b>	<b>Citizenship</b>	<b>Age</b>	<b>Year of assumption of office</b>	<b>No. of years/ Months</b>
Chairman/CEO/Director	Gregorio Ma. Araneta III	Filipino	71	1997	23years
Director/President	Crisanto Roy B. Alcid	Filipino	49	1997	23years
Director	Cesar Zalamea	Filipino	76	2015	5years
Director/Treasurer	Luis M. Araneta	Filipino	34	2012	8years
Director	Alfonso M. Araneta	Filipino	35	2013	7years
Director	Perry L. Pe	Filipino	58	2003	17years
Director	Alfredo de Borja	Filipino	76	2009	11years
Director	Alfredo D. Roa III	Filipino	72	2010	10years
Director	Francisco Araneta Segovia	Filipino	65	2017	3year
Corporate Secretary	Christine P. Base	Filipino	50	2007	13years
Chief Finance Officer	Jose O. Eustaquio III	Filipino	72	2012	8years

The above incumbent directors are all nominated for re-election in this year's Annual Stockholders' Meeting per SEC Memorandum Circular No. 2, Series of 2002.

Messrs. Alfredo de Borja, Perry L. Pe, Alfredo Roa III are not representatives of the following substantial shareholders: Gregorio Araneta, Inc., Carmel Development, Inc., Gamma Properties, Inc. and Olongapo Mabuhay Express Corporation, and LBC Express, Inc.

For the term 2020-2021, Carmel Development, Inc. and Gamma Properties, Inc. through Mr. Gregorio Ma. Araneta III nominated Luis M. Araneta, Alfonso Araneta, Crisanto Alcid, and Alfredo De Borja; Olongapo Mabuhay Express Corp. through Mr. Carlos R. Araneta nominated Santiago Araneta, Perry L. Pe and Alfredo D. Roa, III.

The amended by-laws of the Company include the guidelines and procedures in the nomination and election of independent directors.

The following are the rules in the nomination and election of independent directors:

- a. The Nomination Committee shall have at least three members (3) members, one of whom is the independent director.
- b. Nomination of independent director/s shall be conducted by the committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating



stockholders together with the acceptance and the conformity of the would-be-nominees.

- c. The Committee shall pre-screen the qualifications and prepare a final list of candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent director/s.
- d. After the nomination, the committee shall prepare a final list of candidates which shall contain all the information about the nominees for independent directors, as required under SRC Rule 12, which list shall be made available to the commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the company is required to submit to the Commission. The name of the person or group of person who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee.

The nomination committee is composed of the following:

Chairman: Alfredo de Borja;  
Members: Gregorio Ma. Araneta III;and  
Crisanto Roy B. Alcid

## **DIRECTORS AND EXECUTIVE OFFICERS**

The following are the business experience and positions held by the Directors and Executive Officers for the past five (5) years:

**GREGORIO MA. ARANETA III**, 71 years old, Filipino, is the Chairman and Chief Executive Officer of Araneta Properties, Inc., He is President and Chairman of ARAZA Resources Corporation and Carmel Development Corporation, Chairman of Gregorio Araneta Inc., Gregorio Araneta Management Corporation, and Gamma Holdings Corporation., He is the President and Chairman of Energy Oil and Gas Holdings, Inc., He is the President and Chairman of Belisama Hydropower Corporation and Gregorio Araneta Energy Holdings, Inc. He is the Chairman of Philweb Corporation. He is also a director of ISM Telecommunications, Inc., Mr. Araneta studied at the University of San Francisco and Ateneo de Manila University where he earned his Bachelor of Arts Degree in Economics.

**CRISANTO ROY B. ALCID**, Filipino, 49 years old, is currently the President of Araneta Properties, Inc., He is a director of Philweb Corporation, He is also the President of Envirotest Inc. and Roycomm Holdings, Inc., He holds directorship in various companies namely: Carmel Development Corporation, Gregorio Araneta, Inc., ARAZA Resources, Inc., HE. Heacock Resources Corporation, Gamma Holdings, Midrac Realty, Inc., and Philippine Coastal Storage & Pipeline Corporation. Formerly, he was connected with Ayala Land, Asiatrust Development Bank and Citibank N.A. Mr. Alcid obtained his degree in Bachelor of Science in Management Engineering from Ateneo de Manila University and has completed the General Management Program at the Harvard Business School.

**LUIS M. ARANETA**, Filipino, 34 years old, is currently the Business Development Manager of Araneta Properties, Inc., He was elected Director of the Company in 2012. He is a director of Philweb Corporation. He is the President of Estancias Holdings, Inc. and Cerros

Corp, Vice-President and Treasurer of ARAZA Resources Corporation, Director and Corporate Secretary of Carmel Development, Inc, Director of PAGREL, Inc., He is a Director of Belisama Hydropower Corporation and Gregorio Araneta Energy Holdings, Inc. and Corporate Secretary of Gamma Properties, Inc. Mr. Araneta studied at the Pace University in New York City where he earned his degree in Business Administration in Management.

**CESAR ZALAMEA**, 76 years old, is one of the TOYM Awardees of 1964. He is a former Senior Vice-President and AIG Global Investment Group-Asia President & CEO. Cesar Zalamea retired from AIG after more than 50 years of service.

Mr. Zalamea joined the American International organization in the Philippines as an investment analyst in 1954 and served from 1969-1981 as President of the Philippine American Life Insurance Company (Philamlife), AIG's life insurance in the Philippines. He held posts in the government of the Philippines on two occasions, serving first as Deputy Director General of the Presidential Economic Staff and later as Chairman and CEO of the Development Bank of the Philippines. Mr. Zalamea was elected AIG Vice President, Investments in 1997 and AIG Senior Vice President, Investments in 2002. He has headed the AIG investment units in Asia since 1986, first as Managing Director of AIG Investment Corporation (Asia) Ltd., and subsequently as President & CEO of AIGGIG Asia.

**ALFREDO DE BORJA**, 76years old, Filipino, is one of the Directors of the Company., He is the President of Makiling Ventures, Inc. and E. Murio, Inc. He also holds directorship in various corporations such as ICCP Ventures, Inc., ICCP Management Corp., Rustan's Supercenters, Inc., RFM-Science Park of the Phils., Regatta-Beacon Land Corp., Regatta Properties, Inc., Pueblo de Oro Development Corp., and Cebu Light Industrial Park, Inc. Mr. de Borja graduated in Ateneo de Manila University, where he obtained his degree in Bachelor of Science in Economics. He earned his Master's in Business Administration from Harvard University.

**PERRY L. PE**, 58 years old, Filipino, is one of the Directors of the Company. He is also a Director of Delphi Group, Inc., Oriental Petroleum & Minerals Corp., and Ace Saatchi & Saatchi Philippines, Inc., He is a Partner in Romulo, Mabanta, Buenaventura, Sayoc & De Los Angeles Law Firm.

**ALFONSO M. ARANETA**, 35 years old, Filipino, is currently the Executive Vice-President and Director of Envirotest, Inc., Vice President and Director of Carmel Development, Inc., Vice-President and Director of Gregorio Araneta, Inc. Concurrently, he is a Director of ARAZA Resources Corp., ATSI PETC, Inc. Pagrel, Inc., Gamma Properties, Inc., Securicor Security Investigation Services, Inc., and Alumma Foods, Inc., ., He is a Director of Belisama Hydropower Corporation and Gregorio Araneta Energy Holdings, Inc. Mr. Araneta graduated at De La Salle-College of St. Benilde, Manila where he earned his degree in Bachelor of Science in Business Administration.

**ALFREDO D. ROA III**, 72 years old, Filipino, is one of the Directors of the Company. He is presently the President of Inland Corporation and Chairman of JJB Inland Logistics, Inc.

**FRANCISCO ARANETA SEGOVIA**, 65 years old, Filipino, graduate from Ateneo de Manila University College - Business Management 1979, He holds directorship in Segovia& Co., Inc., S&A Industrial Corporation, RFM Corporation, He is a Director - Vice Chairman /

CEO of FEATI University, He is also a Director / CEO of RPMC Resources Inc., and Swift Foods Inc.

**CHRISTINE P. BASE**, Filipino, 50years old, is the Corporate Secretary of Araneta Properties, Inc. and is currently a Corporate and Tax Lawyer at Pacis and Reyes, Attorneys and the Managing Director of Legisforum, Inc. She is a Director and Corporate Secretary of Anchor Land Holdings, Inc. and the Corporate Secretary of Asiasec Equities, Inc. and AG Finance Inc. She is also director and corporate secretary of several private corporations. She was an Auditor and then Tax Lawyer at Sycip, Gorres, Velayo & Co. She is a graduate of Ateneo De Manila University School of Law with a degree of Juris Doctor. She passed the Bar Examination in 1997. Ms. Base is also a Certified Public Accountant. She graduated from De La Salle University with a Bachelor of Science Degree in Commerce Major in Accounting.

**JOSE O. EUSTAQUIO, III**, Filipino, 72 years old, is presently the Chief Financial Officer of Araneta Properties, Inc. He was a consultant of Honda Cars Makati and Honda Cars Cebu from 2007 to 2008. In 1987, he was the Financial Control Officer of Ayala Corporation (Control and Analysis Division). He was the Chief Finance Officer of Ayala Corporation for Ayala Theaters Management, Inc., Ayala Property Management Corporation, and Ayala Alabang Commercial Corporation from 1982 to 1987. He was a staff Auditor of Sycip, Gorres, Velayo & Co. Mr. Eustaquio is a Certified Public Accountant. He graduated from Philippine School of Business Administration with a Bachelor of Science Degree in Commerce Major in Accounting.

## **(2) Independent Directors**

Three (3) incumbent Directors, namely Messrs. Perry L. Pe, Alfredo de Borja, and Alfredo D. Roa, III were independent directors of the Company for the year 2019-2020. They are not employees of the Company and have no relationship with the Company which would interfere with the exercise of independent judgment in carrying out the responsibility of an independent director.

The following are nominated for election to the Board of Directors during this year's Annual Stockholders' meeting:

- |                               |                      |
|-------------------------------|----------------------|
| 1. Gregorio Maria Araneta III | Director             |
| 2. Cesar Zalamea              | Director             |
| 3. Crisanto Roy B. Alcid      | Director             |
| 4. Luis M. Araneta            | Director             |
| 5. Alfonso M. Araneta         | Director             |
| 6. Perry L. Pe                | Independent Director |
| 7. Alfredo de Borja           | Independent Director |
| 8. Francisco Araneta Segovia  | Director             |
| 9. Alfredo D. Roa, III        | Independent Director |

For the term 2020-2021, Carmel Development, Inc. and Gamma Properties, Inc. through Mr. Gregorio Ma.Araneta III nominated Alfredo De Borja. Olongapo Mabuhay Express Corp., through Mr. Carlos D.Araneta, nominated Perry L. Peand Alfredo D. Roa, III. The independent directors are not related with the persons nominating them by consanguinity or affinity and have no professional or business dealings with any of them.

The term of office of all directors, including independent directors shall be one (1) year until their successors are duly elected and qualified.

### **(3) Family Relationships**

Mr. Luis M. Araneta and Mr. Alfonso M. Araneta are the sons of Mr. Gregorio Ma. Araneta III., while Francisco Araneta Segovia is first cousin of Mr. Gregorio Ma. Araneta III. There are no family relationships within the fourth degree among the rest of the members of the Board of Directors and Senior Officers of the Company.

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

To the knowledge of the Company, there has been no occurrence of any of the following events during the past five (5) years up to the present which are material to an evaluation of the ability and integrity of any director, any person nominated to become director, executive officer or control person of the Company:

1. Any insolvency or bankruptcy petition filed by or against any business of which such person was a general partner or executive officer whether at the time of insolvency or within two (2) years prior to that time;
2. Any conviction by final judgment in a criminal proceeding, domestic or foreign, in any criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses.
3. Any final and executory order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily, enjoining, barring, suspending or otherwise limiting involvement in any type of business, securities, commodities or banking activities; and
4. Any final and executory judgment by a domestic or foreign court or competent jurisdiction (in a civil action), the SEC, or comparable foreign body, or domestic or foreign exchange or electronic marketplace or self-regulatory organization, for violation of a securities or commodities law.

There are no legal proceedings to which the Company or its subsidiary or any of their properties are involved in or subject to any legal proceedings which would have material effect or adverse effect on the business or financial position of the Company or its subsidiary.

### **(5) Significant Employees**

The Company currently has no significant employees.

### **(6) Certain Relationships and Related Transactions**

Mr. Luis M. Araneta and Alfonso Araneta are the sons of Mr. Gregorio Ma. Araneta III, while Mr. Francisco Araneta Segovia is first cousin of Mr. Gregorio Ma. Araneta III. There are no family relationships within the fourth degree among the rest of the members of the Board of Directors and Senior Officers of the Company.

As of October 20, 2020, there are no directors or officers who own ten percent (10%) or more of the outstanding shares of the parent company.

Aside from the liability of ARA in the amount of P30.745 million from GAINC as of December 31, 2019 which was used for land acquisition in 2018 and 2020, there were no business arrangement and related party transaction and/or ongoing contractual or other commitments as a result of the arrangement pursuant to disclosure requirement of SFAS/IAS 24.

## ITEM 6. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

### (1) Compensation Table

The following is a summary of the aggregate compensation paid or accrued during the year 2018 and 2019 and to be paid in the ensuing fiscal year 2020 to the Company's Chief Executive Officer and the next most highly compensated officers who is individually named below and to all other officers and directors of the Company as a group:

Name and Principal Function	Fiscal Year	Salary	Bonus	Other Compensation
Gregorio Ma. Araneta III * Chairman and CEO	2018			
	2019			
	2020			
Crisanto Roy Alcid* President	2018			
	2019			
	2020			
Luis M. Araneta Director	2018			
	2019			
	2020			
Jose O. Eustaquio III** Chief Finance Officer	2018			
	2019			
	2020			
TOTAL FOR THE GROUP	2018	10,126,800.00		
	2019	10,126,800.00		
	2020**	10,126,800.00		
Other Officers as a group unnamed	2018	4,552,000.00		
	2019	3,480,000.00		
	2020**	3,480,000.00		

\* Key officers, \*\* Figures in Year 2020 were based on estimates

### (2) Compensation of Directors and Officers

#### (a) Standard Arrangements

Compensation of the Chief Executive Officer and Managers of the Company are accrued and paid for the years 2020, 2019 and 2018. All other directors of the Company assumed their positions and served the Company without any compensation. The Company also does not provide any per diem to its directors.

(b) Other Arrangements

No compensatory arrangements were executed during the last three (3) years of operations other than the compensation arrangements mentioned above.

**(3) Employment Contracts and Termination of Employment and Change-in-Control Arrangements**

Employment contracts of all supervisors and rank in file employees are standard.

The remuneration committee is composed of the following:

Chairman: Alfredo de Borja  
Members: Luis Araneta; and  
Gregorio Ma. Araneta III

**ITEM 7. INDEPENDENT PUBLIC ACCOUNTANTS**

Sycip, Gorres, Velayo and Co. was the Independent Public Accountant for the year 2018-2019. The re-appointment of the said accounting firm as Independent Public Accountant for the incoming year will be submitted to the stockholders for their confirmation and approval. The Partner-in-charge, Narciso “Jun” T. Torres, Jr. has been appointed as the Partner-in-charge for the audit year 2019-2020. The duly authorized representatives of Sycip, Gorres, Velayo and Co. are expected to be present at the Annual Meeting of Stockholders and they will have the opportunity to make statements if they desire to do so and are expected to be available to respond to appropriate questions.

Pursuant to the existing regulation of the Securities and Exchange Commission, the registrant shall change its external auditor or rotate the engagement partner every five years. This is in compliance with the rotation requirement of its external auditor’s certifying partner as required under SRC Rule 68(3) (b) (iv). Considering that the assigned partner of Sycip, Gorres, Velayo and Co. has been the Company’s independent public accountant since year 2015, rotation is not necessary for the years 2020-2021.

The audit committee is composed of the following:

Chairman: Alfredo de Borja  
Members: Gregorio Ma. Araneta III; and  
Crisanto Roy Alcid

**COMPENSATION PLANS**

No action with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed for the year shall be discussed during the meeting.

**C. ISSUANCE AND EXCHANGE OF SECURITIES**

**ITEM 8. NO AUTHORIZATION OR ISSUANCE OF SECURITIES OTHER THAN FOR EXCHANGE**

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

#### **ITEM 9. MODIFICATION OR EXCHANGE OF SECURITIES**

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

#### **ITEM 10. FINANCIAL AND OTHER INFORMATION**

The audited financial statements as of December 31, 2019, Management's Discussion and Analysis, Market Price of Shares and Dividends and other data related to the Company's financial information are attached hereto as Annex "A".

#### **ITEM 11. MERGERS, CONSOLIDATIONS, ACQUISITIONS AND SIMILAR MATTERS**

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

#### **ITEM 12. ACQUISITION OR DISPOSITION OF PROPERTY**

There are no matters or actions to be taken up in the meeting with respect to acquisition or disposition of any property by the Company.

#### **ITEM 13. RESTATEMENT OF ACCOUNTS**

The Company is not taking any action, which involves the restatement of any of its assets, capital, or surplus account.

### **D. OTHER MATTERS**

#### **ITEM 14. ACTIONS WITH RESPECT TO REPORTS**

##### **(1) Approval of the Annual Stockholders Meeting held on December 6, 2019.**

The minutes of the previous Stockholders' Meeting held last December 6, 2019 shall be presented to the stockholders for approval. Items are as follows:

1. Approval of Minutes of the Annual Stockholders' Meeting held on December 06, 2019;
2. Report of the President;
3. Presentation and approval of the Financial Statements as of December 31, 2019
4. Ratification of the acts of the Board of Directors and Officers;
5. Election of members of the Board of Directors;
6. Appointment of External Auditors;

##### **(2) Resolutions for Ratification by the stockholders**

Resolutions of the Board of Directors for ratification are the elections of new directors and officers, approval of financial statements. Approval and ratification of the minutes, reports, resolutions, and acts will constitute approval of the matters therein.

## **ITEM 15. MATTERS NOT REQUIRED TO BE SUBMITTED**

Other than election to office, there is no matter to be acted upon during the Annual Stockholders' Meeting to which a beneficial owner, director or officer has any substantial interest.

No director has informed in writing of his intentions to oppose any action to be taken during the proposed Annual Stockholders' meeting.

## **ITEM 16. AMENDMENT OF CHARTER, BY-LAWS OR OTHER DOCUMENTS**

On September 25, 2020, the Board of Directors of the Corporation has approved and endorsed for approval of the stockholders the amendments to the following sections of the By-laws to comply with the applicable provisions of the Revised Corporation Code of the Philippines, to wit:

Under Article II:

**Section 3. PLACE OF MEETING** – Stockholders' meetings, whether regular or special, shall be held in the principal office of the Corporation, or at any place within Metro Manila, designated by the Board of Directors.

**Any meeting of the stockholders may be held by means of telephone, video conferencing, or similar communication equipment whereby all persons participating in the meeting can hear each other, and such participation shall constitute presence at the meeting.**

**Section 4. NOTICE OF MEETING** – Notices for regular or special meetings of the stockholders may be sent by the Secretary by personal delivery, by mailing **or such other manner as the Securities and Exchange Commission (Commission) shall allow under its guidelines** at least **21 days** prior to the date of the meeting to each stockholder of record at his last known post office address or by publishing the notice in a newspaper of national circulation. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called. In case of special meeting, only matters stated in the notice can be the subject of motions or deliberations at such meetings, notice of meetings may be waived, expressly or impliedly by any stockholder, person, or by proxy, before or after the meeting.

When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

**Section 5. QUORUM**– Unless otherwise provided by law, in all regular or special meeting of stockholders, a majority of the outstanding capital stock must be present or



represented in order to constitute a quorum. If no quorum is constituted, the meeting shall be adjourned until the requisite amount of stock shall be present.

**Stockholders casting their votes in absentia, as may be provided for by the Board of Directors, shall also be deemed present for purposes of determining the existence of a quorum. Meetings of the stockholders may be conducted via remote communication, such as by teleconferencing or videoconferencing, subject to such guidelines as may be promulgated by the Securities and Exchange Commission.**

**Section 6. CONDUCT OF MEETING** – Meeting of the stockholders shall be presided over by the Chairman of the Board, or in his absence, by the Vice Chairman, or by the President, or if none of the foregoing is in the office and present and acting, by a Chairman to be chosen by the stockholders. The Secretary, or in his absence, the Asst. Secretary shall act as secretary of every meeting, but if neither the Secretary nor the Assistant is present, the Chairman of the meeting shall appoint a secretary of the meeting. The Chairman of the meeting may adjourn the meeting from time to time, without notice other than that announced at the meeting.

**Stockholders may participate and vote in a meeting through remote communications, such as videoconferencing, teleconferencing, or other alternative modes of communication as provided in the Corporation's internal procedures. A stockholder who, itself or by proxy, participates and/or votes through remote communication or in absentia shall be deemed present for purposes of quorum.**

**Section 7. MANNER OF VOTING** – At all meetings of the stockholders, a stockholder may vote in person; or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact; **or via remote communication or in absentia, electronically or otherwise, as may be provided for by the Board of Directors.** Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it was presented to the Secretary.

All proxies must be in the hands of the Secretary not later than ten (10) days before the time set for the meeting. Such proxies filed with the Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary at least three (3) days prior to scheduled meeting or by their personal presence at the meeting. The decision of the Secretary on the validity of proxies shall be final and binding until set aside by a court of competent jurisdiction.

A forum for validation of proxies chaired by the Corporate Secretary or Assistant Corporate Secretary and attended by the Stock and Transfer Agent shall be convened seven (7) days before any meeting. Any questions and issues relating to the validity and sufficiency, both as to form and substance, of proxies shall only be raised during said forum and resolved by the Corporate Secretary. The Corporate Secretary's decision shall be final and binding upon the shareholders. Any such question or issue decided upon by the Corporate Secretary shall be deemed settled and those not brought before said forum shall be deemed waived and may no longer be raised during the stockholder's meeting (*As amended on December 14, 2010*)

### **Under Article III:**

**Section 4. Regular Meetings** – The Board shall meet regularly every month on such day, at such time and in such place as it may fix.

Special Meetings – The special meetings of the Board of Directors may be called by the Secretary upon order of the Chairman of the Board, or in his absence, by the Vice Chairman or in their absence, by the President, or by any two (2) members of the Board of Directors. Notices shall be made in the most convenient manner not less than twenty four (24) hours before such special meeting setting forth the object and the purpose of the same.

**Director/s who cannot physically attend or vote at any Board meeting may participate and vote through remote communication, such as videoconferencing, teleconferencing or other alternative modes of communication, as provided in the Corporation’s internal procedures. Directors cannot attend or vote by proxy at Board meetings. A director who participates through remote communication, shall be deemed present for the purpose of attaining quorum.**

**Section 5. Notice** – Notice of the regular or special meeting of the Board, specifying the date, time and place of the meeting, shall be communicated by the Secretary to each director personally, by telephone, telegram, by written or oral message, or **by messengerial services, through electronic mail, or such other manner as the Commission shall allow under its guidelines.** A director may waive this requirement, either expressly or impliedly.

**Section 6. Quorum** – A majority of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business. Every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all the members of the Board.

**A director who participates through remote communication, shall be deemed present for the purpose of attaining quorum. Director/s who cannot physically attend or vote at any Board meeting may participate and vote through remote communication, such as videoconferencing, teleconferencing or other alternative modes of communication, as provided in the Corporation’s internal procedures. Directors cannot attend or vote by proxy at Board meetings. A director who participates through remote communication, shall be deemed present for the purpose of attaining quorum.**

## **ITEM 17. OTHER PROPOSED ACTIONS**

There are no other proposed actions to be taken up in the meeting.

## **ITEM 18. VOTING PROCEDURES**

Except in cases where a higher vote is required under the Corporation Code, the approval of any corporate action shall require the majority vote of all the stockholders present in the meeting, if constituting a quorum.

Except in cases where voting by ballot is applicable, voting and counting shall be viva voce. If by ballot, the counting shall be supervised by the external auditors and transfer agent of the Company.

All stockholders of record at the close of business hours on October 20, 2020 shall be entitled to cumulative voting rights with respect to the election of directors. A stockholder may vote

such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle among as many candidates as he shall see fit: Provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company as of October 20, 2020 multiplied by the whole number of directors to be elected.

All proxies must be in the hands of the Secretary at least ten (10) days before the time set for the meeting. Such proxies filed with the Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary prior to a scheduled meeting or their personal attendance at the meeting. *(Par. 2 Section 7, By-Laws)*.

A forum for validation of proxies chaired by the Corporate Secretary or Assistant Corporate Secretary and attended by the Stock and Transfer Agent shall be convened seven (7) days before any meeting. Any questions and issues relating to the validity and sufficiency, both as to form and substance, of proxies shall only be raised during said forum and resolved by the Corporate Secretary. The Corporate Secretary's decision shall be final and binding upon the shareholders. Any such question or issue decided upon by the Corporate Secretary shall be deemed settled and those not brought before said forum shall be deemed waived and may no longer be raised during the stockholder's meeting. *(Par. 3 section 7, By-Laws)*

Except in cases where a higher vote is required under the Corporation Code, the approval of any corporate action shall require the majority vote of all the stockholders present in the meeting, if constituting a quorum.

Except in cases where voting by ballot is applicable, voting and counting shall be viva voce. If by ballot, the counting shall be supervised by the external auditors and transfer agent of the Company.

## **EXHIBIT**

Exhibit I – The Management Report which includes, among others, A Statement of Management's Responsibility for the Financial Statements, the Audited Financial Statements ending December 31, 2019 and Interim Financial Statements ending June 30, 2020 are hereby attached and incorporated as Exhibit A.

**A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A WILL BE PROVIDED WITHOUT CHARGE TO EACH PERSON UPON WRITTEN REQUEST OF ANY SUCH PERSON ADDRESSED TO:**

**THE OFFICE OF THE CHIEF FINANCE OFFICER  
ARANETA PROPERTIES  
21<sup>st</sup> Floor, Citibank Tower, Paseo de Roxas, Makati City**

**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on October 26, 2020.

**ARANETA PROPERTIES INCORPORATED**

**By:**

  
**CHRISTINE P. BASE**  
Corporate Secretary

# MANAGEMENT REPORT

## BUSINESS AND FINANCIAL INFORMATION

### BRIEF DESCRIPTION OF GENERAL NATURE AND SCOPE OF BUSINESS

#### OVERVIEW

Araneta Properties, Inc. (the “Company” or “ARA”), is a publicly listed corporation in the Philippine Stock Exchange with real estate development as its primary purpose of business. The Company was formerly known as Integrated Chrome Corporation (INCHROME) organized on June 15, 1988 and its principal business was to mine chrome ore and produce ferro silicon metal or commonly known as ferrochrome. Inchrome stopped its smelting operations in January 1996 because of the depressed ferrochrome market and increasing production costs. In September 1996, the stockholders and the Board of Directors approved the following changes in the Company’s business and structure:

- a.1) Changed the corporate name from INCHROME to Araneta Properties, Inc.
- a.2) Amended the primary purpose of business to land and property development *and* maintained the smelting operations as a secondary purpose;
- a.3) Removal of stockholders’ pre-emptive right;
- a.4) Changed the par value from P0.30 to P1 per share;
- a.5) Increased the authorized capital stock from P300,000,000 (divided into 1 billion shares with a par value of P0.30 per share) to P5,000,000,000 (divided into 5 billion shares with a par value of P1 per share); and
- a.6) Removed the classification of shares of stock.

Since its inception, the Company has not gone through any bankruptcy, receivership or similar proceeding.

Since its inception, the Company has not gone through any bankruptcy, receivership or similar proceeding. There has been no material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

On November 29, 2019, the Company entered into an agreement with Sta. Lucia Land, Inc. (SLand for brevity) to develop a parcel of land owned by the Company. Under the agreement, SLand will develop the parcel of land into a residential subdivision with complete facilities and amenities, upon turnover of the property and upon securing required clearance and permit to develop, and in which the property shall be free and clean from any lien and encumbrance. The agreement further states that the Company shall compensate SLand, in the form of lots consisting 60% of the net saleable area. The remaining 40% shall be the share of Araneta Properties, Inc.

On August 30, 2019, Sta. Lucia Land, Inc., paid in advance the outstanding amount of the liability to Insular Life Insurance Company amounting to ₱115.31 million in behalf of the Company. The said advances is a non-interest bearing and is payable either by way of Company's shares from sales proceeds or by way of direct payments within a period of two years upon issuance of license to sell.

On November 12, 2015 Board of Directors meeting the board unanimously approved the private placement of Gregorio Araneta Inc. The use of the proceeds from said placement is to boost the Company’s land banking activity

On November 17, 2015 Gregorio Araneta, Inc., a corporation duly registered with Securities and Commission and with business address located at 6<sup>th</sup> Floor, Suite A, Adamson Center Centre, 121 LP Leviste Streets, Salcedo Village, Makati City, subscribed and paid three hundred ninety million two hundred seventy seven thousand five hundred (390,277,500) shares at P1.12 per share for the aggregate amount of Philippine Pesos: Four hundred thirty seven million one hundred ten thousand eight hundred (P437,110,800.00).

There has been no material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business

Araneta Properties, Inc. (ARA), is listed in the Philippine Stock Exchange. It is now primarily engaged in the fine-tuning of a master plan for the development of approximately 248.113 hectares of prime real estate located in San Jose del Monte, Bulacan.

The major components of the master plan consist of upper-middle to high-end residential lots and townhouses complemented by a leisure center, principal of which, is a country club, a commercial center and university center. Additional components of the plan include a nature park, corporate business center and mass housing.

The aforesaid project is the first big property development project in the northern portion of Metro Manila. Thus, there is no major industry or geographic competition.

The distribution method of the products or real property is being handled by Orchard Property Marketing.

No problems are foreseen as far as suppliers are concerned, since all the materials needed for property development are 100% available locally.

An integral part of the master plan is the planned joint venture project which would enable the Company to work together with foreign and local companies with expertise in land development projects.

There are no other transactions with and/or dependence on related parties, except for the advances made from stockholders for the Company's working capital requirements.

Since the primary business of the Company is to develop and sell real properties, it needs the following governmental approvals:

- (1) Locational Clearance Certificate (LCC-Issued and Approved)
- (2) License to Sell (HLURB-Issued and Approved)

As the Company's master plan is almost complete, the amount or the actual value of the research and actual development cost shall be determined in the final phase of the master plan. As of June 30, 2020, the engineering department reported percentage completion detailed below:

Percentage of Completion	As of Sept 30, 2019	As of Sept 30, 2020
Phase I	100.00%	100.00%
Phase II	100.00%	100.00%
Phase III	98.00%	98.00%
Club House / Sports Center	99.00%	99.00%

Cost and effects of the compliance with environmental laws:

- a) Total project cost shall be accounted upon completion of the master plan.

b) Locational Clearance has already been approved/issued by the local government.

Recent Sales of unregistered securities

- (a) Securities sold—No unregistered securities have been sold during the fiscal year last ended.
- (b) Underwriter and other purchases – Not applicable
- (c) Exemption from registration claimed – None/not applicable

The total number of officers, managers, consultants and regular employees as of September 30, 2020 are as follows:

Legal officer - - - - -	1
Managers - - - - -	4
Consultants - - - - -	3
Supervisors, Rank and File -	<u>47</u>
Total number of employees -	55

*Employees & consultants described above does not include stock-transfer agent and as well as auditors.*

## **FINANCIAL and OTHER INFORMATION**

### **Management’s Discussion and Analysis of Plan of Operation**

#### **Basis of Presentation**

The financial statement of Araneta Properties, Inc. has been prepared using the historical cost basis and are presented in Philippine Peso (₱).

#### **Statement of Compliance**

The financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS).

#### ***Financial Condition 2018-2019***

The Company’s total assets increase posted at ₱2,004,359,808 in year 2019, as compared with ₱ 1,995,365,429 in 2018. The changes from the total assets is attributable to the cost of acquired land (land banking) net of lots sold during the year.

The cash balance of ₱4.074 million as at end of December 31, 2019 as compared with that ₱27.360 million in 2018. The cash with banks earns interest at the respective bank deposits. Short-term investments are made for varying periods up to three (3) months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates. Interest income earned from cash in bank and short-term investments amounted to ₱0.18 million ₱0.21 million, and ₱0.62 million for the years ended December 31, 2019, 2018 and 2017 respectively. The movement of cash is attributable to the net cash flows generated by the Company in its operating activities.

The receivables increase by 2.41% from ₱343.358 million in 2018 as compared to ₱351.641 Million in 2019. Trade receivables mainly represent the Company’s outstanding balance in its share from sale of real estate project with a joint venture with SLRDI. Collections of interests and penalties arising from late payment of these receivables are recognized as part of “Others” in the “Revenue and Other Income” section in the statements in comprehensive income.

Installment receivables pertain to uncollected portion of the amount arising from the sale of non-operating properties in 2005. The contract price is collectible in fixed monthly payment of ₱2.00 million starting January 24, 2006. Installment receivables were discounted using the credit-adjusted

risk-free rates prevailing at the time of the sale which resulted to an effective interest rate of 9.45%. Interest income from accretion recognized in 2019, 2018 and 2017 amounted to ₱27.552 million, ₱26.198 million and ₱20.163 million, respectively.

The Investments property and real estate inventory increased from ₱1,528,129,768 in 2018 as compared with ₱1,558,442,058 in 2019. The movement in the Investments property and Real estate inventory is attributable to cost of land acquired during the net of cost of real estate inventory sold during the year. As of September 30, 2020, the residential areas of Phase 1, Phase 2, Phase 3 and the Country Club are 100%, 100%, 98% and 99% completed, respectively, based on the physical completion report provided by the joint venture's supervising engineer.

Decreased in the Property and Equipment account pertains to the recognition of depreciation expense by the Company amounting to ₱2.605 million partially offset by acquisition of additional property and equipment in the amount of ₱0.206 million.

The company's liability posted at ₱237.527 million in 2019, as compared with ₱251.104 million in 2018, the decreased in payable and accrued expenses account pertains to the payment of land purchased on installment term payable over a period of four (4) years.

The movement of Output VAT account represents normal recording of Input and Output VAT.

The Company has recorded a Net Gain (Loss) before income tax of (₱5.006) million in 2018, (₱47.287) million in 2018 and ₱11.851 million in 2017.

There was no movement in the number of issued shares as at end of September 30, 2020.

### **Status of Operation**

Due to the effect of CoVid-19 pandemics the Company's performance in terms of sales and collection have totally dropped to a very low level and the same is expected to continue until the rest of the year 2020. The Government is slowly allowing businesses both Large and Small-Medium Enterprise to operate and be able to slowly recover.

At present, the Company is implementing strict measures in compliance with the community quarantine (CQ) protocols as follows:

- Full shutdown of Makati Offices which started on March 16, 2020. All employees received their salaries for the period March 16 to 31, 2020 in full, and after March 31, 2020, employees were encouraged to utilize their available leave credits and work on a skeletal basis.
- Other measures are being implemented to ease the impact of the CQ on the employees, e.g. the early release of the prorated 13th month pay, extend cash advances to regular employees in the event that the CQ is extended.
- After the announcement of the National Government allowing certain industries to operate, the Company re-open its Makati office with a limited and staggered reporting of employees at a maximum of 50% workforce. Employees with vulnerable condition are not permitted to report for work but allowed to work on a "work-from-home" basis.
- Business opportunity is paralyzed such as cash inflows. Presently, the Company concentrates on cash management to be able to rationalize and ensure availability of funds to sustain payments of employees' payroll.

The CQ's effect on new/future land sales and collection of the Company's receivables depends on the capacity of buyers to meet future payments. The Company will continue to monitor the situation and



should the CQ be further prolonged, the BOD has formed a Crisis Management Team/Committee that will focus on the impact on the Company’s revenue and operations, or formulate assessment tools and other resilient measures to be able to operate under the “new normal” to measure and/or benchmark costs and expenses or anticipate scenario beyond “COVID-19”, upon resumption of work and “normal or full” operation.

Part of management measures to rationalize the fund flow requirements of the company during this trying time is to unload the more or less 17.3 hectares parcels of land located at Manticao Misamis Oriental which is the company considered it as Non-performing assets.

There were no sales during the third quarter of 2020 due to the effect of CQ, the activity of the Company focused only on collection of receivables, financial performance in terms of revenue during the period are as follows:

The performance of the Company in terms of revenue decreased by 52.924% Sales for the nine (9) months period is P18.043 million as compared to P27.592 million in year 2019.

As mentioned in our previous report, the management implemented marketing strategies in Year 2014, specifically the holding on of some Inventory for a much better price. Based on forecast this strategy will create a favorable momentum for the Company’s operation activities while waiting for the right timing on the implementation of sales forecast. The Company is focused on managing and developing a new high margin inventory, increasing efficiency on land banking, and enhancing perspective for more marketing strategies. Even further, the Company also undertook fine-tuning the whole system, maintaining and improving *Colinas Verdes*, the subdivision’s brand name and position to the market, sustaining and promoting strengths and advantages of the entire system, stabilizing organizational structure, conceptualizing training programs for both staff and management groups, ensuring financial resources for the operation of the whole system without compromising low cost but promoting instead effective cash management program and fund flow management.

The above strategies are already conclusive. As of September 30, 2020 we have sold thirty seven (37) subdivided lots with more or less six thousand eight hundred twenty six 6,826 square meters of subdivided lot with price per square meter from P13,000.00 per square meter including the four (4) subdivided lot sold for cash in March 2020 for P16,000.00 per square meter, much more higher than the P7,500.00 per square meter, which is the average selling price when the Company implemented its strategy in year 2014 by to hold-on to market its inventory for a much higher margin.

Project Percentage of Completion (PPOC), the residential area of Phase 1, Phase 2 & Phase 3 are 100%, 100% & 99.68% respectively complete, while the CountryClub is 98.00% complete as of September 30, 2018. The Company uses the project percentage of completion (**PPOC for brevity**) in determining sales during the period.

**Table I** – The comparative figures of the results of revenue for the three (3) months period ending September 30, 2020 with comparative figures of year 2019 and 2018 for the same three (3) months period

<i>In millions (Php)</i>	For three (3) months Period			% Change	
	Year 2018	Year 2019	Year 2020	2018 vs 2019	2019 vs 2020
Income from Real Estate	24.581	16.811	-0-	(46.220%)	-0-
Accretion of Interest Income	4.213	3.762	2.379	(11.988%)	(58.134%)
Total revenue	28.794	20.573	2.379	(39.960%)	(764.775%)

**Table II** – The comparative figures of the results of operations and other operating income for the three (3) months period ending September 30, 2020 with comparative figures of year 2019 and 2018 for the same three (3) months period

<i>In millions (Php)</i>	For three (3) months Period			% Change	% Change
	Year 2018	Year 2019	Year 2020	2018 vs 2019	2019 vs 2020
Revenue	24.581	16.811	-0-	(46.220%)	-0-
Less: Expenses	21.444	18.618	14.736	(15.179%)	(26.344%)
Net Income	3.137	(1.807)	14.736	273.603%	(26.344%)
Add: Other Income	4.213	2.094	2.379	(101.194%)	11.980%
Net Income (before tax)	7.350	0.287	(12.357)	(2460.676%)	(14.364%)

**Table III** – The comparative figures of the results of revenue for the nine (9) months period ending September 30, 2020 with comparative figures of year 2019 and 2018 for the same nine (9) months period

<i>In millions (Php)</i>	For nine (9) months Period			% Change	% Change
	Year 2018	Year 2019	Year 2020	2018 vs 2019	2019 vs 2020
Income from Real Estate	48.337	27.592	18.043	(75.185%)	(52.924%)
Accretion of Interest Income	9.033	8.057	8.710	(12.114%)	7.497%
Total revenue	57.370	35.649	26.753	(60.930%)	(33.252%)

**Table IV** – The comparative figures of the results of operations for the nine (9) months period ending September 30, 2020 with comparative figures of year 2019 and 2018 for the same nine (9) months period

<i>In millions (Php)</i>	For nine (9) months Period			% Change	% Change
	Year 2018	Year 2019	Year 2020	2018 vs 2019	2019 vs 2020
Revenue	48.337	27.592	18.043	(75.185%)	-0-
Less: Expenses	58.922	59.331	40.779	0.689%	(45.494%)
Net Income	(10.585)	(31.739)	(22.736)	66.650%	(45.494%)
Add: Other Income	38.944	6.389	8.723	(509.548%)	26.757%
Net Income (before tax)	28.359	(25.350)	(14.013)	211.870%	(18.737%)

*The detail of increase in other income in the 1st and 2nd quarter of 2018 is the collection of proceeds from sale of metal scrap recovered from the Manticao Smelter Plant.*

Originally, it was allocated for Golf Course but was realigned and reclassified as Phase 2, Phase 3a and Phase 3b residential subdivision to be complemented by a country club.

The regular cash flow requirements of the Company for the next twelve (12) months shall be funded mainly from collection of its regular monthly revenue from real estate project.

### Top Key Performance Indicator

For the years ended	Dec 31, 2017	Dec 31, 2018	Dec 31, 2019
Current Ratio (1)	11.8718 : 1	7.2139 : 1	6.5791 : 1
Debt to Equity Ratio (2)	1 : 0.1440	1 : 0.0606	1 : 0.134
Earnings per Share (3)	1 : (0.0055)	1 : 0.0161	1 : (0.0038)
Earnings before interest & Income Tax (4)	(P11.851) million	P47.288 million	(P5,006) Million
Return on Equity (5)	(0.0042)	0.0195	(0.0049)

- 1) Current Assets : Current Liabilities
- 2) Total Liabilities : Stockholders' Equity
- 3) Net Income : Outstanding Shares
- 4) Net Income plus Interest Expenses and Provision for Income Tax
- 5) Net Income : Average Stockholder's Equity

***Financial Condition 2017-2018***

The Company's total assets increased posted at ₱1,995,365,429 in year 2018, as compared with ₱ 1,990,175,711 in 2017. The changes from the total assets is attributable to the cost of acquired land (land banking) net of lots sold during the year.

The cash balance of ₱27.360 million as at end of December 31, 2018 as compared with that ₱27.080 million in 2017. The cash with banks earns interest at the respective bank deposits. Short-term investments are made for varying periods up to three (3) months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates. Interest income earned from cash in bank and short-term investments amounted to ₱0.21 million ₱0.62 million, and ₱2.39 million for the years ended December 31, 2018, 2017 and 2016 respectively. The movement of cash is attributable to the net cash flows generated by the Company in its operating activities.

The receivables increased by 8.34% from ₱316.925 million in 2017 as compared to ₱343.358 Million in 2018. Trade receivables mainly represent the Company's outstanding balance in its share from sale of real estate project with a joint venture with SLRDI. Collections of interests and penalties arising from late payment of these receivables are recognized as part of "Others" in the "Revenue and Other Income" section in the statements in comprehensive income.

Installment receivables pertain to uncollected portion of the amount arising from the sale of non-operating properties in 2005. The contract price is collectible in fixed monthly payment of ₱2.00 million starting January 24, 2006. Installment receivables were discounted using the credit-adjusted risk-free rates prevailing at the time of the sale which resulted to an effective interest rate of 9.45%. Interest income from accretion recognized in 2018, 2017 and 2016 amounted to ₱26.198 million, ₱ 20.162 million and ₱19.657 million, respectively.

The Investments property and real estate inventory increased from ₱1,519,194,309 in 2017 as compared with ₱1,528,129,768 in 2018. The movement in the Investments property and Real estate inventory is attributable to cost of land acquired during the net of cost of real estate inventory sold during the year. As of June 30, 2019, the residential areas of Phase 1, Phase 2, Phase 3 and the Country Club are 100%, 100%, 98% and 99% completed, respectively, based on the physical completion report provided by the joint venture's supervising engineer.

Decreased in the Property and Equipment account pertains to the recognition of depreciation expense by the Company amounting to ₱3.123 million partially offset by acquisition of additional property and equipment in the amount of ₱1.797 million.

The company's liability posted at ₱221.104 million in 2018, as compared with ₱250.533 million in 2017, the decreased in payable and accrued expenses account pertains to the payment of land purchased on installment term payable over a period of four (4) years.

The movement of Output VAT account represents normal recording of Input and Output VAT.

The Company has recorded a Net Gain (Loss) before income tax of ₱47.287 million in 2018, (₱ 11,851) million in 2017 and ₱26.147 million in 2016.

### ***Financial Condition 2016-2017***

The Company's total assets decreased posted at ₱1,990,175,711 in year 2017, as compared with ₱2,054,970,626 in 2016. The changes from the total assets is attributable to the cost lots sold during the year.

The cash balance of ₱27.081 million as at end of December 31, 2017 as compared with that ₱75.947 million in 2016. The cash with banks earns interest at the respective bank deposits. Short-term investments are made for varying periods up to three (3) months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates. Interest income earned from cash in bank and short-term investments amounted to ₱0.62 million ₱2.39 million, and ₱0.68 million for the years ended December 31, 2017, 2016 and 2015 respectively. the movement of cash is attributable to the net cash flows generated by the Company in its operating activities.

The receivables increased by 0.99% from ₱334.523 million in 2016 as compared to ₱337.848 Million in 2017. Trade receivables mainly represent the Company's outstanding balance in its share from sale of real estate project with a joint venture with SLRDI. Collections of interests and penalties arising from late payment of these receivables are recognized as part of "Others" in the "Revenue and Other Income" section in the statements in comprehensive income.

Installment receivables pertain to uncollected portion of the amount arising from the sale of non-operating properties in 2005. The contract price is collectible in fixed monthly payment of ₱2.00 million starting January 24, 2006. Installment receivables were discounted using the credit-adjusted risk-free rates prevailing at the time of the sale which resulted to an effective interest rate of 9.45%. Interest income from accretion recognized in 2017, 2016 and 2015 amounted to ₱0.08 million, ₱0.020 million and ₱1.42 million, respectively.

Decreased in the Property and Equipment account pertains to the recognition of depreciation expense by the Company amounting to ₱7.397 million partially offset by acquisition of additional property and equipment in the amount of ₱0.049 million.

The company's liability posted at ₱250.534 million in 2017, as compared with ₱306.869 million in 2016, the decreased in payable and accrued expenses account pertains to the payment of land purchased on installment term payable over a period of four (4) years.

The movement of Output VAT account represents normal recording of Input and Output VAT.

The Company has recorded a Net Gain (Loss) before income tax of ₱11.851 million in 2017, (₱15,646) million in 2016 and ₱37.813 million in 2015.

### **Material Changes to the Balance Sheet as of December 31, 2019 Compared to December 31, 2018 (Increase/Decrease of 5% or more)**

The Company's total assets increase at ₱2,004,359,808 in year 2019, as compared with ₱1,995,365,429 in 2018. The change from the total assets is attributable to the result of land banking activity of the company net of cost of subdivided land inventory sold during the year.

Cash balance of ₱4.074 million as at end of December 31, 2019 as compared to ₱27.360 million in 2018, cash with banks earns interest at the respective bank deposits. Short-term investments are made for varying periods up to three (3) months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates. Interest income earned from cash in bank and short-term investments amounted ₱0.18 million, ₱0.21 million and ₱0.62 million for the years ended December 31, 2019, 2018 and 2017 respectively. The movement of cash is attributable to the net cash flows generated by the Company in its operating activities.

Receivables increase by 2.41% from ₱343.358 million in 2018 as compared to that ₱351.640 million in 2019. Trade receivables mainly represent the Company's outstanding balance in its share in the sale of real estate by SLRDI.

The real estate inventory and investments property increased with balances of ₱1,558,442,058 million and ₱1,528,129,768 million in 2019 and 2018 respectively. The movement in the real estate inventory and investments property is attributed to the land banking activity net of cost of subdivided lot inventory sold during the period.

As of June 30, 2020, the residential areas of Phase 1, Phase 2, Phase 3 and the Country Club are 100%, 100%, 98% and 99% completed, respectively, based on the physical completion report provided by the joint venture's supervising engineer.

Decrease in the Property and Equipment account pertains to the recognition of depreciation expense by the Company amounting to ₱2.605 million partially offset by acquisition of additional property and equipment in the amount of ₱0.205 million.

The company's liability posted at ₱237.527 million in 2019, as compared with ₱221.104 million in 2018, the increased in payable and accrued expenses account pertains to the outstanding payable from land purchased on installment term payable over a period of four (4)

The movement of Output VAT account represents normal recording of Input and Output VAT.

There were no movements in the number of issued shares as at end of June 30, 2020.

The Company recorded a net income(loss) before income tax in the amount of (₱7.428) million, ₱34.619 million, and (₱8.460) million for the year end of December 31, 2019, 2018 in 2017 respectively.

#### **Material Changes to the Balance Sheet as of December 31, 2018 Compared to December 31, 2017 (Increase/Decrease of 5% or more)**

The Company's total assets increased at ₱1,995,365,429 in year 2018, as compared with ₱1,990,175,711 in 2017. The change from the total assets is attributable to the result of land banking activity of the company net of cost of subdivided land inventory sold during the year.

Cash balance of ₱27.360 million as at end of December 31, 2018 as compared to ₱27.080 million in 2017, cash with banks earns interest at the respective bank deposits. Short-term investments are made for varying periods up to three (3) months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates. Interest income earned from cash in bank and short-term investments amounted ₱0.21 million, ₱0.62 million and ₱2.39 million for the years ended December 31, 2018, 2017 and 2016 respectively. The movement of cash is attributable to the net cash flows generated by the Company in its operating activities.

Receivables increased by 8.34% from ₱316.925 million in 2017 as compared to that ₱343.388 million in 2018. Trade receivables mainly represent the Company's outstanding balance in its share in the sale of real estate by SLRDI.

The real estate inventory and investments property increased with balances of ₱1,528,129,768 million and ₱1,519,194,309 million in 2018 and 2017 respectively. The movement in the real estate inventory and investments property is attributed to the land banking activity net of cost of subdivided lot inventory sold during the period.

As of September 30, 2019, the residential areas of Phase 1, Phase 2, Phase 3 and the Country Club are 100%, 100%, 98% and 99% completed, respectively, based on the physical completion report provided by the joint venture's supervising engineer.

Decreased in the Property and Equipment account pertains to the recognition of depreciation expense by the Company amounting to ₱3.123 million partially offset by acquisition of additional property and equipment in the amount of ₱1.797 million.

The company's liability posted at ₱250.534 million in 2017, as compared with ₱221.104 million in 2018, the decreased in payable and accrued expenses account pertains to the outstanding payable from land purchased on installment term payable over a period of four (4)

The movement of Output VAT account represents normal recording of Input and Output VAT.

There were no movements in the number of issued shares as at end of September 30, 2019.

The Company recorded a net income (loss) before income tax in the amount of ₱47.288 million and ( ₱11.851) for the year end of December 31, 2018 in 2017 respectively.

#### **Material Changes to the Balance Sheet as of December 31, 2017 Compared to December 31, 2016 (Increase/Decrease of 5% or more)**

The Company's total assets increased at ₱2,054,970,626 in year 2016, as compared with ₱ 1,990,175,711 in 2017. The change from the total assets is attributable to the cost of subdivided lots sold during the year.

Cash balance of ₱75.947 million as at end of December 31, 2016 as compared to ₱27.080 million in 2017, cash with banks earns interest at the respective bank deposits. Short-term investments are made for varying periods up to three (3) months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates. Interest income earned from cash in bank and short-term investments amounted ₱0.62 million, ₱2.39 Million and ₱0.68 million for the years ended December 31, 2017, 2016 and 2015 respectively. The movement of cash is attributable to the net cash flows generated by the Company in its operating activities.

Receivables increased by 5.06% from ₱316.925 million in 2017 as compared to that ₱316.925 million 2016. Trade receivables mainly represent the Company's outstanding balance in its share in the sale of real estate by SLRDI.

The Real Estate for Sale and Development decreased with balances of ₱1,513,750,233 million and ₱ 1,525,864,559 million in 2017 and 2016 respectively. The movement in the Real Estate for sale and development is attributable to the cost of lot sold during the period.

As of September 30, 2018, the residential areas of Phase 1, Phase 2, Phase 3 and the Country Club are 100%, 100%, 98% and 99% completed, respectively, based on the physical completion report provided by the joint venture's supervising engineer.

Increased in the Property and Equipment account pertains to the recognition of depreciation expense by the Company amounting to ₱3.287 million partially offset by acquisition of additional property and equipment in the amount of ₱0.049 million.

The company's liability posted at ₱250.534 million in 2017, as compared with ₱306.869 million in 2016, the decreased in payable and accrued expenses account pertains to the outstanding payable from land purchased on installment term payable over a period of four (4)

The movement of Output VAT account represents normal recording of Input and Output VAT.

There were no movements in the number of issued shares as at end of June 30, 2018.

The Company recorded a net income (loss) before income tax in the amount of (₱ 11,851) million and 26.147 for the year end of December 31, 2017 in 2016 respectively.

### **Material Changes to the Statements of Income as of December 31, 2019 Compared to December 31, 2018 (Increase/Decrease of 5% or more)**

There is 47.39% decrease in real estate revenues in 2019 compared to that of 2018 which is attributable primarily due to the effect of prolonged lockdown and quarantine due to CoVid-19 pandemics, added by the marketing strategy being implemented by the Company which some of inventory is put on-hold (temporarily) to sell/market awaiting for much better price complemented by the Project Percentage of Completion (PPOC). The company is using the PPOC in the recognition of sales

There is 7.89% decrease in Interest Income in 2019 compared to that of 2019 which is due normal depletion of receivable from installment sales.

There is 34.11% decrease in the cost of investments property and real estate inventor in 2019 compared to that of 2018, the decreased is primarily due to the transfer cost of 85.015 hectares lots transferred to real estate inventory and as will as result of land banking activity of the company net cost of land inventory sold during the period

There is 5.92% increase in Administrative Expenses in 2019 compared to that of 2018 which is basically due to normal economic changes in business and as will as implementation of cost of medical and safety measure in compliance with Government health protocol.

There is 46.08% decrease in cost of interest expense in 2019 is the cost of money at present value for land purchased on installment terms.

Overall, the Company posted net income (loss) before tax of (₱7.428) Million for the year ended December 2019 as compared with the net loss of ₱34.619 Million in 2018.

### **Material Changes to the Statements of Income as of December 31, 2018 Compared to December 31, 2017 (Increase/Decrease of 5% or more)**

There is 2.527% increase in real estate revenues in 2018 compared to that of 2017 which is attributable primarily on the marketing strategy being implemented by the Company which some of inventory is put on-hold (temporarily) to sell/market awaiting for much better price complemented by the Project Percentage of Completion (PPOC). The company is using the PPOC in the recognition of sales.

There is 29.935% increase in Interest Income in 2018 compared to that of 2017 which is due normal depletion of receivable from installment sales.

There is 0.588% increase in the cost of investments property and real estate inventor in 2018 compared to that of 2017, the increase is primarily due to the result of land banking activity of the company net cost of land inventory sold during the period

There is 12.93% decreased in Administrative Expenses in 2018 compared to that of 2017 which is basically due to cost cutting measure being implemented by the company.

Interest Expense in 2018 is the cost of money at present value for land purchased on installment terms.

Overall, the Company posted net income (loss) before tax of (₱47.287) Million for the year ended December 2018 as compared with the net loss of (₱11.851) Million in 2017.

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### **Material Changes to the Statements of Income as of December 31, 2017 Compared to December 31, 2016 (Increase/Decrease of 5% or more)**

There is 54.80% decreased in real estate revenues in 2017 compared to that of 2016 which is attributable primarily on the marketing strategy being implemented by the Company which some of inventory is put on-hold (temporarily) to sell/market awaiting for much better price complemented by the Project Percentage of Completion (PPOC). The company is using the PPOC in the recognition of sales.

There is 2.57% increase in Interest Income in 2017 compared to that of 2016 which is due normal depletion of receivable from installment sales.

There is 0.79% decreased in the cost of Real Estate for Sale and Development in 2017 compared to that of 2016, the increase is primarily due to the cost of sold during the period

There is 8.53% increase in Administrative Expenses in 2017 compared to that of 2016 which is basically due to normal economic trend during the year.

Interest Expense in 2017 is the cost of money at present value for land purchased on installment terms.

Overall, the Company posted net income (loss) before tax of (₱11.851) Million for the year ended December 2017 as compared with the ₱26.147 Million in 2016.

## **OPERATION**

### ***Results of Operation***

#### **(January – September 30, 2020 vs January – September 30, 2019)**

The CoVid-19 has spread all over the world, even improved countries suffered the same fate and/or was hit hard by the pandemic. The spread of CoVid-19 virus has an abrupt and widespread impact not only in real estate business but all types of businesses from commercial, industrial, banking, financial institution, and shipping industry had been affected not only in the country but globally.

In compliance with the National Government's strategy to flatten the curve and/or to combat the spread of CoVid-19 virus, the Company implemented compliance measures to the community quarantine (CQ) protocols as follows:



- Full shutdown of Makati Offices which started on March 16, 2020. All employees received their salaries for the period March 16 to 31, 2020 in full, and after March 31, 2020, employees were encouraged to utilize their available leave credits and work on a skeletal basis.
- Other measures are being implemented to ease the impact of the CQ on the employees, e.g. the early release of the prorated 13th month pay, extend cash advances to regular employees in the event that the CQ is extended.
- After the announcement of the National Government allowing certain industries to operate, the Company re-open its Makati office with a limited and staggered reporting of employees at a maximum of 50% workforce. Employees with vulnerable condition are not permitted to report for work but allowed to work on a “work-from-home” basis.
- Business opportunity is paralyzed such as cash inflows. Presently, the Company concentrates on cash management to be able to rationalize and ensure availability of funds to sustain payments of employees’ payroll.

With the CQ, the management has to refocus to other business aspects under the new normal working conditions and continue to monitor the situation. With the CQ contemplated to be further prolonged, the Board of Director has formed a Crisis Management Team/Committee that will focus on the impact of the crises to the Company’s revenue and operations, to formulate assessment tools and other resilient measures to be able to operate under the “new normal” with measures and/or benchmarking of costs and expenses or anticipate scenario beyond “COVID-19”, without compromising health and safety of employees.

Part of the management measure is to be able to rationalize the fund flow requirements of the Company during this trying time is to unload the more or less 17.3 hectares parcels of land located at Manticao Misamis Oriental which the Company consider as a non-performing assets.

The percentage of revenues for the nine (9) months ending September 30, 2020 with comparative figures for 2019 and 2018 with the same period

<b>Particulars</b>	<b>Year 2018</b>	<b>Year 2019</b>	<b>Year 2020</b>
Sale from Real Estate	48,337,103	27,592,071	18,042,750
Cost of Land	12,267,873	6,898,018	2,752,919
Percentage to Revenue	25.380%	25.000%	15.258%

The percentage of revenues during the quarter ending September 30, 2020 are as follows:

<b>Particulars</b>	<b>Year 2018</b>	<b>Year 2019</b>	<b>Year 2020</b>
Sale from Real Estate	24,580,985	16,811,047	-0-
Cost of Land	5,769,188	3,702,762	-0-
Percentage to Revenue	23.470%	22.026%	-0-

The Company has posted a net loss after tax of (P14.548) Million at end of September 30 2020 as compared with the (P26.063) million in 2019, and (P26.063) million in 2018 of that same period.

The deficit stands at P401.699 million and P405.820 million as of September 30, 2019 and 2018, respectively.

#### **For the Quarter Ended**

	September 30, 2019 (In Millions)	September 30, 2020 (In Millions)
Revenue	P16.811	-0-
Direct Costs	3.703	-0-

Gross Profit Margin	13.108	-0-
Operating Expenses	14.915	14.736
Net Income (before other Income )	(1.807)	(14.736)
Add: Other Income	2.094	2.379
Net income before tax	0.287	(12.357)

Revenue generated during the third quarter of 2020 represents shares from accretion of interest from installment sales. No new sales during quarantine period from the Joint Venture Project with SLRDI.

Other Income represents interest income from installment as well as interest income from savings account with banks.

### **Liquidity and Capital Resources**

The Company posted net profit during the quarter, the benefits from the construction of the Clubhouse and Sports Center, which the project engineer in-charge of the development has reported to be (almost) 100% complete as at end of September 30, 2020.

Particulars	September 30, 2019 (In Million)	September 30, 2020 (in Million)
Total assets as at end of	P1,988.851	P2,011.156
Total liabilities as at end of	240.654	258.871
Ratio of assets to liabilities	12.100%	12.8742%
<b><i>Financial Condition</i></b>		
Cash and cash equivalent	6.308	2.539
Receivable	347.509	346.883
Prepaid Taxes	7.327	6.223
Real estate Inventories	498.817	499.105
Property and equipment	8.438	5.409
Investment property	1,042.868	1,077.735
Recoverable Tax	73.352	67.581
Other assets	4.232	5.682
Current liabilities	123.591	78.129
Noncurrent liabilities	117.063	180.742
Stockholders' equity	P1,748.197	P1,752.285

The movement in cash and cash equivalent is attributable to the net cash flows used by the Company in its regular operating activities.

Movement in receivable is attributable to the recognition of current and non-current receivable from sales with joint venture project and other receivables.

The increase in the real estate inventories is attributable to the accounting of cancelled sales during the accounting period. The company is using the Percentage of Project Completion (PPOC).

The decrease in recoverable tax (Input VAT) is attributable to accounting of output vat from collection of accretion of interest income from installment sales.

The Increase in Investments property is the result of land banking activity during the accounting period

The Company started land banking in year 2012 with total land acquisitions as of September 30, 2020 details of which are as follows:

Acquired from	Lot area (in Sq.m.)	Value of Land	Payment made	Balance payable
<b><i>All in San Jose Del Monte Bulacan</i></b>				
GASDF Property	47,976	6,618,779.27	7,196,400.00	Fully paid
Don Manuel Corporation	410,377	78,201,917.21	78,201,917.21	Fully paid
BDO Strategic Holdings, Inc.	926,550	261,672,633.06	261,672,633.06	Fully paid
Marga Capital Holdings, Inc.	360,000	104,671,995.50	104,671,995.50	Fully paid
Insular Life Insurance Co.,	580,154	403,678,405.13	403,678,405.13	Fully paid
Paramount Finance Corp.	10,000	3,520,000.00	3,520,000.00	Fully paid
Rodolfo M. Cuenca	50,094	12,523,500.00	12,523,500.00	Fully paid
<b><i>Subtotal</i></b>	<b><i>2,385,151</i></b>	<b><i>870,887,230.17</i></b>	<b><i>870,887,230.17</i></b>	<b><i>-0-</i></b>
Rocha Dev't Corporation	119,543	32,912,600.00	Under negotiation	32,912,600.00
Pagrel Corporation	344,500	103,350,000.00	Under negotiation	103,350,000.00
Apena Foods Product, Inc.	377,200	126,322,000.00	Under negotiation	126,322,000.00
<b><i>Subtotal</i></b>	<b><i>841,243</i></b>	<b><i>262,584,600.00</i></b>	<b><i>-0-</i></b>	<b><i>262,584,600.00</i></b>
<b>Total (San Jose Del Monte)</b>	<b>3,226,394</b>	<b>1,133,471,830.17</b>	<b>870,887,230.17</b>	<b>262,584,600.00</b>
Add: Northern Luzon Area				
Manuel Bonoan	57,211	31,180,003.00	31,180,003.00	-0-
Almazan et. al	292,921	63,558,910.00	62,286,696.00	1,272,214.00
Hugo Nat d. Juan	13,186	4,615,100.00	4,615,100.00	Fully paid
	<b><i>363,318</i></b>	<b><i>99,354,013.00</i></b>	<b><i>98,081,799.00</i></b>	<b><i>1,272,214.00</i></b>
<b>Total Land Banking</b>	<b>3,589,712</b>	<b>1,232,825,843.17</b>	<b>968,969,029.17</b>	<b>263,856,814.00</b>

The decrease in property and equipment is brought about by the accounting for the estimated depreciation during the period using straight line method.

The movement in accounts payable and accruals is attributed to regular accruals, deferred payments and liability from installment purchase of land.

Advances to officers and employees which are deductible from their salaries and are due within one year.

No movement in available for sale investments account during the period

Decreased in payables is result of accounting and payment of accounts including land banking activity.

The decrease in Stockholder's Equity is attributed to normal operational income in real estate business.

### Capital Expenditure

There was no capital expenditure for the period.

### Key Performance Indicators

The Company operates in one business segment the real estate. The following key performance indicators were adopted by the corporation in order to measure the profitability and performance of the company and to provide management with a measure on the financial strength, liquidity and ability to maximize the value of its stockholders' investments.

For the three-month period ending	September 30, 2019	September 30, 2020
Current Ratio (1)	6.084 : 1	9.628 : 1
Debt to Equity Ratio (2)	1 : 0.138	1 : 0.148
Earnings per Share (3)	(1 : 0.001336)	(1 : 0.00746)
Earnings before Income Taxes (4)	P0.287 million	(P12.357) million
Return on Equity	(0.001491)	(0.00830)

- 1) Current Assets / Current Liabilities
- 1) Total Liabilities / Stockholders' Equity
- 2) Net Income / Outstanding Shares
- 3) Net Income plus Interest Expenses and Provision for Income Tax
- 4) Net Income / Average Stockholder's Equity

#### Stockholders' Equity

- Total Stockholders' Equity in 2020 is P1,752,284,830.66(Issued and paid of 1,951,387,570 shares with P1.00 par value)

-Total Stockholders' Equity in 2019is P1,748,197,548.99 (Issued and paid of 1,951,387,570 shares with P1.00 par value)

### **Results of Operation (January – September 30, 2019 vs January –September 30, 2018)**

During the quarter, the operation was thriving in all business aspects. This includes the real estate aspect as there were reputable real estate companies that already started development and marketing operations in San Jose Del Monte Bulacan. More so, the recent ground-breaking Government projects, specifically the "MRT7" for the rail transit connecting Quezon City to Norzagaray Bulacan, created a positive scenario in the real estate business that eventually benefited the Company's land banking activity for the previous years and holding on of some inventory for a much better price.

The percentage of revenues for the quarter ending September 30, 2019 with comparative figures for 2018 and 2017 with the same period

Particulars	Year 2017	Year 2018	Year 2019
Sale from Real Estate	38,758,363	24,580,985	16,811,047
Cost of Land	7,939,363	5,769,188	3,702,762
Percentage to Revenue	20.484%	23.470%	22.026%

The percentage of revenues during the nine months (9) ending September 30, 2019 with comparative figures for 2018 and 2017 with the same period

Particulars	Year 2017	Year 2018	Year 2019
Sale from Real Estate	90,844,647	48,337,103	35,649,013
Cost of Land	16,852,899	12,267,873	6,898,018
Percentage to Revenue	18.551%	25.380%	19.350%

The Company has posted a net loss (after tax) of (P26.063) Million as at end of third quarter ended September 30, 2019 as compared with the P19.851 million in 2018, and P20.907 million in 2017 of that same period.

The deficit stands at P405.82 million and P391.365 million as of September 30, 2019 and 2018, respectively.

#### **For the nine (9) months ended**

	September 30, 2018 (In Millions)	September 30, 2019 (In Millions)
Revenue	P57.301	P27.592
Direct Costs	12.269	6,898
Gross Profit Margin	45.033	20.694
Operating Expenses	46.654	52.433
Net Income (before other Income )	(1.621)	(31.739)
Add: Other Income	29.980	6.389
Net income before tax	28.359	(25.350)

Revenue generated during the third quarter of 2019 represents shares from sales from Joint Venture Project with SLRDI. The decrease in sales was the effect of marketing strategy being implemented by the Company with some inventory put on-hold to sell market awaiting for a much better price.

Other Income represents interest income from installment and as well as interest income from savings account with banks.

#### **Liquidity and Capital Resources**

The company posted net profit during the quarter, the benefits from the construction of the Clubhouse and Sports Center, which the project engineer incharge of the development has reported to be (almost) 100% complete as at end of September 30 2019.

Particulars	September 30, 2018 (In Million)	September 30, 2019 (in Million)
Total assets as at end of	P1,995.094	P1,988.852
Total liabilities as at end of	P235.601	P337.245
Ratio of assets to liabilities	11.809%	16.012%
<b><i>Financial Condition</i></b>		
Cash and cash equivalent	P36.645	P91.591
Receivable	P323.815	P393.320
Prepaid Taxes	P8.481	P7.830
Real estate Inventories	P851.398	P865.831
Investments property	P684.640	P1,042,868
Property and equipment	P11.045	P12.493
Recoverable Tax	P76.579	P73.352

Other assets	P2.490	P4.232
Current liabilities	P105.064	P123.591
Noncurrent liabilities	P113.979	P117.063
Stockholders' equity	P1,759.493	P1,748.198

The movement in cash and cash equivalent is attributable to the net cash flows used by the Company in its regular operating activities.

Movement in receivable is attributable to the recognition of current and non-current receivable from sales with joint venture project and other receivables.

The increased in investments property is the result of the accounting of cost land acquired during the period.

The Company started land banking in year 2012 with total land acquisitions as of September 30, 2019 detailed as follows:

Acquired from	Lot area (in Sq.m.)	Value of Land	Payment made	Balance payable
<b><i>All in San Jose Del Monte Bulacan</i></b>				
GASDF Property	47,976	7,196,400.00	7,196,400.00	Fully paid
Don Manuel Corporation	410,377	78,201,917.21	78,201,917.21	Fully paid
BDO Strategic Holdings, Inc.	926,550	248,183,035.71	248,183,035.71	Fully paid
Marga Capital Holdings, Inc.	360,000	135,878,430.13	135,878,430.13	Fully paid
Insular Life Insurance Co.,	581,500	430,474,268.00	257,515,856.75	172,958,411.25
Rodolfo M. Cuenca	50,094	12,523,500.00	12,523,500.00	Fully paid
<b><i>Subtotal</i></b>	<b><i>2,346,497</i></b>	<b><i>912,457,551.05</i></b>	<b><i>739,499,139.80</i></b>	<b><i>172,958,411.25</i></b>
Rocha Dev't Corporation	119,543	32,912,600.00	Under negotiation	32,912,600.00
Pagrel Corporation	344,500	103,350,000.00	Under negotiation	103,350,000.00
Apena Foods Product, Inc.	377,200	126,322,000.00	Under negotiation	126,322,000.00
<b><i>Subtotal</i></b>	<b><i>841,243</i></b>	<b><i>262,584,600.00</i></b>	<b><i>-0-</i></b>	<b><i>262,584,600.00</i></b>
<b>Total (San Jose Del Monte)</b>	<b>3,217,770</b>	<b>1,175,042,151.05</b>	<b>739,499,139.80</b>	<b>435,543,011.25</b>
Add: Northern Luzon Area				
Manuel Bonoan	57,211	28,605,500.00	28,605,500.00	-0-
Almazan et. al	225,752	61,032,240.00	56,600,000.00	4,432,240.00
	<b>282,963</b>	<b>89,637,740.00</b>	<b>55,205,500.00</b>	<b>44,932,240.00</b>
<b>Total Land Banking</b>	<b>3,500,703</b>	<b>1,264,679,891.05</b>	<b>824,706,639.80</b>	<b>439,975,251.25</b>

The decreased in property and equipment is brought about by the accounting for the estimated depreciation during the period using straight line method.

The movement in accounts payable and accruals is attributed to regular accruals, deferred payments and liability from installment purchase of land.

Related party transactions consist mainly of advances made by Company officers for the payment of liability from purchased of land on installment, the said advances issued by Company officers without interest charges.

Movement in payables, is result of accounting and payment of accounts including land banking activity

The decreased in Stockholder's Equity is attributed to normal operational income (loss) in the real estate business and other miscellaneous income.

### **Capital Expenditure**

There was no capital expenditure for the period.

### **Key Performance Indicators**

The company operates in one business segment, the real estate. The following key performance indicators were adopted by the corporation in order to measure the profitability and performance of the company and to provide management with a measure on the financial strength, liquidity and ability to maximize the value of its stockholders' investments.

For the nine (9) months ended	September 30, 2018	September 30, 2019
Current Ration (1)	8.195 : 1	6.084 : 1
Debt to Equity Ratio (2)	1 : 0.134	1 : 0.138
Earnings per Share (3)	1 : 0.01017	1 :(0.01336)
Earnings before Income Taxes (4)	P19.851 million	(P26.063) million
Return on Equity	0.01128	( 0.01491)

- 1) Current Assets / Current Liabilities
- 2) Total Liabilities / Stockholders' Equity
- 3) Net Income / Outstanding Shares
- 4) Net Income plus Interest Expenses and Provision for Income Tax
- 5) Net Income / Average Stockholder's Equity

#### Stockholders' Equity

- Total Stockholders' Equity in 2019 is P1,748,197,548.99 (Issued and paid of 1,951,387,570 shares with P1.00 par value)

-Total Stockholders' Equity in 2018 is P1,759,493,178.06 (Issued and paid of 1,951,387,57 shares with P1.00 par value)

### **Results of Operation (January – September 30, 2018 vs January –September 30, 2017)**

During the quarter, the operation was thriving in all business aspects. This includes the real estate aspect as there were reputable real estate companies that already started development and marketing operations in San Jose Del Monte Bulacan. More so, the recent ground-breaking Government projects, specifically the "MRT7" for the rail transit connecting Quezon City to Norzagaray Bulacan, created a positive scenario in the real estate business that eventually benefited the Company's land banking activity for the previous years and holding on of some inventory for a much better price.

The percentage of revenues for the quarter ending September 30, 2018 with comparative figures for 2017 and 2016 with the same period

Particulars	Year 2016	Year 2017	Year 2018
Sale from Real Estate	34,965,666	42,309,431	28,331,353
Cost of Land	8,959,686	7,939,363	2,854,104
Percentage to Revenue	25.624%	18.765	10.074%

The percentage of revenues during the last three (3) quarters ending September 30, 2018 are as follows:

Particulars	Year 2016	Year 2017	Year 2018
Sale from Real Estate	98,041,004	101,295,318	57,300.630
Cost of Land	20,302,964	16,852,900	12,267,873
Percentage to Revenue	20.709%	16.637%	21.410%

The Company has posted a net profit (after tax) of P19.851 Million as at end of third quarter ended September 30, 2018 as compared with the P20.907 million in 2017, and P25.524 million in 2016 of that same period.

The deficit stands at P391.365 million and P379.649 million as of September 30, 2018 and 2017, respectively.

#### **For the nine (9) months ended**

	September 30, 2018 (In Millions)	September 30, 2017 (In Millions)
Revenue	P57.301	P101.295
Direct Costs	12.269	16.853
Gross Profit Margin	45.033	84.442
Operating Expenses	46.654	55.204
Net Income (before other Income )	(1.621)	29.238
Add: Other Income	29.980	0.441
Net income before tax	28.359	29.679

Revenue generated during the third quarter of 2018 represents shares from sales from Joint Venture Project with SLRDI and recovery of slag at Manticao Property. The decrease in sales was the effect of marketing strategy being implemented by the Company with some inventory put on-hold to sell market awaiting for a much better price.

Other Income represents interest income from installment and as well as interest income from savings account with banks and as well as proceeds from sale of metal scrap recovered from Manticao Smelter Plant.

#### **Liquidity and Capital Resources**

The company posted net profit during the quarter, the benefits from the construction of the Clubhouse and Sports Center, which the project engineer incharge of the development has reported to be (almost) 100% complete as at end of September 30 2018.

Particulars	September 30, 2018 (In Million)	September 30, 2017 (in Million)
Total assets as at end of	P1,995.094	P2,106.254
Total liabilities as at end of	P235.601	P337.245
Ratio of assets to liabilities	11.809%	16.012%



<b>Financial Condition</b>		
Cash and cash equivalent	P36.645	P91.591
Receivable	P323.815	P393.320
Prepaid Taxes	P8.481	P7.830
Real estate Inventories	P851.398	P865.831
Land held for future development	P679.196	P647.415
Property and equipment	P11.045	P12.493
Investment property	P5.444	P5.444
Recoverable Tax	P76.579	P79.930
Other assets	P2.490	P2.400
Current liabilities	P13.920	P130.927
Noncurrent liabilities	P96.681	P206.318
Stockholders' equity	P1,759.493	P1,769.009

The movement in cash and cash equivalent is attributable to the net cash flows used by the Company in its regular operating activities.

Movement in receivable is attributable to the recognition of current and non-current receivable from sales with joint venture project and other receivables.

The increased in real estate land for sale & development is the result of the accounting of cost land acquired net of inventory sold during the period based on Percentage of Project Completion (PPOC).

The Company started land banking in year 2012 with total land acquisitions as of September 30,2018 detailed as follows:

Acquired from	Lot area (in Sq.m.)	Value of Land	Payment made	Balance payable
<b>All in San Jose Del Monte Bulacan</b>				
GASDF Property	47,976	7,196,400.00	7,196,400.00	Fully paid
Don Manuel Corporation	410,377	78,201,917.21	78,201,917.21	Fully paid
BDO Strategic Holdings, Inc.	926,550	248,183,035.71	248,183,035.71	Fully paid
Marga Capital Holdings, Inc.	360,000	135,878,430.13	135,878,430.13	Fully paid
Insular Life Insurance Co.,	581,500	430,474,268.00	257,515,856.75	172,958,411.25
Rodolfo M. Cuenca	50,094	12,523,500.00	12,523,500.00	Fully paid
<b>Subtotal</b>	<b>2,346,497</b>	<b>912,457,551.05</b>	<b>739,499,139.80</b>	<b>172,958,411.25</b>
Rocha Dev't Corporation	119,543	32,912,600.00	Under negotiation	32,912,600.00
Pagrel Corporation	344,500	103,350,000.00	Under negotiation	103,350,000.00
Apena Foods Product, Inc.	377,200	126,322,000.00	Under negotiation	126,322,000.00
<b>Subtotal</b>	<b>841,243</b>	<b>262,584,600.00</b>	<b>-0-</b>	<b>262,584,600.00</b>
<b>Total (San Jose Del Monte)</b>	<b>3,217,770</b>	<b>1,175,042,151.05</b>	<b>739,499,139.80</b>	<b>435,543,011.25</b>
Add: Northern Luzon Area				
Manuel Bonoan	57,211	28,605,500.00	28,605,500.00	-0-
Almazan et. Al	225,752	61,032,240.00	56,600,000.00	4,432,240.00

	282,963	89,637,740.00	55,205,500.00	44,932,240.00
<b>Total Land Banking</b>	<b>3,500,703</b>	<b>1,264,679,891.05</b>	<b>824,706,639.80</b>	<b>439,975,251.25</b>

The decreased in property and equipment is brought about by the accounting for the estimated depreciation during the period using straight line method.

Decreased in other assets account attributed to the liquidation of deposits from land banking during the period.

The movement in accounts payable and accruals is attributed to regular accruals, deferred payments and liability from installment purchase of land.

Related party transactions consist mainly of advances made by Company officers for the payment of liability from purchased of land on installment, the said advances issued by Company officers without interest charges.

Decreased in other assets account is brought about by the liquidation of some fund provided in the land banking activity resulting conclusion of acquisition of more ore less 5 hectare' land from Cuenca family

Decreased in payables, is result of accounting and payment of accounts including land banking activity

The decreased in Stockholder's Equity is attributed to normal operational income (loss) in the real estate business and other miscellaneous income.

### **Capital Expenditure**

There was no capital expenditure for the period.

### **Key Performance Indicators**

The company operates in one business segment, the real estate. The following key performance indicators were adopted by the corporation in order to measure the profitability and performance of the company and to provide management with a measure on the financial strength, liquidity and ability to maximize the value of its stockholders' investments.

For the nine (9) months ended	September 30, 2018	September 30, 2017
Current Ration (1)	8.195 : 1	9.976 : 1
Debt to Equity Ratio (2)	1 : 0.134	1 : 0.191
Earnings per Share (3)	1 : 0.01017	1 : 0.01071
Earnings before Income Taxes (4)	P19.851million	P20.907 million
Return on Equity	0.01128	0.001182

- 1) Current Assets / Current Liabilities
- 2) Total Liabilities / Stockholders' Equity
- 3) Net Income / Outstanding Shares
- 4) Net Income plus Interest Expenses and Provision for Income Tax
- 5) Net Income / Average Stockholder's Equity

Stockholders' Equity

- Total Stockholders' Equity in 2018 is P1,759,493,178.06 (Issued and paid of 1,951,387,570 shares with P1.00 par value)

-Total Stockholders' Equity in 2017 is P1,769,009,176.68 (Issued and paid of 1,951,387,57 shares with P1.00 par value)

### **Other related matters in operation**

The movement in cash and cash equivalent is attributable to the net cash flows used by the Company in its regular operating activities.

Movement in receivable is attributable to collection of receivable from sales with joint venture project and other receivable.

The decrease in real estate for sale and development is attributed to the accounting cost of lots sold during the period.

The decrease in property and equipment is brought about by the normal provision for an estimated depreciation using straight line method.

No movement in deferred income tax assets.

Movement in available-for-sale investments is the normal accounting of provision for unrealized valuation of AFS.

The movement of other assets accounts is attributed to the memorandum of agreement (MOA) with related party for a possible land purchase approximately 50 hectares in SJDM for future development. It will be on a term sale and will be using funds from the current JVA to purchase the property.

The increased in accounts payable and accruals is attributed to regular accruals and as well as deferred payments.

The increase in Stockholder's Equity is attributed the increase in paid-up Capital Stock and also attributable to normal operational income in the real estate business starting year 2007, when the commercial activity of Joint Venture Project was officially launched.

### **Material Changes to the Balance Sheet as of December 31, 2019 Compared to December 31, 2018 (Increase/Decrease of 5% or more)**

The Company's total assets increase at ₱2,004,359,808 in year 2019, as compared with ₱ 1,995,365,429 in 2018. The change from the total assets is attributable to the result of land banking activity of the company net of cost of subdivided land inventory sold during the year.

Cash balance of ₱4.075 million as at end of December 31, 2019 as compared to ₱27.360 million in 2018, cash with banks earns interest at the respective bank deposits. Short-term investments are made for varying periods up to three (3) months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates. Interest income earned from cash in bank and short-term investments amounted ₱0.18 million, ₱0.21 million and ₱0.62 million for the years ended December 31, 2019, 2018 and 2017 respectively. The movement of cash is attributable to the net cash flows generated by the Company in its operating activities.

Receivables increase by 2.41% from ₱351.640 million in 2019 as compared to that ₱343.388 million in 2018. Trade receivables mainly represent the Company's outstanding balance in its share in the sale of real estate by SLRDI.

The real estate inventory and investments property increased with balances of ₱1,558,442,058 million and ₱1,528,129,768 million in 2019 and 2018 respectively. The movement in the real estate inventory and investments property is attributed to the land banking activity net of cost of subdivided lot inventory sold during the period.

As of June 30, 2020, the residential areas of Phase 1, Phase 2, Phase 3 and the Country Club are 100%, 100%, 98% and 99% completed, respectively, based on the physical completion report provided by the joint venture's supervising engineer.

Decrease in the Property and Equipment account pertains to the recognition of depreciation expense by the Company amounting to ₱2.605 million partially offset by acquisition of additional property and equipment in the amount of ₱0.205 million.

The company's liability posted at ₱237.527 million in 2019, as compared with ₱221.104 million in 2019, the decreased in payable and accrued expenses account pertains to the outstanding payable from land purchased on installment term payable over a period of four (4)

The movement of Output VAT account represents normal recording of Input and Output VAT.

There were no movements in the number of issued shares as at end of June 30, 2020.

The Company recorded a net income (loss) before income tax in the amount of (₱7.428) million and ₱34.619 million for the year end of December 31, 2019 in 2018 respectively.

#### **Material Changes to the Balance Sheet as of December 31, 2018 Compared to December 31, 2017 (Increase/Decrease of 5% or more)**

The Company's total assets increase at ₱1,995,365,429 in year 2018, as compared with ₱1,990,175,711 in 2017. The change from the total assets is attributable to the result of land banking activity of the company net of cost of subdivided land inventory sold during the year.

Cash balance of ₱27.360 million as at end of December 31, 2018 as compared to ₱27.080 million in 2017, cash with banks earns interest at the respective bank deposits. Short-term investments are made for varying periods up to three (3) months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates. Interest income earned from cash in bank and short-term investments amounted ₱0.21 million, ₱0.62 million and ₱2.39 million for the years ended December 31, 2018, 2017 and 2016 respectively. The movement of cash is attributable to the net cash flows generated by the Company in its operating activities.

Receivables increase by 8.34% from ₱316.925 million in 2017 as compared to that ₱343.388 million in 2018. Trade receivables mainly represent the Company's outstanding balance in its share in the sale of real estate by SLRDI.

The real estate inventory and investments property increased with balances of ₱1,528,129,768 million and ₱1,519,194,309 million in 2018 and 2017 respectively. The movement in the real estate inventory and investments property is attributed to the land banking activity net of cost of subdivided lot inventory sold during the period.

As of September 30, 2019, the residential areas of Phase 1, Phase 2, Phase 3 and the Country Club are 100%, 100%, 98% and 99% completed, respectively, based on the physical completion report provided by the joint venture's supervising engineer.

Decrease in the Property and Equipment account pertains to the recognition of depreciation expense by the Company amounting to ₱3.123 million partially offset by acquisition of additional property and equipment in the amount of ₱1.797 million.

The company's liability posted at ₱250.534 million in 2017, as compared with ₱221.104 million in 2018, the decreased in payable and accrued expenses account pertains to the outstanding payable from land purchased on installment term payable over a period of four (4)

The movement of Output VAT account represents normal recording of Input and Output VAT.

There were no movements in the number of issued shares as at end of September 30, 2019.

The Company recorded a net income (loss) before income tax in the amount of ₱47.288 million and ( ₱11.851) for the year end of December 31, 2018 in 2017 respectively.

#### **Material Changes to the Balance Sheet as of December 31, 2017 Compared to December 31, 2016 (Increase/Decrease of 5% or more)**

The Company's total assets increase at ₱2,054,970,626 in year 2016, as compared with ₱ 1,990,175,711 in 2017. The change from the total assets is attributable to the cost of subdivided lots sold during the year.

Cash balance of ₱75.947 million as at end of December 31, 2016 as compared to ₱27.080 million in 2017, cash with banks earns interest at the respective bank deposits. Short-term investments are made for varying periods up to three (3) months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates. Interest income earned from cash in bank and short-term investments amounted ₱0.62 million, ₱2.39Million and ₱0.68 million for the years ended December 31, 2017, 2016 and 2015 respectively. The movement of cash is attributable to the net cash flows generated by the Company in its operating activities.

Receivables increase by 5.06% from ₱316.925 million in 2017 as compared to that ₱316.925 million 2016. Trade receivables mainly represent the Company's outstanding balance in its share in the sale of real estate by SLRDI.

The Real Estate for Sale and Development decrease with balances of ₱1,513,750,233million and ₱ 1,525,864,559million in 2017 and 2016 respectively. The movement in the Real Estate for sale and development is attributable to the cost of lot sold during the period.

As of September 30, 2018, the residential areas of Phase 1, Phase 2, Phase 3 and the Country Club are 100%, 100%, 98% and 99% completed, respectively, based on the physical completion report provided by the joint venture's supervising engineer.

Increase in the Property and Equipment account pertains to the recognition of depreciation expense by the Company amounting to ₱3.287 million partially offset by acquisition of additional property and equipment in the amount of ₱0.049 million.

The company's liability posted at ₱250.534 million in 2017, as compared with ₱306.869 million in 2016, the decreased in payable and accrued expenses account pertains to the outstanding payable from land purchased on installment term payable over a period of four (4)

The movement of Output VAT account represents normal recording of Input and Output VAT.

There were no movements in the number of issued shares as at end of June 30, 2018.

The Company recorded a net income (loss) before income tax in the amount of (P11,851) million and P26.147 for the year end of December 31, 2017 in 2016 respectively.

## **Material Changes to the Statements of Income as of December 31, 2019 Compared to December 31, 2018 (Increase/Decrease of 5% or more)**

There is 47.38% decrease in real estate revenues in 2019 compared to that of 2018 which is attributable primarily on the marketing strategy being implemented by the Company which some of inventory is put on-hold (temporarily) to sell/market awaiting for much better price complemented by the Project Percentage of Completion (PPOC). The company is using the PPOC in the recognition of sales.

There is 7.89% decrease in Interest Income in 2019 compared to that of 2018 which is due normal depletion of receivable from installment sales.

There is 34.11% decrease in the cost of investments property and real estate inventor in 2019 compared to that of 2018, the increase is primarily due to the transfer of cost of more or less 85.015 hectares undeveloped land to Inventory and as well as the result of land banking activity of the company net cost of land inventory sold during the period

There is 5.92% increase in Administrative Expenses in 2019 compared to that of 2018 which is basically due to cost cutting measure being implemented by the company.

There is 46.08% decrease in interest expense in 2019 as compared with 2018 is the cost of money at present value for land purchased on installment terms.

Overall, the Company posted net income (loss) before tax of (P5.006) Million for the year ended December 2019 as compared with the net Income of P31.459 Million in 2018.

## **Material Changes to the Statements of Income as of December 31, 2018 Compared to December 31, 2017 (Increase/Decrease of 5% or more)**

There is 2.527% increase in real estate revenues in 2018 compared to that of 2017 which is attributable primarily on the marketing strategy being implemented by the Company which some of inventory is put on-hold (temporarily) to sell/market awaiting for much better price complemented by the Project Percentage of Completion (PPOC). The company is using the PPOC in the recognition of sales.

There is 29.935% increase in Interest Income in 2018 compared to that of 2017 which is due normal depletion of receivable from installment sales.

There is 0.588% increase in the cost of investments property and real estate inventor in 2018 compared to that of 2017, the increase is primarily due to the result of land banking activity of the company net cost of land inventory sold during the period

There is 12.93% decreased in Administrative Expenses in 2018 compared to that of 2018 which is basically due to cost cutting measure being implemented by the company.

Interest Expense in 2018 is the cost of money at present value for land purchased on installment terms.

Overall, the Company posted net income (loss) before tax of ₱47.287 Million for the year ended December 2018 as compared with the net loss of (₱11.851) Million in 2017.

### **Material Changes to the Statements of Income as of December 31, 2017 Compared to December 31, 2016 (Increase/Decrease of 5% or more)**

There is 54.80% decrease in real estate revenues in 2017 compared to that of 2016 which is attributable primarily on the marketing strategy being implemented by the Company which some of inventory is put on-hold (temporarily) to sell/market awaiting for much better price complemented by the Project Percentage of Completion (PPOC). The company is using the PPOC in the recognition of sales.

There is 2.57% increase in Interest Income in 2017 compared to that of 2016 which is due normal depletion of receivable from installment sales.

There is 0.79% decreased in the cost of Real Estate for Sale and Development in 2017 compared to that of 2016, the increase is primarily due to the cost of sold during the period

There is 8.53% increase in Administrative Expenses in 2017 compared to that of 2016 which is basically due to normal economic trend during the year.

Interest Expense in 2017 is the cost of money at present value for land purchased on installment terms.

Overall, the Company posted net income (loss) before tax of (₱11.851) Million for the year ended December 2017 as compared with the ₱26.147 Million in 2016.

### **Other Matters**

(a) The interim financial report has been prepared in conformity with generally accepted accounting principles in the Philippines

(b) No disclosures nor discussions were made for the following since these did not affect the past and present operations of the Company:

(c) No known trends, events or uncertainties with significant impact on net sales, or income, or have material impact on liquidity that would trigger direct or contingent liability, including default or acceleration of obligation rather than what was mentioned in the Plan of Operation specifically the effect from operation due to prolonged lockdown in compliance with Government directive to contain the transmission of Covid-19 Virus.

(d) Significant elements of income or loss that did not arise from the Company's continuing operations other than what was mentioned in the revenues.

(e) All accounting policies and methods of computation and estimates are followed in the interim financial statement as compared with the most recent annual financial statement report.

(f) There is no known trends seasonality or cyclicity aspects that have material effect in the financial statement and the financial condition or results of operations during the period.

(g) There were no material commitments affecting assets, liabilities, equity, net income, or cash flows that are unusual during the interim financial report.

(h) There were no nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years that have a material effect in the current interim period.

(i) There were no issuance, repurchases, and repayment of debt and equity securities, except for the payment of non-interest bearing payable obtained for the acquisition of parcels of land recorded under “real estate for sale and development account” in statement of financial position.

(k) There were no Dividends paid during the interim financial period.

(l) The Company is reporting with only one (1) accounting/business segment.

(m) There were no material events that occurred during the subsequent to interim reporting period that have not been reflected in the financial statements, such as default or acceleration of an obligation or off-balance sheet transactions, arrangements, obligations, and other relationship of the company with unconsolidated entities or other persons created during the reporting period.

(n) There were no changes in the composition of the issuer during the interim period. No business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operation during the interim period.

(o) There were no changes in contingent liabilities or contingent asset made during the interim period as compared with the most recent annual balance sheet date.

(p) No disclosures in compliance with SEC MC No. 14, Series of 2004 specifically Certain Relationship and Related Transaction or arrangements, as there were no such transaction during the period and or subsequent event occur after the close of the accounting period with respect to certain relationship or related transaction being required by SFAS/IAS No. 24.

(q) There were no events that will trigger director contingent financial obligation that is material to the company, including any default or acceleration of an obligation that need to Disclose.

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

(s) There were no reclassification on Financial Instruments in the current reporting period and previous periods.

(t) PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company’s financial assets but will potentially have no impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.



(u) The Company's Interim financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the interim financial statements.

(v) 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.

(w) There were no material changes in financial condition & results of operation in the interim report of the Company for the quarter ending June 30, 2020 from the compliance of the PFRS.

(x) There were no material changes in the financial statement with a threshold of five (5) percent that the registrants needs to disclosed

### ***Financial Risk Management Objectives and Policies***

The Company's principal financial instruments comprise of cash and bank loans. The main purpose of these financial instruments is to finance the Company's operations. The Company has other financial instruments such as receivables, accounts payable and accrued expenses which arise directly from its operations. The main risks arising from the Company's financial instruments are liquidity risk, credit risk and interest rate risk. As at end of September 30, 2020 and 2019, the Company is not exposed to any significant foreign currency risk because all of its financial instruments are denominated in Philippine peso. The BOD reviews and approves the policies for managing each of these risks and they are summarized below.

### ***Liquidity Risk***

The Company seeks to manage its liquid funds through cash planning on a monthly basis. The Company uses historical figures and experiences and forecasts from its collection and disbursement.

As of September 30, 2020	On demand
Accounts payable & accrued expenses	P51,473,631
Liability from purchase of land	115,305,608
Due to related parties	26,120,551
Income tax payable	535,060
Retirement benefits	27,984,437
Deferred income tax liabilities	37,451,960
<b>Total</b>	<b>P258,871,426</b>

### ***Credit Risk***

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

The Company's principal credit risk is its dependence on one-counterparty. The credit risk of the Company is controlled by the approvals, limits and monitoring procedures. It is the Company's policy to enter into transactions with creditworthy parties to mitigate any significant concentration of credit risk. The Company ensures that credit transactions are made to parties with appropriate credit history and has internal mechanism to monitor granting of credit and management of credit exposures.

The Company's maximum exposure to credit risk is equal to the carrying amount of its financial assets.

The Company sets up provision for impairment of accounts receivables equal to the balance of long-outstanding accounts receivables.

Receivables that are neither past due nor impaired are due from creditworthy counterparties with good payment history with the Company.

Cash with banks are deposits made with reputable banks duly approved by the BOD.

#### ***Interest Rate Risk***

The Company's exposure to the risk pertains to bank loans. The Company relies on budgeting and forecasting techniques to address this risk.

#### ***Capital Management***

The primary objective of the Company's capital management is to ensure that it maintains a strong credit standing and stable capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the six months period ended September 30, 2020.

The following table pertains to the account balance the Company considers as its core capital as at end of September 30, 2020.

Capital stock . . . . .	₱1,951,387,570
Capital surplus . . . . .	<u>201,228,674</u>
Total . . . . .	₱2,152,616,244

#### ***Fair Value of Financial Instruments***

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such values:

#### ***Cash and Receivables***

The carrying amounts of cash and receivables approximate fair values primarily due to the relatively short-term maturity of these financial instruments. In the case of long-term receivables, the fair value is based on the present value of expected future cash flows using the applicable discount rates. The discount rates used range from 5.02% to 5.00% in 2019 and 5.66% to 5.66% in 2018.

Cash with banks are deposits made with reputable banks duly approved by the Board of Directors.

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

### **MARKET PRICE AND DIVIDENDS ON THE COMPANY'S COMMON EQUITY**

- a) The shares of the Company are listed and traded at the Philippine Stock Exchange. The high and low closing prices of the Company's share for each quarter within the last three (3) fiscal years are as follows:

YEAR	QUARTER	HIGH (in Php)	LOW (in Php)
2020	First	1.909	1.587
	Second	none	none
	Third	1.011	0.964
2019	First	2.010	1.811
	Second	2.0181	2.061
	Third	2.053	1.973
	Forth	1.732	1.679
2018	First	2.486	2.413
	Second	2.050	2.013
	Third	1.947	1.921
	Fourth	2.811	2.792
2017	First	2.350	2.310
	Second	2.550	2.470
	Third	2.390	2.370

b)

The closing prices of the Company's share are of the latest practicable trading dates are as follows:

Year	Month/Date	Closing Price (in Php)
2020	October 15, 2020	P0.970
2020	September 03, 2020	P1.000
2020	August 28, 2020	P1.000
2020	May 15, 2020	P1.050
2020	April 30, 2020	P1.040
2020	March 30, 2020	P1.026
2020	February 28, 2020	P1.550
2020	January 31, 2020	P1.740

## SHAREHOLDERS INFORMATION

There are 2,147 shareholders as of September 30, 2020.

The top twenty (20) stockholders as the Company are the following:

STOCKHOLDERS	CITIZENSHIP	COMMON SHARES	PERCENTAGE
01) PCD Nominee Corporation	Filipino	688,014,666	35.26%
02) Carmel Development, Inc.	Filipino	499,999,997	25.62%
03) Gregorio Araneta Inc.	Filipino	390,277,500	20.00%
04) Gamma Properties, Inc.	Filipino	136,000,000	6.97%
05) Olongapo Mabuhay Express Corp	Filipino	124,855,422	6.40%
06) PCD Nominee Corporation	Alien	82,209,467	4.21%
07) Brand Realty Corporation	Filipino	13,725,404	0.70%
08) Seafont Resources Corporation	Filipino	3,756,788	0.19%

09) Ruby D. Roa	Filipino	588,599	0.03%
10) Teresita Dela Cruz	Filipino	528,458	0.03%
11) Ma. Cristina De La Paz	Filipino	525,000	0.03%
12) Flora Pascual	Filipino	493,720	0.03%
13) Leonides Francisco Balmeo	Filipino	425,000	0.02%
14) Luis V. Ongpin(ITF Luis M. Ongpin)	Filipino	411,000	0.02%
15) Paolo Tuason	Filipino	376,500	0.02%
16) EBC Securities Corporation	Filipino	300,000	0.02%
17) Rosanna Isabel Fores	Filipino	255,000	0.01%
18) Jaye Marjorie R. Gonzales	Filipino	200,000	0.01%
19) Jocelyn L. Oquias	Filipino	195,135	0.01%
20) Antonio Diy	Filipino	180,000	0.01%
<b>Sub-total</b>		<b>1,943,272,396</b>	<b>99.58%</b>
<b>Other stockholder's</b>		<b>8,115,174</b>	<b>0.41%</b>
<b>Total Number of Shares</b>		<b>1,951,387,570</b>	<b>100.00%</b>

## DIVIDENDS

No dividends, either in cash or stock, were declared on the shares for the last three (3) fiscal years, i.e., 2019, 2018, 2017. There are no restrictions that limit the ability to pay dividends on common equity but the Company, as a general rule, shall only declare from surplus profits as determined by the Board of Directors as long as such declaration will not impair the capital of the Company.

## RECENT SALES OF UNREGISTERED SECURITIES

There were no sales of unregistered securities or exempt securities including recent issuance of securities constituting an exempt transaction on shares of the Company were sold during the last three (3) years.

## CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

### Information on Independent Accountant and other Related Matter

#### 1. External Audit Fees and Services

a) Aggregate fees billed for the last three (3) years of Audit fee are ₱878,080, ₱860,890 and ₱782,628 for the years 2019, 2018 and 2017 respectively. conducting a free seminar to introduce the implementation of new Accounting Financial Standards (AFS), and the Philippine Financial Reporting Standards (PFRS).

b) Audit professional fees were subjected to a 12% VAT

c) No other fees except for the regular audit service fee

d) All policies governing the audit procedures were duly approved by the audit committee.

2. The Company has no disagreement with the SGV & CO. regarding matters of accounting principle practice, auditing scope and procedure.

## CORPORATE GOVERNANCE

The Company has promulgated a Manual on Corporate Governance that took effect in 2002 and amended on 2014. The Manual continues to guide the activities of the Company and compliance therewith has been consistently observed.

The trust of shareholders and other stakeholders is fundamental to the Company's business and is the source of the success and growth of the Company. The Company is committed to preserving this

relationship of trust by promoting a strong corporate governance culture in the Company that is anchored on transparency, competent leadership, effective internal controls, and prudent risk management.

For the year under review, the Company's corporate governance practices are consistent with the requirements under the Revised Code of Corporate Governance for Publicly Listed Companies issued by the Securities and Exchange Commission pursuant to SEC Memorandum Circular No. 19, Series of 2016 and SEC Memorandum Circular No. 8, Series of 2017.

There has been no deviation from the Company's Manual on Corporate Governance.

The Company believes that its Manual on Corporate Governance is in line with the leading practices and principles on good governance, and such, is in full compliance.

The Company will improve its Manual Corporate Governance when appropriate and warranted, in the Board of Directors' best judgment. In addition, it will be improved when a regulatory agency such as the SEC requires the inclusion of a specific provision.

### **The Board**

There is an effective and appropriately constituted Board who received relevant information required to properly accomplish their duties.

The Nomination Committee is mandated to ensure that there is a formal and transparent procedure for the appointment of new Directors of the Board. Where appropriate, every director receives training, taking into account his individual qualifications and experience. Training is also available on an ongoing basis to meet individual needs.

The term of office of all directors, including independent directors and officers shall be one (1) year and until the successors are duly elected and qualified.

### **Board Process**

Members of the Board meet when necessary throughout the year to adopt and review its key strategic and operational matters, approve and review major investments and funding decision, adopt and monitor appropriate internal control, and ensure that the principal risks of the Company are identified and properly managed.

The Board worked on an agreed agenda as it reviews the key activities of the business.

The Corporate Secretary is responsible to the Board and is available to individual Directors in respect of Board procedures. Atty. Christine P. Base holds the post.

### **Committees**

The Board has established a number of committees with specific mandates to deal with certain aspects of its business. All of the Committees have defined terms of reference.

### **Audit Committee**

The Audit Committee functions under the terms of reference approved by the Board. It meets at least twice a year and its roles include the review of the financial and internal reporting process, the system of internal control and management of risks and the external and internal audit process. The Audit Committee reviews the scope and results of the audit with external auditors and obtains external legal or other independent professional advice where necessary.

Other functions of the Audit Committee include the recommendation of the appointment or re-appointment of external auditors and the review of audit fees.

### **Nomination Committee**

The Committee assesses and recommends to the Board candidates for appointment of executive and non-executive director positions. The Committee also makes recommendations to the Board on its composition. The Committee meets as required.

### **Remuneration Committee**

The Remuneration Committee is responsible in determining the Company's policy on executive remuneration and in specifying the remuneration and compensation packages on the employment or early termination from office of each of the executive directors of the Company. All decisions of the Remuneration Committee are only recommendatory and they are referred to the Board for final approval. The Remuneration Committee also monitors the compensation packages of other senior executives in the group below the Board level. The Committee meets as required.

### **Compliance Officer (CO)**

The CO is responsible for ensuring that the Company's corporate principles are consistently adhered to throughout the organization. The CO acts independently and her role is to supply the top management with the necessary information on whether the organization's decisions comply with professional rules and regulations, internal directives, regulatory authorities, and the statutory law.

## **ARANETA PROPERTIES, INC.**

### **General Notes to the Financial Statement**

1) Araneta Properties, Inc. is incorporated in the Philippines to acquire, own, hold, improve, develop, subdivide, sell, lease, rent, mortgage, manage and otherwise deal in real estate or any interest therein, for residential, commercial, industrial and recreational purposes, as well as to construct and develop or cause to be constructed and developed on any real estate or other properties, golf course, buildings, hotels, recreation facilities and other similar structures with their appurtenances; and in general, to do and perform any and all acts or works which may be necessary or advisable for or related incidentally or indirectly with the aforementioned business or object of the Company. The Company is listed in the Philippine Stock Exchange (PSE) and has been included in the PSE Composite index since November 14, 1989.

2) The Company is operating in only one business segment. The number of employees was 56, 57, and 57 as at end of second quarter of 2019, 2018 and 2017 to perform any and all acts or work which may be necessary or advisable for or related directly or indirectly of the aforementioned business or objective of the Company. The registered office address is 21st Floor, Citibank Tower Paseo de Roxas, Makati City.

3) The Company has commenced regular activities of its real estate business on June 5, 2005 after recovering from the regional crisis that hit the real estate industry in 1997. The Company together with SLRDI began their activities based on their joint venture agreement dated June 5, 2003. Under the agreement, SLRDI will prepare and develop certain parcels of land owned by the Company at its own cost. The Company is responsible for the delivery of the parcels of land free from liens and encumbrances including any claims of tenants or third parties and from any form of litigation. The joint venture project shall consist of the development of an exclusive mixed-use residential - commercial subdivision with a country club. Once developed, the property will be shared by the parties either through cash or lot overrides. The Company shall receive 40% of the net sales proceeds, in case of cash override, or 40% of the saleable lots, in case of a lot override while SLRDI shall receive 60% of the net sales proceeds or the saleable lots. The Company plans to receive its share in joint venture operation through a cash override.

4) Part of the expansion program of the Company, On November 29, 2019, the Company entered into an agreement with Sta. Lucia Land, Inc. (SLand for brevity) to develop a parcel of land owned by the Company. Under the agreement, SLand will develop the parcel of land into a residential subdivision with complete facilities and amenities, upon turnover of the property and upon securing required clearance and permit to develop, and in which the property shall be free and clean from any lien and encumbrance. The agreement further states that the Company shall compensate SLand, in the form of lots consisting 60% of the net saleable area. The remaining 40% shall be the share of Araneta Properties, Inc.

On August 30, 2019, Sta. Lucia Land, Inc., paid in advance the outstanding amount of the liability to Insular Life Insurance Company amounting to ₱115.31 million in behalf of the Company. The said advances is a non-interest bearing and is payable either by way of Company's shares from sales proceeds or by way of direct payments within a period of two years upon issuance of license to sell.

## **Summary of Significant Accounting Policies**

### **Basis of Preparation**

- 1) The accompanying financial statement has been prepared under the historical cost basis, except for the AFS financial assets which are carried at fair value. The financial statements are presented in Philippine peso, which is the Company's functional and presentation currency.
- 2) The Company's financial statement has been prepared in accordance with the Philippine Financial Reporting Standards (PFRS).
- 3) The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new and revised standards and interpretations from the International Financial Reporting Interpretations Committee.

A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A WILL BE PROVIDED WITHOUT CHARGE TO EACH PERSON UPON WRITTEN REQUEST OF ANY SUCH PERSON ADDRESSED TO:

**THE OFFICE OF THE CHIEF FINANCE OFFICER**  
**ARANETA PROPERTIES**  
**21<sup>st</sup> Floor, Citibank Tower, Paseo de Roxas, Makati City, Philippines**