

IMPORTANT NOTICE

THIS PROSPECTUS IS BEING DISPLAYED ON THIS WEBSITE TO MAKE THE PROSPECTUS ACCESSIBLE TO INVESTORS IN THE PHILIPPINES AND IS TO BE VIEWED EXCLUSIVELY WITHIN THE PHILIPPINES.

THE PHILIPPINE STOCK EXCHANGE, INC. ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF STATEMENTS MADE, OR THE OPINIONS OR REPORTS EXPRESSED IN THIS PROSPECTUS. THE PSE MAKES NO REPRESENTATION AS TO THE COMPLETENESS OF THE PROSPECTUS AND DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS ARISING FROM OR IN RELIANCE, IN FULL OR IN PART, OF THE CONTENTS OF THE PROSPECTUS.

THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION.



(a corporation organized under the laws of the Republic of the Philippines)

**Preliminary Prospectus relating to the Stock Rights Offer
of ₱1,445,549,830.00
by way of subscription to 1,445,549,830 Common Shares
with a Par Value of ₱1.00 per Common Share
to be offered at the Offer Price of ₱1.00 per Rights Share
at the ratio of One (1) Rights Share for every One (1) Common Share held
as of Record Date of December 02, 2021
to be listed and traded on the Main Board of The Philippine Stock Exchange, Inc.**


Issue Manager and Underwriter



Abacus Capital & Investment Corporation

The date of this Preliminary Prospectus is November 18, 2021

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

	Philippine Estates Corporation	
	Principal Office:	35 th Floor One Corporate Centre Julia Vargas Avenue corner Meralco Avenue Ortigas Center, Pasig City Metro Manila Philippines
	Telephone Nos.:	(+632) 8637-3112
	Website:	www.phes.com.ph

This Prospectus relates to the offering for subscription of 1,445,549,830 common shares (the “Rights Shares”) with a par value of ₱1.00 per share (the “Common Shares”) of Philippine Estates Corporation, formerly Philippine Cocoa Estates Corporation, a corporation organized under Philippine law (“PHES” or the “Company” or the “Issuer”) and traded on The Philippine Stock Exchange, Inc. (“PSE”), by way of a stock rights offering exclusively to eligible existing shareholders of PHES at the ratio of one (1) Rights Share for every one (1) existing Common Shares (the “Entitlement Shares”) held as of December 02, 2021 (the “Record Date”) at an offer price of ₱1.00 (the “Offer Price”), or for an aggregate offer price of ₱1,445,549,830.00 (the “Rights Offer” or the “SRO”). The conduct of the SRO is based on the approval of the Company’s Board of Directors (the “Board”) held on March 25, 2021, which was re-approved on June 15, 2021.

As of the date of this Prospectus, the authorized capital stock of the Company is ₱5,000,000,000.00 consisting of 5,000,000,000 Common Shares with a par value of ₱1.00 per share. Prior to the Rights Offer, 1,445,549,830 Common Shares are outstanding, with a par value of ₱1.00 per share. After the issuance of 1,445,549,830 common shares subject of this Rights Offer, a total of 2,891,099,660 Common Shares shall be issued and outstanding. The Rights Shares will represent 50.0% of the issued and outstanding Common Shares of the Company after the Rights Offer. The Rights Shares will be issued out of the Company’s unissued authorized capital stock. The Company’s Articles of Incorporation, as amended, provides that all issuances of shares are not subject to pre-emptive rights of the shareholders, and may be issued in such quantities, at such time, and under such terms as the Board shall determine.

All the Common Shares in issue or to be issued pursuant to the Rights Offer have, or upon issuance will have, identical rights and privileges. Please refer to section “Description of Securities” on page 51 of this Prospectus. The Common Shares may be owned by any person regardless of citizenship or nationality, subject to the limits prescribed by Philippine laws on foreign ownership in certain types of domestic companies. Because PHES owns land, the Philippine Constitution and related statutes limit foreign ownership to a maximum of 40.0% of its outstanding capital stock entitled to vote. Accordingly, PHES cannot allow the issuance or the transfer of shares to persons other than Philippine Nationals and cannot record transfers in the books of PHES if such issuance or transfer would result in PHES ceasing to be a Philippine National for purposes of complying with the restrictions on foreign ownership described above. See sections “Summary of the Rights Offer” starting on page 9 of this Prospectus and “Philippine Foreign Investment, Exchange Controls, and Foreign Ownership” on page 128 of this Prospectus.

The Company expects to raise gross proceeds of ₱1,445,549,830.00. The net proceeds from the Rights Offer, after deducting estimated applicable taxes, professional fees, and expenses related to the Rights Offer, are expected to be approximately ₱1,423,000,000.00. The net proceeds from the Rights Offer will be used for the acquisition of land properties for the Company’s pipeline of projects and the remaining balance to be used for general corporate purposes. Please refer to “Use of Proceeds” starting on page 38 of this Prospectus.

The Company is authorized to declare and distribute dividends to the extent that it has unrestricted retained earnings. Unrestricted retained earnings represent the undistributed profits of a corporation that have not been earmarked for any corporate purposes. A corporation may pay dividends in cash, by distribution of property, or by issuance of shares. Dividends declared in the form of cash or shares are subject to approval by the Board. In addition to Board approval, dividends declared in the form of shares are also subject to the approval of the Company’s shareholders representing at least two-thirds (2/3) of the outstanding capital stock. In case the stock dividends will be coming from an increase in authorized

capital stock, such declaration shall be subject to SEC approval. Holders of outstanding common shares as of a dividend record date will be entitled to full dividends declared without regard to any subsequent transfer of such shares. While there is no need for approval of the Securities and Exchange Commission (the "SEC") for distribution of any type of dividend, the SEC must be notified within five (5) days from its declaration since the Company is a publicly listed company subject to reporting under the Securities Regulation Code. On July 14, 2021, the Board approved the adoption of a new dividend policy effective 2021 of maintaining an annual cash and/or share dividend pay-out of up to ten percent (10%) of its net profit after tax from the preceding year, subject to: (i) the requirements of applicable laws and regulations, such as the availability of unrestricted retained earnings; (ii) the terms and conditions of its outstanding bonds and loan facilities, as the case maybe; and (iii) the absence of circumstances that may restrict the payment of such dividends, such as where the Company undertakes major projects and developments. The Company has not declared dividends in the past three (3) years.

The information contained in this Prospectus is publicly available and has been supplied by the Company solely for the purpose of the Rights Offer. Unless otherwise stated, the information contained in this Prospectus is as of November 15, 2021. All information contained in this Prospectus has been supplied by the Company, which accepts full responsibility for the accuracy and completeness of the information contained herein. The Company confirms that, after having made all reasonable inquiries, and to the best of its knowledge and belief, there are no other material facts, the omission of which would make any statement in this Prospectus misleading in any material respect. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstance, create any implication that the information contained herein is correct as of any time subsequent to the date hereof.

Abacus Capital & Investment Corporation, as the issue manager and underwriter ("Abacus Capital" or the "Issue Manager and Underwriter" or the "Underwriter"), represents and warrants that it has exercised the level of due diligence required under existing regulations in ascertaining that all material information appearing in this Prospectus are true and correct as of the date indicated herein. Abacus Capital also warrants and represents that, to the best of its knowledge, after exercising the appropriate due diligence review, there are no other material facts, the omission of which would make any statement in the Prospectus, as a whole, misleading. Except for failure to exercise the required due diligence review, Abacus Capital assumes no liability for any information supplied in this Prospectus. Abacus Capital has agreed not to receive any underwriting fees or any form of, direct or indirect, remuneration from the first and mandatory second rounds of the Offer and even upon subscription of The Wellex Group, Inc. ("Wellex" or the "Principal Shareholder") of the shares not taken up after the mandatory second round, the underwriting being a technical compliance undertaken pursuant to the requirements of the PSE. One of the Company's major beneficial shareholders, Wellex, which owns 10.6% of the total issued and outstanding shares of the Company, has committed to subscribe to its Entitlement Shares and to all unsubscribed Rights Shares remaining after the second round of the Rights Offer arising from the failure of other Eligible Shareholders to fully exercise their Entitlement Shares under the same terms and conditions as any other Eligible Shareholder to ensure that the Rights Shares under the Rights Offer are fully subscribed pursuant to the Irrevocable Letter of Undertaking to Subscribe for Unsubscribed Rights Shares of Philippine Estates Corporation executed on November 11, 2021 (the "Wellex Undertaking"). Nevertheless, Abacus Capital has a firm commitment to subscribe to all unsubscribed shares remaining after the second round of the Rights Offer, and after the implementation of the aforementioned major shareholders' commitment. The Company agrees to hold Abacus Capital, its shareholders, officers, employees, and authorized representatives free and harmless against any claims, liabilities, and judgments arising from or in connection with the obligation as an underwriter for the Rights Offer. In the event that the total ownership of Wellex and its affiliates exceed 50.0% of the issued and outstanding shares of PHES after the Rights Offer, Wellex has committed to conduct a mandatory tender offer pursuant to SRC Rule 19.2.5. Wellex committed to initiate the process of the mandatory tender offer if and as required under SRC Rule 19 within three (3) business days from the end of the Offer Period. In such case, Wellex plans to file the initial tender offer report to the SEC on December 20, 2021. Once the SEC clears the initial tender offer report, the tender offer period shall commence, and last for a period of 20 business days. The tender offer will conclude upon filing of the amended tender offer report containing the results of the tender offer not later than 10 business days from the end of the tender offer period.

The Issuer offers two (2) options for the payment of the SRO: (i) the Rights Shares may be paid for in full upon submission of the Application; and (ii) the Rights shares may be paid on installment basis, where the initial payment of 25.0% of the subscription amount is paid upon submission of the Application with the

balance to be paid on or before October 31, 2022. Fully-paid Rights Shares will be listed and available for trading on the expected listing date above, subject to compliance with applicable post-approval conditions. On the other hand, partially-paid Rights Shares will only be listed and be available for trading upon full payment thereof and compliance with the relevant post-approval requirements. In the event that the legal and regulatory thresholds for the conduct of a mandatory tender offer are met, the Company shall comply with the same and the shares subject of the transaction that triggered the mandatory tender offer may only be listed upon completion of the mandatory tender offer and compliance with other regulatory requirements.

Prospective investors to the Rights Shares must conduct their own evaluation of the Company and the terms and conditions of the Rights Offer, including the merits and risks involved. Please refer to “Risk Factors” starting on page 21 of this Prospectus. The readers of this Prospectus are further enjoined to consult their financial advisers, tax consultants, and other professional advisers with respect to the acquisition, holding, or disposal of the Rights Shares described herein. The Rights Offer is being made on the basis of this Prospectus only.

Market and certain industry data used throughout this Prospectus were obtained from internal surveys, market research, publicly available information, and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed. Similarly, internal surveys, industry forecasts, and market research, while believed to be reliable, have not been independently verified, and neither the Company nor Abacus Capital makes any representation as to the accuracy of such information.

This Prospectus includes forward-looking statements. The Company has based these forward-looking statements largely on its current expectations and projections about future events and financial trends affecting its business. Words including, but not limited to, “believes”, “may”, “will”, “estimates”, “continues”, “anticipates”, “intends”, “expects”, “forecasts”, and similar words are intended to identify forward-looking statements. In light of these risks and uncertainties associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances discussed in this Prospectus might not occur. The Company’s actual results could differ substantially from those anticipated in the Company’s forward-looking statements. One should read this Prospectus and the documents referenced in this Prospectus completely and with the understanding that actual future results may be materially different from what the Company expects. Forward-looking statements contained herein are qualified by these cautionary statements.

The Company’s Common Shares are listed on the PSE under the symbol “PHES”. On November 15, 2021, the closing price of PHES was ₱0.4750.

On July 27, 2021, the Company submitted an Application for Confirmation of Exempt Transaction with the SEC, pursuant to Sections 10.1(e) and 10.1(l) of the Securities Regulation Code (“SRC”). On October 13, 2021, a Confirmation of Exempt Transaction was issued by the SEC.

The Company filed its application for listing and trading of the Rights Shares with the PSE on August 04, 2021. The board of directors of the PSE approved the listing of the Rights Shares on November 10, 2021. The approval of the application will be made only upon compliance with the requirements for listing. The listing of the Rights Shares of the Company is subject to the approval of the PSE board of directors. Such approval for listing, however, is permissive only and does not constitute a recommendation or endorsement of the Rights Shares by the PSE. The PSE assumes no responsibility for the correctness of any of the statements, opinions, and reports made or expressed in this Prospectus. Furthermore, the PSE makes no representation as to the completeness of the Prospectus and disclaims any liability whatsoever for any loss arising from or in reliance in whole or in part on the contents of the Prospectus.

This Prospectus shall not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described herein, nor does it constitute an offer to sell or a solicitation of an offer to buy the shares described herein in any jurisdiction in which such offer or solicitation or sale is not authorized, or to any person to whom it is unlawful to make such offer, solicitation, or sale.

No dealer, salesperson, or other person has been authorized by the Company or Abacus Capital to issue any advertisement or to give information or make any representation not contained in this Prospectus, and if issued, given, or made, such advertisement must not be relied upon as having been authorized by the Company or by Abacus Capital.

This Prospectus has been authorized for circulation and distribution only in the Philippines. The distribution of this Prospectus and the offer of the Rights Shares may be restricted by law in certain jurisdictions. The Company and Abacus Capital require persons into whose possession this Prospectus comes to inform them of and observe all such restrictions. Prospective investors should also inform themselves on any taxation or legislation affecting them personally and should consult their professional advisers with respect to the acquisition or disposition of the Rights Shares.

For investor relation matters, investors may contact Richard L. Ricardo, the Company's Investor Relations Officer at telephone numbers 02-8637-3112 and via e-mail at r.ricardo@phes.com.ph.

THE OFFER OF THE RIGHTS SHARES IS EXEMPT PURSUANT TO SECTIONS 10.1(e) AND 10.1(l) OF THE SECURITIES REGULATION CODE OF THE PHILIPPINES (THE "CODE"). THE RIGHTS SHARES WILL NOT BE REGISTERED WITH THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION AND ANY FURTHER OFFER OR SALE THEREOF IS SUBJECT TO REGISTRATION REQUIREMENTS UNDER THE CODE UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION PURSUANT TO SECTION 10 OF THE CODE.

PHILIPPINE ESTATES CORPORATION

By:

ELVIRA A. TING
President

REPUBLIC OF THE PHILIPPINES)
_____) SS.

SUBSCRIBED AND SWORN to before me this _____ in _____ City, affiant exhibiting to me the following competent evidence:

Doc No. _____
Book No. _____
Page No. _____
Series of 2021.

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GLOSSARY OF TERMS

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

“Abacus Capital” or the “Issue Manager and Underwriter” or the “Underwriter”	Abacus Capital & Investment Corporation, the Company’s issue manager and underwriter
“Affiliate”	A corporation that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under the common control of, another corporation
“Applicant”	A person, whether natural or juridical, who seeks to subscribe to the Rights Shares
“Application to Subscribe and Purchase” or “Application”	An application to subscribe for Rights Shares pursuant to the Rights Offer
“BIR”	The Philippine Bureau of Internal Revenue
“Board”	The board of directors of the Company
“BOI”	Board of Investments, the lead investments promotion agency of the Philippines
“B.P. 220”	Batas Pambansa Blg. 220, a Philippine statute regulating the standards and technical requirements for economic and socialized housing projects in urban and rural areas
“BSP”	Bangko Sentral ng Pilipinas, the central bank of the Philippines
“Certificate of Registration”	A registration certificate issued by the HLURB to the applicant-owner or real estate dealer/developer of a subdivision or condominium upon filing therewith a sworn registration statement with the corresponding required documents, payment of the processing fees, and completion of the publication requirement.
“Common Shares” or “Shares”	The shares of common stock of the Company with a par value of ₱1.00 per share, including the Rights Shares
“CTS”	Contract to Sell – a contract generally entered into by the Company and its customers for the sale and purchase of a unit. Ownership is transferred upon full payment by the buyer of the full purchase price and execution of the Deed of Absolute Sale.
“DENR”	Department of Environment and Natural Resources
“Development Permit”	The final permit issued or granted to any developer already issued with preliminary approval and locational clearance which will allow him/her to proceed with the detailed and necessary development activities as reflected in the approved plans.
“DHSUD”	Department of Human Settlements and Urban Development, a reconstituted branch of the government assuming the functions of the former Housing and Urban Development Coordinating Council (HUDCC) and Housing and Land Use

	Regulatory Board (HLURB), except for adjudication, which has been delegated to the Human Settlements Adjudication Commission (HSAC) by virtue of Republic Act 11201
“Directors”	Directors of the Company
“DMD”	Diaz Murillo Dalupan and Company, the Company’s external auditor
“EBITDA”	Earnings before interest, provisions for income tax, depreciation, and amortization
“ECC”	Environmental Compliance Certificate
“Eligible Applicant”	Any person of legal age or duly organized and existing corporations, partnerships, or other corporate entities applying to subscribe to the Rights Shares
“Eligible Shareholders”	All registered shareholders of the Company as of Record Date that are entitled to subscribe to their Entitlement Shares
“Entitlement Shares”	The number of Rights Shares that an Eligible Shareholder shall be entitled to subscribe in the Rights Offer. It is the ratio of One (1) Rights Share for every One (1) existing Common Share held as of Record Date. See the “Summary of the Rights Offer” of this Prospectus
“Ex-Date”	Three (3) trading days prior to Record Date
“Floor area”	For the purposes of this Prospectus, in respect of a building, the usable area and common areas
“GDP”	Gross domestic product, or the monetary value of all the finished goods and services produced within a country’s borders, calculated on an annual basis
“Government”	The government of the Republic of the Philippines
“HLURB”	Housing and Land Use Regulatory Board
“HUDCC”	Housing and Urban Development Coordinating Council
“LGU”	Local government unit
“License to Sell”	Authority given to the owner or real estate dealer/developer to whom a registration certificate was issued prior to the sale of any subdivision unit/lot or condominium unit.
“Listing Date”	The date on which trading of the fully paid Rights Shares on the PSE begins, expected to be on or about December 24, 2021.
“MPO”	Minimum public ownership
“Maceda Law”	Republic Act No. 6552, a Philippine statute entitled “An Act to Provide Protection to Buyers of Real Estate on Installment Payment”

“Metro Manila” or the “National Capital Region” or “NCR”	The metropolitan area comprising of 16 cities, namely, Caloocan, Las Piñas, Makati, Malabon, Mandaluyong, Manila, Marikina, Muntinlupa, Navotas, Parañaque, Pasay, Pasig, Quezon City, San Juan, Taguig, and Valenzuela, and the municipality of Pateros.
“Revised Corporation Code” or the “Code”	Republic Act No. 11232 An Act Providing for the Revised Corporation Code of the Philippines
“Rights Offer” or “SRO”	The offer for subscription of the Rights Shares to Applicants, under the terms and conditions contained in the Prospectus and the Application
“OF”	OFWs and Filipino expatriates
“Offer Price”	₱1.00 per Rights Share
“Offer Period”	The period commencing at 9:00 a.m. on December 06, 2021 and ending at 12:00 noon on December 13, 2021, for the Eligible Shareholders and ending at 12:00 noon on December 15, 2021 for Principal Shareholder, unless extended by agreement between the Company, Abacus Capital, and the PSE, within which the Eligible Applicants and Principal Shareholder may subscribe to the Rights Shares
“OFW”	Overseas Filipino workers
“PCD”	Philippine Central Depository
“PCD Nominee”	PCD Nominee Corporation, a corporation wholly owned by the PDTC
“P.D. 957”	The Subdivision and Condominium Buyer’s Protective Decree regulating the sale of subdivision lots and condominiums, providing penalties for violations thereof
“PDS”	The Philippine Dealing System
“PDTC”	The Philippine Depository and Trust Corporation
“Pesos or ₱”	The lawful currency of the Philippines
“PFRS”	Philippine Financial Reporting Standards
“PHES, the Company, or the Issuer”	Philippine Estates Corporation, a corporation organized under the laws of the Philippines
“Philippines”	Republic of the Philippines
“Philippine National”	As defined under the Foreign Investments Act of 1991, means a citizen of the Philippines, or a domestic partnership or association wholly owned by citizens of the Philippines, or a corporation organized under the laws of the Philippines of which at least 60.0% of the capital stock outstanding and the entitlement to vote is owned and held by citizens of the Philippines, or a corporation organized abroad and registered to do business in the Philippines under the Revised Corporation Code, of which 100.0% of the capital stock outstanding and the entitlement to vote is wholly owned by

Filipinos or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine national and at least 60.0% of the fund will accrue to the benefit of Philippine nationals.

Pursuant to Philippine SEC Memorandum Circular No. 8, Series of 2013, which generally applies to all corporations engaged in identified areas of activities or enterprises specifically reserved wholly or partly, to Philippine nationals by the Philippine Constitution, the Foreign Investments Act of 1991 and other existing laws, amendments thereto, and implementing rules and regulations of the said laws, for purposes of determining compliance with the constitutional or statutory ownership requirement, the required percentage of Filipino ownership shall be applied to both: (i) the total number of outstanding shares of stock entitled to vote in the election of directors; and (ii) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors.

“Record Date”	Represents the date after 15 trading days from the date of the PSE approval of the Rights Offer listing application
“SEC”	The Philippine Securities and Exchange Commission
“PCEC”	Philippine Cocoa Estates Corporation
“PSE”	The Philippine Stock Exchange, Inc.
“PSE Main Board”	One of the two (2) boards of the PSE. Generally, to be listed on the PSE Main Board, a company must have a stockholders’ equity of at least ₱500.00 million in the fiscal year immediately preceding the filing of the listing application, among others.
“PSE Trading Participants”	Duly licensed securities brokers who are trading participants of the PSE.
“R.A”	Republic Act, which refers to a statute enacted by the Philippine Congress
“Rights Shares”	The 1,445,549,830 Common Shares of the Company that are the subject of the Rights Offer, which will be issued out of the increase in the Company’s authorized capital stock
“Receiving Agent”	BDO Unibank, Inc. – Trust and Investments Group, a banking corporation duly licensed and authorized to operate in the Philippines, with address at the 45/F BDO Corporate Center Ortigas, 12 ADB Avenue, Ortigas Center, Mandaluyong City.
“SCCP”	The Securities Clearing Corporation of the Philippines
“SEC”	The Philippine Securities and Exchange Commission

“SHDA”	Subdivision and Housing Developers Association, the largest industry organization of subdivision and housing developers in the Philippines with over 200 members.
“sq.m.”	Square meter(s)
“SRC”	Securities Regulation Code of the Philippines (Republic Act No. 8799) and its implementing rules, as amended.
“TCT”	Transfer Certificate of Title
“The Wellex Group, Inc.”, “Wellex”, or the “Principal Shareholder”	One of the Company’s major beneficial shareholders who has committed to subscribe to its Entitlement Shares and to all unsubscribed Rights Shares remaining after the second round of the Rights Offer pursuant to the Wellex Undertaking to ensure that the Rights Shares under the Rights Offer are fully subscribed.
“TRAIN”	Republic Act No. 10963, The Tax Reform for Acceleration and Inclusion, which was implemented in January 2018. It is aimed to address several weaknesses of the current tax system by lowering and simplifying income taxes, simplifying estate and donors taxes, expanding the value-added tax (“VAT”) base, adjusting oil and automobile excise taxes, and introducing excise tax on sugar sweetened beverages.
“Urban Development and Housing Act of 1992”	Republic Act No. 7279
“VAT”	Value-added tax
“VWAP”	Volume weighted average price
“Wellex Group”	The group of companies led by Mr. William T. Gatchalian, Chairman of the Principal Shareholder, comprising of multiple companies including PHES, with operations covering land banking, petrochemicals, real estate development, casino marketing, hotels & restaurants, logistics, oil exploration, and mining.
“Wellex Undertaking”	The Principal Shareholder’s commitment to subscribe to its Entitlement Shares and to all unsubscribed Rights Shares remaining after the second round of the Rights Offer under the same terms and conditions as any other Eligible Shareholder to ensure that the Rights Shares under the Rights Offer are fully subscribed pursuant to the Irrevocable Letter of Undertaking to Subscribe for Unsubscribed Rights Shares of Philippine Estates Corporation executed on November 11, 2021.

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SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information presented in this Prospectus, including the Company's audited financial statements and related notes included elsewhere in this Prospectus. Capitalized terms not defined in this summary are defined in the "Glossary of Terms," "Risk Factors," "Business" or elsewhere in this Prospectus.

Overview

Philippine Estates Corporation is a real estate development company that builds housing communities in different locations in the Philippines. The Company's current projects are geographically located in emerging and high growth cities in the country where residential needs are in high demand, primarily in Cebu, Iloilo, and Bulacan. The Company's main goal is to produce quality homes and to make its development as vibrant and sustainable as a community in the area that it is established.

The Company was incorporated on May 30, 1983 as Philippine Cocoa Estates Corporation ("PCEC") with the primary purpose of engaging in all phases of agriculture. In 1996, the Wellex Group acquired the Company and was renamed Philippine Estates Corporation. Prior to its acquisition, PCEC was already a listed firm on the PSE producing and supplying cocoa beans used as raw materials in factories. With continued weakening of prices of cocoa products in the world market, and with vast landholdings, the new management opted for a change in business focus from agriculture to real estate. In May 1996, the SEC approved the change in primary purpose from agriculture to the business of holding and developing real estate, and the change in corporate name to the present one. Since then, the Company has established a track record in construction and real estate development, developing a niche in the medium cost housing segment. PHES believes this strategy presents better growth opportunities for the Company by providing greater flexibility in terms of pricing.

The Company's real estate business is composed of horizontal mass housing developments and medium rise condominiums. As of September 30, 2021, the Company had completed seven (7) horizontal Mass Housing developments in Cebu and Iloilo, namely (i) Pacific Grand Villas Phase I, (ii) Pacific Grand Villas Phase II, (iii) Pacific Grand Villas Phase III, (iv) Chateaux Geneva, (v) Pacific Grand Villas Phase IV-A and IV-B, (vi) Pacific Grand Townhomes Phase I, and (vii) Costa Smeralda. The Company's ongoing projects include two (2) horizontal Mass Housing projects and a medium rise condominium, namely (i) Wellford Homes @ Jaro Grand Estates (Phase III)- Parcel A, (ii) Wellford Homes - Malolos, and (iii) Wellford Residences - Mactan, respectively. Prior to developing housing communities outside of the metro, its first two (2) developments are located in Metro Manila, namely, Pearl of the Orient Tower, a 42-storey mixed-use tower in Manila, and Metrotech Industrial Park Valenzuela (formerly Plastic City Industrial Park), a 30-hectare industrial park.

Moving forward, the Company is looking at expanding its footprint in Bulacan and Cavite as improvements in the country's infrastructure and congestion in Metro Manila have bolstered the residential diaspora to the peripheral provinces of the metro, with Bulacan bordering NCR in the north and Cavite in the south-west. The Company is also planning to further expand its existing projects in Cebu and Iloilo. The Company has eight (8) horizontal mass housing projects and a town center in the pipeline, namely (i) Wellford Homes Balagtas ("Balagtas"), (ii) Pacific Grand Villas Phase 5 ("PGV5"), (iii - iv) Wellford Homes Sta. Maria Phase 1 ("Sta. Maria Phase 1") and Phase 2 ("Sta. Maria Phase 2"), (v) Winfields Village Tanza ("Tanza"), (vi-viii) Wellford Homes at Jaro Grand Estates (Phase 3) Parcels B ("Jaro Parcel B"), C ("Jaro Parcel C"), and D ("Jaro Parcel D"), and (ix) Winfields Towncenter, respectively.

In 2020, the Company generated total revenues of ₱217.94 million and net income of ₱0.55 million. As of June 30, 2021, its assets amounted to ₱1,669.66 million to include real estate inventory worth ₱390.55 million with a total land bank of 414,606 square meters ("sq.m."). Meanwhile, its total debt and stockholders' equity were at ₱122.94 million and ₱1,087.25 million, respectively.

Competitive Strengths

The Company believes that the following are its key business strengths:

- Operating in Niche Markets with Steady and Loyal Customer Base
- Pocket-Sized and Manageable Developments
- Simple but Functional Architectural Designs
- Experienced Management Team
- Strong Relationships with Local Contractors
- Excellent Relationships with Local Real Estate Brokers
- Proven Track Record in Land Banking
- Presence in Emerging and High Growth Cities
- Healthy Relationships with Mortgage Financiers
- Strong Customer Service

Key Strategies

The Company's key strategies to stay competitive are as follows:

- Focus on Quality and Value-for-Money Housing Projects
- Capitalize on Locations that Show Economic Growth
- Careful Thought on Project Master Planning
- Reasonable Price of Housing Packages and Generous Marketing Packages to Seller Partners
- Minimal Inventory
- Strong Interpersonal Linkages
- Management of Construction Costs
- Build on Human Capital
- Invest in Property Management

Risks of Investing

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Rights Shares. These risks include:

Risks Relating to the Business

- Adverse Effects of the COVID-19 Global Pandemic
- Demand for the Company's Projects
- Loan Take-Ups of Financial Institutions Affect Liquidity and Financial Results
- Substantial Sales Cancellations
- Housing and Land Development Sector-Specific Risks
- Unavailability and Incompetence of Independent Contractors
- Liability Due to Construction Defects and other Building-Related Claims
- Delay in Completion and/or Substandard Construction of Projects
- Insufficient Capital to Acquire New Land and/or Complete Existing Projects
- Third Parties Claiming Ownership over the Company's Land
- Competition in Land Acquisition and Risks Relating to Land Bank Management
- Contracts with Suppliers and/or Customers
- Deterioration of the Company's Employee Relations
- Highly Regulated Environment
- Environmental Laws
- Financing
- Failure to Manage Growth and/or Expansion Strategies
- Related Party Transactions with Affiliated Companies
- Dependence on Key Officers and Staff

Risks Relating to the Philippines

- General Economic Conditions of the Philippines
- Territorial and other Disputes with China and a Number of Southeast Asian Countries
- Value of the Peso against the U.S. Dollar and other Currencies
- Corporate Governance and Disclosure Standards in the Philippines
- Sovereign Credit Ratings of the Philippines

Risks relating to the Rights Offer and the Rights Shares

- Payment, Trading, and Listing of the Rights Shares on the PSE
- Foreign Ownership Limitations
- Rights Shares as an Investment
- Dividends on the Common Shares
- Foreign Currency Equivalent of the Peso Price of the Common Shares on the PSE
- Dilution and Possibility Mandatory Tender Offer
- Market Price of the Shares
- Liquidity of the Common Shares
- Future sales of Shares to the Public
- Minority Shareholder Rights
- Developments in other Markets

Risks Relating to the Presentation of Information in the Prospectus

- Presentation of Financial Information in this Prospectus
- Certain Information derived from Unofficial Publications

Please refer to the section entitled “Risk Factors” which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Rights Shares.

Company Information

PHES is a Philippine corporation with its principal address at 35th Floor One Corporate Centre, Julia Vargas Avenue corner Meralco Avenue, Ortigas Center, Pasig City, Metro Manila Philippines. PHES’ telephone number is (+632) 8637-3112. Its corporate website is www.phes.com.ph. The information on the website is not incorporated by reference into and does not form part of this Prospectus.

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SUMMARY OF THE OFFER

The following does not purport to be a complete listing of all the rights, obligations, and privileges attaching to or arising from the Rights Shares. Some rights, obligations, or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective investors are enjoined to perform their own independent investigation and analysis of PHES and the Rights Shares. Each prospective investor must rely on its own appraisal of PHES and the Rights Shares and its own independent verification of the information contained herein and any other investigation it may deem appropriate for the purpose of determining whether to invest in the Shares and must not rely solely on any statement or the significance, adequacy, or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective investor's independent evaluation and analysis.

Issuer	Philippines Estates Corporation, formerly known as Philippine Cocoa Estates Corporation (“PHES” or the “Company”)
Rights Shares	<p>1,445,594,830 Common Shares of the Company with a par value of ₱1.00 per share. All the Rights Shares will be issued from the Company's unissued authorized capital stock.</p> <p>After the issuance of 1,445,594,830 common shares subject of this Rights Offer, a total of 2,891,189,660 common shares shall be issued and outstanding. The Rights Shares will represent 50.0% of the issued and outstanding Common Shares of the Company after the Rights Offer.</p> <p>The Rights Shares will be issued out of the Company's unissued authorized capital stock. The Company's Articles of Incorporation, as amended, provides that all issuances of shares are not subject to preemptive rights of the shareholders, and may be issued in such quantities, at such time, and under such terms as the Board shall determine. The Rights Shares shall rank equally in all respects with existing Common Shares, including the right to receive all dividends, or distributions made, paid or declared after a valid subscription agreement is perfected between the Company and a buyer as evidenced by the written acceptance by the Company of the application to subscribe and purchase (the “Application to Subscribe and Purchase” or the “Application”) of the buyer and other conditions, including listing of the Rights Shares on the PSE.</p>
The Rights Offer	The Company is offering 1,445,549,830 Common Shares at ₱1.00 per Rights Share for subscription to Eligible Shareholders in proportion to their percentage of shares being held as of Record Date.
Principal Shareholder Undertaking to Subscribe	The Principal Shareholder, The Wellex Group, Inc., which holds or owns 10.6% of the total outstanding Common Shares of the Company as of September 30, 2021, has, pursuant to the Wellex Undertaking has agreed to subscribe to its Entitlement Shares in the initial round of the Rights Offer and to subscribe to the Additional Rights Shares in the mandatory second round of the Rights Offer under the same terms and conditions as any other Eligible Shareholder. The Principal Shareholder's subscriptions in the Rights Offer shall have no preference over the subscriptions of any other Eligible Shareholders. In addition, the Principal Shareholder will also subscribe to any remaining Entitlement Shares unsubscribed in the mandatory second round of the Rights Offer, to ensure that the Rights Shares under the Rights Offer are fully subscribed.

Offer Price	The Rights Shares are being offered to all Eligible Shareholders at the Offer Price of ₱1.00 per Share. The Offer Price represents a 92.2% premium to the 60-day volume weighted average price (“VWAP”) of the Company’s Common Shares as of November 10, 2021, the date of the PSE board approval of the Rights Offer.
Offer Period	<p>The Rights Offer Period shall commence on December 06, 2021 at 9:00 a.m. (Manila time) and end on December 13, 2021 at 12:00 noon (Manila time) for the Eligible Shareholders and on December 15, 2021 at 12:00 noon (Manila time) for the Principal Shareholder. PHES and Abacus Capital reserve the right to extend or terminate the Rights Offer Period with the approval of the PSE.</p> <p>If for any reason, any day of the Rights Offer Period is a non-trading day, the Rights Offer Period shall automatically be extended to the next succeeding trading day/s such that there will always be seven (7) trading days comprising the Rights Offer Period, where the Offer to the Eligible Shareholders shall be for a minimum of five (5) trading days, while the last two (2) days of said Offer shall be dedicated for the sweep of the residual Rights Shares after the second round of the Offer by Principal Shareholder, unless sooner terminated or extended as may be agreed by the Company and the Underwriter.</p>
Minimum Subscription	Each Application must be for a minimum of one (1) Rights Share.
Use of Proceeds	<p>The gross proceeds from the Rights Offer are expected to be ₱1,445,549,830.00. The net proceeds from the Rights Offer, after deducting taxes and PSE fees, are expected to amount to ₱1,423,000,000.00.</p> <p>The net proceeds from the Rights Offer are intended for the acquisition of land properties for the Company’s pipeline of projects and the remaining balance to be used for general corporate purposes.</p>
Eligible Shareholders	The Rights Shares are being offered to eligible existing holders of record of Common Shares as of Record Date. The Common Shares may be held by any person or entity, subject to the right of the Company to reject an Application or reduce the number of Rights Shares applied for subscription or purchase if the same will cause the Company to be in breach of the Philippine ownership requirement under relevant Philippine laws.
Rights Entitlement	<p>Each Eligible Shareholder is entitled to subscribe to One (1) Rights Share for every One (1) Common Share held as of Record Date (the “Entitlement Shares”).</p> <p>The Entitlement Shares are being offered to eligible holders of Common Shares as of Record Date, consisting of: (i) holders located inside the Philippines; or (ii) holders located in jurisdictions outside the Philippines and outside the United States where it is legal to participate in the Rights Offer under the laws of the applicable jurisdiction, in each case as of Record Date. In this regard, holders of Common Shares as of Record Date who are residing in the United States are not eligible to participate in the Offer. Each Foreign shareholder is urged to consult his/her/its independent professional adviser regarding the consequences of participating in the Rights Offer and to determine eligibility to subscribe to the Entitlement Shares.</p>

	<p>The offer process in relation to the Entitlement Shares shall also be known as the first round of the Rights Offer.</p>
<p>Additional Subscription</p>	<p>If an Eligible Shareholder (the “Applicant”) fully subscribes to his Entitlement Shares and subject to the availability of unsubscribed Rights Shares arising from the failure of other Eligible Shareholders to fully exercise their Entitlement Shares, the Applicant may simultaneously apply for an additional subscription of unsubscribed Rights Shares (“Additional Rights Shares”).</p> <p>If the aggregate number of Additional Rights Shares available for subscription equals or exceeds the aggregate number of Additional Rights Shares so subscribed for by all Applicants, an Applicant shall be allocated the number of Additional Rights Shares indicated in his Application.</p> <p>If the aggregate number of Additional Rights Shares available for subscription is less than the aggregate number of Additional Rights Shares so subscribed for by all Applicants, the available Additional Rights Shares shall be allocated among all Applicants who have applied to subscribe for such Additional Rights Shares. Such allocation will be made at the discretion of the Company primarily based on each Applicant’s original shareholdings in the Company as of Record Date relative to the original shareholding of all other applicants for Additional Rights Shares as of such Record Date, provided that no Applicant for Additional Rights Shares shall be allocated Additional Rights Shares that are more than the number for which such Applicant has applied.</p> <p>There can be no guarantee made as to the number of Additional Rights Shares an Applicant may be allocated. A subscription for Additional Rights Shares is irrevocable on the part of the Applicant and may not be cancelled or modified by such Applicant.</p> <p>The offer process in relation to the Additional Rights Shares shall be known as the Second Round of the Rights Offer.</p>
<p>Procedure for Application</p>	<p>All Applications shall be evidenced by the Application, duly executed by the Applicant or an authorized signatory of the Applicant and the corresponding proof of payment for the Rights Shares, including both Entitlement Shares and Additional Rights Shares, covered by the Application and all other required documents. The duly executed Application and required documents should be submitted not later than 11:00 a.m. on December 13, 2021 to the Receiving Agent.</p> <p>If the Applicant is an eligible individual shareholder, the Applicant must submit:</p> <ul style="list-style-type: none"> • A duly accomplished Application, manually signed by the Applicant and duly authenticated by wet signature or manually signed by the authorized signatories of the nominated DP of the Applicant; • Two (2) duly executed signature cards of the Applicant likewise duly authenticated by wet signature or manually signed by the authorized signatories of the nominated DP of the Applicant; and • A photocopy of one (1) valid government-issued ID: UMID, SSS, GSIS, Driver’s License, Passport, Professional Regulation Commission ID, or National ID likewise duly authenticated by wet signature or manually signed by the authorized signatories of the nominated DP of the Applicant; and • Proof of payment for the subscription of the Rights Shares .

	<p>If the Applicant is a corporation, partnership, or trust account, the Applicant must submit:</p> <ul style="list-style-type: none"> • A duly accomplished Application manually signed by the authorized signatories of the Applicant; • Two (2) duly executed signature cards, each bearing the specimen signatures of the Applicant’s designated signatories, duly authenticated by the Applicant’s corporate secretary or equivalent corporate officer (managing partner in the case of a partnership); • Photocopy of one (1) valid government-issued ID of each of the authorized signatories, duly authenticated and certified by the Applicant’s corporate secretary, which may be any one of the following: UMID, SSS, GSIS, Driver’s License, Passport, Professional Regulation Commission ID, or National ID; • A certified true copy of the Articles of Incorporation and By-Laws of the Applicant, or the equivalent charter documents applicable for such institutional Applicant, each as amended to date, duly certified by its corporate secretary or its equivalent; • A certified true copy of the Certificate of Registration of the Applicant, issued by the relevant regulating authority in the jurisdiction where the Applicant is a resident, duly certified by its corporate secretary; • A duly notarized certificate of the Applicant’s Corporate Secretary that sets out: (i) the resolutions of the Applicant’s board of directors or equivalent body authorizing the subscription/purchase of the Rights Shares subject of the Application and identifying the designated signatory(ies) for the purpose; and (ii) the specimen signature(s) of such designated signatory(ies); and (iii) certifying to the percentage of the Applicant’s capital or capital stock held by Philippine nationals; and • Proof of payment for the subscription of the Rights Shares. <p>If the Applicant is not located in the Philippines (individual shareholder or corporation, partnership, or trust account), by accomplishing the Application, the Applicant represents and warrants that the Applicant is not a resident in the United States and the Applicant’s purchase of the Entitlement Shares will not violate the laws of their resident jurisdiction.</p> <p>Applications must be received by BDO Unibank, Inc. – Trust and Investments Group, (the “Receiving Agent”) at their offices at 45/F BDO Corporate Center Ortigas, 12 ADB Avenue, Ortigas Center, Mandaluyong City not later than 11:00 a.m. on December 13, 2021. Applications received thereafter or without the required documents will be rejected.</p> <p>Applications shall be considered irrevocable upon submission to the Receiving Agent and shall be subject to the terms and conditions of the Rights Offer as stated in this Prospectus and in the Application. The actual subscription and/or purchase of the Rights Shares shall become effective only upon the actual listing of the Rights Shares on the PSE.</p>
Payment Terms	<p>The Issuer offers two (2) options for the payment of the SRO: (i) the Rights Shares may be paid for in full upon submission of the Application; and (ii) the Rights shares may be paid on installment basis, where the initial payment of 25.0% of the subscription amount is paid upon submission of the Application with the balance to be paid on or before October 31, 2022.</p> <p>Eligible Shareholders opting for the full payment of their subscriptions must pay in Philippine Pesos, covering both the availed Entitlement</p>

	<p>Shares and Additional Rights Shares upon submission of the Application to the Receiving Agent. On the other hand, Eligible Shareholders opting for the installment option must pay 25.0% of the total amount covering the Entitlement Shares and Additional Rights Shares upon submission of the Application. The remaining 75.0% of the total payable amount shall be paid directly to the Company, on or before October 31, 2022. Failure of the shareholders to pay the remaining 75.0% of the total payable amount on or before October 31, 2022 shall render the entire balance due and payable, the full payment of which is required within 30 days thereafter, or until November 30, 2022. Otherwise, all stocks covered by the subscription shall become delinquent and shall be subject to sale or auction in accordance with Section 66 of the Revised Corporation Code.</p> <p>Payment from Applicants must be in Philippine Pesos by means of over-the-counter deposit through BDO's branches. Payments made through over-the-counter bills payment can be in the form of cash or personal, corporate, Cashier's, or Manager's check. All checks should be made payable to "BDO-TIG AS RECEIVING AGENT 001" crossed "Payee's Account Only" and dated as of the date of payment. Only checks with clearing periods of no more than one (1) banking day shall be accepted. Check payments for regional clearing will not be accepted.</p> <p>All bank charges, remittance fees, and all relative charges and fees shall be for the account of the Eligible Shareholder. The full or 25.0% payment for the total subscription price, as the case may be, must be received by the Company without any excess or any deduction through the Receiving Agent.</p> <p>It should be noted that only fully paid Right Shares will be listed on the Listing Date and partially paid Rights Shares may only be listed when the same have been fully paid. This shall be in accordance with the procedure relating to trading of rights shares. In this regard, the Issuer is required to submit a monthly report every fifth (5th) trading day of the current month on the number of outstanding partially paid shares based on the previous month-end balances until all the Rights Shares are fully paid.</p> <p>The said report shall contain the following information:</p> <ul style="list-style-type: none"> • The total number of outstanding shares; • The total number of fully paid Rights Shares and its percentage to the total outstanding shares; • The total number of partially paid Rights Shares and its percentage to the total outstanding shares; • The total number of Rights Shares paid in accordance with the schedule; and • The total number of shares that have not been paid in accordance with the schedule.
<p>Acceptance/Rejection of Applications</p>	<p>The Company has full discretion to accept and reject all or a portion of any Application under the terms and conditions of the Rights Offer. The actual number of Rights Shares to which any Applicant may be entitled to is subject to the confirmation of the Company. Applications where checks are dishonored upon first presentment, payment does not match the amount of payment due as indicated on the Application (due to overpayment or underpayment), and/or Applications, together with the other required documents, that do not comply with the terms of the Rights Offer shall be rejected. Moreover, payments received upon submission of an Application do not constitute approval or acceptance by the Company of the Application.</p>

	<p>An Application, when accepted, shall constitute an agreement between the Applicant and the Company for the subscription to the Rights Shares at the time, in the manner, and subject to the terms and conditions set forth in the Application and those described in this Prospectus. Notwithstanding the acceptance of any Application by the Company, the actual subscription and/or purchase of an Applicant of the Rights Shares will become effective only upon listing of the Rights Shares on the PSE. If such condition is not fulfilled on or before the periods provided in the Application and those described in this Prospectus, all application payments will be returned to the Applicants without interest.</p>
Refunds	<p>In the event that the number of Rights Shares to be received by an Applicant is less than the number covered by its Application, or if an Application is wholly or partially rejected by the Company, then the Company shall refund, without interest, via check payment to the relevant Applicant, beginning on the eighth (8th) Banking Day from the end of the Rights Offer Period, all or a portion of the payment corresponding to the number of Rights Shares wholly or partially rejected. Such refund check shall be made available for pickup at the offices of the Receiving Agent. Refund checks that remain unclaimed after 30 days from the date such checks are made available for pickup shall be mailed at the Applicant's risk to the address indicated in the Application.</p>
Receiving Agent	BDO Unibank, Inc. – Trust and Investments Group
Stock Transfer Agent	BDO Unibank, Inc. – Trust and Investments Group
Documentary Stamp Tax	All documentary stamp taxes applicable to the original issuance of the Rights Shares shall be for the sole account of the Company.
Registration and Lodgment of the Rights Shares with the PDTC	<p>The Rights Shares are required to be lodged with the Philippine Depository and Trust Corporation (the "PDTC"). Applicants must provide the required information in the Application to effect the lodgment. Applicants may request their shares to be issued in certificated form and to receive stock certificates evidencing their investment in the Rights Shares through their respective brokers after full payment, lodgment, and listing of the Rights Shares, and in accordance with the existing upliftment procedures. Any expense incurred in connection with such issuance of certificates shall be for the account of the Applicant.</p> <p>For Eligible Shareholders who opted for the installment payment scheme, after their full payment of the balance, the Company shall submit a letter of instruction to the Stock Transfer Agent to lodge such shares to the PDTC reflecting the monthly submitted report to the PSE by the Company every fifth (5th) trading day of the subsequent month.</p>
Registration of Foreign Investments	<p>The BSP requires that investments in Philippine securities listed on the PSE funded by inward remittance of foreign currency be converted to Philippine Pesos and registered with the BSP if the foreign exchange needed to service capital repatriation or dividend remittance is to be sourced from the domestic banking system. The registration with the BSP of all foreign investments in the Rights Shares shall be the responsibility of the foreign investor and all costs therefore borne by such foreign investor.</p>
Restriction on Ownership	<p>The Philippine Constitution and related statutes set forth restrictions on foreign ownership of companies engaged in certain activities. Because</p>

	<p>PHES owns land, the Philippine Constitution and related statutes limit foreign ownership to a maximum of 40.0% of its outstanding capital stock entitled to vote. Accordingly, PHES cannot allow the issuance or the transfer of shares to persons other than Philippine Nationals and cannot record transfers in the books of PHES if such issuance or transfer would result in PHES ceasing to be a Philippine National for purposes of complying with the restrictions on foreign ownership described above.</p>
<p>Listing and Trading</p>	<p>The Company's application for the listing of the Rights Shares is indicatively scheduled to be approved by the PSE on November 10, 2021. All the fully paid Rights Shares are expected to be listed on the PSE on December 24, 2021. Trading is expected to commence on the same date that the relevant Rights Shares are listed on the PSE.</p> <p>The listing and trading of the partially paid shares will be deferred until the shares are fully paid and processed for listing by the Exchange.</p> <p>In the event that the total ownership of Wellex and its affiliates exceed 50.0% of the issued and outstanding shares of PHES after the Rights Offer, the listing and trading of the fully paid Rights Shares may be delayed until Wellex completes the mandatory tender offer pursuant to SRC Rule 19.2.5. Wellex committed to initiate the process of the mandatory tender offer if and as required under SRC Rule 19 within three (3) business days from the end of the Offer Period. In such case, Wellex plans to file the initial tender offer report to the SEC on December 20, 2021. Once the SEC clears the initial tender offer report, the tender offer period shall commence, and last for a period of 20 business days. The tender offer will conclude upon filing of the amended tender offer report containing the results of the tender offer not later than 10 business days from the end of the tender offer period.</p> <p>Fully-paid Rights Shares will be listed and available for trading on the expected listing date above, subject to compliance with applicable post-approval conditions. On the other hand, partially-paid Rights Shares will only be listed and be available for trading upon full payment thereof and compliance with the relevant post-approval requirements. In the event that the legal and regulatory thresholds for the conduct of a mandatory tender offer are met, the Company shall comply with the same and the shares subject of the transaction that triggered the mandatory tender offer may only be listed upon completion of the mandatory tender offer and compliance with other regulatory requirements.</p>
<p>Timetable</p>	<p>The timetable of the Rights Offer is scheduled as follows:</p> <p>PSE Board Approval November 10, 2021 Ex-Date November 26, 2021 Record Date December 02, 2021 Offer Period Start..... December 06, 2021 Offer Period End – Eligible Shareholders..... December 13, 2021 Offer Period End – Principal Shareholder..... December 15, 2021 Listing Date..... December 24, 2021</p> <p>The dates listed above are subject to market and other conditions and may be changed at the discretion of the Company and Abacus Capital, subject to the approval of the PSE.</p>

Underwriter's Firm Commitment to Purchase	Abacus Capital, in accordance with the Underwriting Agreement, shall purchase or procure subscribers to purchase the unsubscribed Rights Shares after the mandatory Second Round of the Rights Offer and after the implementation of the commitment by The Wellex Group, Inc. to subscribe to the unsubscribed Rights Shares, to ensure that the Rights Shares covered by the Rights Offer are fully subscribed.
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SUMMARY OF FINANCIAL AND OPERATING INFORMATION

Prospective purchasers of the Rights Shares should read the summary financial data below in conjunction with the independent auditors' report and together with the financial statements, including the notes thereto, included in this Prospectus and "Management's Discussion and Analysis of Results of Operations and Financial Condition." The summary financial data as of and for the three (3) years ended December 31, 2018, 2019, and 2020 and six (6) months ended June 30, 2020 and 2021 are derived from the audited and unaudited financial statements of PHES, respectively, including the notes thereto, which are found as Annex "A" of this Prospectus.

The summary financial and operation information of PHES presented below as of and for the years ended December 31, 2018, 2019 and 2020 were derived from the consolidated financial statements of PHES, audited by Diaz Murillo Dalupan and Company ("DMD") and prepared in compliance with the Philippine Financial Reporting Standards ("PFRS"). The information below should be read in conjunction with the consolidated financial statements of PHES and the related notes thereto, which are included in Annex "A" of this Prospectus. The historical financial condition, results of operations and cash flows of PHES are not a guarantee of its future operating and financial performance.

	For the years ended December 31			For the Six (6)-month period ended June 30	
	(Audited)			(Unaudited)	
<i>In ₱millions (except for per share)</i>	2018	2019	2020	2020	2021
Real estate sales	₱306.91	₱212.60	₱217.94	₱45.90	₱103.33
Cost of Real Estate Sold	(130.62)	(96.06)	(90.08)	16.47	50.17
Gross Profit	176.29	116.54	127.86	29.44	53.16
Deferred Gross Profit	(79.62)	(68.03)	(90.05)	9.91	29.37
Realized Gross Profit during the year	96.67	48.51	37.81	19.52	23.79
Realized Gross Profit from previous years sales	28.91	59.63	36.84	4.45	14.47
Total Realized Gross Profit	125.58	108.14	74.66	23.97	38.26
Other Income	27.42	7.58	10.15	1.83	3.71
Operating Expenses	(105.65)	(90.99)	(61.79)	20.77	32.42
Finance Costs	(13.52)	(14.47)	(16.10)	(5.41)	(7.47)
Income Before Tax	33.83	10.27	6.92	(0.37)	2.08
Income Tax Expense	16.59	11.24	6.37	-	0.77
Net Income for the Year	₱17.24	₱0.97	₱0.55	₱(0.37)	₱1.31
Remeasurement gain (loss) on retirement benefit obligation	(0.27)	(1.45)	0.12	-	-
Total Comprehensive Income	16.97	(2.42)	0.67	(0.37)	1.31
Earnings per Share	₱0.0119	₱(0.0007)	₱0.0004	₱(0.0003)	₱0.0009

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Table 2: Statements of Financial Position				
	As of December 31			As of June 30
	(Audited)			(Unaudited)
	2018	2019	2020	2021
ASSETS				
Current Assets				
Cash	₱18.54	₱13.00	₱16.84	₱16.31
Trade and other receivables - net	557.68	509.00	539.85	561.05
Real estate inventory	652.32	398.22	390.73	390.55
Advances to related parties	-	-	276.40	275.57
Prepayments and other current	25.83	17.20	12.65	12.84
Total Current Assets	1,254.37	937.42	1,236.47	1,256.32
Advances to related parties	269.94	552.59	269.15	269.15
Trade and other receivables	30.97	41.75	40.69	40.82
Property and equipment	42.95	41.58	40.40	38.87
Financial asset at FVOCI	12.50	12.50	50.00	50.00
Investment property	1.07	1.07	1.07	1.07
Deferred tax assets	3.78	4.40	5.50	5.50
Other non-current assets	7.14	7.13	7.92	7.92
Total non-current asset	368.36	661.02	414.75	413.34
TOTAL ASSETS	₱1,622.72	₱1,598.44	₱1,651.22	₱1,669.66
Current Liabilities				
Accounts payable and other liabilities	73.38	87.45	89.68	101.35
Deferred gross profit	142.20	138.57	145.00	145.05
Borrowings - current	85.55	65.77	96.03	101.01
Lease liabilities - current	-	0.69	0.98	0.98
Customers' deposits	5.76	2.90	4.83	6.11
Total Current Liabilities	306.89	295.39	336.52	354.50
Non-current liabilities				
Advances from related parties	102.47	104.02	104.02	104.02
Borrowings	27.65	19.96	21.94	21.94
Lease liabilities	-	1.21	2.41	2.41
Retention payable and refundable bonds	24.44	23.66	26.15	25.99
Deferred tax liabilities	65.70	58.90	62.21	62.21
Retirement benefits obligation	7.79	10.03	12.03	11.33
Total Non-current Liabilities	228.05	217.78	228.76	227.90
TOTAL LIABILITIES	₱534.93	₱513.17	₱565.28	₱582.41
Equity				
Capital Stock	1,445.55	1,445.55	1,445.55	1,445.55
Remeasurement gain on retirement benefits	3.37	1.92	2.04	2.04
Retained Earnings	(361.13)	(362.19)	(361.65)	(360.34)
Total Equity	₱1,087.79	₱1,085.28	₱1,085.94	₱1,087.25
TOTAL LIABILITIES AND EQUITY	₱1,622.72	₱1,598.44	₱1,651.22	₱1,669.66

Table 3: Statements of Cash Flow					
	As of the years ended December 31, (Audited)			For the six (6)-month period ended June 30 (Unaudited)	
	2018	2019	2020	2020	2021
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income/loss before tax	₱33.83	₱10.27	₱6.92	₱(0.37)	₱1.31
Adjustment for:					
Loss on cancelled contracts	27.91	17.40	4.96	-	-
Finance costs	13.52	14.47	16.10	-	-
Depreciation	3.17	4.35	4.28	0.54	1.62
Retirement benefits expense	1.39	1.67	2.18	-	-
Interest income	(8.65)	(7.69)	(13.17)	-	-
Provision for (reversal of) expected credit losses	(14.14)	3.48	4.68	-	-
Operating income/loss before working capital changes	57.03	43.96	25.94	0.17	2.93
(Increase)/decrease in in trade and other receivables	(94.70)	18.15	(37.15)	9.48	(21.32)
Increase/decrease in Inventory	1.50	24.17	7.48	4.08	6.20
Increase/decrease in Prepayments and other current assets	2.04	8.49	4.55	1.15	(0.19)
Increase/decrease in Accounts payable and other liabilities	7.55	14.22	2.23	28.65	12.10
Increase/decrease in Customers' deposit	(1.55)	2.86	1.93	-	-
Increase/decrease in Deferred gross profit	35.28	3.62	6.42	(0.94)	(0.05)
Increase/decrease in Retention payable and refundable bonds	0.80	0.79	2.49	-	-
Cash generated from (used in) operations	7.95	53.38	13.89	42.59	(0.23)
Contributions to retirement fund		(1.50)	-	-	-
Interest received	2.16	2.12	2.30	-	-
Income tax paid	(3.22)	(18.04)	(4.22)	-	-
Net cash provided by (used in) operating activities	6.89	35.96	11.97	42.59	(0.23)
CASH FLOWS FROM INVESTING ACTIVITIES					
Net (acquisition) disposal of:					
Additions to raw land inventory	-	-	-	-	(6.44)
Additions to real estate held for sale	-	-	-	-	0.42
Collection of advances to related parties	67.85	0.66	37.88	-	-
Additional advances to related parties	(0.57)	(0.61)	(22.25)	-	-
Additions to property and equipment	(3.54)	(0.27)	(0.31)	(16.31)	(0.09)
Acquisition of financial asset at FVOCI	(0.49)	0.02	(1.15)	-	-
Utilization of (additions to) other non-current assets -	-	-	(37.50)	-	-
Net cash provided by (used in) investing activities	63.25	(0.20)	(23.34)	(16.31)	(6.10)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings	78.99	81.89	91.77	-	47.69
Payment of lease liabilities	-	(1.16)	(1.17)	-	-
Payment of finance costs	(13.52)	(14.21)	15.87	-	-
Payment of borrowings	77.09	(109.36)	(59.54)	-	(42.72)
Additional advances from related parties	4.99	16.56	-	(0.00)	0.83
Settlement of advances from related parties	(58.36)	(15.01)	-	-	-
Net cash provided by (used in) financing activities	(64.99)	(41.29)	15.20	(0.00)	5.81

	As of the years ended December 31, (Audited)			For the six (6)-month period ended June 30 (Unaudited)	
	2018	2019	2020	2020	2021
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5.15	(5.53)	3.83	26.28	(0.52)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	13.39	18.54	13.00	13.00	16.84
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	₱18.54	₱13.00	₱16.84	₱39.29	₱16.31

Key Financial Ratios	As of and for the year ended December 31			As of and for the Six (6)- Month Period ended June 30
	2018	2019	2020	2021
Current Ratio ⁽¹⁾	4.1x	3.2x	3.7x	3.5x
Debt to Equity ⁽²⁾	0.1x	0.1x	0.1x	0.1x
EBITDA ⁽³⁾	₱50.01	₱33.61	₱14.91	₱6.16
EBITDA Margin ⁽⁴⁾	16.3%	15.8%	6.8%	13.4%
Net Income Margin ⁽⁵⁾	5.6%	-0.5%	0.3%	1.3%
Return on Equity ⁽⁶⁾	1.6%	-0.1%	0.1%	0.2%
Asset to Equity ⁽⁷⁾	1.5x	1.5x	1.5x	1.5x

Notes:

- (1) Current ratio is derived by dividing current assets by current liabilities at the end of a given period. Current ratio measures the Company's ability to pay short-term obligations.
- (2) Debt to equity ratio is derived by dividing total loans and borrowings by total equity. Debt to equity measures the degree of financial leverage.
- (3) EBITDA is computed as net income, excluding other income before interest expenses, provision for income taxes, depreciation, and amortization. The table below sets forth further information with respect to the computation of EBITDA for the years ended December 31, 2020, 2019, and 2018, and the six (6)-month period ended June 30.

	For the Years Ended December 31			For the Six (6)- Month Period Ended June 30
	2018	2019	2020	2021
Net income	17.24	(0.97)	0.55	0.95
Add:				-
Tax expense income	16.59	11.24	6.37	0.65
Finance costs	13.52	14.47	16.10	3.47
Depreciation	3.17	4.35	4.28	0.81
Loss on cancelled contracts	27.91	17.40	4.96	1.62
Retirement benefits expense	1.39	1.67	2.18	-
Provision for (reversal of) expected credit losses	(1.19)	(3.48)	(4.68)	-
Less:				-
Interest income	(28.61)	(11.07)	(14.83)	(1.35)
EBITDA	50.01	33.61	14.91	6.16

- (4) EBITDA margin is derived as EBITDA divided by revenues.
- (5) Net income margin is derived by dividing net income and revenues.
- (6) Return on equity is derived by dividing net income by average Equity. Return on equity measures how profitable the Company is at generating profit from each unit of shareholder equity.
- (7) Asset to equity ratio is derived by dividing total assets by Equity. Asset to equity ratio measures the Company's financial leverage and long-term solvency.

RISK FACTORS

An investment in the Rights Shares involves several risks. The price of securities can and does fluctuate, and any individual security is likely to experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred as a result of buying and selling securities. The Company's past performance is not a guide to the Company's future performance. There may be a large difference between the buying price and the selling price of the Rights Shares.

Investors should carefully consider all the information contained in this Prospectus, including the risk factors described below, before deciding to invest in the Rights Shares. The occurrence of any of the following events, or other events not currently anticipated, may have an adverse effect on the Company's business, financial condition, results of operations, and cause the market price of the Rights Shares to decline. All or part of an investment in the Rights Shares may be lost.

The means by which the Company intends to address the risk factors discussed herein are principally presented in this section and under the sections "Business," "Management's Discussion and Analysis" and "Management."

The risk factors discussion does not purport to disclose all the risks and other significant aspects of investing in the Rights Shares. Investors should undertake independent research and study the trading of securities before commencing any trading activity. Investors may request publicly available information on the Company from the SEC. An investor should seek professional advice if he or she is uncertain of or has not understood any aspect of this Offer or the nature of risks involved in purchasing, holding, and trading of the Shares. Each investor should consult his or her own counsel, accountant, and other advisers as to the legal, tax, business, financial, and other related aspects of an investment in the Rights Shares.

The risk factors discussed in this section are of equal importance and are separated into categories for ease of reference only. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materializing, of the potential significance of the risks or of the scope of any potential harm to the Company's business, results of operations, financial condition, and prospects.

Risks Relating to the Company and its Business

Adverse Effects of the COVID-19 Global Pandemic

COVID-19, an infectious disease that was first reported to have been transmitted to humans in late 2019, has spread globally over the course of 2020, and in March 2020 was declared as a pandemic by the World Health Organization. As of July 02, 2021, there have been 182.32 million confirmed cases worldwide. Countries have taken measures in varying degrees to contain the spread, including vaccine rollout, social distancing measures, community quarantine, suspension of operations of non-essential businesses, and travel restrictions.

In response to the increasing number of COVID-19 cases in the Philippines, President Rodrigo Duterte placed the entire Luzon island under total lockdown (Enhanced Community Quarantine or ECQ) on March 16, 2020, which restricted the movement of the population with certain exceptions. Among the lockdown measures implemented were the suspension of work or alternative working arrangements in the private sector except in establishments providing basic necessities, suspension of mass transport facilities, and travel restrictions. The ECQ was originally set to end by April 12, 2020 but was extended to April 30, 2020 then to May 15, 2020. Lockdown was further extended for some areas including Metro Manila and Cebu to May 31, 2020 under the Modified Enhanced Community Quarantine (MECQ) while some regions were placed under either General Community Quarantine (GCQ) or Modified General Community Quarantine (MGCQ). Since then, President Rodrigo R. Duterte (President), based on recommendations from the Inter-Agency Task Force for the Management of Emerging Infectious Diseases' (IATF-EID), approved several changes to the quarantine measures across the Philippines. As of September 2021, the Philippine government is piloting a new framework that establishes a "granular lockdown" and alert level system. Under the new guidelines, the new community quarantine classifications will have five alert levels that would determine the activities allowed in cities and/or municipalities. On September 03, 2021, the IATF issued a resolution that provides that under the new classification framework, which focuses on the imposition of granular lockdown measures, community quarantine shall be reduced to either ECQ or GCQ, with the latter having an alert level system (Alert Level 1 to 4) with each alert level limiting the restrictions only to identified high-risk activities. Areas placed under Alert Level 5 shall observe the guidelines applicable in ECQ as provided for under the IATF Omnibus Guidelines on the Implementing of Community Quarantine in the Philippines, as amended. Metro Manila was placed under GCQ Alert Level 4 from September 16 to 30, 2021. This pilot implementation of the alert level system in NCR will be assessed and it may be recommended to the President for a possible nationwide

implementation. While there have been moves for quarantine measures to be slowly eased nationwide, there can be no assurance that such quarantine measures will be lifted soon.

The curtailed economic activity brought about by the quarantine measures resulted in defaults from customers, sales cancellations, and prolonged processing of loan take-out, which can still be felt in the first few months of 2021. This, in turn, affected and continues to affect the revenue targets of the Company.

Due to the restrictions in the mobility of labor and goods and stricter rules imposed on private construction works, the completion of the site development works have been delayed. In turn, these resulted to an almost six (6) -month backlog in the completion and turnover of units to respective owners and inability for housing loan institutions to inspect the houses for loan take-out.

Despite the pandemic, the Company was able to post consolidated net sales of ₱217.94 million in 2020 compared to ₱212.60 million in 2019, showing an increase of 2.51%. To mitigate this risk, the Company extended efforts to search for contractors who can comply with the stricter rules on private construction and who have ready access to the necessary supplies and materials.

Demand for the Company's Projects

Sales to OFs, including OFWs and Filipino expatriates, generate a major portion of the demand for the Company's housing and land development projects. The OFs contributed around 38.5%, 30.4%, 43.5%, and 45.6% to the Company's total revenues in 2018, 2019, 2020, and 1H 2021, respectively. In addition, unnamed OFs may provide financial support to named buyers who are located in the Philippines. Several factors could lead to, among other effects, reduced remittances from OFWs, a reduction in the number of OFs, or a reduction in the purchasing power of OFs. These include:

- An appreciation of the Philippine peso, which would result in decreased value of the other currencies transmitted by OFs;
- Any difficulties in the repatriation of funds;
- A downturn in the economic performance of the countries and regions where a significant number of these potential customers and supporters are located, such as the United States, the Middle East, Italy, the United Kingdom, Singapore, Hong Kong, and Japan.
- A change in Government regulations that currently exempt the income of OFWs (non-resident citizens) from taxation in the Philippines;
- The imposition of restrictions by the Government on the deployment of OFWs to particular or regions, such as the Middle East; and
- Restrictions imposed by other countries on the entry or the continued employment of foreign workers.

Currently, the COVID-19 pandemic has affected and continues to affect the employment of OFs. Thousands of OFWs has been laid off and repatriated since the spread of the virus. This has affected the demand for the Company's products, which could have material adverse effect on the Company's business, financial condition, and results of operations.

To mitigate the risk of sales cancellation, the Company sometimes forgoes the imposition of late payment penalties and interest. The Company even restructures the payment scheme to accommodate the buyers' financial bind due to their inability to fly back to their overseas workplace or due to having lost their jobs. In many cases, the Company advanced the bank fees for OFW buyers and buyers whose OFW spouses and relatives were unable or having difficulty repatriating funds back to the Philippines or are caught up in the lockdown abroad and cannot go to remittance centers to send money to the Philippines.

Loan Take-Ups of Financial Institutions Affect Liquidity and Financial Results

The Company allows its home buyers to pay the down payment over a certain period prior to loan take-up by partner financial institutions. Take-up only happens upon completion of said down payment and submission of required documents. There may be instances that the loan may not be transferred due to incomplete documents or inability to process applications in a timely manner due to the volume of applications. Depending on the degree of any such delays and the number of customers involved, these could have a material adverse effect on the Company's liquidity because the loans would be retained on the Company's books as receivables and delay its cash flow.

There are instances where various customer receivables are taken out by banks and other housing loan institutions where the proceeds of which go to the Company. Bank take-out as well as housing loans institution take-out are ideal for the Company because the proceeds could be used as working capital to fund the operational cost as well as administrative expenses of the Company. Once the bank and other financial institution have released the loan proceeds, the Company's next obligation is to transfer the title to the owner. This is one way to mitigate the risk of defaulting customers, the problem of evicting occupants, and probable administrative expenses brought about by delinquent accounts.

Furthermore, in instances where various customer receivables have been given as collateral for the Company's financing arrangements with banks, the Company assures the banks that the receivables are relatively secure because the Company issues its own checks for the amortization and not the buyers.

To mitigate this risk, the Company ensures that its customer care department is always in touch with its buyers, urging them to pay on time to avoid late payment penalties and charges. In some cases, the Company provides leeway to its customers who request for interest and penalty waiver if said customer will settle the total outstanding amortization in full.

The Company's customers are encouraged to obtain their housing loan elsewhere rather than go with in-house financing. However, there are some instances where buyers do not qualify for loans from banks other institutions. In cases like these, the Company allows the buyer to avail of its in-house financing. As this only account for a very small portion of the Company's sales, the Company believes that the risk of customer default in in-house financing is minimal.

Substantial Sales Cancellations

As a developer and seller of residential real estate, the Company's business, financial condition, and results of operations could be adversely affected in the event a material number of the Company's for sale lots and units are cancelled.

The Company is subject to Republic Act No. 6552 (the "Maceda Law"), which applies to all transactions or contracts involving the sale or financing of real estate through installment payments, including residential condominium units and horizontal residential units. Under the Maceda Law, buyers who have paid at least two (2) years of installments are granted a grace period of one (1) month for every year of paid installments to cure any payment default. If the contract is cancelled by the Company, the buyer is entitled to receive a refund of at least 50.0% of the total payments made by the buyer, with an additional 5.0% per annum in cases where at least five years of installments have been paid (but with the total not to exceed 90.0% of the total payments). Buyers who have paid less than two (2) years of installments and who default on the installment payments are given a 60-day grace period to pay all unpaid installments before the sale can be cancelled, but without the right of refund.

There can be no assurance that it will not experience a material number of cancellations in the future, particularly during slowdowns or downturns in the Philippine economy. Sales cancellations amounted to 2.5%, 8.6%, 4.1%, and 3.1% of the totals sales of the Company in 2018, 2019, 2020, and 1H 2021. In the event the Company does experience a material number of cancellations, it may not have enough funds on hand to pay the necessary cash refunds to buyers or it may have to incur indebtedness in order to pay such cash refunds. The Company may also experience losses relating to these cancellations. In addition, particularly during an economic slowdown or downturn, there can be no assurance that the Company would be able re-sell the same property or re-sell it at an acceptable price. Any of the foregoing events would have a material adverse effect on the Company's business, financial condition, and results of operations.

Nevertheless, based on the Company's experience, most cancellations happen during the down payment stage. Therefore, the number of accounts that the Company had to refund based on the Maceda Law was low.

Housing and Land Development Sector-Specific Risks

The housing market involves significant risks distinct from those involved in the ownership and operation of established properties, including the risk that the Company may invest significant time and money in a project that may not attract sufficient levels of demand in terms of anticipated sales, and which may not be commercially viable. The Company's results of operations are therefore dependent, and are expected to continue to be dependent, on the continued success of its residential and land development projects. To this end, the Company engages in extensive market research on the type of project that it will put up in a specific location, The Company is always open to the idea of modifying its project concept to adapt to the discerning taste of the target market in the locations where it plans to develop the projects to ensure the success and viability of the project.

Additionally, the Philippine residential real estate industry is highly competitive. The Company's income from, and market values of, its real estate projects are largely dependent on these projects' popularity when it comes to similar types of projects in their areas, as well as on the ability of the Company to correctly gauge the market for its projects. Important factors that could affect the Company's ability to effectively compete include a project's relative location versus that of its competitors, particularly to transportation facilities and commercial centers, the quality of the housing, and related facilities offered by the Company, price and payment terms of the project, available financing for the homebuyer, and the overall attractiveness of the project. The time and cost involved by many factors, including shortages of materials, equipment and labor, adverse weather conditions, by many factors, including shortages of materials, equipment, and labor, adverse weather conditions, natural disasters, labor disputes with contractors and subcontractors, timing of required approvals, and occurrence of other unforeseeable circumstances. Any of these factors could result in project delays and cost overruns, which could negatively affect the Company's revenues and margins. Moreover, failure by the Company to complete construction of a project to its planned specification or schedule may result in contractual liabilities to purchasers and lower returns, all of which could have a material adverse effect on the Company's business, financial condition, and results of operations.

The Company mitigates this risk by strategically positioning itself in fast growing markets where land is still plenty and relatively less expensive and by adhering to innovativeness and high standards of design and construction. The Company anticipates its projects to remain relevant and competitive in their respective market niches. Furthermore, the Company has institutionalized its property management system and after-sales service to ensure that its developments will remain highly valued long after their turnover to buyers.

In addition, the Company awards contracts to several contractors and not just to a few. While the Company engages numerous contractors, it nevertheless requires the same top quality on house construction from all its contractors. The Company continuously look-out for other raw material sources to ensure that the Company is never out of stock. During unavoidable natural disasters and pandemic such as the one the world is currently experiencing, key personnel is available to perform essential transactions such as depositing of collections, releasing of payments to contractors, and processing and payment of mandatory government payables, payroll preparation, and other important transactions such as customer servicing.

Unavailability and Incompetence of Independent Contractors

The Company relies on independent contractors to provide various services, including land clearing, infrastructure development, and various construction projects. In particular, the Company mainly relies on groups of companies to complete the construction for substantially all its projects. Should either of the contractors mentioned above become unable to perform with respect to their contracted scope of work, or are unable to expand at sufficiently quick paces needed to meet the Company's demands, there can be no assurance that the Company will be able to find or engage an independent contractor for any particular project or find a contractor that is willing to undertake a particular project within the Company's budget and schedule, which could result in costs increases or project delays.

Furthermore, although the Company's personnel actively supervise the work of such independent contractors, there can be no assurance that the serviced rendered by any of its independent contractors will always be satisfactory or match the Company's requirements for quality and timing. Contractors may also experience financial or other difficulties up to insolvency, and shortages or increases in the price of construction materials or labor may occur, any of which could delay the completion increase the cost of certain housing and land development projects,

and the Company may incur additional costs as a result thereof. Any of these factors could have a material adverse effect on the Company's business, financial condition, results of operations, and reputational damage.

To mitigate this risk, the Company continuously reviews the performance of its contractors. In case the contract with a contractor is cancelled, the Company may ask the other contractors to step in and take over the services of the outgoing contractor. The Company does not expect to cancel all contractor contracts at the same time.

Liability Due to Construction Defects and other Building-Related Claims

Philippine law provides that property developers, such as the Company, warrant the structural integrity of houses that were designed or built by them for period of 15 years from the date of completion of the house. The Company may also be held responsible for hidden (i.e., latent or non-observable) defects in a house sold by it when such hidden defects render the house unfit for the use for which it was intended or when its fitness for such use is diminished to the extent that the buyer would not have acquired it or would have paid a lower price had the buyer been aware of the hidden defects. This warranty may be enforced within six (6) months from the delivery of the house to the buyer. In addition, Republic Act No. 6541, as amended, or the National Building Code of the Philippines (the "Building Code"), which governs, among others, the design and construction of buildings, sets certain requirements and standards that must be complied with by the Company. The Company or its officials may be held liable for administrative fines and criminal penalties in case of any violation of the Building Code.

There can be no assurance that the Company will not be held liable for damages, the cost of repairs, and/or the express of litigation surrounding possible claims or that claims will not arise out of uninsurable events, such as landslides or earthquakes, or circumstances not covered by the Company's insurance and not subject to effective indemnification agreement with the Company's contractors. Neither can there be any assurance that the Company for cost incurred by the Company to correct such defects. In the event a substantial number of claims arising from structural or construction defects arise, this could have a material adverse effect on the Company's reputation and on its business financial condition and results of operations.

To mitigate this risk, the Company ensures that all its projects are carefully executed to meet required standards. The Company also ensures that construction materials are of good quality and are sourced by the contractors and the Company from reputable suppliers.

Delay in Completion and/or Substandard Construction of Projects

If any of the Company's projects experience construction or infrastructure failures, design flaws, significant project delays, quality control issues or otherwise, this could have a negative effect on the Company's reputation and make it more difficult to attract new customers to its new and existing housing and land development projects. Any negative effect on the Company's reputation or its brands could also affect the Company's ability to sell its housing and land development projects. This would impair the Company's ability to reduce its inventory and working capital requirements. The Company cannot provide any assurance that such events will not occur in a manner that would adversely affect its results of operations or financial condition.

To mitigate the risk related to delays in completion of projects, the Company hires good project managers and general contractors to ensure that its projects are constructed in accordance with the agreed schedules. The selection of project managers and general contractors passes through competitive bidding, and the contracts include provisions for penalties for any form of delay.

To mitigate this risk related to substandard construction of projects, the Company ensures that all its projects are carefully executed to meet required standards. The Company also ensures that construction materials are of good quality and are sourced by the contractors from reputable suppliers.

Furthermore, the Offer's installment basis payment option may result to lack of funding and cause delays to the implementation of the Company's projects. This may adversely affect the Company's results of operations or financial condition. The Company will address any short in funding caused by the installment basis payment option by implementing corresponding adjustments to the Company's provision for general corporate purposes in the planned Use of Proceeds. If variance is bigger than the allocation to the general corporate purposes, the Company

shall call on its related beneficial shareholders¹, who account for 47.4% of the total issued and outstanding shares of the Company to pay for the full balance of their subscription in the event that any of them opted for the installment option to pay for their subscription of the Rights Shares. Should this still not be enough to cover the funding for its scheduled projects, the Company may raise additional debt and/or equity to the extent possible. See the sections entitled “Security Ownership of Certain Record and Beneficial Shareholders of 5.0% or More” on page 103 and “Use of Proceeds” on page 38.

In addition, shareholders who subscribed through the installment payment scheme are required to pay the remaining 75.0% of the subscription on or before October 31, 2022. Failure to pay on said date shall render the entire balance due and payable, the full payment of which is required within 30 days thereafter, or until November 30, 2022. Otherwise, all stocks covered by the subscription shall become delinquent and shall be subject to sale or auction in accordance with Section 66 of the Revised Corporation Code.

Insufficient Capital to Acquire New Land and/or Complete Existing Projects

The real estate industry in the Philippines is capital intensive, and market players are required to incur significant expenditures to acquire land for development, complete existing projects, and commence construction on new developments. In 2020, the Company spent ₱8.60 million for land banking expenditures for its real estate development projects. The Company has been gearing up for this acquisition because of its diminishing land bank. The Company is earmarking ₱956.98 million for land banking activities in the next two (2) years. With the planned acquisitions, the Company is anticipating having sufficient land to develop in the next five (5) years.

Historically, the Company has funded significant portions of its capital expenditure requirements to fuel its sustained growth mostly through its own funding and collection effort as well as from external sources of financing. Not limiting itself to borrowings, the Company may also fund such requirements through other means such as equity sales, among others, in the future. There can be no assurance that, to complete its planned projects or satisfy its other liquidity and capital resources requirements, the Company will be able to obtain sufficient funds at acceptable rates. The Company has always satisfactorily managed to defer its capital expenditures, taking into consideration the cost of borrowing vis-a-vis its internal projected revenue. A failure to obtain the requisite funds could delay or prevent the acquisition of land, completion of old projects, or commencement of new projects, which may materially and adversely affect the Company’s business, financial condition, and results of operations. To mitigate this risk, the Company practices prudent financial management to ensure a well-managed balance sheet and timely payment of its obligations to be able to draw from its credit lines when needed.

Third Parties Claiming Ownership over the Company’s Land

While the Philippines has adopted a system of land registration that is intended to conclusively confirm land ownership and is binding on all persons (including the Government), it is not uncommon for third parties to claim ownership of land that has already been registered and over which a title has been issued. There have also been cases where third parties have produced false or forged title certificates over land. The Company has occasionally had to defend itself against third parties who claim to be the rightful owners of land that has been either titled in the name of the persons selling the land to the Company or that has already been titled in the name of the Company. In the event a greater number of third-party claims are brought against the Company, or any such claims involves land that is material to the Company’s housing and land development project, the Company’s management may be required to devote significant time and incur significant cost in defending the Company against claims. In addition, if any such claims are successful, the Company may have to either incur additional cost to settle such third-party claims or surrender title to land that may be material in the context of the Company’s housing projects. Any of the foregoing circumstances could have a material adverse effect on the Company’s business, financial condition, and result of operations, as well as on its business reputation.

This risk is somehow mitigated by the strict background check that the Company employs prior to purchasing any property. If a property is offered for purchase by a person/company whom the Company has no previous relationship with, more stringent tests are conducted to verify the veracity of the ownership of the property on offer.

¹ Include Rexlon Realty Group, Inc., Ropeman International Corp., The Wellex Group, Inc., Recovery Real Estate Corp., and Recovery Development Corp.

Competition in Land Acquisition and Risks Relating to Land Bank Management

The Company is dependent, in part, on its ability to acquire additional tracts of land suitable for future property development projects. It may experience difficulty in locating parcels of land of suitable size in target locations and at acceptable prices. Furthermore, acquired land may be in a condition and be subject to pre-existing obligations that may prevent immediate commencement of new developments. In the event that the Company is unable to acquire suitable land at prices and in locations that could translate into reasonable returns, or at all, its growth prospects could be limited and its business and results of operations could be adversely affected. To mitigate the risk of not being able to acquire real estate properties for its land banking endeavor, the Company has already started talks and negotiations for properties in the select locations its business development group has identified as potential growth areas.

Acquisition of land for housing developments are also affected by any revocation of or delay in the processing of or denial of applications for permits and clearances as required by law to be obtained from various government regulatory agencies (from the local government, Department of Environment and Natural Resources (“DENR”), Department of Human Settlements and Urban Development (“DHSUD”), or other government agencies), thereby affecting the marketability and cost-effectiveness of such projects.

In addition, the risks inherent in purchasing and developing land increase as consumer demand for residential real estate decreases. The market value of land, subdivision lots, and housing inventories can fluctuate significantly as a result of changing market conditions. There can be no assurance that the measures employed to manage land inventory risks will be successful. In the event of significant changes in economic, political, security, or market conditions, subdivision lots and housing units may be sold at significantly lower margins or at a loss. Changes in economic or market conditions may also require the deferment of the commencement of housing and land development projects. Any of the foregoing events could have a material adverse effect on the business, financial condition, and results of operations of the Company.

To mitigate this risk, the Company’s business development group has been very prudent in their selection of areas and properties for development. The properties being acquired should have all the qualities that the Business Development group is looking for before being considered a potential site for development. At present, the Company is strategically positioning itself in areas where land is still plenty and relatively less expensive such as Bulacan and Cavite in order to lessen competition in land acquisition. Furthermore, the Company also has access to the land bank of other companies under the Wellex Group.

Contracts with Suppliers and/or Customers

The Company may be affected in case of irregularities in the application or outcomes of contractual agreements with suppliers and service providers. To mitigate this risk, the Company carefully screens the contracts of its suppliers and service providers in terms of scope of work, methodology, timetable, deliverables, payment methods, warranties, and the like. The Company engages the most appropriate supplier and/or service provider, chosen by way of diligent negotiation on the Company’s part, in order to protect the Company’s interests.

The Company also has a standard Contract to Sell for its customers, which is updated as needed to protect the Company’s interests reasonably and appropriately, within Philippine law. The Company also receives legal advice from its legal counsel as regards to contracts. The Contracts to Sell undergo revisions when necessary, especially taking into account developments in the tax implication of the sales such as the VAT.

Deterioration of the Company’s Employee Relations

The Company’s success depends partially on the ability of the Company, its contractors, and its third-party marketing agents to maintain productive workforces. Any strikes, work stoppages, work slowdowns, grievances, complaints, or claims of unfair practices or other deterioration in the Company’s, contractors’, or third-party marketing agents’ employee relations could have a material and adverse effect on the Company’s financial condition and results of operations. To mitigate this, the Company ensures that it is not dependent on a single or even a handful of marketing agents or contractors. The Company engages a broad spectrum of contractors, professional sales agents, and consultants for its various projects.

Furthermore, the Company ensures that it is compliant with labor rules and regulations and government mandated benefits. The Company has not experienced any labor strikes or work stoppage due to dissatisfaction since the change in primary purpose from agriculture to the business of holding and developing real estate. The Company's management believes that current relations with its employees and workers are generally good and cordial. At present, the Company's regular employees are not unionized and none of its employees is under any collective bargaining agreement.

See the section entitled "Employees" on page 77 of this Prospectus.

Highly Regulated Environment

The Philippines' housing market is highly regulated. The development of subdivision and other residential projects is subject to a wide range of government regulations, which, while varying from one locality to another, typically include zoning considerations as well as the requirement to procure a variety of environmental and construction related permits. In addition, projects that are to be located on agricultural land must get clearance from the Philippine Department of Agrarian Reform ("DAR") so that the land can be re-classified as non-agricultural land or exempt from land reform, and in certain cases, tenants occupying agricultural land may have to be relocated at the Company's expense.

Presidential Decree No. 957, as amended, ("P.D 957") and Batas Pambansa Blg. 220 ("B.P. 220") are the principal statutes that regulate the development and sale of real property as part of a condominium project or subdivision. P.D. 957 and B.P. 220 cover subdivision projects for residential, commercial, industrial, or recreational purposes, and condominium projects for residential or commercial purposes. The DHSUD is the administrative agency of the Government that enforces these statutes. Regulations applicable to the Company's operations include standards regarding:

- The suitability of the site;
- Road access;
- Necessary community facilities;
- Open spaces;
- Water supply;
- Sewage disposal systems;
- Electricity supply;
- Lot sizes;
- The length of the housing blocks; and
- House construction.

All subdivision development plans are required to be filed with and approved by the local government unit ("LGU") with jurisdiction over the area where the project is located. Approval of development plans is conditioned on, among other things, completion of the acquisition of the project site and the developer's financial, technical, and administrative capabilities and donation of roadways to and other easements in favor of the relevant government agencies. Alterations of approved plans that affect significant areas of the project, such as infrastructure of public facilities, also require the prior approval of the relevant government unit. There can be no assurance that the Company, associates, or partners will be able to obtain government approvals for its projects or that when given, such approval will be in accordance with the Company's planned timing for the relevant project and will not be later revoked. Any non-receipt or delay in receipt of approvals could affect the Company's ability to complete projects on time or at all.

In addition, owners of or dealers in real estate projects are required to obtain licenses to sell before making sales or other dispositions of subdivision lots and housing units. Project permits and any license to sell may be suspended, cancelled, or revoked by the DHSUD based on its own findings or upon complaint from an interested party and there can be no assurance that the Company, associates, or partners will, in all circumstances, receive the requisite permits, approvals, or licenses, or that such permits, approvals, or licenses will not be cancelled or suspended. Any of the foregoing circumstances or events could affect the Company's ability to complete projects on time, within budget, or at all, and could have material adverse effect on its financial condition and results of operations.

In the regular course of its business, the Company ensures that it is compliant with the laws, rules, and regulations applicable to the Philippine housing market. Should there be new interpretation of existing laws, increased governmental enforcement of laws, or other developments in the future that may require additional capital expenditure, the Company will abide by such laws and regulations.

Environmental Laws

In general, developers of real estate projects are required to submit project descriptions to regional offices of the DENR. For environmentally sensitive projects or at the discretion of the regional office of the DENR, a detailed Environmental Impact Assessment ("EIA") may be required, and the developer will be required to obtain an Environmental Compliance Certificate ("ECC") to certify that the project will not have an unacceptable environmental impact.

Safety, health, and environmental laws and regulations in the Philippines have been increasingly stringent and it is possible that these laws and regulations will become significantly more stringent in the future for real estate businesses. The adoption of new safety, health, and environmental laws and regulations, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments in the future may require additional capital expenditures or the incurrence of additional operating expenses in order to comply with such laws and to maintain current operations.

There can be no assurance that current or future environmental laws and regulations applicable to the Company will not increase the costs of conducting its business above currently projected levels or require future capital expenditures. In addition, if a violation of an ECC occurs or if environmental hazards on land where the Company's projects are located cause damage or injury to buyers or any third-party, the Company may be required to pay a fine, to incur costs in order to cure the violation, and to compensate its buyers and any affected third parties. The Company cannot predict what environmental legislation or regulations will be amended or enacted in the future, how existing or future laws or regulations will be enforced, administered, or interpreted, or the amount of future expenditures that may be required to comply with these environmental laws or regulations or to respond to environmental claims. There can be no assurance that the Company will not become involved in future litigation or other proceedings or be held responsible in any such future litigation or proceedings relating to safety, health and environmental matters in the future, the costs of which could be material. The introduction of inconsistent application of, or changes in, laws and regulations applicable to the Company's business could have a material adverse effect on its business, financial condition, and results of operations.

The Company ensures that it is compliant with safety, health, and environmental laws and regulations. Should there be new interpretation of existing laws, increased governmental enforcement of environmental laws, or other developments in the future that may require additional capital expenditure, the Company will abide by such laws and regulations.

Financing

Interest rates, and factors that affect interest rates, such as Government fiscal policy, could have a material adverse effect on the Company and on the demand for its products. For example:

- Higher interest rates make it more expensive for the Company to borrow funds to finance ongoing projects or to obtain financing for new projects due to the Company's loans being at variable interest rates.
- Because a substantial portion of the Company's customers procure financing (either using the Company's in-house financing program, through banks, or through Pag-IBIG) to fund their property purchases, higher interest rates make financing, and therefore purchases of real estate, more expensive, which could adversely affect demand for the Company's residential projects.
- If the Government significantly increases its borrowing levels in the domestic currency market, this could increase the interest rates charged by banks and other financial institutions and effectively reduce the amount of bank financing available to both prospective property purchasers and real estate developers, including the Company.
- The Company's access to capital and its cost of financing are also affected by restrictions, such as single borrower limits, imposed by the BSP on bank lending. If the Company were to reach the single borrower limit with respect to their current or preferred bank or banks, the Company may have difficulty obtaining financing on the same or similar commercial terms from other banks.

- Increased inflation in the Philippines could result in an increase in raw material costs, which the Company may not be able to pass on to its customers as increased prices or to its contractors by having the Company's contractors absorb raw material cost increases.

The occurrence of any of the foregoing events, or any combination of them, or of any similar events could have a material adverse effect on the Company's business, financial condition, and results of operations.

The Company's overall strategy in terms of capital management is to keep capital expenditures at a prudent level and focus on financing operational expenditure requirements from collection of receivables, which mitigates this risk. The Company's primary uses of cash are for the acquisition of land properties for its projects and development and construction these projects. The Company has historically met its liquidity requirements principally through cash flow from operations.

Failure to Manage Growth and/or Expansion Strategies

The Company intends to continue to pursue the growth of its property development business. As of September 30, 2021, the Company has two (2) ongoing land development projects and has plans for seven (7) additional projects in the next three (3) years. The Company's growth strategy for its property development business may require the Company to manage additional relationships with a greater number of customers, suppliers, contractors, service providers, lenders, and other third parties. This substantial growth in projects will also require significant capital expenditure, which may entail taking on additional debt or equity to finance property development costs.

There can be no assurance that, in the course of implementing its growth strategy, the Company will not experience capital constraints, delays in obtaining relevant licenses and permits, construction delays, operational difficulties at new operational locations or difficulties in operating existing business, and training personnel to manage and operate the expanded business. The Company may also experience delays resulting from its current strategy of engaging a limited number of contractors for its construction operations. Independent contractors may not always be available, and once hired by the Company, may not be able to meet the Company's quality standards or to complete projects on time and within budget." Any inability or failure to adapt effectively to growth, including strains on management and logistics, could result in losses due to development costs that are not recovered as quickly as anticipated, if at all. These problems could have a material adverse effect on the Company's reputation and on its business, results of operations, or financial condition.

To mitigate this risk, regular meetings are being conducted by the Board and the Company's management to ensure that the plans and strategies are realistic, aligned, and enforced. The Company also continuously researches and re-assesses market patterns in its target locations.

Related Party Transactions with Affiliated Companies

The companies controlled by the Wellex Group have a number of commercial transactions with the Company. The Company had entered into a number of transactions with related parties, which primarily consist of advances and reimbursement of expenses and marketing, sale, and purchase of real estate properties and development. The Company can provide no assurance that its related party transaction will not have a material adverse effect on its business or result of operations.

The Company, through its Related Party Transactions (RPT) Committee, exercises the appropriate corporate governance procedures aligned with Philippine laws and regulations to ensure that conflict of interest is limited or even eliminated in accordance with its Manual of Corporate Governance.

Dependence on Key Officers and Staff

The Company's directors, members of its senior management, and other key officers have been an integral part of its success, with their experience, knowledge, business relationships, and expertise that could be lost should any of these persons leave the Company. In such event, the Company might find it difficult to replace such persons, which may result in a decrease in the Company's operating efficiency and financial performance. Key executives and members of the management of the Company include Elvira A. Ting, Glenn Gerald D. Pantig, and Jocelyn A. Valle. If the Company loses services of any such person and is unable to fill any vacant key executive or management

positions with qualified candidates, or if the qualified individual takes time to learn the operations of the Company, the Company's business and results of operations may be adversely affected.

The Company believes that it has enough managerial talent that can be tapped to fill in possible vacancies. The Company believes that the loss of one or a few of these key officers and staff will have no material adverse impact on the Company's business and results of operations.

Risks Relating to the Philippines

General Economic Conditions of the Philippines

The Company derives its revenues from sales of real estate properties in the Philippines and its business is dependent on the state of the Philippine economy. Demand for, and prevailing prices of the Company's products are directly related to the strength of the Philippine economy (including overall Gross Domestic Product ("GDP") growth levels, inflation, and interest rates), the overall levels of business activity in the Philippines, and the amount of remittances received from OFWs. The state of the Philippine economy and, in turn, the Company's business is also influenced by the general condition of the regional and global economy. Historically, the Philippines has periodically experienced economic downturns, usually after several decades of stability.

There is no assurance that an economic slowdown in the Philippines will not continue. Factors that may adversely affect the Philippine economy include:

- Decreases in business, industrial, manufacturing, or financial activity in the Philippines or in the global market;
- Scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines or in the global market;
- Foreign exchange rate fluctuations;
- A prolonged period of inflation or increase in interest rates;
- Changes in the Government's taxation policies and laws;
- Natural disasters, including typhoons, earthquakes, fires, floods, and similar events;
- Political instability, terrorism or military conflict in the Philippines, other countries in the region or globally;
- Other regulatory, political, or economic developments in or affecting the Philippines and elsewhere globally, such as the 2008 global financial crisis; and
- A re-emergence of Severe Acute Respiratory Syndrome (commonly known as SARS) or avian influenza (commonly known as the bird flu) or the emergence of another pandemic in the Philippines or in other countries in Southeast Asia.

The Philippines is currently experiencing an economic downturn due to the COVID-19 pandemic and the resultant lockdown. The pandemic continues to restrict economic activity and is perceived to continue indefinitely until vaccines become widely available. Any future deterioration in economic conditions in the Philippines due to the above or other factors could materially and adversely affect the Company's customers and contractual counterparties.

Political instability, acts of terrorism, violent crimes, and similar events could also have a material adverse effect on the Company's businesses, financial condition, results of operations, and prospects. In addition, the Company may be affected by political and social developments in the Philippines and changes in the political leadership and/or government policies in the Philippines. Such political or regulatory changes may include (but are not limited to) the introduction of new laws and regulations. There can be no assurance that any changes in such regulations or policies imposed by the Philippine government from time to time will not have an adverse effect on the Company's businesses, financial condition, results of operations, and prospects.

Further, the Philippines has experienced several major natural catastrophes over the years, including typhoons, droughts, volcanic eruptions, and earthquakes. Recently, the Philippine Institute of Volcanology and Seismology (PHIVOLCS) raised alert levels over Taal volcano to level 4, indicating that a hazardous explosive eruption is possible within hours to days. PHIVOLCS subsequently lowered alert levels to level 3, indicating decreased tendency towards hazardous explosive eruption. There can be no assurance that the occurrence of similar and other natural catastrophes will not materially disrupt the Company's operations.

As the Company's business, assets, and sales are in the Philippines, historically, the Company's results of operations, financial condition, and prospects are subject, to a significant degree, to the general state of the Philippine economy and the overall levels of business activity in the Philippines, and the Company expects that this will continue to be the case in the future.

The Company cannot assure prospective investors that one (1) or more of these factors will not negatively impact the purchasing power and disposable income levels of Philippine consumers. The demand for the Company's products is tied closely to the consumer purchasing power and disposable income levels.

The Philippine economy and businesses operating in the Philippines have been influenced, in varying degrees, by economic and market conditions in the global economy. Moreover, uncertainty surrounding the global economic outlook could cause economic conditions in the Philippines to deteriorate and there can be no assurance that current or future Philippine governmental policies will continue to be conducive to sustaining economic growth. Any further downturn in the Philippine economy may negatively affect consumer sentiment and general business conditions in the Philippines, which may lead to a reduction in demand for the Company's products and materially affect the Company's businesses, financial condition, results of operations, and prospects.

Territorial and other Disputes with China and a Number of Southeast Asian Countries

The Philippines, China, and several Southeast Asian nations have been engaged in a series of long-standing territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. Despite efforts to reach a compromise, a dispute arose between the Philippines and China over a group of small islands and reefs known as the Scarborough Shoal. China has begun construction and reclamation work on islands in the said disputed area.

China claims historic rights to nearly all the West Philippine Sea based on its so-called "nine-dash line" and in recent years dramatically expanded its military presence in the sea that has raised tensions in the region among the claimant countries. In 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, the international arbitration tribunal based at Hague, Netherlands, to legally challenge the claims of China in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the United Nations Convention on the Law of Sea (UNCLOS). In July 2016, the tribunal rendered a decision stating that the Philippines has exclusive rights over the West Philippine Sea (in the South China Sea) and that the "nine-dash line" claim of China is invalid. The Philippine government, under the Duterte administration, has taken action to de-escalate tensions concerning the territorial dispute with China.

On June 09, 2019, the fishing vessel F/B Gem-Ver 1 was damaged and sank in Rector Bank due to a collision with a Chinese fishing vessel. This resulted in the endangerment of the lives of 22 fisherfolk. The crew of a passing Vietnam fishing vessel rescued the Philippine fishermen from their sinking vessel as the latter signaled for help. The incident has prompted Supreme Court Justice Antonio Carpio to release a statement saying that the Philippine government cannot allow Chinese fishermen to fish within the Philippines' exclusive economic zone in the West Philippine Sea as it violates the Philippine Constitution. The Philippines has filed a diplomatic protest with China over the incident.

There would be no guarantee that the territorial dispute between the Philippines and other countries, including China, would end or that any existing tension will not escalate further, as China has taken steps to exercise control over the disputed territory. In such event, the Philippine economy may be disrupted and its business and financial standing may be adversely affected.

Should territorial disputes between the Philippines and other countries in the region continue or escalate further, the Philippines and its economy may be disrupted, and the Company's operations could be adversely affected as a result. Further disputes between the Philippines and other countries may lead to reciprocal trade restrictions on the other's imports or suspension of visa-free access and/or OFW permits. All the above could materially and adversely affect the business, financial condition, and results of operations of the Company.

Value of the Peso against the U.S. Dollar and other Currencies

The Company derives a portion of its revenues from OFs who earn in currencies other than the Peso. A portion of the construction materials used for the Company's projects is imported. Accordingly, any significant change in exchange rates between the Peso and the other currencies may affect the purchasing power of the Company's customers and may likewise affect the Company's costs relating to foreign-sourced materials. The value of the

Philippine Peso against the U.S. dollar has experienced volatility in recent years, with a depreciating trend in the past year. As of December 31, 2020, the Peso had appreciated by 5.3% to ₱48.04 per U.S.\$1.00 from ₱50.74 per U.S.\$1.00 as of December 31, 2019. However, as of December 31, 2018, the Peso had depreciated by 5.6% to ₱52.72 per U.S.\$1.00 from ₱49.92 per U.S.\$1.00 as of December 31, 2017. As of September 30, 2021, the Peso had depreciated by 5.8% to ₱51.01 per U.S.\$1.00 from ₱48.04 per U.S.\$1.00 as of December 31, 2020. Because of this volatility in the value of the Peso, the BSP may intervene in the foreign exchange market to curb the negative effects of a strong currency. Reduced risk appetite for emerging market assets could also result in a decline in value of the Peso as investors move their portfolios out of emerging markets. Intervention in the currency markets as well as changes in demand for the Peso could result in volatility in the value of the Peso against the U.S. dollar and other currencies. There can be no assurance that the value of the Peso will not appreciate or depreciate significantly against the U.S. dollar or other currencies in the future, and significant fluctuations may affect the Company's business, financial condition, and result of operations.

Corporate Governance and Disclosure Standards in the Philippines

There may be less publicly available information about Philippine public companies than that which is regularly made available by public companies in certain other countries. The Philippine SEC and PSE requirements with respect to corporate governance standards may also be less stringent than those applicable in certain other jurisdictions. For example, Philippine SEC requires publicly listed companies to have at least two (2) independent directors or such number of independent directors as is equal to 20.0% of its board of directors, whichever is lower, but in no case less than two (2) independent directors. As of the date of this Prospectus, the Company has 11 board seats² of which three (3) are reserved for independent directors, in compliance with the minimum 20.0% required by the SEC. Many other countries require significantly more independent directors.

Furthermore, rules against self-dealing and those protecting minority shareholders may be less stringent or developed in the Philippines. Such potentially lower standards in certain areas of disclosure and corporate governance may materially and adversely affect the interests of the Company's shareholders, particularly those of minority shareholders.

Sovereign Credit Ratings of the Philippines

Historically, the Philippines' sovereign debt has been rated relatively low by international credit rating agencies. In 2013, the Philippines earned investment grade status from all three (3) major credit ratings agencies — Fitch (BBB-), Standard and Poor's ("S&P") (BBB-) and Moody's (Baa3). On December 11, 2014, Moody's upgraded its ratings to "Baa2" with a stable outlook. On April 30, 2019, S&P's credit rating for the Philippines stands at BBB+ with a stable outlook. On May 07, 2020, Fitch upgraded the country's rating to BBB+ with a stable outlook. All ratings are a notch or two (2) above investment grade and the highest that the country has received so far from any credit ratings agency. On June 25, 2021, the Financial Action Task Force (FATF) included the Philippines, together with South Sudan, Haiti, and Malta, in the FATF gray list. This may result in investments in the country becoming less desirable for foreign investors and may also negatively affect the Philippines' credit rating. No assurance can be given that Standard & Poor's, Fitch Ratings, or Moody's or any other international credit rating agency will not downgrade the credit ratings of the Government in the future and, therefore, Philippine companies. Any such downgrade could have an adverse impact on the liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including the Company, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available.

Risks Relating to the Rights Offer and the Rights Shares

Payment, Trading, and Listing of the Rights Shares on the PSE

The Issuer offers two (2) options for the payment of the SRO: (i) the Rights Shares may be paid for in full upon submission of the Application; and (ii) the Rights shares may be paid in installment basis, where the initial payment of 25.0% of the subscription amount is paid upon submission of the Application with the balance to be paid by October 31, 2022. It should be noted that only fully paid Right Shares will be listed on the Listing Date and partially paid Rights Shares may only be listed when the same have been fully paid. This shall be in accordance with the

² One position for director is currently vacant due to the untimely passing of Mr. James Palit-Ang. The replacement will be elected on the next general annual shareholders meeting to be held on November 05, 2021.

procedure relating to trading of rights shares. In this regard, the Issuer is required to submit a monthly report every fifth (5th) trading day of the current month on the number of outstanding partially paid shares based on the previous month-end balances until all the Rights Shares are fully paid.

Shareholders who subscribed through the installment payment scheme are required to pay the remaining 75.0% of the subscription on or before October 31, 2022. Failure to pay on said date shall render the entire balance due and payable, the full payment of which is required within 30 days thereafter, or until November 30, 2022. Otherwise, all stocks covered by the subscription shall become delinquent and shall be subject to sale or auction in accordance with Section 66 of the Revised Corporation Code.

Furthermore, considering that the Listing Date is scheduled after the Rights Offer Period, there can be no guarantee that listing will occur on the anticipated Listing Date or at all. Delays in admission and commencement of trading in shares on the PSE have occurred in the past. In the event that the Rights Shares are not listed on the PSE for any reason, the Company shall return the payments made by the Applicants for the Rights Shares under their respective Applications without interest.

Foreign Ownership Limitations

The Philippine Constitution and related statutes restrict land ownership to Philippine Nationals. The term Philippine National as defined under the Republic Act No. 7042, as amended, means a citizen of the Philippines, or a domestic partnership or association wholly-owned by citizens of the Philippines, or a corporation organized under the laws of the Philippines of which at least 60.0% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines, or a corporation organized abroad and registered to do business in the Philippines under the Revised Corporation Code, of which 100.0% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine national and at least 60.0% of the fund will accrue to the benefit of Philippine nationals.

The Company owns land; hence, Philippine laws limit foreign shareholdings in the Company to a maximum 40.0% of its issued and outstanding capital stock. Any subsequent transfer of the Company's shares by Filipinos to non-Filipinos will also be subject to the limitation that any such transfers will not cause foreign shareholdings in the Company to exceed 40.0% of the Company's issued and outstanding capital stock. In the event that foreign ownership of the Company's issued and outstanding capital stock will exceed 40.0%, the Company has the right to reject a transfer request by persons to persons other than Philippine Nationals.

Further, in order to maintain its PCAB license, the Company, pursuant to the Implementing Rules and Regulations of P.D. No. 1746, must maintain its Filipino shareholding of at least 60.0% of its issued and outstanding capital stock. However, should the Company decide to engage in the construction of defense-related structures of the Government, foreign equity should be limited to 25.0% in accordance with Executive Order No. 65 promulgating the Eleventh Regular Foreign Investment Negative List.

This restriction may adversely affect the liquidity and market price of the Shares to the extent that international investors are not permitted to purchase Shares in normal secondary transactions.

Rights Shares as an Investment

Each prospective investor in the Rights Shares must determine the suitability of that investment in light of its own circumstances. In particular, each prospective investor should:

- Have sufficient knowledge and experience to make a meaningful evaluation of the Company and its businesses, the merits and risks of investing in the Rights Shares, and the information contained in this Prospectus;
- Have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Rights Shares and the impact the Rights Shares will have on its overall investment portfolio;
- Have sufficient financial resources and liquidity to bear all the risks of an investment in the Rights Shares, including where the currency for purchasing and receiving dividends on the Rights Shares is different from the potential investor's currency;
- Understand and be familiar with the behavior of any relevant financial markets; and

- Be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate, and other factors that may affect its investment and its ability to bear the applicable risks.

Dividends on the Common Shares

There is no assurance that the Company can or will declare dividends on the Common Shares in the future. Future dividends, if any, will be at the discretion of the Board and will depend upon the Company's future results of operations and general financial condition, capital requirements, foreign exchange rates, legal, regulatory, and contractual restrictions, loan obligations and loan covenants, and other factors the Board may deem relevant. See "Dividends and Dividend Policy" on page 41.

Foreign Currency Equivalent of the Peso Price of the Common Shares on the PSE

The price of the Common Shares is denominated in Philippine Pesos. Fluctuations in the exchange rate between the Peso and other currencies will affect the foreign currency equivalent of the Peso price of the Common Shares on the PSE. Such fluctuations will also affect the amount in foreign currency received upon conversion of cash dividends or other distributions paid in Pesos by the Company on, and the Peso proceeds received from any sales of, the Rights Shares, as well as the book value of foreign currency assets, and income and expenses and cash flows in the Company's financial statements.

Dilution and Possibility of Mandatory Tender Offer

The Offer Price of the Common Shares may be substantially higher than the current market price and the net tangible book value of net assets per share of the Company's outstanding Common Shares. Therefore, purchasers of Rights Shares may experience immediate and substantial dilution and the Company's existing shareholders may experience a material increase in the net tangible book value of net assets per share of the Common Shares they own. See "Dilution" on page 46.

Furthermore, the Offer Price may be substantially higher than the current market price, which may lead to minimal or no take-up by the Eligible Shareholders of the Rights Shares. This situation will result to Wellex having to subscribe to more Rights Shares than its Entitlement Rights pursuant to the Wellex Undertaking, thereby possibly increasing the ownership of Wellex and its affiliates to more than 50.0% of the issued and outstanding shares of PHES after the Rights Offer. In such case, Wellex has committed to conduct a mandatory tender offer pursuant to SRC Rule 19.2.5.

Market Price of the Shares

The market price of securities can and does fluctuate, and it is impossible to predict whether the price of the Shares will rise or fall or even lose all its value. The market price of Shares could be affected by several factors, including:

- General market, political, and economic conditions;
- Changes in earnings estimates and recommendations by financial analysts;
- Changes in market valuations of listed shares in general and other retail shares in particular;
- The market value of the assets of the company;
- Changes to government policy, legislation, or regulations; and
- General operational and business risks.

In addition, many of the risks described elsewhere in this Prospectus could materially and adversely affect the market price of the Shares. In part, this is as a result of the global economic downturn or negative geopolitical developments happening recently, the global equity markets have experienced price and volume volatility that has affected the share prices of many companies. Share prices for many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. Fluctuations such as these may adversely affect the market price of the Shares.

Liquidity of the Common Shares

The Shares are intended to be listed on the PSE where trading volumes have been historically and significantly smaller and highly volatile compared to major securities markets in more developed countries. There can be no assurance that an active market for the Shares will develop following the Rights Offer or, if developed, that such market will be sustained.

The Offer Price will be determined after taking into consideration several factors including, but not limited to, the Company's prospects, the market prices for shares of comparable companies, and prevailing market conditions. The price at which the Shares will trade on the PSE at any point after the Rights Offer may vary significantly from the Offer Price.

Future Sales of Shares to the Public

In order to finance the expansion of the Company's business and operations, the Company will consider the funding options available to it at the time, which may include the sale of additional Shares from treasury or the issuance of new Shares. If additional funds are raised through the sale or issuance of new equity or equity-linked securities by the Company other than on a pro rata basis to existing shareholders, the percentage ownership of the shareholders may be reduced, shareholders may experience subsequent dilution, and/or such securities may have rights, preferences, and privileges senior to those of the Rights Shares. Furthermore, the market price of the Shares could decline as a result of future sales of substantial amounts of Shares in the public market or the issuance of new Shares, or the perception that such sales, transfers, or issuances may occur. This could also materially and adversely affect the prevailing market price of the Shares or the Company's ability to raise capital in the future at a time and at a price it deems appropriate.

The occurrence of any of the foregoing events, or any combination of them, or of any similar events could have a material adverse effect on the Company's business, financial condition, and results of operations.

Minority Shareholder Rights

The obligation under Philippine law of majority shareholders and directors with respect to minority shareholders may be more limited than those in more developed countries. Consequently, minority shareholders may not be able to protect their interests under current Philippine law to the same extent as in certain other countries.

The Revised Corporation Code, however, provides for minimum minority shareholders protection in certain instances wherein a vote by the shareholders representing at least two-thirds of the Company's outstanding capital stock is required. Accordingly, there can be no assurance that legal rights or remedies of minority shareholders will be the same, or as extensive, as those available in other jurisdictions or sufficient to protect the interests of minority shareholders.

Developments in other Markets

In the past, the Philippine economy and securities of Philippine companies have been, to varying degrees, influenced by economic and market conditions in other countries, especially other countries in Southeast Asia, as well as investors' response to those conditions. Although economic conditions are different in each country, investors' reaction to adverse developments in one country may affect the market price of securities of companies in other countries, including the Philippines. For example, the economic crisis in the United States and Europe triggered market volatility in other countries' securities markets, including the Philippines. Accordingly, adverse developments in the global economy could lead to a reduction in the demand for, and market price of, the Common Shares.

Risks Relating to the Presentation of Information in this Prospectus

Presentation of Financial Information in this Prospectus

The presentation of financial information in this Prospectus comprises historical information of PHES as of and for the calendar years ended December 31, 2018, 2019, and 2020 and for the six (6) -month period ended June 30, 2021.

There are certain historical financial disclosures and discussions incorporated into this Prospectus that have been made solely in compliance with the requirements of Philippine laws and regulations. The Company's financial information may not provide a meaningful basis for evaluating the Company's prospects, business, and results of operations. Accordingly, there can be no reliance on the Company's historical results of operations as an indication of future performance.

As a publicly listed company on the PSE, the Company maintains and works to further improve the effectiveness of its disclosure controls and procedures, and internal control over financial reporting, including keeping adequate records of daily transactions. The Company employs legal counsels and an accounting team that have the appropriate experience and technical knowledge to ensure that the Company is in compliance with the disclosure and financial reporting standards required by the PSE and other government agencies.

Certain Information derived from Unofficial Publications

Certain information in this Prospectus relating to the Philippines, the industries in which the Company competes, and the markets in which the Company develops its projects, including statistics relating to market size, is derived from various Government and private publications. The information contained in the Industry section may not be consistent with information found elsewhere regarding the Philippine real estate industry. Similarly, industry forecasts and market research data, including those contained or extracted herein, have not been independently verified by the Company, the Underwriter, nor any of their respective affiliates or advisors, and may not be accurate, complete, up-to-date, or consistent with other information compiled within or outside the Philippines. Prospective investors are cautioned accordingly.

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USE OF PROCEEDS

The gross proceeds from the Rights Offer are expected to be ₱1,445,549,830.00. The net proceeds from the Rights Offer, after deducting estimated applicable taxes, professional fees, and expenses related to the Rights Offer, are expected to be approximately ₱1,423,000,000.00 and will accrue to the Company. Other fees and expenses relating to the Company's Rights Offer will be settled by the Company and will be deducted from the net proceeds of the Rights Offer.

The following table shows the breakdown of the Rights Offer proceeds:

Purpose	Amount (in ₱millions)		
Gross Proceeds from SRO			₱1,445.55
Estimated Offer Expenses			
SEC Confirmation of Exempt Transaction Fees		₱1.46	
Taxes			
DST	₱14.46		
VAT on PSE Fees	0.17	14.63	
PSE Filing fees		1.45	
Other Fees/Expenses			
Estimated PDTC Processing Fees	0.06		
Estimated Professional Fees	2.40		
Estimated Transfer Fees	0.25		
Estimated Receiving Agency Fees	0.60		
Estimated Printing of Selling Materials	0.35		
Estimated Publication Fees	0.30		
Estimated Other Related Expenses	1.02	5.02	22.55
Estimated Net Proceeds			₱1,423.00

The net proceeds from the Rights Offer are primarily intended for the acquisition of land properties for the Company's pipeline of projects and the remaining balance to be used for general corporate purposes. Further details on the proposed use of net proceeds are set forth below:

Purpose	Amount (in ₱millions)	Date of Disbursement
Land Acquisition	₱956.98	2021-2022
General Corporate Purposes	₱466.02	2021-2022
Total	₱1,423.00	

In the event that the actual expenses relating to the Offer differ from the above estimates, the actual net proceeds may be higher or lower than the expected net proceeds set forth above. This may arise in the event that the quotations provided by the supplier/s change in amount/s due to renegotiation of prices and/or availability of other suppliers that can offer same quality of work or service at a lower cost. Any increase or decrease in the net proceeds will be addressed by corresponding adjustments to the Company's provision for general corporate purposes. If variance is bigger than the allocation to the general corporate purposes, the Company may raise additional debt and/or equity to the extent possible.

Likewise, any short in funding caused by the installment basis payment option will be addressed by implementing corresponding adjustments to the Company's provision for general corporate purposes. If variance is bigger than the allocation to the general corporate purposes, the Company shall call on its related beneficial shareholders, who account for 47.4% of the total issued and outstanding shares of the Company, to pay for the full balance of their subscription in the event that any of them opted for the installment option to pay for their subscription of the Rights

Shares. Should this still not be enough to cover the funding for its scheduled projects, the Company shall raise additional debt and/or equity to the extent possible.

The Company does not intend to use the proceeds to discharge any debt nor to reimburse any of its officers, directors, employees, or shareholders for services rendered, asset previously transferred, or money loaned or advanced. The Company will not use the proceeds to pay any financial obligations to the Issue Manager and Underwriter and its affiliates.

Land Acquisition

The Company is allocating ₱956.98 from the net proceeds from the Rights Offer to acquire several properties in relation to the Company's upcoming projects, as follows:

Purpose	Amount (in ₱millions)	Date of Disbursement
Sta Maria Phase 1 and Sta Maria Phase 2	₱167.92	4Q 2021
Balagtas	48.78	4Q 2021
PGV5	48.54	4Q 2021
Jaro Parcel C	87.04	1Q 2021
Jaro Parcel D	153.75	1Q 2022
Winfields Towncenter	97.04	2Q 2022
Tanza	295.50	2Q 2022 – 3Q 2022
Taxes on Acquisitions	58.41	4Q 2021 – 3Q 2022
Total	₱956.98	

The Company intends to acquire the above properties from related parties by virtue of common shareholders. In its negotiations with these sellers, the Company benchmarks the negotiated prices taking into consideration the appraised values of such properties. For the descriptions of the projects for which each land acquisitions will be used, please refer to the overview of the Company's projects in the pipeline on page 67 of this Prospectus.

In addition, the Company entered into several memoranda of agreement with said related parties for the above planned land acquisitions, some of the details of which are listed below:

Project	Selling Party	Size (in sq.m)	Location	Amount (in ₱millions)
PGV5	Pacific Rehouse Corporation ("PRC")	10,787	Mactan, Cebu	₱48.54
Sta Maria Phase 1 and Sta Maria Phase 2	Westland Pacific Properties Corporation ("WPPC") and Pacific Concorde Corporation ("PCC")	235,955	Sta. Maria, Bulacan	167.92
Balagtas	Bocause Prime Estate Corp. ("BPEC") and Recovery Real Estate Corporation ("RREC")	44,346	Balagtas, Bulacan	48.78
Jaro Parcel C	PRC	39,563	Jaro, Iloilo	87.04
Tanza	Rexlon Realty Group Inc. ("RRGI") and Crisanta Realty Development Corp. ("CRDC")	196,995	Tanza, Cavite	295.49
Jaro Parcel D	WPPC	61,500	Jaro, Iloilo	153.75
Winfields Towncenter	PRC	15,268	Mactan, Cebu	97.04
Total		604,414		₱898.57

For more information, please see sections “Description of Properties” on page 78 and “Material Contracts” on page 137.

General Corporate Purposes

The balance of the proceeds or up to ₱466.02 million shall be used for general corporate purposes, including but not limited to working capital requirements, corporate office overhead, administrative expenses, and other costs shouldered by Company in the course of normal business activities.

In the event of any material deviation or adjustment in the planned use of proceeds, the Company shall inform its shareholders, the SEC, and the PSE in writing 30 days before such deviation or adjustment is implemented. Any material or substantial adjustments to the use of proceeds, as indicated above, should be approved by the Board and disclosed to the SEC and the PSE. In addition, the Company shall submit via the PSE Electronic Disclosure Generation Technology (“PSE EDGE”) the following disclosure to ensure transparency in the use of proceeds:

- i. Quarterly Progress Report on the application of the proceeds from the Rights Offer on or before the fifteenth day of the following quarter. The Quarterly Progress Reports should be certified by the Company’s Chief Financial Officer or Treasurer and external auditor.
- ii. Annual summary of the application of the proceeds on or before January 31 of the following year. The Annual Summary Report should be certified by the Company’s Chief Officer or Treasurer and external auditor.
- iii. Approval by the Board of any reallocation on the planned use of proceeds. The actual disbursement or implementation of such reallocation must be disclosed by the Company at least 30 days prior to the said actual disbursement or implementation.

The quarterly and annual reports as required in items ii and iii above must include a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the Prospectus, if any. The detailed explanation must state the approval of the Board as required in item iv above. The Company shall submit an external auditor’s certification of the accuracy of the information reported by the Company to the PSE in its quarterly and annual reports.

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DIVIDENDS AND DIVIDEND POLICY

Limitations and Requirements

Under Philippine laws, PHES may declare dividends out of its unrestricted retained earnings, which shall be payable in cash, property, and in stock to all stockholders on the basis of outstanding stock held by them, subject to certain requirements prescribed under the Revised Corporation Code. The unrestricted retained earnings represent the net accumulated earnings of the Company with its unimpaired capital, which are not appropriated for any other purpose. The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the Philippine SEC. The Board approval is generally sufficient to approve the distribution of dividends, except in the case of stock dividends, which requires the approval of stockholders representing not less than two-thirds (2/3) of the outstanding capital stock at a regular or special meeting duly called for the purpose. From time to time, PHES may re-allocate capital among its subsidiaries depending on its business requirements.

The Revised Corporation Code has defined “outstanding capital stock” as the total shares of stock issued, whether paid in full or not, except treasury shares. The declarations of property and stock dividends are subject to certain other requirements. See “Description of Securities – Rights Relating to Shares – Dividend Rights” on page 52 of this Prospectus.

The Revised Corporation Code generally requires a Philippine corporation with retained earnings in excess of 100.0% of its paid-in capital to declare and distribute as dividends the amount of such surplus. Notwithstanding this general requirement, a Philippine corporation may retain all or any portion of such surplus in the following cases: (i) when justified by definite expansion plans approved by the board of directors of the corporation; (ii) when prohibited under any loan agreement and the required consent of any financing institution or creditor to such distribution has not been secured; (iii) when retention is necessary under special circumstances, such as when there is a need for special reserves for probable contingencies; or (iv) when the non-distribution of dividends is consistent with the policy or requirement of a Government office.

Pursuant to existing Philippine SEC rules, cash dividends declared by corporations whose securities are registered or whose shares are listed in the stock exchange must have a record date not less than 10 days nor more than 30 days from the date of declaration. For stock dividends, the record date should not be less than 10 days nor more than 30 days from the date of shareholders’ approval, provided however, that the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividends. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the Philippine SEC. In case no record date is specified for the cash and stock dividend declaration, then the same shall be deemed fixed at 15 days from such declaration.

In relation to foreign shareholders, dividends payable may not be remitted using foreign exchange sourced from the Philippine banking system unless the investment was first registered with the BSP. See “Philippine Foreign Investment, Exchange Controls, and Foreign Ownership” on page 128 of this Prospectus.

Record Date

Pursuant to existing SEC rules, cash dividends declared by the Company must have a record date of not less than 10 nor more than 30 days from the date of declaration and from receipt by the PSE of the notice of declaration of cash dividend. For stock dividends, the record date should not be less than 10 nor more than 30 days from the date of the shareholders’ approval, provided however, that the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividend. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the SEC.

Dividend History

The Company has not declared any dividends in the last three (3) fiscal years.

Dividend Policy

In accordance with the Revised Corporation Code, PHES is authorized to declare cash, property, and stock dividends or a combination thereof subject to certain requirements. The payment of dividends, either in the form of cash or shares, will depend upon the Company's earnings, cash flow and financial condition, among other factors. The Company may declare dividends only out of its unrestricted retained earnings. These represent the net accumulated earnings of the Company with its unimpaired capital, which are not appropriated for any other purpose. The Company may pay dividends in cash, by the distribution of property, or by the issue of shares. For cash and property dividend declarations, only the approval of the board is required. For stock dividend declarations, an approval of the board as well as shareholders representing at least two-thirds (2/3) of the corporation's outstanding capital stock is required. In case the stock dividends will be coming from an increase in authorized capital stock, such declaration shall be subject to SEC approval. Holders of outstanding shares on a dividend record date for such shares have the right to the full dividend declared without regard to any subsequent transfer of shares. In adherence with the Revised Corporation Code, the corporation is only allowed to declare dividends out of its unrestricted retained earnings.

On July 14, 2021, the Board approved the adoption of a new dividend policy effective 2021 of maintaining an of maintaining an annual cash and/or share dividend pay-out of up to ten percent (10%) of its net profit after tax from the preceding year, subject to: (i) the requirements of applicable laws and regulations, such as the availability of unrestricted retained earnings; (ii) the terms and conditions of its outstanding bonds and loan facilities, as the case maybe; and (iii) the absence of circumstances that may restrict the payment of such dividends, such as where the Company undertakes major projects and developments.

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DETERMINATION OF OFFER PRICE

The Rights Shares are being offered to all Eligible Shareholders at the Offer Price of ₱1.00 per Rights Share. The Offer Price of the Rights Share is equivalent to the par value of the Company's Common Shares, which represents a 92.2% premium to the 60-day VWAP of the Company's Common Shares as of the date of the PSE Board approval of the Rights Offer, from August 16, 2021 to November 10, 2021.

On March 25, 2021, the Board approved the Rights Offer, which delegated to the Company's management the decision on the pertinent details of the Rights Offer. On the same date, the Board determined the Offer Price to be at ₱1.00, PHES' par value.

On June 15, 2021, the Board re-approved the Rights Offer and the Offer Price of ₱1.00.

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CAPITALIZATION AND INDEBTEDNESS

The following table sets out the Company's debt, shareholders' equity, and capitalization as of June 30, 2021 and as adjusted to reflect the sale of the Rights Shares based on an Offer Price of ₱1.00 per Offer Share, and the use of proceeds as described in this Prospectus.

The table should be read in conjunction with the audited financial statements and the notes thereto included in this Prospectus while being based on the assumption that the Offer Price is ₱1.00 per Offer Share. Other than as described herein, there has been no material change in the Company's capitalization since June 30, 2021.

Table 9: Capitalization and Indebtedness					
<i>In ₱millions</i>	Actual as of December 31, 2018	Actual as of December 31, 2019	Actual as of December 31, 2020	Actual as of June 30, 2021	As adjusted after giving effect to the Rights Offer
Due to related parties	₱102.47	₱104.02	₱104.02	₱104.02	₱104.02
Total current debt	85.55	65.77	96.03	101.05	101.05
Total non-current debt	27.65	19.96	21.94	21.94	21.94
Capital stock	1,445.55	1,445.55	1,445.55	1,445.55	2,891.10
Remeasurement gain on retirement benefits	3.37	1.92	2.04	2.04	2.04
Retained earnings	(361.13)	(362.19)	(361.65)	(360.34)	(382.89)
Total Capitalization	₱1,303.46	₱1,275.03	₱1,307.93	₱1,314.27	₱2,737.27

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OWNERSHIP STRUCTURE

The following table presents the ownership structure of the Company as of September 30, 2021.

Table 10: Ownership Structure				
Name	No. of shares Subscribed	Amount Subscribed	Amount Subscribed and Paid Up	% Ownership
PCD Nominee Corp. (Filipino)	747,130,452	747,130,452	747,130,452.00	51.7%
Rexlon Realty Group, Inc. ³	200,000,000	200,000,000	200,000,000.00	13.8%
Ropeman International Corp.	178,270,000	178,270,000	178,270,000.00	12.3%
Recovery Real Estate Corp.	150,000,000	150,000,000	150,000,000.00	10.4%
The Wellex Group, Inc. ⁴	143,892,990	143,892,990	143,892,990.00	10.0%
PCD Nominee Corp. (Non-Filipino)	9,684,808	9,684,808	9,684,808.00	0.7%
Recovery Development Corp.	3,000,900	3,000,900	3,000,900.00	0.2%
Jianxi Li	2,570,000	2,570,000	2,570,000.00	0.2%
Vicente C. Co	1,575,000	2,570,000	2,570,000.00	0.1%
Richard L. Ricardo	1,230,000	1,230,000	1,230,000.00	0.1%
Renato B. Magadia	1,000,000	1,000,000	1,000,000.00	0.1%
Anthony Samuel Lee	900,000	900,000	900,000.00	0.1%
International Polymer Corp.	718,000	718,000	718,000.00	0.0%
Juliet Bangayan	545,000	545,000	545,000.00	0.0%
Rodolfo S. Estrellado	500,000	500,000	500,000.00	0.0%
Elvira A. Ting	500,000	500,000	500,000.00	0.0%
Benison L. Co	364,000	364,000	364,000.00	0.0%
Kenneth T. Gatchalian	320,000	320,000	320,000.00	0.0%
Carolina G. Aquino	250,000	250,000	250,000.00	0.0%
Betty S. Chan	250,000	250,000	250,000.00	0.0%
Total Top 20 Shareholders	1,442,701,150	1,442,701,150	1,442,701,150.00	99.8%
Others	2,848,680	2,848,680	2,848,680.00	0.2%
Total Shareholders	1,445,549,830	1,445,549,830	1,445,549,830.00	100.0%

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³ Beneficial ownership of Rexlon Realty Group, Inc. is 200,480,000 common shares equivalent to 13.9% as of September 30, 2021.

⁴ Beneficial ownership of The Wellex Group, Inc. is 153,760,990 common shares equivalent to 10.6% as of September 30, 2021.

DILUTION

After the completion of the Rights Offer, the Eligible Shareholders will not, as a consequence of their rights to purchase their proportionate Entitlement Shares, suffer any ownership dilution in their respective shareholdings in the Company. However, they will suffer a book value per share dilution due to the increased number of shares issued and outstanding post Rights Offer.

The net book value⁵ of the Company as of June 30, 2021 was ₱1,087,254,700. This equates ₱0.75 net book value per share. The Company's net book value per share represents its net book value net of minority interest divided by the number of common shares outstanding.

After giving effect to the increase in the Company's total assets to reflect its receipt of the net proceeds of the Rights Offer amounting to ₱1,423,000,000.00, and the addition of a total of 1,445,549,829 new Common Shares subject of the Rights Offer, the Company's pro forma net book value will approximately be ₱2,510,254,699.61 or ₱0.87 per share. This represents an immediate increase of ₱0.12 per share to existing shareholders.

The calculation of the net book value per share before and after the Rights Offer is presented below:

Offer Price per Share	₱1.00	(a)
Net Book Value per Share as of June 30, 2021	₱0.75	(b)
Pro-forma Net- Book Value per Share after the Rights Offer	₱0.87	(c)
Increase per share to Existing Stockholders attributable to the Rights Offer	₱0.12	(d=c-b)

In the event that the minority shareholders will not subscribe to their pro-rata entitlements in the Rights Shares, the entire Offer will be subscribed by The Wellex Group, Inc., one of the Company's major beneficial shareholders. Furthermore, Abacus Capital also committed to subscribe to all unsubscribed shares remaining after the second round of the Rights Offer and after the implementation of the aforementioned shareholders' commitment.

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⁵ The Company does not have intangible assets and, as such, for purposes of this section, the net tangible book value is equal to the net book value of the Company. The net tangible book value represents the amount of the Company's total assets less its total liabilities, intangible assets, and minority interest.

PLAN OF DISTRIBUTION

The Rights Offer

The Rights Shares will be offered to Eligible Shareholders in proportion to their percentage of shares being held as of Record Date. Under the PSE Consolidated Listing and Disclosure Rules, the Company shall set the Record Date, subject to the approval of the PSE and which shall not be less than 15 trading days from the approval of the PSE board of directors. Each Eligible Shareholder is entitled to subscribe to One (1) Rights Share for every One (1) existing Common Share held as of Record Date at an Offer Price of ₱1.00 per Rights Share.

The offer process in relation to the Entitlement Shares shall be known as the first round of the Rights Offer.

The Additional Rights Shares shall be offered to those shareholders who had previously fully subscribed to their Entitlement Shares in the first round of the Rights Offer and had signified their intention to subscribe to any unsubscribed Rights Shares via full or partial payment of the total Offer Price of the Rights Shares that they wish to subscribe in excess of their entitlements. The allocation of Additional Rights Shares to shareholders will be subject to the ultimate discretion of the Company, provided that no applicant for Additional Rights Shares shall be allocated more Additional Rights Shares than the number for which such applicant has applied. Moreover, the maximum number of Additional Rights Shares to which an applicant is entitled to be allocated shall be in the proportion to the number of Common Shares held by such applicant as of Record Date to the total number of Common Shares held by all applicants applying for Additional Rights Shares as of Record Date.

The offer process in relation to the Additional Rights Shares shall be known as the Second Round of the Rights Offer.

The Wellex Group, Inc., which beneficially owns 10.6% of the Company's Common Shares as of September 30, 2021, has committed to subscribe to its Entitlement Shares and to all unsubscribed Rights Shares remaining after the second round of the Rights Offer pursuant to the Wellex Undertaking to ensure that the Rights Shares under the Rights Offer are fully subscribed. For this purpose, the entitlement shares are limited to outstanding shares as of Record Date.

To the extent that any Additional Rights Shares remain unsubscribed and are not taken up by the Principal Shareholder after the mandatory second round pursuant to its undertaking to subscribe, such Rights Shares, subject to certain conditions, will be taken up by the Underwriter who shall procure purchasers, or failing which, shall purchase the unsubscribed shares. Abacus Capital will act as the Underwriter for the Rights Offer but no underwriting fees or any form of, direct or indirect, remuneration from the first and mandatory second rounds of the Offer and even upon subscription of Wellex of the shares not taken up after the mandatory second round will be collected with respect to the Rights Offer, the underwriting being a technical compliance undertaken pursuant to the requirements of the PSE. The Company agrees to hold Abacus Capital, its shareholders, officers, employees, and authorized representatives free and harmless against any claims, liabilities, and judgments arising from or in connection with the obligation as an underwriter for the Rights Offer.

Existing shareholdings in certificated and scripless form will be treated as separate shareholdings for the purpose of calculating entitlements under the Rights Offer.

All the fully paid Rights Shares shall be lodged with the PDTC and shall be issued in scripless form. Investors may maintain the Rights Shares in scripless form or opt, at their own cost and expense, to have the stock certificates issued to them by requesting an upliftment of the relevant Rights Shares from PDTC's electronic system after the Rights Shares are listed on the PSE.

The Issuer offers two (2) options for the payment of the SRO: (i) the Rights Shares may be paid for in full upon submission of the Application; and (ii) the Rights shares may be paid in installment basis, where the initial payment of 25.0% of the subscription amount is paid upon submission of the Application with the balance to be paid on or before October 31, 2022. While the listing is allowed for the partially paid Rights Shares, the actual trading of the shares shall only be permitted once the said shares are fully paid. This shall be in accordance with the procedure relating to trading of rights shares. In this regard, the Issuer is required to submit a monthly report every fifth (5th) trading day of the current month on the number of outstanding partially paid shares based on the previous month-end balances until all the Rights Shares are fully paid.

The said report shall contain the following information:

- The total number of outstanding shares;
- The total number of fully paid Rights Shares and its percentage to the total outstanding shares;
- The total number of partially paid Rights Shares and its percentage to the total outstanding shares;
- The total number of Rights Shares paid in accordance with the schedule; and
- The total number of shares that have not been paid in accordance with the schedule.

Shareholders who subscribed through the installment payment scheme are required to pay the remaining 75.0% of the subscription on or before October 31, 2022. Failure to pay on said date shall render the entire balance due and payable, the full payment of which is required within 30 days thereafter, or until November 30, 2022. Otherwise, all stocks covered by the subscription shall become delinquent and shall be subject to sale or auction in accordance with Section 66 of the Revised Corporation Code.

The listing and trading of the partially paid shares will be deferred until the shares are fully paid and processed for listing by the Exchange.

Fully-paid Rights Shares will be listed and available for trading on the expected listing date above, subject to compliance with applicable post-approval conditions. On the other hand, partially-paid Rights Shares will only be listed and be available for trading upon full payment thereof and compliance with the relevant post-approval requirements. In the event that the legal and regulatory thresholds for the conduct of a mandatory tender offer are met, the Company shall comply with the same and the shares subject of the transaction that triggered the mandatory tender offer may only be listed upon completion of the mandatory tender offer and compliance with other regulatory requirements.

Selling Restrictions

No securities, except of a class exempt under Section 9 of the SRC or unless sold in any transaction exempt under Section 10 thereof, shall be sold or distributed by any person within the Philippines, unless such securities shall have been registered with the SEC on Form 12-1 and the registration statement has been declared effective by the SEC.

Offer Period

The Offer Period shall commence on December 06, 2021 and will end on December 13, 2021 for Eligible Shareholders and on December 15, 2021 for Principal Shareholder.

Procedure for the Allocation of the Rights Shares

First Round of the Rights Offer

Upon closing of the Rights Offer Period for the Eligible Shareholders, or on December 13, 2021, the Receiving Agent shall proceed with the first round of the Rights Offer and furnish the Company with a report containing the total subscription of Entitlement Shares by the Eligible Shareholders, the total Additional Rights Shares (if any), and the total Rights Shares available for the second round of the Rights Offer, in electronic form no later than 11:00 a.m. on December 14, 2021 on the same day.

Mandatory Second Round of the Rights Offer

Based on the Company's advice, which shall be given no later than 4:00 p.m. on December 14, 2021, the Receiving Agent shall proceed with the second round of the Rights Offer and submit a copy of the preliminary sales report to the Company and the Underwriter containing the total subscribed and unsubscribed Rights Shares after the second round of the Rights Offer, among other details no later than 9:00 a.m. on December 15, 2021.

Wellex Undertaking

After the second round, the Company shall call the Principal Shareholder to subscribe and purchase any remaining Rights Shares unsubscribed. The Principal Shareholder shall take any corporate action necessary to effect the subscription of its own Entitlement Shares and all unsubscribed Rights Shares remaining after the second round of the Offer, and the corresponding payment, on or before 11:00 a.m. on December 15, 2021.

Possibility of Mandatory Tender Offer

In the event that the total ownership of Wellex and its affiliates exceed 50.0% of the issued and outstanding shares of PHES after the Rights Offer, Wellex has committed to conduct a mandatory tender offer pursuant to SRC Rule 19.2.5. Wellex committed to initiate the process of the mandatory tender offer if and as required under SRC Rule 19 within three (3) business days from the end of the Offer Period. In such case, Wellex plans to file the initial tender offer report to the SEC on December 20, 2021. Once the SEC clears the initial tender offer report, the tender offer period shall commence, and last for a period of 20 business days. The tender offer will conclude upon filing of the amended tender offer report containing the results of the tender offer not later than 10 business days from the end of the tender offer period.

The Issue Manager and Underwriter

Abacus Capital was incorporated in the Philippines on January 06, 1995. It has an authorized capital stock of ₱600,000,000.00, of which ₱500,000,000.00 represents its paid-up capital. The SEC granted it registration and authorization to act as an investment house, valid unless suspended or revoked for cause or cancelled by the SEC or voluntarily surrendered by the registrant, allowing Abacus Capital to act as issue manager and underwriter.

Abacus Capital is a culmination of a group of Filipino businessmen and entrepreneurs' objective to further their presence in the Philippine capital markets after years of success in the stock brokerage business. Since it started operations in 1995, Abacus Capital has actively participated in several initial public offering transactions. As a full-service investment house, Abacus Capital provides the full line of corporate finance and merchant banking products and services.

Abacus Capital represents and warrants that it has exercised the level of due diligence required under existing regulations in ascertaining that all material information appearing in this Prospectus are true and correct as of the date indicated herein. Abacus Capital also warrants and represents, to the best of its knowledge and after exercising the appropriate due diligence review, that there is no other material information omitted, which was necessary to make the statements contained in the Prospectus, including its amendments and supplements, not misleading. Except for failure to exercise the required due diligence review, Abacus Capital assumes no liability for any information supplied in this Prospectus.

Abacus Capital does not have any direct or indirect interest in the Company or in any securities thereof, including options, warrants, or rights thereto. Furthermore, it does not have any relationship with the Company other than as the issue manager and underwriter for the Rights Offer. Abacus Capital also has no direct relations with the Company in terms of ownership by either their respective major stockholders and has no right to designate or nominate any member of the Board.

There is no contract or arrangement existing between the Company, Abacus Capital, or any other third-party whereby Abacus Capital may return any unsold securities from the Rights Offer.

Relationship with the Issuer

No relationship exists between Abacus Capital and the Company other than as stated in the Underwriting Agreement entered by both parties, whereas Abacus Capital has agreed not to receive any underwriting fees or any form of, direct or indirect, remuneration from the first and mandatory second rounds of the Offer and even upon subscription of Wellex of the shares not taken up after the mandatory second round, the underwriting being a technical compliance undertaken pursuant to the requirements of PSE.

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DESCRIPTION OF SECURITIES

The following is general information relating to the Company's capital stock, including brief summaries of relevant provisions of the Revised Corporation Code of the Philippines ("Revised Corporation Code" or the "Code") and implementing regulations adopted by the SEC, as currently in effect, and the SRC. The description below does not purport to be complete or to give full effect to the provisions of law and it is in all respects qualified by reference to the applicable provisions of the Company's amended Articles of Incorporation and amended By-Laws.

Rights Offer Board Approval

In a meeting held on March 25, 2021, the Board authorized the Rights Offer of 1,449,549,830 Common Shares with a par value of ₱1.00 per share, by way of a stock rights offering to eligible existing common shareholders of the Company at the proportion of One (1) Rights Share for every One (1) existing Common Share held as of Record Date. This was re-approved on June 15, 2021.

Share Capital Information

As of the date of this Prospectus, PHES has an authorized capital stock of ₱5,000,000,000.00 consisting of 5,000,000,000 Common Shares with a par value of ₱1.00 per Common Share. As of the date of this Prospectus, a total of 1,449,549,830 Common Shares are issued and outstanding with a remaining unissued portion of the capital stock of 3,550,450,170 Common Shares.

Foreign Ownership Limit

The Company is subject to the foreign ownership restriction on ownership of private land, as set forth in Article XII, Section 7 of the Philippine Constitution, which states that no private land shall be transferred or conveyed except to Filipino citizens or to corporations or associations organized under the laws of the Philippines with capital that is at least 60.0% owned by such citizens. As of the date of this Prospectus, the Company owns land and is covered by this nationality requirement. Please see "Business" section on page 58 of this Prospectus.

Rights Relating to Shares

Voting Rights

Each common share is entitled to one (1) vote. At each meeting of the shareholders, every stockholder entitled to vote on a particular question or matter involved shall be entitled to one (1) vote for each share of stock standing in his name in the Company's books at the time of the closing of the transfer books for such meeting.

In accordance with Section 23 of the Revised Corporation Code of the Philippines, at each election of directors, every stockholder entitled to vote at such election shall have the right to vote, in person or by proxy, the number of shares owned by him as of the relevant record date for as many persons as there are directors to be elected and for whose election he has a right to vote, or to cumulate his votes by giving one (1) candidate the number of votes equal to the number of directors to be elected multiplied by the number his shares shall equal or by distributing such votes on the same principle among any number of candidates as the stockholder shall see fit.

PHES' shares have full voting rights. However, the Revised Corporation Code provides that voting rights cannot be exercised with respect to shares declared by the Board as delinquent, treasury shares, or if the shareholder has elected to exercise his right of appraisal referred to below.

Appraisal Right

Under Philippine laws, shareholders dissenting from the following corporate actions may demand payment of the fair value of their shares in certain circumstances:

- In case any amendments to the Company's Articles of Incorporation have the effect of changing and restricting the rights of any shareholder or of authorizing preferences over the outstanding shares of any class;
- In case of any sale, lease, exchange, transfer, mortgage, or other disposition of all or substantially all the corporate property or assets;
- In case of merger or consolidation;
- In case the Company decides to invest its funds in another corporation or business or for any purpose other than the primary purpose; and
- In case of extension or shortening of the Company's corporate term.

Failing an agreement between the dissenting shareholder and the Company, fair value will be determined by a committee of three (3) disinterested persons. The remedy will only be available if the Company has unrestricted retained earnings sufficient to support the purchase of the shares of the dissenting shareholders.

Pre-Emptive Rights

The Revised Corporation Code specifies that all shareholders of a Philippine stock corporation shall enjoy pre-emptive right to subscribe to all issues or other disposition of shares of any class, in proportion to their respective shareholdings, unless such right is denied by the Articles of Incorporation or an amendment thereto. However, such pre-emptive right shall not extend to shares to be issued in compliance with laws requiring stock offerings or minimum stock ownership by the public; or to shares to be issued in good faith with the approval of the shareholders representing two-thirds (2/3) of the outstanding capital stock, in exchange for property needed for corporate purposes or in payment of a previously contracted debt. A Philippine corporation may provide for the denial of pre-emptive rights in its Articles of Incorporation. Likewise, shareholders who are entitled to such pre-emptive rights may waive the same through a written instrument to that effect.

The Amended Articles of Incorporation of the Company denies the pre-emptive rights of its stockholders to subscribe to any or all dispositions of any class of shares.

Dividend Rights

The Board is authorized to declare dividends. A cash or property dividend declaration does not require any further approval from the shareholders. A stock dividend declaration requires further approval of the shareholders holding or representing not less than two-thirds (2/3) of the Company's outstanding capital stock entitled to vote. The Revised Corporation Code defines the term "outstanding capital stock" to mean the "total shares of stock issued under binding subscription contracts to subscribers or stockholders, whether fully or partially paid, except treasury shares." Such approval of the shareholders may be given at a general or special meeting called for such purpose.

Dividends may be declared and paid out of the unrestricted retained earnings, which will be payable in cash, property, or stock to all shareholders on the basis of outstanding stock held by them, as often and at such times as the Board may determine and in accordance with law.

The Company has not declared any dividends in the three (3) most recent fiscal years.

The Revised Corporation Code generally requires a Philippine corporation with retained earnings in excess of 100.0% of its paid-in capital to declare and distribute as dividends the amount of such surplus. Notwithstanding this general requirement, a Philippine corporation may retain all or any portion of such surplus in the following cases: (i) when justified by definite expansion plans approved by the board of directors of the corporation; (ii) when the required consent under any of the corporation's loan agreements with a financing institution or creditor to such distribution has not been secured; (iii) when retention is necessary under special circumstances, such as when there is a need for special reserves for probable contingencies; or (iv) when the non-distribution of dividends is consistent with the policy or requirement of a government office. Philippine corporations whose securities are listed on any stock exchange are required to maintain and distribute an equitable balance of cash and stock dividends, consistent with the needs of shareholders and the demands for growth or expansion of the business.

Rights of Common Shareholders to Assets of the Company

In the event of liquidation or dissolution of the Company, holders are entitled to receive their proportionate share of all assets available for distribution after the settlement of the Company's liabilities.

Derivative Rights

Under Philippine law, shareholders have the right to institute proceedings on behalf of the corporation in a derivative action in the event that the corporation itself is unable or unwilling to institute the necessary proceedings to rectify the wrongs committed against the corporation or to vindicate corporate rights as, for example, where the directors themselves are the malefactors.

Right of Inspection

It is a recognized right of a shareholder to inspect the corporate books, records of all business transactions of the corporation, and the minutes of any meeting of the Board and shareholders at reasonable hours on business days and may demand a copy of excerpts from such records or minutes at his or her expense. On the other hand, the corporation may refuse such inspection if the shareholder demanding to examine or copy the records of the corporation has improperly used any information secured through any prior examination or was not acting in good faith or for a legitimate purpose in making his demand.

Right to Financial Statements

Another recognized right of a shareholder is the right to be furnished with the most recent financial statement of the corporation, which shall include a balance sheet as of the end of the last taxable year and a profit and loss statement for said taxable year, showing in reasonable detail its assets and liabilities and the results of its operations. At the meeting of shareholders, the Board is required to present to the shareholders a financial report of the operations of the corporation for the preceding year, which shall include financial statements duly signed and certified by an independent certified public accountant.

Treasury Shares

The Company may acquire its own shares, provided that, it has unrestricted retained earnings or surplus profits to pay for the shares to be acquired or purchased and only for a legitimate corporate purpose/s, including but not limited to the following cases:

- Elimination of fractional shares arising out of stock dividends;
- Satisfaction of an indebtedness to the company arising out of unpaid subscription; or
- Payment of shares of dissenting or withdrawing shareholders.

The shares repurchased by the Company shall become treasury shares that may again be disposed of at a reasonable price to be fixed by the Board. The treasury shares have neither voting rights nor dividend rights as long as they remain as treasury shares.

Change in Control

There are no existing provisions in the Amended Articles of Incorporation or the Amended By-Laws of the Company that will delay, defer, or in any manner prevent a change in control of the Company.

Shareholders' Meetings

Annual or Regular Shareholders' Meetings

All Philippine corporations are required to hold an annual meeting of shareholders for corporate purposes, one of which is the election of directors. PHES' By-Laws provide for annual meetings to be held within four (4) months from the end of each fiscal year, and if a legal holiday, then on the day following.

Special Shareholders' Meeting

Special meetings of shareholders, for any purpose or purposes, may at any time be called by the Chairman of the Board or the Secretary at the request in writing by a majority of the members of the Board or by the stockholders owning 33 1/3% or more of the entire issued and outstanding capital stock of the Company. By special provision of SEC Memorandum Circular No. 7, series of 2021, specifically for publicly listed companies, any number of shareholders who hold at least 10.0% of the outstanding capital stock of a publicly listed company shall likewise have the right to call for a special stockholders' meeting, subject to certain conditions and in accordance with Section 49 of the Revised Corporation Code.

Notice of Shareholders' Meeting

Whenever shareholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date, and time of the meeting, and the purpose or purposes for which the meeting is called. Per the Company's By-Laws, notices for meetings of the stockholders shall be sent by the Secretary by personal delivery, mail, telegraph, telex, cable, radio or wireless at least 10 business days prior to the date of the meeting, if an annual meeting, or at least seven (7) days before the date of the meeting, if a special meeting, to each stockholder of record at his last known address. By special provision of SEC Memorandum Circular No. 3, series of 2020, however, the written notice of regular meetings are required to be sent to stockholders of record at least 21 calendar days prior to the date of the meeting. 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 meetings, only matters stated in the notice can be the subject of motions or deliberations at such meeting. Notice of any meeting may be waived, expressly or impliedly, by any shareholder, in person or by proxy, before or after the meeting.

Quorum

Unless otherwise provided by law or an existing shareholders' agreement, shareholders who own or hold a majority of the outstanding capital shares must be present or represented in all regular or special meetings of shareholders in order to constitute a quorum, except in cases where the Revised Corporation Code provides a greater percentage vis-à-vis the total outstanding capital shares. If no quorum is constituted, the meeting shall be adjourned until shareholders who own or hold the requisite number of shares shall be present or represented.

Voting

The shareholders may vote at all meetings the corresponding number of shares registered in their respective names, either in person or by proxy duly appointed as discussed herein below.

Proxies

Shareholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy. A proxy shall be in writing and duly presented to and received by the Corporate Secretary for inspection and recording within five (5) business days prior to the scheduled meeting. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Corporate Secretary. No proxy shall be valid and effective for a period longer than five (5) years at any one time.

No member of the PSE and no broker/dealer shall give any proxy, consent, or authorization, in respect of any securities carried for the account of a customer to a person other than the customer, without the express written authorization of such customer. The proxy executed by the broker shall be accompanied by a certification under oath stating that before the proxy was given by the broker, he had duly obtained the written consent of the persons in whose account the shares are held. There shall be a presumption of regularity in the execution of proxies and proxies shall be accepted if they have the appearance of prima facie authenticity in the absence of a timely and valid challenge. Proxies are required to comply with the relevant provisions of the Revised Corporation Code, the SRC, the Implementing Rules and Regulations of the SRC (as amended), and SEC Memorandum Circular No. 5 (series of 1996) issued by the SEC.

Fixing Record Dates

Pursuant to the SEC rules, cash dividends declared by corporations whose shares are listed on the PSE shall have a record date that shall not be less than 10 and not more than 30 days from the date of declaration of cash dividends. As to stock dividends, the record date shall not be less than 10 nor more than 30 days from the date of shareholder approval. The PSE Rules require that disclosure of the record date must be done at least 10 trading days prior to the record date set.

In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date shall be fixed by the SEC and shall be indicated in the SEC order, which shall not be less than 10 days nor more than 30 days after all clearances and approvals by the SEC shall have been secured. Regardless of the kind of dividends, the record date set shall not be less than 10 trading days from receipt by the PSE of the notice of declaration of the dividend.

Issuance of Shares

Subject to otherwise applicable limitations, PHES may issue additional shares to any individual for consideration deemed fair by its Board, provided said consideration shall not be less than the par value of the issued shares. No share certificates shall be issued to a subscriber until the full amount of the subscription together with interest and expenses (in case of delinquent shares) has been paid and proof of payment of the applicable taxes shall have been submitted to the Company's Corporate Secretary. Under the PSE Rules, only fully paid shares may be listed on the PSE.

Transfer of Common Shares

All transfer of shares on the PSE shall be done by means of a book-entry system. Pursuant to this system of trading and settlement, a registered shareholder transfers legal title over the shares to such nominee but retains beneficial ownership over the shares. A shareholder transfers legal title by surrendering the stock certificate representing his shares to participants of the PDTC System (i.e., brokers and custodian banks) that, in turn, lodge the same with the PCD Nominee. A shareholder may request his shares to be uplifted from the PDTC, in which case, a certificate of stock is issued to the shareholder and the shares are registered in the name of the shareholder. See "The Philippine Stock Market" on page 120 of this Prospectus.

Under Philippine law, transfer of the Shares is not required to be effected on the PSE, but any off-exchange transfers will subject the transferor to a capital gains tax that may be significantly greater than the stock transfer tax applicable to transfers effected on an exchange. See "Philippine Taxation" on page 130 of this Prospectus. All transfers of Shares on the PSE must be effected through a licensed stockbroker in the Philippines.

Share Register

The Company's share register is maintained at the offices of BDO Unibank, Inc. - Trust and Investments Group, the Company's Stock Transfer Agent.

Share Certificates

Certificates representing the Shares will be issued in such denominations as shareholders may request, except those certificates will not be issued for fractional shares. For Shareholders who wish to split their certificates, they may do so through application to the Company's stock transfer agent. Shares may also be lodged and maintained under the book-entry system of the PDTC. See "The Philippine Stock Market" beginning on page 120 of this Prospectus.

Mandatory Tender Offer

Pursuant to the SRC and its implementing rules and regulations, it is mandatory for any person or group of persons acting in concert to make a tender offer to all the shareholders of the target corporation before the intended acquisition of:

- 35.0% of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board in a public company in one (1) or more transactions within a period of 12 months;
- 35.0% of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board in a public company directly from one (1) or more stockholders; or
- Equity that would result in ownership of over 50.0% of the outstanding equity securities of a public company.

Pertaining to the first instance, when the securities tendered pursuant to such an offer exceed the number of shares that the acquiring person or group of persons is willing to acquire, the securities shall be purchased from each tendering shareholder on a pro rata basis according to the number of securities tendered by each security holder. In the event that the tender offer is oversubscribed, the aggregate amount of securities to be acquired at the close of such tender offer shall be proportionately distributed to both the selling shareholders with whom the acquirer may have been in private negotiations with and the minority shareholders.

Pertaining to the second instance, the tender offer shall be made for all the outstanding voting shares. The sale of shares pursuant to the private transaction with the stockholders shall not be completed prior to the closing and completion of the tender offer.

Pertaining to the third instance, the acquirer shall be required to make a tender offer for all the outstanding equity securities to all remaining stockholders of the company at a price supported by a fairness opinion provided by an independent financial advisor or equivalent third-party. The acquirer shall be required to accept all securities tendered.

Further, no mandatory tender is required in:

- Purchases of shares from unissued capital shares unless such purchases will result in a 50.0% or more ownership of shares by the purchaser or such percentage that is sufficient to gain control of the Board;
- Purchases from an increase in the authorized capital shares of the target company;
- Purchases in connection with a foreclosure proceeding involving a pledge or security where the acquisition is made by a debtor or creditor;
- Purchases in connection with a privatization undertaken by the government of the Philippines;
- Purchases in connection with corporate rehabilitation under court supervision;
- Purchases through an open market at the prevailing market price; or
- Purchases resulting from a merger or consolidation.

Fundamental Matters

The Revised Corporation Code provides that the following acts of the corporation require the approval of shareholders representing at least two-thirds (2/3) of the issued and outstanding capital stock of the corporation:

- Amendment of the articles of incorporation;
- Removal of directors;
- Sale, lease, exchange, mortgage, pledge, or other disposition of all or substantially all the assets of the corporation;
- Investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the corporation was organized;
- Delegation to the Board of the power to amend or repeal by-laws or adopt new by-laws;
- Merger or consolidation;
- An increase or decrease in capital stock;
- Dissolution;
- Extension or shortening of the corporate term;

- Creation or increase of bonded indebtedness;
- Declaration of stock dividends;
- Management contracts with related parties; and
- Ratification of contracts between the corporation and a director or officer.

Further, the approval of shareholders holding a majority of the outstanding capital shares of a Philippine corporation, including non-voting shares, is required for the adoption or amendment of the by-laws of such corporation.

Accounting and Auditing Requirements

Philippine stock corporations are required to file copies of their annual financial statements with the SEC. In addition, public corporations are required to file quarterly financial statements (for the first three (3) quarters) with the SEC. Those corporations whose shares are listed on the PSE are additionally required to file said quarterly and annual financial statements with the PSE. Shareholders are entitled to request copies of the most recent financial statements of the corporation, which include a statement of financial position as of the end of the most recent tax year and a profit and loss statement for that year. Shareholders are also entitled to inspect and examine the books and records that the corporation is required by law to maintain. The Board is required to present to shareholders at every annual meeting a financial report of the Company's operations for the preceding year. This report is required to include the audited financial statements.

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BUSINESS

Overview

Philippine Estates Corporation is a real estate development company that builds housing communities in different locations in the Philippines. The Company's projects are geographically located in emerging and high growth cities in the country where residential needs are in high demand, primarily in Cebu and Iloilo and one (1) in Bulacan.

The Company was originally incorporated on May 30, 1983 as Philippine Cocoa Estates Corporation ("PCEC") with the primary purpose to engage in all phases of agriculture. In 1996, the Wellex Group acquired the Company and was renamed Philippine Estates Corporation. Prior to acquisition, PCEC already a listed firm on the PSE, produced and supplied the cocoa beans used as raw materials in factories. With continued weakening of prices of cocoa products in the world market, and with vast landholdings, the new management opted for a change in business focus from agriculture to real estate. In May 1996, the Securities and Exchange Commission approved the change in primary purpose from agriculture to the business of holding and developing real estate, and the change in corporate name to the present one. Since then, the Company has established a track record in construction and real estate development, developing a niche in the medium cost housing segment. PHES believes this strategy presents better growth opportunities to the Company by providing greater flexibility in terms of pricing.

The Company's real estate business is composed of horizontal mass housing developments and medium rise condominiums. As of September 30, 2021, the Company had completed seven (7) horizontal Mass Housing developments in Cebu and Iloilo, namely (i) Pacific Grand Villas Phase I, (ii) Pacific Grand Villas Phase II, (iii) Pacific Grand Villas Phase III, (iv) Chateaux Geneva, (v) Pacific Grand Villas Phase IV-A and IV-B, (vi) Pacific Grand Townhomes Phase I, and (vii) Costa Smeralda. The Company's ongoing projects include two (2) horizontal Mass Housing projects and a medium rise condominium, namely (i) Wellford Homes @ Jaro Grand Estates (Phase III)-Parcel A, (ii) Wellford Homes - Malolos, and (iii) Wellford Residences - Mactan, respectively. Prior to developing housing communities outside of the metro, its first two (2) developments are located in Metro Manila, namely, Pearl of the Orient Tower, a 42-storey mixed-use tower in Manila, and Metrotech Industrial Park Valenzuela (formerly Plastic City Industrial Park), a 30-hectare industrial park.

Moving forward, the Company is looking at expanding its footprint in Bulacan and Cavite as improvements in the country's infrastructure and congestion in Metro Manila have bolstered the residential diaspora to the peripheral provinces of the metro, with Bulacan bordering NCR in the north and Cavite in the south-west. The Company is also planning to further expand its existing projects in Cebu and Iloilo. The Company has eight (8) horizontal mass housing projects and a town center in the pipeline, namely (i) Balagtas, (ii) PGV5, (iii - iv) Sta. Maria Phase 1 and Phase 2, (v) Tanza, (vi-viii) Jaro Parcels B, C, and D, and (ix) Winfields Towncenter, respectively.

In 2020, the Company generated total revenues of ₱217.94 million and net income of ₱0.55 million. As of June 30, 2021, its assets amounted to ₱1,669.66 million to include real estate inventory worth ₱390.55 million with a total land bank of 414,606 sq.m. Meanwhile, its total debt and stockholders' equity were at ₱122.94 million and ₱1,087.25 million, respectively.

Since its incorporation, the Company has not been the subject of any bankruptcy, receivership, or similar proceedings.

Competitive Strengths

The Company believes that the following are its key business strengths:

Operating in Niche Markets with Steady and Loyal Customer Base

The Company's subdivisions are mostly advertised via word-of-mouth. The Company prides itself in having clients referred by past clients when the Company opens new developments. For example, the Pacific Grand Villas in Mactan, Cebu has been very popular with those employed at the industrial zones and business hubs in the city. When the Company opened its townhouse project in a nearby site, referrals came from the existing clients and relatives of said existing clients. To incentivize existing clients to refer the project to relatives and friends, the

Company offers a 3.00% commission to existing clients who can refer new clients to the Company. The 3.00% commission is based on the net selling price of the unit sold.

Pocket-Sized and Manageable Developments

The Company's developments are consciously planned to be manageable in size. Although the Company master plans its bigger properties, it develops them in several phases so that it does not spread the Company's resources too thinly. The Company matches the size of its developments with its capital raising capabilities and staff availability. Its largest village in Lapu-Lapu City, Mactan, Cebu, comprises 40 hectares with four (4) phases so far, with another phase forthcoming. The management of housing construction is conveniently premised on similar architectural designs that enables houses to be completed in batches. The construction of units is programmed according to expected delivery dates according to the terms of sale, which assures the Company of sales turnover.

Simple but Functional Architectural Designs

The Company's architects come up with functional layouts. Houses are designed to be simple and not embellished with expensive but unusable designs. The Company selects color schemes depending on the theme of the project (e.g., American themed projects utilize colors that are more subdued and lighter compared to Mediterranean themed projects). The Company is mindful of the budget in building aesthetics, adding just enough for the product to be pleasant but without spending for extravagance.

Experienced Management Team

The Company's management team comes from various corners of the real estate industry, with a combined experience of more than 50 years from affordable housing categories to the higher end products. The management team is well balanced in terms of handling marketing, engineering, financial, legal, and planning segments of the business.

Strong Relationships with Local Contractors

The Company primarily outsources building its projects from local contractors. Contract packages are selected under competitive bidding, choosing those with proven capabilities and the ones who offer best value for money. These contractors should also have very strong onsite experience with suppliers and labor, as well as strong contacts with the LGUs and suppliers to ensure that the Company's projects are completed on schedule. The Company treats its contractors as partners in the housing effort.

Excellent Relationships with Local Real Estate Brokers

The Company believes in utilizing local real estate brokers to market for it. The Company trains its broker partners to have a bird's eye-view of the Company's wide range of products and makes sure that product knowledge is continuously updated. The Company rewards its brokers and agents with competitive commission packages that are on par with the industry standards.

Proven Track Record in Land Banking

The Company's land management team has a solid grasp of acquisition essentials. From economic considerations and urban planning ideals to legal due diligence and dispute resolution, the Company's raw lands are selected with strict choice parameters. PHES' acquisition teams have on-the-ground experience and are constantly updated with economic developments, progress indicators, and road planning news in areas they are scouting.

Presence in Emerging and High Growth Cities

The Company has a growing presence in Mactan-Cebu, Iloilo, and Bulacan. It has developments that are niched at the economic-to-mid market levels, with current price points that are competitive and perceived as reasonable by the target markets. The Company also continues to expand its presence in other key high growth cities outside of Metro Manila, particularly in Cavite and further in Bulacan.

Healthy Relationships with Mortgage Financiers

The Company has strong relationships with Pag-IBIG Fund/HDMF and various savings and commercial banks that cater to the housing market. The Company encourages co-marketing efforts and usually includes banking staff in its open-house activities. The Company's brokers carry and present brochures of the Company's mortgage partners to better explain payment terms to clients.

Strong Customer Service

PHES prides itself with its strong property management team. The Company believes that to create a vibrant community, its after-sales presence is essential in the upkeep of its brands and development of reputation. The Company only turns over the management of subdivisions to the homeowner associations when strong homeowner presence is established. It also maintains smooth relations with its neighboring communities.

Key Strategies

The following presents the Company's key strategies to stay competitive.

Focus on Quality and Value-for-Money Housing Projects

The Company is competitive in the affordable-economic and mid housing markets. The focus is on product quality and giving the clients a value-for-money proposition in terms of location, functionality, and amenities. Its projects are covered by all the necessary approvals, permits, and licenses from the local government and concerned agencies. PHES is committed in building communities that are suited for its target markets. As a strong testament of the Company's product excellence, word-of-mouth advertising through referrals to family and friends is its main marketing tool.

Capitalize on Locations that Show Economic Growth

The Company selects projects in areas that show robust economic activity. Careful thought is given in choosing sites where families show strong disposable incomes and where abundant employment opportunities abound. As such, complete demographic studies are carried out to fully understand the buying capacity of the target markets. The Company also prioritizes sites with reasonable distance from major transportation hubs.

Careful Thought on Project Master Planning

The Company's master planners have an excellent track record in setting up functional layouts that are apt for the location where the projects are located. For example, roads, entrances, and the location of utilities, amenities, and public convergence areas are designed based on integrating good views, traffic flows, and environmental concerns. The Company's planners continuously balance two (2) delicate ideals in the design process: increasing saleable areas vis-à-vis creating livable communities that do not reflect "urban jungle" vibes. This is even more evident in the Company's bigger projects, wherein the Company plans townships with both residential and commercial components.

Reasonable Price of Housing Packages and Generous Marketing Packages to Seller Partners

The Company's housing packages are priced reasonably among peers in their competitive sets to encourage increased sales velocity. This pricing strategy is complemented by flexible down payment periods that could reach as long as 24-months. The Company also provides in-house financing to customers who are not able to secure financing from banks or HDMF with tenors of three (3) and seven (7) years.

The Company's marketing packages to seller partners are also among the most generous in the industry to acknowledge the critical role that the sales force plays in the selling process. The Company is pro-active in addressing client concerns.

Minimal Inventory

The Company primarily constructs pre-sold houses. Construction of pre-sold houses usually commences once the customer has paid at least 12 months of down payment. This allows the Company to manage its cash flows effectively and spread its capital to fund the development of other projects. Management also believes that this lessens the risk of holding inventory due to customer default, given that 12 months' worth of the down payment is already paid.

Strong Interpersonal Linkages

The Company recognizes that the purchase of a house by its clients represents a big milestone in their lives. To engage in meaningful discussions on house purchases with potential clients, the Company's sales teams are trained to find out the specific needs of its clients, going beyond the basic "Know Your Client" as well as know all the features of the Company's products in order to present the most appropriate housing packages to the client. Furthermore, the Company trains its sales teams on techniques in presenting the property to clients in the most effective manner.

Management of Construction Costs

The Company's engineering staff has rigid control systems to meet on-time product delivery. The houses are not mass produced and are constructed using traditional methodologies that have been tried and tested in the Philippine setting. Given this more labor-intensive process, continuous engineering supervision has led to a reduction in construction errors, delivery mishaps, and project delays.

Build on Human Capital

The Company's staff continuously undergoes training seminars and is constantly involved in professional and civic organizations. The Company believes that the strength of the Company's people makes the Company stable and empowered.

Invest in Property Management

The Company's concern with client welfare extends even after a sale is consummated. The Company invests heavily on property management systems in which the Company's projects are Company managed until a majority homeowner vote is established for a fully functional homeowners' association. PHES believes in caring for all the communities that it establishes.

Company Milestones

Set out below are the key milestones in the Company's history

May 30, 1983	Incorporated as Philippine Cocoa Estates Corporation with SEC Registration No. 112978, having an authorized capital of ₱1.0 million, and having the primary purpose of engaging in all phases of agriculture
February 29, 1984	Increased capitalization to ₱140.0 million
November 1987	Listed on both the Manila and Makati Stock Exchanges, now the PSE
October 22, 1987	Increased authorized capital to ₱300.0 million
May 16, 1996	The Wellex Group, Inc. took over and SEC approved: (i) change in corporate name to Philippine Estates Corporation; (ii) change in primary purpose from agriculture to holding and developing real estate; (iii) removal of classifications of the Company's shares; and (iv) change in the par value from ₱10.00 to ₱1.00.
March 26, 1997	SEC authorized the increase in capitalization to ₱5.0 billion
2004	Completed condominium joint venture project Pearl of the Orient (formerly called Embassy Pointe)
2005	Completed joint venture project Metrotech Industrial Park – Valenzuela

2012	Completed Chateau Geneva a 10-hectare Swiss-Victorian themed residential subdivision in Jaro, Iloilo
2016	Completed Pacific Grand Villas – Phase I – 3 encompassing 30 hectares completed located in Marigondon, Lapu-lapu City in Cebu
2017	Launched Wellford Homes – Phase I in Jaro, Iloilo, a modern American-themed community featuring single and duplex bungalows
2018	Completed Pacific Grand Townhomes – Phase I with an area of 7,359 sq.m. located in Marigondon, Lapu-lapu City in Cebu
2018	Launched Wellford Residences, a two (2) -tower American-themed, mid-rise and low-density condominium project in Lapu-lapu City, Cebu
2020	Launched Wellford Homes Phases I & II, Malolos City, Bulacan, a 7-hectare modern American-theme, mixed-use subdivision
2021	Leased vacant industrial lots in Viente Reales, Valenzuela City
2021	Application for License to Sell for Wellford Homes – Phase II in Jaro, Iloilo

Real Estate Development Projects

The Company currently undertakes two (2) types of real estate development projects: (i) horizontal mass housing developments; and (ii) medium rise condominiums. The table below presents the components of the Company's real estate sales for the past three (3) years and in the first quarter of 2021.

Project Name	2018 Revenues (in ₱millions)	%	2019 Revenues (in ₱millions)	%	2020 Revenues (in ₱millions)	%	1Q 2021 Revenues (in ₱millions)	%
Metrotech Industrial Park Valenzuela	₱22.55	7.4%	n/a	n/a	n/a	n/a	n/a	n/a
Pacific Grand Villas Phase II	₱6.15	2.0%	₱10.11	4.8%	₱12.39	5.7%	n/a	n/a
Pacific Grand Villas Phase III	₱15.48	5.0%	₱7.52	3.5%	₱6.79	3.1%	n/a	n/a
Chateaux Geneva	₱2.75	0.90%	n/a	n/a	n/a	n/a	n/a	n/a
Pacific Grand Villas Phase IV-A and IV-B	₱42.34	13.8%	₱22.78	10.7%	₱27.84	12.8%	n/a	n/a
Pacific Grand Townhomes Phase I	₱43.04	14.0%	₱20.94	9.9%	₱9.46	4.3%	n/a	n/a
Costa Smeralda	₱104.76	34.13%	₱54.59	25.7%	₱73.44	33.7%	₱27.50	61.4%
Wellford Homes @ Jaro Grand Estates (Phase III) – Parcel A	₱69.84	22.8%	₱37.28	17.5%	₱25.30	11.6%	n/a	n/a
Wellford Residences - Mactan	n/a	n/a	₱59.39	27.9%	₱6.95	3.2%	₱0.98	2.2%
Wellford Homes – Malolos	n/a	n/a	n/a	n/a	₱55.77	25.6%	₱16.30	36.4%
Real Estate Sales	₱289.91	100.0%	₱205.09	100.0%	₱217.94	91.20%	₱44.78	100.0%

All the Company's revenues and net income are obtained from real estate sales of developed properties in the Philippines; none were contributed by foreign sales.

The Company's horizontal mass housing developments typically feature row houses and two (2) -storey detached houses. Floor areas range from 40 to 100 sq.m. and prices range from ₱1.70 million to ₱6.70 million. The general character of each project of the Company provides for common facilities such as a clubhouse with multi-purpose hall to cater to public and private events, a basketball court, landscaped open spaces with lots of trees and children's playground, wide concrete roads, and sidewalks with planting strips.

Wellford Residences Mactan, the Company's first medium rise condominium project, will feature two (2) six (6)-storey buildings with 200 saleable residential units and 38 parking spaces. Unit floor area will be around 27 sq.m with prices of around ₱2.50 million. The general character of Wellford Residences Mactan will provide for common facilities such as a combined kiddie and adult pool, landscaped open spaces with shades of trees, children's playground, and 24-hour security.

The Company's operations are limited to the Philippines; therefore, all its sales and net income are contributed by sales from domestic operations.

Summary of the Company's Projects

As of the date of this Prospectus, the Company has completed seven (7) horizontal residential subdivisions, a 42-storey mixed-use tower, and a 30-hectare industrial park.

The table below provides an overview of the Company's completed projects as of the date of this Prospectus. Projects are considered to be complete when the construction and provision of all the facilities, infrastructures, other forms of development, including water supply and lighting facilities, and as far as practicable improvements, as offered and indicated in the approved subdivision plans, brochures, prospectus, printed matters, letters, or in any form of advertisement, has been made.



Table 14: Overview of Completed Company Projects									
	<p>Pearl of the Orient Tower</p> <p>A 42-storey office–residential-recreational condominium tower in Roxas Boulevard, Manila.</p>								
	<table border="1"> <tr> <td>Location:</td> <td>Manila</td> </tr> <tr> <td>Type:</td> <td>Mixed- Use Tower</td> </tr> <tr> <td>No. of Units:</td> <td>91 Units</td> </tr> <tr> <td>No. of Units Sold:</td> <td>Sold Out</td> </tr> </table>	Location:	Manila	Type:	Mixed- Use Tower	No. of Units:	91 Units	No. of Units Sold:	Sold Out
	Location:	Manila							
	Type:	Mixed- Use Tower							
	No. of Units:	91 Units							
No. of Units Sold:	Sold Out								
	<p>Metrotech Industrial Park Valenzuela</p> <p>A 30-hectare, modern industrial park in the city of Valenzuela. It houses 44 industrial warehouses and has complete facilities, including roads, water, security, and electricity. It is seated next to the North Luzon Expressway with further connection to the Subic Clark Tarlac Expressway.</p>								
	<table border="1"> <tr> <td>Location:</td> <td>Valenzuela</td> </tr> <tr> <td>Type:</td> <td>Industrial Park</td> </tr> <tr> <td>No. of Units:</td> <td>30 lots</td> </tr> <tr> <td>No. of Units Sold:</td> <td>Sold Out</td> </tr> </table>	Location:	Valenzuela	Type:	Industrial Park	No. of Units:	30 lots	No. of Units Sold:	Sold Out
	Location:	Valenzuela							
	Type:	Industrial Park							
	No. of Units:	30 lots							
No. of Units Sold:	Sold Out								

Table 14: Overview of Completed Company Projects

	<p>Pacific Grand Villas Phase I</p> <p>The first phase of the successful Mediterranean-inspired residential community in the highly urbanized city of Lapu-Lapu, Cebu</p> <table border="1"> <tr> <td>Location:</td> <td>Mactan, Cebu</td> </tr> <tr> <td>Type:</td> <td>Horizontal Mass Housing</td> </tr> <tr> <td>No. of Units:</td> <td>531 lots</td> </tr> <tr> <td>No. of Units Sold:</td> <td>Sold Out</td> </tr> </table>	Location:	Mactan, Cebu	Type:	Horizontal Mass Housing	No. of Units:	531 lots	No. of Units Sold:	Sold Out		
Location:	Mactan, Cebu										
Type:	Horizontal Mass Housing										
No. of Units:	531 lots										
No. of Units Sold:	Sold Out										
	<p>Pacific Grand Villas Phase II</p> <p>The second completed project in Lapu-Lapu City, Cebu, with bigger lot cuts than Phase 1 and new house models</p> <table border="1"> <tr> <td>Location:</td> <td>Mactan, Cebu</td> </tr> <tr> <td>Type:</td> <td>Horizontal Mass Housing</td> </tr> <tr> <td>No. of Units:</td> <td>261 lots</td> </tr> <tr> <td>No. of Units Sold:</td> <td>Sold Out</td> </tr> </table>	Location:	Mactan, Cebu	Type:	Horizontal Mass Housing	No. of Units:	261 lots	No. of Units Sold:	Sold Out		
Location:	Mactan, Cebu										
Type:	Horizontal Mass Housing										
No. of Units:	261 lots										
No. of Units Sold:	Sold Out										
	<p>Pacific Grand Villas Phase III</p> <p>The third in the series of thriving Pacific Grand Villas communities in Lapu-Lapu City, Cebu</p> <table border="1"> <tr> <td>Location:</td> <td>Mactan, Cebu</td> </tr> <tr> <td>Type:</td> <td>Horizontal Mass Housing</td> </tr> <tr> <td>Date Started:</td> <td>June 15, 2004</td> </tr> <tr> <td>No. of Units:</td> <td>353 lots</td> </tr> <tr> <td>No. of Units Sold:</td> <td>Sold Out</td> </tr> </table>	Location:	Mactan, Cebu	Type:	Horizontal Mass Housing	Date Started:	June 15, 2004	No. of Units:	353 lots	No. of Units Sold:	Sold Out
Location:	Mactan, Cebu										
Type:	Horizontal Mass Housing										
Date Started:	June 15, 2004										
No. of Units:	353 lots										
No. of Units Sold:	Sold Out										
	<p>Chateaux Geneva</p> <p>A 10-hectare Swiss-Victorian themed community in the prime district of Jaro, Iloilo City.</p> <table border="1"> <tr> <td>Location:</td> <td>Jaro, Iloilo City</td> </tr> <tr> <td>Type:</td> <td>Horizontal Mass Housing</td> </tr> <tr> <td>Date Started:</td> <td>January 17, 2002</td> </tr> <tr> <td>No. of Units:</td> <td>363 lots</td> </tr> <tr> <td>No. of Units Sold:</td> <td>315</td> </tr> </table>	Location:	Jaro, Iloilo City	Type:	Horizontal Mass Housing	Date Started:	January 17, 2002	No. of Units:	363 lots	No. of Units Sold:	315
Location:	Jaro, Iloilo City										
Type:	Horizontal Mass Housing										
Date Started:	January 17, 2002										
No. of Units:	363 lots										
No. of Units Sold:	315										

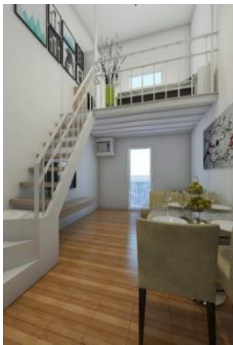
Table 14: Overview of Completed Company Projects

	<p>Pacific Grand Villas Phase IV-A and IV-B</p> <p>The fourth in the series of the Pacific Grand Villas. In this project the Company introduced at least four (4) more new house models to satisfy the evolving demands of the market. This project caters also to an international blend of buyers, just like the earlier phases, making Pacific Grand Villas an international community that meets global standards and lifestyle.</p> <table border="1"> <tr> <td>Location:</td> <td>Mactan, Cebu</td> </tr> <tr> <td>Type:</td> <td>Horizontal Mass Housing</td> </tr> <tr> <td>Date Started:</td> <td>December 01, 2006</td> </tr> <tr> <td>No. of Units:</td> <td>367 lots</td> </tr> <tr> <td>No. of Units Sold:</td> <td>Sold Out</td> </tr> </table>	Location:	Mactan, Cebu	Type:	Horizontal Mass Housing	Date Started:	December 01, 2006	No. of Units:	367 lots	No. of Units Sold:	Sold Out
Location:	Mactan, Cebu										
Type:	Horizontal Mass Housing										
Date Started:	December 01, 2006										
No. of Units:	367 lots										
No. of Units Sold:	Sold Out										
	<p>Pacific Grand Townhomes Phase I</p> <p>A middle-class Victorian-themed townhouse project located in Lapu-Lapu City. It boasts of the exclusivity of a stylish, pocket community proximate to private and public institutions, recreational areas, schools, resorts, and business and trade centers.</p> <table border="1"> <tr> <td>Location:</td> <td>Mactan, Cebu</td> </tr> <tr> <td>Type:</td> <td>Horizontal Mass Housing</td> </tr> <tr> <td>Date Started:</td> <td>June 17, 2004</td> </tr> <tr> <td>No. of Units:</td> <td>61 units</td> </tr> <tr> <td>No. of Units Sold:</td> <td>56 units</td> </tr> </table>	Location:	Mactan, Cebu	Type:	Horizontal Mass Housing	Date Started:	June 17, 2004	No. of Units:	61 units	No. of Units Sold:	56 units
Location:	Mactan, Cebu										
Type:	Horizontal Mass Housing										
Date Started:	June 17, 2004										
No. of Units:	61 units										
No. of Units Sold:	56 units										
	<p>Costa Smeralda</p> <p>The second of the Company's exclusive residential communities in Iloilo City, Costa Smeralda is themed after the famed Italian coastal resorts. The Company introduced in this village four (4) trendy yet sophisticated house designs of varying floor areas, blending form and function to perfectly suit the requirements of discriminating buyers.</p> <table border="1"> <tr> <td>Location:</td> <td>Jaro, Iloilo</td> </tr> <tr> <td>Type:</td> <td>Horizontal Mass Housing</td> </tr> <tr> <td>Date Started:</td> <td>February 12, 2013</td> </tr> <tr> <td>No. of Units:</td> <td>384 units</td> </tr> <tr> <td>No. of Units Sold:</td> <td>370 units</td> </tr> </table>	Location:	Jaro, Iloilo	Type:	Horizontal Mass Housing	Date Started:	February 12, 2013	No. of Units:	384 units	No. of Units Sold:	370 units
Location:	Jaro, Iloilo										
Type:	Horizontal Mass Housing										
Date Started:	February 12, 2013										
No. of Units:	384 units										
No. of Units Sold:	370 units										

The table below provides an overview of the Company’s ongoing projects as of the date of this Prospectus.

Table 15: Overview of Ongoing Company Projects			
	<p>Wellford Homes @ Jaro Grand Estates (Phase III) – Parcel A</p> <p>This project is the Company’s third residential community in Iloilo City. The house-and-lot packages are mainly designed for homebuyers inclined for economy, maximizing value-for- money. Consisting of about 1.7 hectares, the initial offering is an American inspired two (2) bungalow-type house model.</p>		
	<table border="1"> <tr> <td>Location:</td> <td>Jaro, Iloilo</td> </tr> </table>	Location:	Jaro, Iloilo
Location:	Jaro, Iloilo		
	<table border="1"> <tr> <td>Type:</td> <td>Horizontal Mass Housing</td> </tr> </table>	Type:	Horizontal Mass Housing
Type:	Horizontal Mass Housing		
	<table border="1"> <tr> <td>Date Started:</td> <td>February 03, 2017</td> </tr> </table>	Date Started:	February 03, 2017
Date Started:	February 03, 2017		
	<table border="1"> <tr> <td>No. of Units:</td> <td>106 units</td> </tr> </table>	No. of Units:	106 units
No. of Units:	106 units		
	<table border="1"> <tr> <td>No. of Units Sold:</td> <td>62 units</td> </tr> </table>	No. of Units Sold:	62 units
No. of Units Sold:	62 units		
	<p>Wellford Homes Malolos</p> <p>This is the Company’s first residential development in the province of Bulacan, with an area of approximately 6.9 hectares located in Barangay Longos, Malolos City, Bulacan. It is an affordable and quality development that offers a master planned community with a total of 554 residential units with two-storey houses and lot-only properties envisioned to be completed by 4Q 2026. The project is divided into two developments, one for economic housing and the other for medium cost to open market for a total of 6.7 hectares.</p>		
	<table border="1"> <tr> <td>Location:</td> <td>Malolos, Bulacan</td> </tr> </table>	Location:	Malolos, Bulacan
Location:	Malolos, Bulacan		
	<table border="1"> <tr> <td>Type:</td> <td>Horizontal Mass Housing</td> </tr> </table>	Type:	Horizontal Mass Housing
Type:	Horizontal Mass Housing		
	<table border="1"> <tr> <td>Date Started:</td> <td>February 18, 2020</td> </tr> </table>	Date Started:	February 18, 2020
Date Started:	February 18, 2020		
	<table border="1"> <tr> <td>No. of Units:</td> <td>504 units</td> </tr> </table>	No. of Units:	504 units
No. of Units:	504 units		
	<table border="1"> <tr> <td>No. of Units Sold:</td> <td>79 units</td> </tr> </table>	No. of Units Sold:	79 units
No. of Units Sold:	79 units		

Table 15: Overview of Ongoing Company Projects



Wellford Residences - Mactan

This is the first medium rise condominium project of the Company to be situated in a 2,378 square-meter parcel of land at the heart Lapu-Lapu City in the Island of Mactan, Cebu. It is comprised of two (2) buildings, namely Madison and Washington that are connected by a two (2) -storey amenity building called the “bridgeway”. The two (2) buildings will each have six (6) floors, wherein the ground floors will be allotted for parking areas, amenities, utilities, and lobby, while the upper floors are for typical residential units. The 6th floor will feature penthouse units that have loft levels and balconies.

Wellford Residences Mactan will be composed of 197 residential units and 38 parking spaces. It is envisioned to be completed by 4Q 2024.

Location:	Mactan, Cebu
Type:	Medium-Rise Building
Date Started:	November 23, 2019
No. of Units:	235 units
No. of Units Sold:	25 units

The table below provides an overview of the Company’s projects in the pipeline as of the date of this Prospectus.

Table 16: Overview of Company Projects in the Pipeline



Wellford Homes Balagtas

Wellford Homes Balagtas, is one of the upcoming subdivision projects of the Company to be situated in the province of Bulacan with Wellford Homes Sta. Maria and the on-going Wellford Homes Malolos. It will be a residential project that offers a master planned community with a total of 710 residential units in a 10-hectare land, envisioned to be completed by 1Q 2028.

Prospective buyers will have three (3) options to choose from, namely, 2-Storey Single Attached, Townhouse, and Duplex Bungalow model units with floor areas ranging from 42 to 72 sqm.

Location:	Balagtas, Bulacan
Type:	Horizontal Mass Housing
Target Project Start:	1Q 2022
Planned No. of Units:	710 units

Table 16: Overview of Company Projects in the Pipeline



Pacific Grand Villas Phase V

This is the fifth in the series of the Pacific Grand Villas. Slightly different from the Mediterranean Architectural theme of the existing Phases 1 to 4, this project will be in Modern Mediterranean style. In addition to the 2-Storey Single detached houses that Pacific Grand Villas typically offers, this project will introduce the 3-storey Townhouse Unit that comes in rows of three (3) and four (4). With two (2) different styles of Single Detached Units, Townhouse Units, and Lot-only offers, the Company aims to help resolve the increasing housing demands in Lapu-lapu City, Mactan, Cebu. The project will offer a total of 204 units and is envisioned to be completed by 2Q 2025.

Location:	Mactan, Cebu
Type:	Horizontal Mass Housing
Target Project Start:	4Q 2021
Planned No. of Units:	204



Wellford Homes Sta. Maria Phase 1

This is one of the upcoming subdivision projects of the Company to be situated in the province of Bulacan with Wellford Homes Balagtas and the on-going Wellford Homes Malolos. It will be a medium cost development in a 16.0-hectare land located in Sta. Maria, Bulacan, which will offer a total of 1,140 units. The project will offer three (3) products, which are a 2-storey single attached unit, a townhouse, and a lot-only unit. It is envisioned to be completed by 2027.

Location:	Sta. Maria, Bulacan
Type:	Medium Cost Housing
Target Project Start:	1Q 2022
Planned No. of Units:	1,140 units



Wellford Homes Sta. Maria Phase 2

This will be the follow-up project to Wellford Homes Sta. Maria Phase 1. Like the 1st phase, this project will be a medium cost development situated in an 18.50-hectare land located in Sta. Maria, Bulacan. It will offer a total of 1,318 units, envisioned to be completed by 2029. The project will offer three (3) products, which are a 2-storey single attached unit, a townhouse, and a lot-only unit.

Location:	Sta. Maria, Bulacan
Type:	Medium Cost Housing
Target Project Start:	3Q 2022
Planned No. of Units:	1,318 units

Table 16: Overview of Company Projects in the Pipeline



Winfields Village Tanza

This will be the first subdivision development of the Company in the province of Cavite, to be situated in a 19.70-hectare land. It will be a residential project with a total of 1,174 units, envisioned to be completed by 2030. It will feature three (3) options for a 2-storey single attached unit with a typical gross floor area ranging from 58 to 85 sqm.

Prospective buyers will have three (3) options of a 2-storey residence to choose from. It will feature a typical lot area of 120 square meters with floor areas ranging from 73 to 85 sqm.

Location:	Tanza, Cavite
Type:	Horizontal Mass Housing
Target Project Start:	1Q 2023
Planned No. of Units:	1,174 units



Wellford Homes @ Jaro Grand Estates (Phase III) – Parcel B

This project will be an extension of the Company’s Jaro Grand Estates project, which is located in Jaro, Iloilo City. The project will be located in an area of around 9.0 hectares and will offer a total of 440 units. It is envisioned to be completed by 2Q 2025. It will offer two (options) of a two (2)-storey single detached unit with gross floor area ranging from 63 to 73 sqm.

Location:	Jaro, Iloilo
Type:	Horizontal Mass Housing
Target Project Start:	4Q 2021
Planned No. of Units:	440



Wellford Homes @ Jaro Grand Estates (Phase III) – Parcel C

This project will be a follow-up project to Parcel B. It will be located in a 3.9-hectare land and will offer a total of 231 units. It is envisioned to be completed by 2Q 2025. It will offer three (3) model units that are two (2)-storey single detached and duplex bungalow with gross floor area ranging from 42 to 73 sqm.

Location:	Jaro, Iloilo
Type:	Horizontal Mass Housing
Target Project Start:	3Q 2022
Planned No. of Units:	231

Table 16: Overview of Company Projects in the Pipeline

	<p>Wellford Homes @ Jaro Grand Estates (Phase III) – Parcel D</p> <p>This project will also be a follow-up project to Parcel B. It will be located in a 3.9-hectare land and will offer a total of 337 units. It is envisioned to be completed by 2Q 2026. It will offer three (3) model units that are two (2)-storey single detached and duplex bungalow with gross floor area ranging from 42 to 73 sqm.</p> <table border="1" data-bbox="774 555 1428 689"> <tr> <td>Location:</td> <td>Jaro, Iloilo</td> </tr> <tr> <td>Type:</td> <td>Horizontal Mass Housing</td> </tr> <tr> <td>Target Project Start:</td> <td>3Q 2023</td> </tr> <tr> <td>Planned No. of Units:</td> <td>337</td> </tr> </table>	Location:	Jaro, Iloilo	Type:	Horizontal Mass Housing	Target Project Start:	3Q 2023	Planned No. of Units:	337
Location:	Jaro, Iloilo								
Type:	Horizontal Mass Housing								
Target Project Start:	3Q 2023								
Planned No. of Units:	337								
	<p>Winfields Towncenter</p> <p>This will be a combination of multiple medium rise condominiums to be situated in a 4.7-hectare land in Lapu-Lapu City, Cebu. It will be comprised of 12 buildings that will offer a total of 970 residential units and 171 parking spaces. It is envisioned to be completed by 3Q 2030.</p> <table border="1" data-bbox="774 952 1428 1077"> <tr> <td>Location:</td> <td>Mactan, Cebu</td> </tr> <tr> <td>Type:</td> <td>Horizontal Mass Housing</td> </tr> <tr> <td>Target Project Start:</td> <td>3Q 2022</td> </tr> <tr> <td>Planned No. of Units:</td> <td>1,141</td> </tr> </table>	Location:	Mactan, Cebu	Type:	Horizontal Mass Housing	Target Project Start:	3Q 2022	Planned No. of Units:	1,141
Location:	Mactan, Cebu								
Type:	Horizontal Mass Housing								
Target Project Start:	3Q 2022								
Planned No. of Units:	1,141								

Land Property to be Acquired

The Company will be acquiring a total of 604,414 sq.m of land in Cebu, Iloilo, Bulacan, and Cavite to support its expansion plans. The table below presents the list of the properties to be acquired by the Company.

Project	Location	Size (sq.m thousands)
PGV5	Mactan, Cebu	10,787
Sta Maria	Sta. Maria, Bulacan	235,955
Jaro Parcel C	Jaro, Iloilo	39,563
Jaro Parcel D	Jaro, Iloilo	61,500
Balagtas	Balagtas, Bulacan	44,346
Tanza	Tanza, Cavite	196,995
Winfields Towncenter	Mactan, Cebu	15,268
Total		604,414

Project Development and Construction

Land Acquisition

Site selection is the first and most integral aspect in the property development process. The Company conducts multiple on-site visits and preliminary geographic and market analysis to determine ease of transportation and the possible existence of competitors in the same vicinity. Depending on the type of project that the Company is considering, a comprehensive review of the technical aspects of the property (soil condition, fault line locations, existing infrastructure in terms of water, and access to electricity) are taken into consideration. The Company conducts a feasibility study to determine the viability of the site. During this stage, the Company assesses the risks,

conceptualizes a preliminary design, and undergoes costing and financial evaluation. Company representatives are dispatched to validate the legal and technical aspects of the property, as well as assess the permits and licenses entailed with it. When suitability has been determined, the Company proceeds to acquire the site.

Project Planning, Design, and Approvals

The Company provides general oversight and sub-contracts different aspects of the project to independent third parties wherein which the Company does not possess the required competencies to execute the task. The Company generally enters into a fixed contract price agreement with the sub-contractor, where the fixed contract price is not subject to escalation other than due to additional work that is mutually agreed between the Company and the sub-contractor, regardless of, among others, increases in cost of materials, cost of fuel, and currency devaluation. The contract price is generally paid to the housing contractor in the form of a 20.0% to 30.0% down payment upon signing of the agreement, with the balance to be paid during the agreed construction period by way of progress billing. Land development contractors are generally willing to reduce the down payment to 15.0% since the total contract amount is significantly higher than that of housing contracts. The monthly progress payments are also subject to retention monies, typically amounting to 10.0% of the contract price, against the performance of the sub-contractor's obligations and completion of the works, which are held by the Company for at least two (2) months after the completion of the project. The billing retention serves as security against defects post-construction, if any.

Upon finalization of the architectural and engineering design, the Company moves onto arranging the financing of the project and proceeds to process the required permits and licenses. Land development and building development approvals and permits will be obtained at this point.

Pre-Sale, Sales, and Marketing

The Company does not have an in-house sales group but employs sales and marketing personnel, who source and coordinate with third-party real estate brokers. The Company prepares the promotional and marketing campaigns. Pricing and pricing-related policies are finalized. Accredited brokers and sales agents introduce developments to potential customers and keeps customers updated on the progress of the project. The commission rate offered by the Company to the third-party brokers is 6.0% of the net contract price. The Company likewise offers incentive packages to the agents/brokers for each successful reservation sale, the amount of which depends on the type of sold unit and is subject to standard requirements. The Company will follow the prevailing commission rate in the area but may also offer a higher rate for the agents/brokers as an incentive, for a limited period.

The Company conducts pre-selling activities as soon as the Company obtains the License to Sell, where the groundbreaking starts three (3) months after. The Company offers several payment terms that aim to cater to more buyers. For the Company's Visayas projects, it offers down payment terms of up to 22 months, for at least 15.0% of the total contract price of the property being purchased, regardless of whether the buyer is purchasing a lot only or a house and lot package. For projects in Luzon, the Company requires a 20.0% down payment for both lot only and house and lot purchases, with buyers of lots only allowed to pay the down payment in 20 months, and house and lot buyers up to 24 months. After the payment of the down payment across said months, the buyer will proceed will either go through loan take-up with partner financial institutions, whether it be a private company or a government agency, or through the Company's in-house financing programs.

Various discounts can also be provided, depending on the payment scheme chosen by the Buyer. For example, for spot cash buyers, the Company may offer up to 8.0% discount on the total contract price of the unit purchased. An appropriate portion of the project's sales and marketing budget has also been allocated for special discounts that the Company may introduce from time to time.

Some of the more conventional marketing strategies the Company employs are as follows:

- Incentives and promotions given to sellers and buyers during special occasions;
- Mall exhibits;
- Product knowledge seminars (to be conducted both online and physical set-up);
- Regular updates of the projects sent out to all the Company's sellers through various group chats;
- Site tripping;
- Billboard ads;
- Utilization of social media (i.e., numerous Facebook pages); and
- Buyer referral programs.

Suppliers

The implementation of the Company's projects is done through general contractors, the selection of whom are made through competitive bidding. The general contractors shall be responsible for providing all of the material, labor, equipment (such as engineering vehicles and tools) and services necessary for the construction of the project, which also includes hiring specialized subcontractors to perform other portions of the construction work. The Company generally enters into a fixed contract price agreement with the general contractor, where the fixed contract price is not subject to escalation other than due to additional work that is mutually agreed between the Company and the contractor, regardless of, among others, increases in cost of materials, cost of fuel, and currency devaluation. The contract price is generally paid to the housing contractor in the form of a 20.0% to 30.0% down payment upon signing of the agreement, with the balance to be paid during the agreed construction period, by way of progress billing. Land development contractors are generally willing to reduce the down payment to 15.0% since the total contract amount is significantly higher than that of housing contracts. The monthly progress payments are also subject to retention monies, typically amounting to 10.0% of the contract price, against the performance of the subcontractor's obligations and completion of the works, which are held by the Company for at least two (2) months after the completion of the project. The billing retention serves as security against defects post-construction, if any.

The Company maintains relationships with over 50 general contractors in the past three (3) years. For the year ended December 31, 2018, 2019, and 2020, and for the first quarter of 2021, the Company's five (5) largest contractors in aggregate accounted for approximately 58.6%, 51.6%, 51.9%, and 58.8% of the Company's total payments to contractors, respectively. With this broad base of contractors having multiple suppliers of materials and services, the Company is not dependent on any one (1) supplier for the operation of its business.

Furthermore, the Company outsources most of its design requirements particularly for detailing of plans for houses and land development even though there are architects employed in the Company. The payment terms are similar to the usual housing contracts, where the down payment is around 20.0% to 30.0% of the total contract price, followed by payments for submittals for the initial design, schematic drawings, and final construction drawings. The Company closely works with these architect consultants before its finalization. This Company is not dependent on any one (1) contractor.

Contracts for Sale

The Company enters a contract to sell with a buyer, requiring a down payment of around 20.0% of the total contract price at signing, with the balance to be paid on a monthly basis over a given period of up to 24 months. Once full payment is made, the Company executes a deed of absolute sale in favor of the buyer and title ownership will be processed for transfer. However, if the buyer commits a default or breach of its covenants and obligations, including the obligation to pay the purchase price as per the contractual schedule, before a deed of absolute sale is executed, the contract to sell is deemed cancelled and all amounts already paid by the purchaser will be forfeited in the Company's favor.

Customers

The Company, being in the real estate industry, is not dependent on a single or few customers; rather the Company has a broad customer base – from local to foreign nationals. In general, the Company focuses on medium-cost housing developments targeting middle income families, particularly locally employed individuals and OFWs. The target customers changes depending on the location and type of the project. For example, the Company's projects in Bulacan and Cavite focus on attracting bachelors and starter families of low to middle income class who prefers to be able to come and go to the busy cities of Metro Manila, especially since the Skyway Stage 3 and the Metro Manila Rail Transit System (MRT) Line 7, and the Cavite-Laguna Expressway are set to change the landscape of the province in the North and South of Luzon, respectively.

The Company has no customer accounting for at least 20.0% of the Company's sales in any of the past three (3) years and in the first three (3) months of 2021.

Warranties

The Company believes in delivering products of quality. As per the contract to sell, the Buyer may seek repairs prior to acceptance of the unit.

Competition

The Company is in the real estate development industry, currently focused on the development of residential properties in Bulacan, Cebu, and Iloilo. As part of the Company's due diligence procedure prior to purchasing properties for development, the Company conducts a competitor scanning wherein all developments, regardless of target market segment, initially within a five (5) -kilometer radius from the prospective property, are visited and researched. The scope may be expanded to 10 kilometers, depending on the number of competitors within the area.

After determining the most probable project type that will be developed on the property for purchase, a more thorough competitor scanning is conducted on the projects/developments that are deemed to be in direct competition with the Company's proposed project. This will include determining details such as the house models offered by the competition compared to the Company's house models, payment terms offered aside from the pricing, commission incentive offered to sellers, and other pertinent information that would help shape the final profitability study of the prospective project.

In this regard, the Company competes on the bases of property type being offered in a specific location, pricing, accessibility, and type of incentives offered to sellers in the area, and after-sales service of its projects. Six (6) of the Company's completed and ongoing residential projects are in Cebu, three (3) are in Iloilo City, and one (1) is in Bulacan. On the other hand, three (3) of the Company's residential projects in the pipeline are in Iloilo City, two (2) in Cebu, two (2) in Bulacan, and one (1) in Cavite. The Company expects to compete with the biggest real estate developers all over the country. For its residential projects, the registrant targets are the lower middle to middle-income families composed mostly of professionals and OFWs.

The table below presents some of the Company's competitors in its areas of operations.

Project Locations	Key Competitors
Wellford Homes Balagtas, Bulacan	<ul style="list-style-type: none">• Archer Realty & Development Corporation• Earth and Homes Community Developers Corporation• Rockavilla Realty & Development Corporation
Wellford Homes Malolos, Bulacan	<ul style="list-style-type: none">• Asian Land, Sta. Lucia Realty & Development Corporation• Camella• IPM Realty & Development Corporation
Wellford Homes Sta. Maria Phase 1 & Phase 2, Bulacan	<ul style="list-style-type: none">• Solar Resources Incorporated• Bright Homes Realty & Corporation• Vista Land• Lumina Homes
Winfields Village, Tanza, Cavite	<ul style="list-style-type: none">• Filinvest• Home Smart Properties & Development• Raemulan Lands• Charles Builders Group of Companies• 8990 Holdings• Duraville Realty
Wellford Residences Mactan, Lapu-Lapu, Cebu	<ul style="list-style-type: none">• Taft Properties• Saekyung

Project Locations	Key Competitors
Pacific Grand Villas, Phase 5, Lapu-Lapu, Cebu	<ul style="list-style-type: none"> • H&R Properties Development Corporation • Filinvest • HIT Realty • Primary Homes Incorporated • Aboitizland • RDAK Land Inc.
Wellford Homes Jaro Parcel B, C and D, Iloilo	<ul style="list-style-type: none"> • EON Realty & Development Corporation • Sta. Lucia Land • Cebu Landmasters

By strategically positioning itself in fast growing markets where land is still plenty and relatively less expensive and by adhering to innovativeness and high standards of design and construction, the Company anticipates its projects to remain relevant and competitive in their respective market niches. The Company has institutionalized its property management system and after-sales service to ensure that its developments will remain highly valued long after their turnover to buyers.

Transactions with and/or Dependence on Related Parties

The Company, in the normal course of business, enters into transactions with related companies primarily for working capital requirements and for those related to joint venture agreements and other transactions.



Related parties are able to settle their obligations in connection with transactions with the Company and the Company does not foresee risks or contingencies arising from these transactions. Additional information on related party transactions is provided in Item 23 of the Notes to the Audited Financial Statements of the Company attached hereto and incorporated herein by reference.




For information on Transactions with and/or Dependence on Related Parties, see the section “Related Party Transactions” on page 119 of this Prospectus.

Brands and Trademarks

Brands and trademarks used by PHES on its projects are registered with the Philippine Intellectual Property Office (“IPO”).

The following table sets out PHES’ brands and trademarks.

Trademarks	File No. / Old File No.	Nice Class	Status	Registration Date	Expiration Date
	42017000180	37	Registered	2017-01-06	10 years from the date of approval
	42017000178	37	Registered	2017-01-06	10 years from the date of approval

Trademarks	File No. / Old File No.	Nice Class	Status	Registration Date	Expiration Date
	42017000179	37	Registered	2017-01-06	10 years from the date of approval
	42017000182	37	Registered	2017-05-04	10 years from the date of approval
	42017000181	37	Registered	2017-01-06	10 years from the date of approval

Need for Government Approval and Effect of Existing or Probable Governmental Regulations on the Business

Philippine land use laws regarding subdivisions and condominiums include zoning laws, which regulate land use; laws that specify standards and technical requirements for the development of subdivisions; and laws requiring licenses to be obtained before the sale of real estate property.

The municipal or city authority determines whether the plans of a proposed development comply with the applicable standards and conducts a preliminary inspection of the site. Local authorities are required to monitor the progress of subdivision projects and to inspect projects following their completion to determine whether they comply with the approved plans.

There are essentially two (2) different types of residential subdivision developments, which are distinguished by different development standards issued by the DHSUD. The first type of subdivision, aimed at low-cost housing, must comply with Batas Pambansa Blg. 220, which allows for a higher density of building and relaxes some of the construction standards. Other subdivisions must comply with Presidential Decree No. 957, which sets out standards for lower density developments. Both types of subdivision must comply with standards regarding the suitability of the site, road access, necessary community facilities, open spaces, water supply, the sewage disposal system, electricity supply, lot sizes, the length of the housing blocks, and house construction.

Under Presidential Decree No. 957, which covers subdivision projects for residential, commercial, industrial, or recreational purposes and condominium projects for residential or commercial purposes, the DHSUD, together with LGUs, has jurisdiction to regulate the real estate trade and business. All subdivision plans are required to be filed with and approved by the LGU concerned, while condominium project plans are required to be filed with and approved by DHSUD. Approval of such plans is conditioned on, among other things, completion of the acquisition of the project site and the developer’s financial, technical, and administrative capabilities. Alterations of approved plans that affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the relevant government unit. Development must comply with standards regarding the suitability of the site, road access, necessary community facilities, open spaces, water supply, the sewage disposal system, electricity supply, lot sizes, and house construction.

Owners or dealers of real estate projects are required to obtain licenses to sell before making sales or other disposition of lots or real estate projects.

In general, developers of residential subdivisions are required to submit project descriptions to regional offices of the DENR. This description sets out the background of the proposed project and identifies any significant environment risks and possible alternative sites. In environmentally critical projects or at the discretion of the regional office of the DENR, a detailed Environmental Impact Assessment may be required, and the developer will be required to obtain an Environmental Compliance Certificate to certify that the project will not cause an unacceptable environmental impact.

The Company routinely applies for the required governmental approvals for its projects. The Company is not aware of any pending legislation or governmental regulation that is expected to materially affect its business.

The Company is required to secure the following permits and licenses for the development of its projects:

Development Permits

All plans for residential, commercial, industrial, and other development projects are subject to approval by the pertinent LGU in which the project is situated. The development of condominium projects can commence only after the LGU has issued the development permit. Development Permits were issued to the Company for the following projects:

Table 19: Development Permits	
Project	Date Issued
Pacific Grand Townhomes	March 3, 2004
Costa Smeralda	December 17, 2004
Wellford Homes Jaro (Phase 3)	May 08, 2013
Wellford Homes Malolos	November 18, 2019
Chateaux Geneva	-not indicated-
Pacific Grand Villas, Phases IVA & IVB	-not indicated-

Note: Development permits do not have expiration dates.

Certificates of Registration

All subdivision and condominium project plans are required to be filed with and approved by the DHSUD. Approval of such plans is conditional on, among other things, the developer's financial, technical, and administrative capabilities. Certificates of Registration were issued to the Company as follows:

Table 20: Certificates of Registration	
Project	Date Issued
Chateaux Geneva	January 17, 2002
Pacific Grand Townhomes	June 17, 2004
Pacific Grand Villas, Phase 4A & 4B	December 01, 2006
Costa Smeralda @ Jaro Grand Estates	February 12, 2013
Wellford Homes Jaro (Phase 3)	February 3, 2017
Wellford Residences Mactan	January 23, 2019
Wellford Homes Malolos	February 18, 2020

Note: Certificates of registration do not have expiration dates.

Licenses to Sell

Lots and condominium units may be sold or offered for sale only after a license to sell has been issued by the Department of Human Settlements and Urban Development (DHSUD). The license to sell may be issued only against a performance bond posted to guarantee the completion of the construction of the subdivision or condominium project and compliance with applicable laws and regulations. Licenses to Sell were issued to the Company as follows:

Table 21: Licenses to Sell	
Project	Date Issued
Chateaux Geneva	January 17, 2002
Pacific Grand Villas, Phase 3	June 15, 2004
Pacific Grand Townhomes	June 17, 2004
Pacific Grand Villas, Phase 4A & 4B	December 01, 2006
Wellford Homes Jaro (Phase 3)	February 03, 2017
Costa Smeralda @ Jaro Grand Estates Parcel A	February 12, 2013
Costa Smeralda @ Jaro Grand Estates Parcel B	July 21, 2014

Project	Date Issued
Wellford Residences Mactan	January 23, 2019
Wellford Homes Malolos	February 18, 2020

Note: Licenses to sell do not have expiration dates.

Cost and Effect of Compliance with Environmental Laws

The Company's development plans provide for full compliance with environmental safety and protection in accordance with law. The Company provides the necessary sewage systems and ecological enhancements such as open space landscaping with greenery. Costs for compliance to environmental laws may vary per project, as there are some LGUs that implement their own environmental compliance laws. For example, for the project in Malolos, the Company had to comply with local rules such as additional trees to be planted and provision of rainwater receptacles.

The amounts paid by the Company in 2018, 2019, and 2020, and for the first quarter of 2021 are ₱18,700.00, ₱58,800.00, ₱0.00, and ₱196,140.00, respectively.

Research and Development

Expenses incurred for research and development activities are minimal and do not amount to a significant percentage of revenues.

Employees

As of September 30, 2021, the Company has 64 employees. The table below presents a breakdown of the Company's employees by function:

Category	Executive	Regular	Probationary	Total
Office of the President	1	1	-	2
Finance	1	17	-	18
Sales and Marketing	-	7	1	8
Property Management/Legal	-	6	1	7
Logistics	-	10	1	11
Accounts Management	-	6	1	7
Operations	2	10	-	12
Davao Property	-	1	-	1
Total	4	58	4	66

The benefits received by employees include government-mandated benefits (Social Security System, Pag-ibig, and PhilHealth). The Company believes that PHES is in compliance with all minimum compensation and benefit standards as well as applicable labor and employment regulations.

As of September 30, 2021, none of the Company's employees belonged to any union nor were they parties to any collective bargaining agreements. As of the date of this Prospectus, the Company has not experienced any strikes or other disruptions due to labor disputes. Supplemental benefits or incentive arrangements with employees include retirement benefits and health cards to regular employees.

Description of Properties

The Company has the following real estate properties:

Project/Property	Location	Area	Remarks
Pacific Grand Villas I	Mactan Island, Cebu	10.2 has (531 lots)	Completed
Pacific Grand Villas II	Mactan Island, Cebu	8.7 has (261 lots)	Completed
Pacific Grand Villas III	Mactan Island, Cebu	8.4 has	Completed
Pacific Grand Villas IV	Mactan Island, Cebu	6.7 has	
IV-A			96.44% Completed
IV-B			99.15% Completed
Pacific Grand Townhomes	Mactan Island, Cebu	7,359 sq.m.	Completed
MetroTech Industrial Park <i>(formerly Plastic City Industrial Park)</i>	Valenzuela City	30 has (110 lots)	Completed
Pearl of the Orient Tower <i>(formerly Embassy Pointe Tower)</i> (JV with Pearl of the Orient Realty & Devt. Corp.)	Roxas Boulevard, Manila	7,600 sq.m. (91 units)	Completed
Costa Smeralda (Coastal Villas)	Jaro, Iloilo	8.9 has	Completed
Wellford Homes Parcel A	Jaro, Iloilo	10 has (106 units)	Completed
Wellford Homes Malolos	Malolos, Bulacan	6.75 has	12.02% Completed

Facilities owned by the Company are generally in good condition.

For the year 2020, the Company secured another credit line/loan from Luzon Development Bank in the amount of ₱14.2 million in February, ₱10.0 million in March, ₱25.62 million in July, and ₱11.59 million in September, obtained for working capital requirements. The notes carry interest rate of 11.0% per annum and payable in one (1) to two (2) years, with interest payable monthly in advance. The loan is secured with real estate properties.

The Company has various non-cancellable office space lease agreements that are renewable upon mutual agreement with lessors as follows:

Project/Property	Location	Area	Lease Period
Grand Union Supermarket	Unit 102 G/F Annex Building South Supermarket Mc Arthur Highway Brgy. Bulihan Malolos City, Bulacan	95 sqm	September 01, 2018 – September 01, 2023
Arjay Realty	1F-04 East Block, Avon Plaza Osmeña Boulevard, Cebu City	64.5 sqm	August 01, 2020 to August 01, 2023

Project/Property	Location	Area	Lease Period
Eumarc Real Estate	2 nd F Estrella Bldg., Simon Ledesma St., Jaro, Iloilo City	60 sqm	July 01, 2020 to June 30, 2025

In the next 12 months, the Company plans to acquire several parcels of land in view of the planned development of these real estate properties into residential properties. These are as follows:

Location	Area (sq.m)	Description	Purchase Price (in ₱millions)
Sta. Maria, Bulacan	235,955	A consolidation of agricultural properties in a highly commercial area.	167.92
Balagtas, Bulacan	44,346	A consolidation of agricultural properties surrounded by subdivision projects.	48.78
Tanza, Cavite	196,995		295.49
Lapu-Lapu City, Cebu	10,787	A consolidated residential property adjacent to PHES' existing subdivision project, Pacific Grand Villas.	48.54
Mactan Cebu	15,268	A consolidation of residential properties to be developed into condominium.	97.04
Jaro, Ilo-ilo	101,063	A consolidation of agricultural properties adjacent to PHES' existing subdivision project, Jaro Grand Estates.	240.79
Total	604,414		898.57

Legal Proceedings

Claims from Expropriated Property in Chateaux Geneva

In 2006, portions of Chateaux Geneva were involved in an expropriation case filed by the government versus the Company and Pacific Rehouse Corporation (PRC) for the Iloilo Flood Control Project of the Department of Public Works and Highways (DPWH).

In 2006, the court, ordered DPWH to pay an initial deposit of ₱188,313,599, based on zonal value of ₱1,800.00 per square meter for the area covered by the initial expropriation petition of DPWH totaling 84,925 sq.m. of land that was directly traversed by the Floodway plus the provisional value of improvements and/or structures amounting to ₱35,448,599. In December of the same year, the Company received from DPWH the initial amount of ₱127,867,244. Immediately thereafter, in January 2007, the amount of ₱60,446,355 was also directly deposited to the bank as agreed by the parties, for a total of ₱188,313,599.

In 2007, the Company remitted to PRC the amount of ₱107,368,053 as its share in the initial deposit of DPWH. In December 2007, the government filed a second expropriation case involving properties of the Company and PRC adjacent to the lands covered in the first expropriation case. These properties were also affected by the same Iloilo Flood Control Project, which DPWH failed to include in the first expropriation case. For this second expropriation, there was a second portion of payment amounting to ₱11,987,520 of which ₱5,405,775 of the said amount was remitted to PRC in January 2008.

The case is under protest by the Company and pending court decision. The Company and PRC claimed just compensation amounting to ₱2,598,661,688 for the total land area that was expropriated, the existing improvements thereon, the affected areas for redesigning and restructuring, the professional and technical services, and the necessary provisions for damages.

On December 18, 2017, the Special Nineteenth (19th) Division of the Court of Appeals Visayas issued a decision holding that the respective appeals of plaintiff-appellant Republic of the Philippines and defendants-appellants Pacific Rehouse Corporation and Philippine Estates Corporation were denied. The November 13, 2012 Decision of the Regional Trial Court, Sixth (6th) Judicial Region, Branch 24, Iloilo City, in Civil Case no. 06-29100, and its May 22, 2013 Order are affirmed with modification in the amount of just compensation, which shall earn a legal interest at the rate of 12.0% per annum from the time of the subject properties taking until June 20, 2013 and, thereafter, or from July 01, 2013 until full payment thereof, the legal rate shall be 6.0% per annum.

On February 23, 2018, PRC and PHES, through their legal counsel, filed a Motion for Reconsideration on the said decision, which was denied, hence the appeal to the Supreme Court.

On January 28, 2019, the Supreme Court issued an Entry of Judgment on the appeal filed by PHES and PRC, declaring the case as closed and terminated. From the denial of the Motion for Reconsideration by the Court of Appeal Visayas, the Republic filed a petition for certiorari before the Supreme Court. PHES & PRC filed Comment on June 11, 2019 and Motion for Early Resolution on September 20, 2019. As of the date of this Prospectus, the Honorable Supreme Court has yet to act on the Motion.

Apart from the above and the discussion provided under “ Management – Involvement in Certain Legal Proceedings of Directors and Executive Officers” found on page 101, there are no pending legal proceedings to which the Company or its subsidiary is a party or of which any of its properties is the subject up to the time of the preparation of this report.

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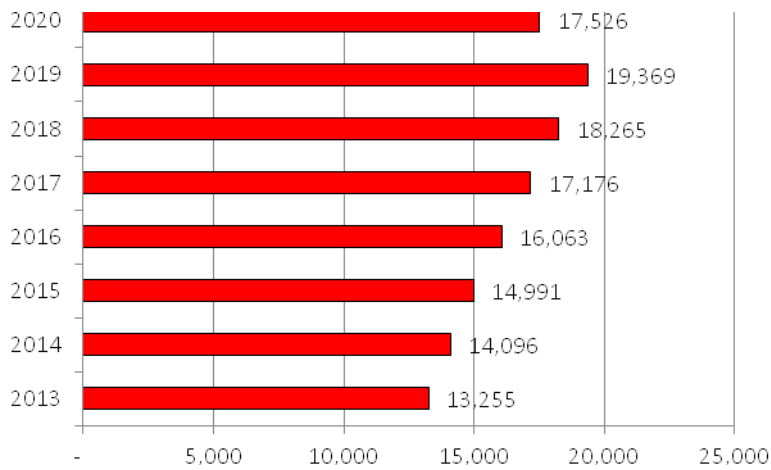
INDUSTRY

Philippine Macro Economy

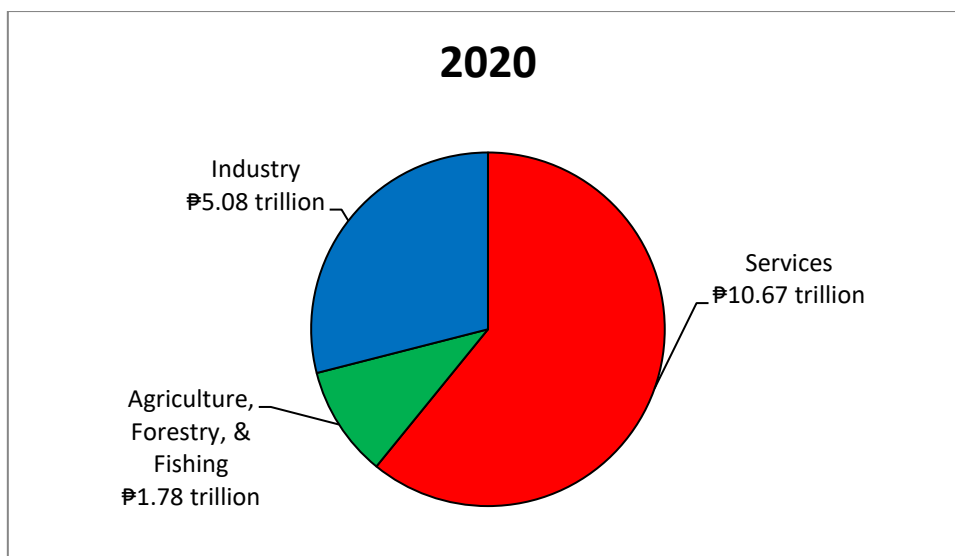
Gross Domestic Product

From 2013 to 2019, the Philippines' Gross Domestic Product ("GDP") at constant 2018 prices grew at a CAGR of 5.6% and reached ₱19.37 trillion in 2019. However, due to the COVID-19 pandemic, the economy contracted by 9.5% in 2020, resulting to a lower GDP of ₱17.53 trillion. The Agriculture, Forestry, & Fishing sector, Industry sector, and Services sector all contracted. These sectors shrunk by 0.2%, 13.1%, and 9.1% YoY, respectively. This is the biggest drop in GDP since the Second World War as the country's fight against COVID-19 is aggravated by the eruption of the Taal Volcano and entry of several super typhoons. The effect of the pandemic is still felt until 2021, with GDP shrinking further by 4.2% in 1Q 2021 compared to the same period in 2020.

Philippine GDP at 2018 Prices in ₱billions, 2013-2020⁶



Components of the Philippine GDP at 2018 Prices, 2020⁷



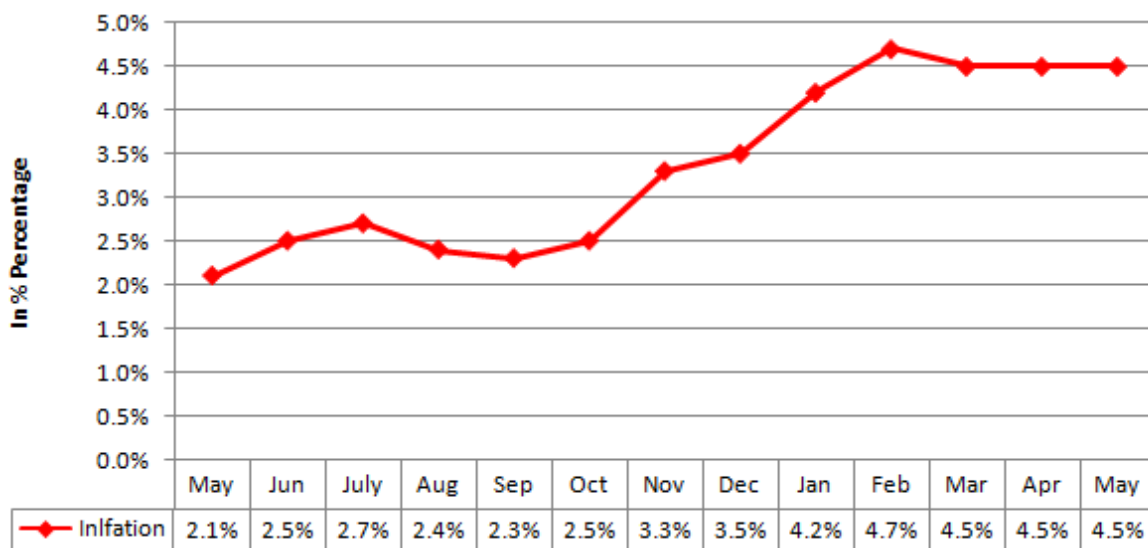
⁶Bangko Sentral ng Pilipinas

⁷Bangko Sentral ng Pilipinas

Inflation Rate

The Philippines has experienced periods of slow or negative growth, high inflation, significant depreciation of the Philippine peso, and the imposition of exchange controls. Amidst the pandemic, the Philippines was able to control inflation at around 2.1% to 3.5% monthly rate in 2020. The year ended at an average inflation rate of around 2.6%, which was within BSP’s forecast range of 1.9% to 2.6%. Starting November 2020, inflation accelerated to 3.3% and to 3.5% in December 2020, the highest since March 2019. The acceleration was primarily due to the agricultural damage inflicted by the two (2) strong typhoons that hit the country in November 2020, namely, Typhoon Rolly and Typhoon Ulysses. Inflation further surged in January 2021 to 4.2%, higher than the 2.0% to 4.0% target of the BSP for 2021 to 2024. Food prices primarily pushed inflation in January 2021 with pork prices rising by 17.1% due to the African swine fever. To control the soaring prices, the Department of Agriculture imposed a 60-day price cap on pork and chicken effective starting February 08, 2021. On the other hand, the BSP expressed caution on lifting its monetary stimulus in consideration of the slow and fragile recovery of the economy. Inflation rate continued to stay above the 2.0% to 4.0% target at 4.5% for from March to April 2021.

Philippine Inflation Rate, May 2020 – 2021⁸



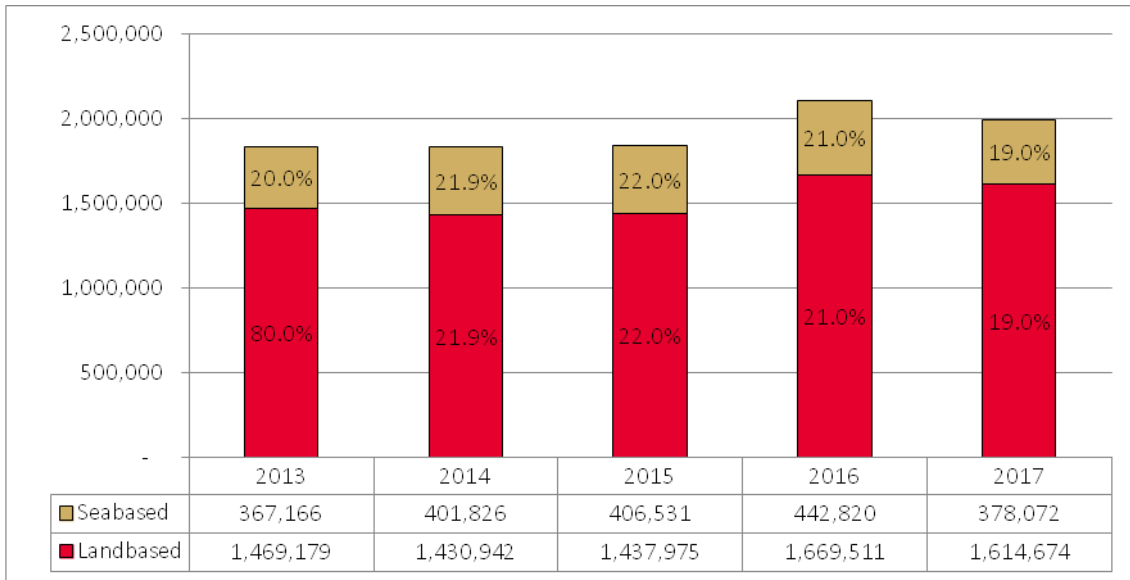
Overseas Filipino Workers⁹

Pre-pandemic, the total number of deployed OFWs consistently increased from 1.84 million in 2015 to 2.2 million in 2019 or a CAGR of 4.5%. However, in 2020, the pandemic has also adversely affected OFWs having disrupted the world economy. Restrictions and interventions to control the COVID-19 pandemic resulted in unemployment and drop in the deployment of OFWs. Extended lockdowns and travel bans led to the repatriation of thousands of OFWs. Over 300,000 OFWs has been repatriated in 2020. 30.1% of the repatriated OFWs are sea-based while the remaining are land-based. Furthermore, the Department of Labor and Employment (“DOLE”) accounted over 600,000 displaced OFWs as of August 16, 2020 and expects this number to swell to 700,000 by the end of 2020.

⁸ Philippine Statistics Authority

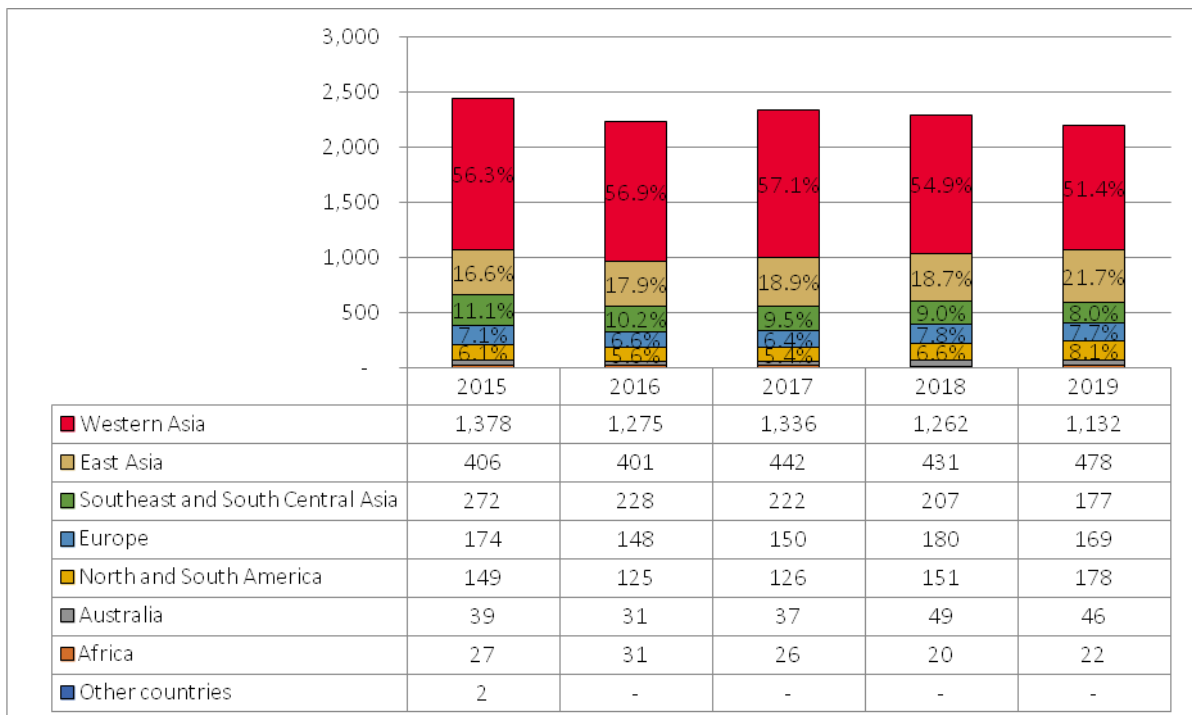
⁹ Philippine Overseas Employment Administration

Number of Deployed Land-Based and Sea-Based OFWs, 2013-2017¹⁰



Out of the deployed OFWs in 2019, the Western Asia has the most OFWs at 51.4%, followed by OFWs deployed to East Asia, Southeast and South-Central Asia, Europe, and North and South America at 21.7%, 8.0%, 7.7%, and 8.1%, respectively.

Distribution of OFWs by Place of Work in thousands, 2015-2019

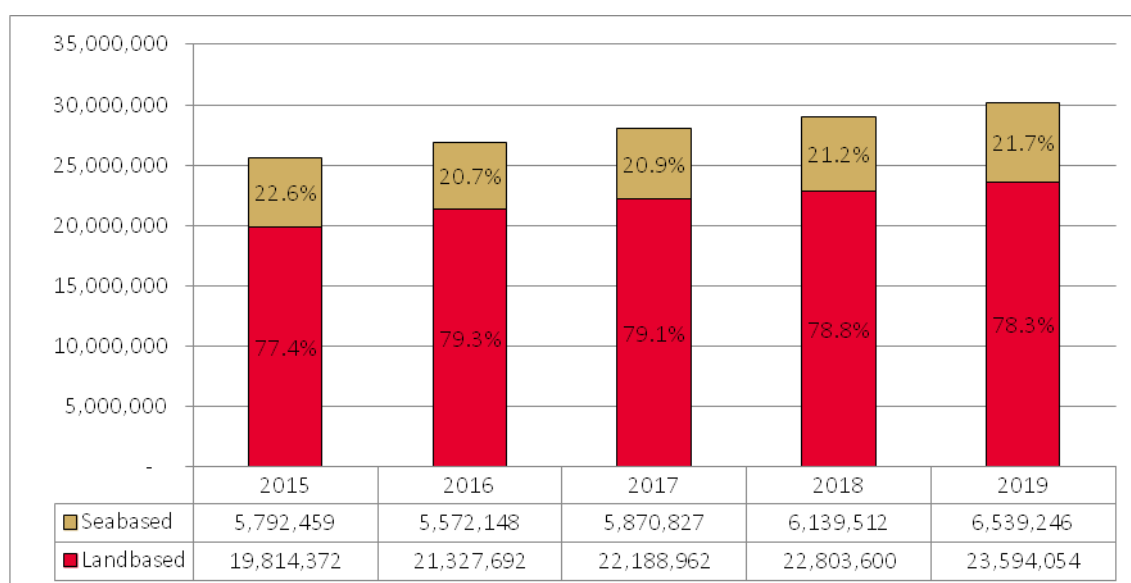


The total amount of remittances from OFWs was steadily increasing from \$24.6 billion in 2015 to \$30.1 billion in 2019 at a CAGR of 4.1%. DOLE expected a drop of up to 40.0% contraction in remittances early in the year while the BSP expected around 5.0% contraction in October 2020. Amidst these, remittances remained robust having

¹⁰Philippine Overseas Employment Administration

contracted by only 0.8% in 2020 year-on-year. In February 2021, remittances increased by 5.3% compared to the same month in 2020.

Remittances from Overseas Filipino Workers in US\$ thousands, 2015-2019¹¹



Philippine Housing Sector

General Demographics and Economic Outlook

The Philippines' underlying demographic trends are expected to remain supportive of continued growth in the housing sector. The Philippines' population size was approximately 101 million as of 2015 and is expected to reach approximately 126 million by 2030, according to the United Nations. In terms of the number of households, the Philippines is expected to see an increase of approximately 6.3 million additional households by 2030.

Table 26: Projected Population of the Philippines 2011–2030 (In Millions)

Year	Population	Households
2011.....	94.95	18.96
2015.....	100.98	22.98
2020.....	109.74	21.94
2025.....	118.19	23.61
2030.....	126.32	25.26

Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, National Statistics Office of the Philippines (NSO)

The Philippine economy is severely affected by the pandemic and is perceived to continue indefinitely until vaccines become widely available. However, the BSP expects that the country will bounce in 2021 and is targeting GDP growth rate of 6.5% to 7.5% for 2021 and 2022. The National Economic Development Agency launched the Updated Philippine Development Plan 2017-2022 on February 05, 2021, which includes the government's programs to overcome the challenges brought by the pandemic and strategies to transition towards economic recovery.

¹¹Philippine Overseas Employment Administration

Housing Supply Classifications and Required Income Estimates

The Subdivision and Housing Developers Association (the “SHDA”) in partnership with the Center for Research and Communication at University of Asia and the Pacific has undertaken a study (“The Housing Industry Road Map of the Philippines: 2012-2030”), which classifies the overall housing supply in the Philippines into five different categories (socialized, economic, low cost, mid income, and high end). The price ranges upon which this classification is based are detailed in the table below. The SHDA report highlights that, aside from the prices, different segments also vary in loan terms and interest rates e.g., socialized housing, where most buyers come from lower-income classes, typically has a lower interest rate and longer loan term.

Table 27: Housing Supply Classifications

Segments	Price Range (in pesos)		Housing Price Used (in pesos)	Interest Rate	Term (years)	Loan Value
Socialized Housing	Below	400,000 ¹	300,000	6.0%	25	100%
Economic Housing	400,001 ¹	1,250,000	400,000	8.5%	20	90%
Low Cost	1,250,001	3,000,000	1,250,000	10.5%	20	80%
Mid End	3,000,001	6,000,000	3,000,000	10.5%	15	80%
High End	6,000,001	and above	6,000,000	10.5%	15	80%

Sources: SHDA, Various banks as cited in “The Housing Industry Road Map of the Philippines: 2012-2030”

Note 1: Subsequent to “The Housing Industry Road Map of the Philippines: 2012-2030” study, the price ceiling for horizontal and vertical socialized housing was revised to a tiered price ceiling by the Housing & Urban Development Coordinating Council (“HUDCC”) ranging from ₱480,000.00 to ₱580,000.00 and ₱600,000.00 to ₱750,000.00.

From the price range and loan terms indicated above, the annual amortization for each category and required minimum income for a home buyer in each category were derived assuming a 30.0% threshold for annual amortization as a percentage of annual household income.

Table 28: Required Income for each Housing Segment

Segments	Annual Amortization	Required Annual Income	Required Annual Income ¹
Socialized Housing	23,468.02	78,226.72	At least 78,000
Economic Housing	38,041.55	126,805.17	At least 130,000
Low Cost	121,493.27	404,977.55	At least 405,000
Mid End	324,595.20	1,081,984.01	At least 1,100,000
High End	649,190.41	2,163,968.02	At least 2,200,000

Sources: SHDA, Center for Research and Communication (University of Asia and the Pacific)

Note 1: Rounding to facilitate easier matching with the income survey of NSO

Household Breakdown by Region and Income Groups

The table below shows the breakdown of number of households by income groups per region across the Philippines based on the 2018 Family and Income Expenditure Survey (FIES) conducted by NSO.

Table 29: 2018 FIES of Households by Income Group Per Region

In Thousands	TOTAL	Less than	₱40,000 –	₱60,000 –	₱100,000–	₱250,000	₱500,000
		₱40,000	₱59,999	₱99,000	₱249,999	₱499,999	and over
Total	24,747	135	440	2,084	11,350	7,078	3,661
NCR	3,318	1	4	30	847	1,465	981
CAR	422	2	7	32	183	119	80
I - Ilocos	1,213	4	20	74	624	348	144
II - Cagayan Valley	853	6	18	105	437	201	86
III - Central Luzon	2,783	5	21	110	1,1166	1,045	437
IVA – CALABARZON	3,760	9	31	145	1,363	1,417	796
IVB - MIMAROPA	737	5	17	77	420	153	64
V - Bicol	1,280	8	36	166	734	235	101

Table 29: 2018 FIES of Households by Income Group Per Region

<i>In Thousands</i>	TOTAL	Less than ₱40,000	₱40,000 – ₱59,999	₱60,000 – ₱99,000	₱100,000– ₱249,999	₱250,000 ₱499,999	₱500,000 and over
VI - Western	1,832	12	44	197	984	405	190
VII - Central Visayas	1,839	15	47	164	864	500	250
VIII - Eastern	1,059	25	43	180	567	155	88
IX – Zamboanga Peninsula	839	9	29	139	460	136	66
X – Northern Mindanao	1,120	6	24	127	636	222	105
XI – Davao Region	1,284	7	25	142	668	316	126
XII - SOCCSKSARGEN	1,131	13	46	180	594	219	80
XIII - Caraga	619	6	19	95	343	103	54
ARMM	657	2	9	121	459	52	13

Source: 2018 Family Income and Expenditure Survey (“FIES”) of the Philippine Statistics Authority

The projected growth in number of households up to 2030 in the table below indicates that the number of households in the income groups that would qualify for mass housing (socialized + economic + low cost) (i.e., household income range of ₱78,000 to ₱1.1million) are expected to increase by approximately 5.2 million from 2010 to 2030, comprising approximately 76.0% of the total number of households increases over the same period.

Table 30: Household Increases per Income Groupings

	Below ₱78,000	₱78,001– ₱130,000	₱130,001– ₱405,000	₱405,001– ₱1.1 million	₱1.1 million – ₱2.2 million	₱2.2 million and above	TOTAL
2001	107,348	76,001	111,049	23,496	1,944	257	320,095
2002	109,597	77,594	113,376	23,988	1,984	262	326,802
2003	111,894	79,220	115,752	24,491	2,026	267	333,650
2004	114,239	80,880	118,178	25,004	2,068	273	340,642
2005	116,633	82,575	120,654	25,528	2,112	279	347,781
2006	154,088	109,093	159,401	33,726	2,790	368	459,466
2007	(372,947)	126,413	378,978	120,866	13,335	3,776	270,421
2008	(845,128)	203,782	696,849	231,012	25,965	7,569	320,049
2009	(366,589)	178,422	478,608	146,895	15,894	4,359	457,590
2010	2,289	2,498	4,087	956	87	16	9,934
2011	115,959	126,568	207,060	48,443	4,387	809	503,226
2012	74,591	81,415	133,192	31,161	2,822	520	323,703
2013	75,651	82,572	135,084	31,604	2,862	528	328,301
2014	76,112	83,075	135,907	31,796	2,880	531	330,301
2015	76,296	83,276	136,236	31,873	2,887	532	331,101
2016	76,342	83,326	136,318	31,893	2,888	532	331,300
2017	76,572	83,578	136,730	31,989	2,897	534	332,300
2018	76,665	83,678	136,894	32,027	2,901	535	332,700
2019	76,849	83,880	137,223	32,104	2,908	536	333,500
2020	76,941	83,980	137,388	32,143	2,911	537	333,900
2021	76,987	84,030	137,470	32,162	2,913	537	334,100
2022	76,987	84,030	137,470	32,162	2,913	537	334,100
2023	76,987	84,030	137,470	32,162	2,913	537	334,100
2024	76,849	83,880	137,223	32,104	2,908	536	333,500
2025	76,711	83,729	136,976	32,047	2,902	535	332,900
2026	76,572	83,578	136,730	31,989	2,897	534	332,300
2027	76,296	83,276	136,236	31,873	2,887	532	331,101
2028	75,973	82,924	135,660	31,739	2,875	530	329,701
2029	75,513	82,421	134,838	31,546	2,857	527	327,702
2030	74,960	81,818	133,850	31,315	2,836	523	325,302
TOTAL	697,237	2,725,545	5,092,887	1,310,099	127,449	28,347	9,981,564

Source: “The Housing Industry Road Map of the Philippines: 2012-2030” report by SHDA, Center for Research and Communication (University of Asia and the Pacific) which used data from HLURB, HUDCC, UN World Population Prospects, NSO and computation by the authors of the same report

Housing Backlog by Segment and Region

According to “The Housing Industry Road Map of the Philippines: 2012-2030” report by SHDA in partnership with Center for Research and Communication (University of Asia and the Pacific), the total housing backlog in the Philippines as of 2011 registered at approximately 3.9 million households. Mass housing comprised approximately 79.0% of this housing backlog, particularly in the economic housing segment (up to ₱1.25 million unit price).

The table below shows the distribution of housing surplus/(deficit) in various regions of the Philippines. For the economic housing segment, all regions across the Philippines showed a housing supply deficit, with NCR (Metro Manila) needing an estimated 267,418 housing units in this segment, the highest across all regions. For the socialized housing segment, Autonomous Region of Muslim Mindanao (“ARMM”) region registered the highest shortage, with a deficit of 130,156 housing units. Metro Manila also had high deficit in the low-cost segment, with 86,550 housing units. On the other hand, Metro Manila had a surplus of 89,869 housing units and 84,818 units in the mid-income and high-end segments respectively. This provides an indication of how the housing supply in Metro Manila has historically been focused more on mid-income and high-end segments.

Table 31: Regional Analysis Housing Surplus/Deficit by Segments

	<u>Socialized</u>	<u>Economic</u>	<u>Low Cost</u>	<u>Mid</u>	<u>High End</u>
Total	(663,282)	(1,962,077)	(462,160)	250,403	224,011
NCR.....	125,882*	(267,418)	(86,550)	89,869	84,818
CAR.....	(13,703)	(44,223)	(12,418)	751	999
I – Ilocos	(56,148)	(170,177)	(37,869)	3,802	898
II - Cagayan Valley	(42,780)	(81,967)	(15,618)	(3,208)	(8,30)
III - Central Luzon	35,667	(220,405)	(26,627)	51,653	41,117
IVA - CALABARZON.....	111,899	(211,298)	(45,877)	68,650	61,066
IVB - MIMAROPA.....	(59,968)	(83,866)	(17,157)	123	206
V - Bicol	(123,076)	(114,442)	(21,434)	3,485	3,017
VI - Western Visayas.....	(99,965)	(146,938)	(36,327)	18,466	13,555
VII - Central Visayas.....	(63,151)	(142,493)	(49,081)	15,123	15,780
VIII - Eastern Visayas	(107,576)	(72,175)	(25,060)	650	(1,114)
IX - Zamboanga Peninsula	(73,056)	(42,527)	(9,413)	(448)	339
X - Northern Mindanao	(38,902)	(81,145)	(18,776)	3,586	1,427
XI - Davao	(41,413)	(95,773)	(12,698)	1,515	3,403
XII - SOCCSKSARGEN.....	(48,858)	(88,679)	(28,278)	(2,983)	(265)
XIII - Caraga	(37,976)	(39,237)	(13,336)	(523)	(404)
ARMM	(130,156)	(59,313)	(5,642)	(109)	-

Sources: “The Housing Industry Road Map of the Philippines: 2012-2030” report by SHDA, Center for Research and Communication (University of Asia and the Pacific), which used data from HLURB, HUDCC, UN World Population Prospects, NSO and computation by authors of the same report

* “The Housing Industry Road Map of the Philippines: 2012-2030” report by SHDA, Center for Research and Communication (University of Asia and the Pacific) mentions that it is highly improbable that there will be a surplus of socialized housing units in NCR as, based on the estimates of NHA, there are over 544,000 informal settlers alone. It is also mentioned in the same report that inquiries done by authors of the SHDA report with developers indicate that the number of housing units for socialized housing in NCR may be an overestimate, given that HLURB records a minimal 20.0% compliance of Manila-based developers putting up socialized housing units in NCR.

To derive housing needs from 2012-2030, the authors of “The Housing Industry Road Map of the Philippines: 2012-2030” report used the FIES 2009 and population projections data of the United Nations to derive the increase in household per income bracket, as indicated beforehand. The increase in household was also grouped according to the respective housing segments. Based on this analysis, from 2012 to 2030 approximately 6.2 million housing units will be required to address the housing needs in the Philippines. Mass housing demand is expected to comprise approximately 76.0% of this expected housing need (41.0% for economic housing, 25.0% for socialized housing and 10.0% for low-cost housing). On the other hand, the mid-income housing segment and high-end segments are projected to account for only approximately 1.0% and 0.2%, respectively, of new housing demand from 2012 to 2030. In terms of housing supply projections, the report assumes that production will average 200,000 units every year from 2012 to 2030.

Based on the above key assumptions and calculations in the report, housing backlog in the Philippines is projected to persist and grow to reach 6.5 million households by 2030.

Table 32: Housing Demand and Supply Profile, 2001-2011

Market Segment	Housing Demand	Housing Supply	Surplus/(Deficit)
Socialized Housing	1,143,048	479,765	(663,283)
Economic Housing	2,503,990	541,913	(1,962,077)
Low-Cost Housing.....	704,406	242,246	(462,160)
Mid Cost Housing	72,592	322,995	250,403
High End Housing.....	18,235	242,246	224,011
THOSE WHO CAN'T AFFORD			832,046
HOUSING BACKLOG 2001–2011			3,087,520
TOTAL HOUSING BACKLOG (2011)			3,919,566

Table 33: Estimated Backlog by 2030

Particulars	Units Per Year	No. of Years	Total Units
Current Housing Backlog			3,919,566
Est. new housing need (2012-2030)	345,941	18	6,226,540
Housing production capacity.....	200,000	18	(3,600,000)
Backlog by 2030.....			6,546,106

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REGULATORY AND ENVIRONMENTAL MATTERS

Presidential Decree No. 957, otherwise known as The Subdivision and Condominium Buyer's Protective Decree ("P.D. 957"), and Batas Pambansa Blg. 220 ("B.P. 220"), as amended, are the principal statutes that regulate the development and sale of real property as part of a condominium project or subdivision.

P.D. 957 and B.P. 220 cover subdivision projects and all areas included therein for residential, commercial, industrial, and recreational purposes, and condominium projects for residential or commercial purposes. The HLURB is the administrative agency of the Government which, together with LGUs, enforces these decrees and has jurisdiction to regulate the real estate trade and business.

All subdivision and condominium plans for residential, commercial, industrial, and other development projects are subject to approval by the pertinent LGU of the area in which the project is situated. The development of subdivision and condominium project can commence only after the LGU has issued the development permit.

Further, all subdivision plans and condominium project plans are required to be filed with and approved by the DHSUD. Approval of such plans is conditional on, among other things, the developer's financial, technical, and administrative capabilities. Alterations of approved plans which affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the DHSUD and the written conformity or consent of the duly organized homeowners' association, or in the absence of the latter, by the majority of the lot or unit buyers in the subdivision or condominium.

Owners of, or dealers in, real estate projects are required to obtain licenses to sell before making sales or other dispositions of lots or real estate projects to the public. Dealers, brokers, and salesmen are also required to register with the DHSUD permit pursuant to Republic Act No. 9646 or the Real Estate Service Act of the Philippines.

Project permits and licenses to sell may be suspended, cancelled, or revoked by the DHSUD by itself or upon complaint from an interested party for reasons such as insolvency or violation of any of the provisions of P.D. 957. A license or permit to sell may only be suspended, cancelled, or revoked after a notice to the developer has been served and all parties have been given an opportunity to be heard in compliance with the DHSUD's rules of procedure and other applicable laws.

Subdivision or condominium units may be sold or offered for sale only after a license to sell has been issued by the DHSUD. The license to sell may be issued only against a performance bond posted to guarantee the completion of the construction and maintenance of the roads, gutters, drainage, sewage, water system, lighting systems, and full development of the subdivision or condominium project and compliance by the owner or dealer with the applicable laws and regulations.

Subdivision Projects

There are essentially two different types of residential subdivision developments, which are distinguished by different development standards issued by the DHSUD. The first type of subdivision, aimed at Economic and Socialized Housing, must comply with B.P. 220, which allows for a higher density of building and relaxes some construction standards. Other subdivisions must comply with P.D. 957, which sets out standards for lower density developments. Both type of development must comply with standards regarding the suitability of the site, road access, necessary community facilities, open spaces, water supply, the sewage disposal system, electrical supply, lot sizes, the length of the housing blocks and house construction.

Under current regulations, a developer of a residential subdivision with an area of one hectare or more and covered by P.D. 957 is required to reserve at least 30.0% of the gross land area of such subdivision, which shall be non-saleable, for open space for common uses, which include roads and recreational facilities. A developer of a subdivision is required to reserve at least 3.5% of the gross project area for parks and playgrounds.

Republic Act No. 7279, otherwise known as the Urban Development and Housing Act, as amended, further requires developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least 20.0% of the total subdivision area or total subdivision project cost, at the option of the developer, within the same city or municipality, whenever feasible, and in accordance with the standards set by the DHSUD and other existing laws.

To comply with this requirement, the developers may choose to develop for socialized housing an area equal to 20.0% of the total area of the main subdivision project or allocate and invest an amount equal to 20.0% of the main subdivision total project cost, which shall include the cost of the land its development as well as the cost of housing structures therein, or they may engage in development of a new settlement through purchase of socialized housing bonds, slum upgrading, participation in a community mortgage program, the undertaking of joint-venture projects and the building of a large socialized housing project to build a credit balance.

Republic Act No. 6552, otherwise known as the Realty Installment Buyer Act (the "Maceda Law"), applies to all transactions or contracts involving the sale or financing of real estate through installment payments, including residential condominium units. Under the Maceda Law, buyers who have paid at least two years of installment are granted a grace period of one month for every year of paid installment to cure any payment default. If the contract is cancelled, the buyer is entitled to receive a fund of at least 50.0% of the total payments made by the buyer, with an additional 5.0% per annum in cases where at least five years of installments have been paid (but with the total not to exceed 90.0% of the total payments). Buyers who have paid less than two years of installment and who default on installment payments are given a 60-day grace period to pay all unpaid installment before the sale can be cancelled, but without right of refund.

Condominium Projects

Republic Act No. 4726, otherwise known as The Condominium Act (R.A. 4726), as amended, likewise regulates the development and sale of condominium projects. R.A. No. 4726 requires the annotation of the master deed on the title of the land on which the condominium project shall be located. The master deed contains, among other things, the description of the land, building/s, common areas and facilities of the condominium project. A condominium project may be managed by a condominium corporation, an association, a board of governors or a managements agent, depending on what is provided in the declaration of restrictions of the condominium project. However, whenever the common areas are held by a condominium corporation, such corporation shall constitute the management body of the project.

Socialized Housing Compliance

Wellford Homes Jaro, Wellford Residences Mactan, and Wellford Homes Malolos are a few of the Company's existing and ongoing projects that are covered by Section 3 of Republic Act No. 10884, otherwise known as the "Balanced Housing Development Program Amendments". (R.A. 10884).

R.A. 10884 covers all and new residential subdivisions and new residential condominium projects, with applications for approval of development permits filed with either the LGU or DHSUD. It also covers all existing residential subdivisions and existing residential condominium projects with applications for expansion or alteration resulting to an increase in the total project area or total project cost of the original residential subdivisions or residential condominium projects filed with the LGU or DHSUD upon its effectivity.

The Company, in compliance to the aforementioned law, is required to develop an area for socialized housing equivalent to at least 15% of the total subdivision area or the total subdivision project cost. For condominium projects, the Company is required to develop an area for socialized housing equivalent to at least 5% of the condominium area or the project cost.

The Company may choose from the manners of compliance, subject to the pertinent guidelines, requirements, and procedures that may be promulgated by the HLURB (DHSUD). The different modes of compliance are as follows:

1. Joint Venture Projects with the local government for the development of socialized housing program or socialized housing project;
2. Housing agencies for the development of socialized housing program or socialized housing project under the BALAI Program of the HUDCC;
3. Another private socialized housing developer;
4. Non-government organization (NGO); and
5. Incentivized Compliance or Escrow Agreement, wherein the DHSUD, in coordination with the HUDCC, hereby grants additional incentives in the availment and utilization of the manner of compliance by way of participation per Sections 3, 18 and 20 of Republic Act No. 7279, As amended by Republic Act No. 10884.

For projects under the Escrow agreement, considering that the cost incurred in this section is non-recoverable, the computation of the value of the construction or installation is its actual cost, for purposes of compliance, shall be in the amount equivalent to at least 20% of the total project cost of the socialized housing project in order to be credited the entire socialized housing project or program.

For all the Company's existing and new projects, the Company has faithfully and truthfully complied with the socialized housing requirement since this is a condition sine quo non prior to the issuance of the License to Sell. For the existing, new, and forthcoming projects, the Company will continue to utilize the compliance through the Escrow Agreement mode, since the Company's management deems that this is the fastest and most beneficial to the Company albeit non-recoverable.

Home Development Mutual Fund or the Pag-Ibig Fund

The Home Development Mutual Fund, more properly known as the Pag-IBIG Fund ("Pag-IBIG"), was established on June 11, 1978 by virtue of Presidential Decree No. 1530 to provide a national savings program and affordable shelter financing for Filipino workers. Pag-IBIG is a mutual provident savings system for private and government employees and other earnings groups, supported by matching mandatory contributions of their respective employers with housing as the primary investment. Pag-IBIG is statutorily mandated to provide financial assistance for the housing requirements of its members and allot not less than 70.0% of its investible funds for deployment of housing loans to qualified buyers.

At the time that Home Development Mutual Fund was established, the funds contributed by private employees and government employees were administered separately by the Social Security System ("SSS") and the Government Service Insurance System ("GSIS"). Less than a year after its establishment or on March 1, 1979, Executive Order No 527 was passed directing the transfer of the administration of HDMF to the National Home Mortgage Finance Corporation ("NHMFC"). Executive Order No. 538, which was issued on June 4, 1979 merged the funds for private and government personnel into what is now known as the Pag-IBIG Fund.

With the signing of P.D. 1752 on December 14, 1980, Pag-IBIG was made independent from the NHMFC and was made a body corporate with its own board of trustees. Executive Order No. 90 passed on January 1, 1987 made membership to Pag-IBIG voluntary. This was subsequently amended by Republic Act No. 7742 on June 17, 1994, which made membership to Pag-IBIG mandatory to all employees covered by SSS and GSIS. On July 21, 2009, Republic Act No. 9679 or the Home Development Mutual Fund Law of 2009 further strengthened Pag-IBIG by making membership thereof mandatory for all Filipino employees including Filipinos employed by foreign-based employers, uniformed personnel and the self-employed.

Pag-IBIG's 2013 Accomplishment Report indicates that as of 2013, membership in the fund stood at 13.5 million. In the last 12 months, Pag-IBIG membership grew by 1.4 million members from the 2012 yearend level.

Among the benefits of membership, Pag-IBIG members may avail of housing loans to finance the purchase of a fully developed lot not exceeding 1,000 square meters and to construct a residential unit thereon or to purchase a residential unit, whether old or new, with home improvement. The housing loan proceeds may also be used to refinance an existing housing loan with an institution acceptable to Pag-IBIG, provided that, the account reflects a perfect repayment history for at least one (1) year prior to date of application, as supported by the borrower's official receipts.

To qualify for a Pag-IBIG housing loan, a member must not be more than sixty-five (65) years old at the date of loan application nor more than seventy (70) years old at loan maturity. Further, said member must have been a member under Pag-IBIG Membership Program for at least twenty-four (24) months, as evidenced by the remittance of at least twenty-four (24) monthly mandatory savings at the time of loan application. A new member who wishes to apply for a housing loan is allowed to pay in lump sum the required twenty-four monthly mandatory savings. Similarly, members with less than twenty-four (24) mandatory savings may pay their monthly mandatory savings for the succeeding months in lump sum to be eligible for a housing loan.

A qualified Pag-IBIG member may borrow up to a maximum amount of Six Million Pesos (₱6,000,000.00), depending on the member's actual need, his loan entitlement based on gross monthly income, his loan entitlement based on capacity to pay, and the loan-to-appraisal value ratio, whichever is lower. The housing loans are charged with interest rates based on Pag-IBIG's pricing framework. Said interest rates are re-priced periodically depending on the chosen re-pricing period of the borrower whether it is after every three (3), five (5), ten (10) or fifteen (15) years. Members are allowed a maximum repayment period for the loan of thirty (30) years.

Pag-IBIG's 2013 Accomplishment Report indicates that a total of ₱46.6 billion was approved for disbursement to finance 63,148 new homes for Pag-IBIG members across the Philippines for 2013.

There are two (2) modes of applying for a Pag-IBIG housing loan: (i) Retail – wherein the member applies directly to the Fund for his/her housing loan application; or (ii) Developer-Assisted – wherein the developer assists the member in his/her housing loan application.

The Developer-Assisted mode of application is in line with Pag-IBIG's objectives to fast track the government's housing program by providing an express take-out window for Pag-IBIG-accredited developers, as well as to enhance the quality of the Pag-IBIG's mortgage loan portfolio. Through this scheme, developers deliver housing loan applications to Pag-IBIG which are secured by Contracts to Sell ("CTS") or Real Estate Mortgage ("REM") on the residential property to which the loan proceeds are applied.

The developer receives, evaluates, pre-processes, and approves the housing loan applications of Pag-IBIG's member borrowers in accordance with the applicable guidelines set by Pag-IBIG for housing loan programs. For applications secured by CTS, the developer executes a Contract-to-Sell with the Pag-IBIG member to cover the purchase of the residential property or lot to be used as collateral for the Pag-IBIG housing loan. With the conformity of the borrower, the developer then executes a Deed of Assignment assigning the CTS in favor of Pag-IBIG, which shall be annotated in the title of the property. The developer is then required to convert the security of eligible accounts from CTS to REM not later than the 24th month from date of loan takeout. For applications secured by REM, the developer is responsible for the annotation of the Loan and Mortgage Agreement on the individual Transfer Certificate of Title covering the house and lot units subject of the loan with the appropriate Register of Deeds and deliver the complete mortgage folders to Pag-IBIG.

Pag-IBIG can process and release the takeout proceeds due to the developer within seven (7) working days from the date of submission of all the Pag-IBIG required documents.

Board of Investments

The Board of Investments (the "BOI"), an agency under the Department of Trade and Industry, is the lead investments promotion agency of the Philippines. The agency is designed to promote inward investments and assist local and foreign investors in their venture of the desirable areas of business, defined in the annually prepared Investment Priorities Plan ("IPP"). Under Executive Order No. 226, otherwise known as the Omnibus Investment Code of 1987, as amended, the BOI is mandated to encourage investments through tax exemption and other benefits in preferred areas of economic activity specified by the BOI in the IPP. The IPP, formulated annually by the BOI, through an inter-agency committee, and approved by the President, lists the priority activities for investments. It contains a listing of specific activities that can qualify for incentives.

A Filipino enterprise can register their activity with the BOI if their project is listed as a preferred project in the current IPP. Said enterprise may engage in domestic-oriented activities listed in the IPP whether classified as pioneer or non-pioneer. However, an activity which is not listed, may also be entitled to incentives if the following conditions are met: (i) At least 50.0% of the production is for export (for 60.0% Filipino-40.0% Foreign-owned enterprises); or (ii) At least 70.0% of production is for export (for more than 40.0% foreign-owned enterprises).

Mass housing infrastructure projects has been part of the IPP of the BOI since year 2000. For 2013, a mass housing project must meet the following requirements to be eligible for registration: (i) the selling price of each housing unit shall be more than Four Hundred Fifty Thousand Pesos (₱450,000.00) but not exceeding Three Million Pesos (₱3,000,000.00); (ii) the project must be a new or expanding low-cost Mass Housing project; (iii) the project must conform with the design standards set forth in B.P. 220 and P.D. 957; and (iv) the project must comply with the socialized housing requirement of R.A. 7279. Furthermore, compliance with socialized housing requirement must

be completed within the income tax holiday availment period and should be proportionate to the number of low-cost housing units being applied for the income tax holiday for the taxable year.

Generally, BOI-registered enterprises are exempt from payment of the income taxes depending on the project's status as follows: (i) six (6) years for new projects with a pioneer status; (ii) four (4) years for new projects with a non-pioneer status; (iii) three (3) years for expansion projects; and (iv) six years for new or expansion projects in less developed areas. However, eligible mass housing projects in the National Capital Region and Metro Cebu are entitled to only three (3) years of income tax holiday.

BOI-registered enterprises also enjoy taxes and duties exemption on imported spare parts, as well as an exemption on wharfage dues and export tax. Other fiscal incentives include (i) reduced duty rates on capital equipment, spare parts, and accessories; (ii) tax credits on domestic breeding stocks, genetic material, raw materials, and supplies; and (iii) additional deductions from taxable income on labor expense as well as necessary and major infrastructure work. BOI-registered enterprises are also entitled to other non-fiscal incentives such as the employment of foreign nationals, streamlined customs procedures, and the importation of consigned equipment.

Zoning and Land Use

Land use may be also limited by zoning ordinances enacted by LGUs. Once enacted, land use may be restricted in accordance with a comprehensive land use plan approved by the relevant LGU. Lands may be classified under zoning ordinances as commercial, industrial, residential, or agricultural. While a procedure for change of allowed land use is available, this process may be lengthy and cumbersome.

Under the agrarian reform law currently in effect in the Philippines and the regulations issued thereunder by the DAR, land classified for agricultural purposes as of or after June 15, 1988, cannot be converted to non-agricultural use without the prior approval of DAR.

Special Economic Zone

PEZA is a Government corporation that operates, administers, and manages designated special economic zones ("Ecozones") around the country. Ecozones, which are generally created by proclamation of the President of the Philippines, are areas earmarked by the Government for development into balanced agricultural, industrial, commercial, and tourist/recreational regions.

An Ecozone may contain any or all the following: industrial estates, export processing zones, free trade zones, and tourist/recreational centers. PEZA-registered enterprises locating in an Ecozone are entitled to fiscal and non-fiscal incentives such as income tax holidays and duty-free importation of equipment, machinery, and raw materials.

Environmental Laws

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain ECC prior to commencement. The DENR, through its regional offices or through the Environmental Management Bureau ("EMB"), determines whether a project is environmentally critical or located in an environmentally critical area. As a requisite for the issuance of an ECC, an environmentally critical project is required to submit an Environmental Impact Statement ("EIS") to the EMB while a project in an environmentally critical area is generally required to submit an Initial Environmental Examination ("IEE") to the proper DENR regional office. In case of an environmentally critical project within an environmentally critical area, an EIS is required. The construction of major roads and bridges are considered environmentally critical projects for which EISs and ECCs are mandated.

The EIS refers to both the document and the study of a project's environmental impact, including a discussion of the scoping agreement identifying critical issues and concerns as validated by the EMB, environmental risk assessment if determined necessary by EMB during the scoping, environmental management program, direct and indirect consequences to human welfare and ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the EIS or an IEE may vary from project to project, as a minimum, it contains all relevant information regarding the projects' environmental effects. The entire process of organization, administration, and assessment of the effects of any project on the quality of the physical, biological, and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The ECC is a Government certification, that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System and that the proponent is committed to implement its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein before or during the operations of the project and in some cases, during the project's abandonment phase. The ECC also provides for other terms and conditions, any violation of which would result in a fine or the cancellation of the ECC.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund ("EGF") when the ECC is issued to projects determined by the DENR to pose a significant public risk to life, health, property, and the environment. The EGF is intended to answer for damages caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are mandated to include a commitment to establish an Environmental Monitoring Fund ("EMF") when an ECC is eventually issued. The EMF shall be used to support the activities of a multi-partite monitoring team which will be organized to monitor compliance with the ECC and applicable laws, rules, and regulations. Aside from EIS and IEE, engineering, geological, and geo-hazard assessments are also required for ECC applications covering subdivisions, housing, and other development and infrastructure projects

All development projects, installations and activities that discharge liquid waste into and pose a threat to the environment of the Laguna de Bay Region are also required to obtain a discharge permit from the Laguna Lake Development Authority.

The Company incurs expenses for the purposes of complying with environmental laws that consist primarily of payments for Government regulatory fees. Such fees are standard in the industry and are minimal.

Property Registration

The Philippines has adopted a system of land registration which conclusively confirms land ownership, which is binding on all persons, including the Government. Once registered, title to registered land can no longer be challenged except with respect to claims noted on the certificate of title. Title to registered lands cannot be lost through adverse possession or prescription. Presidential Decree No. 1529, as amended, codified the laws relative to land registration and is based on the generally accepted principles underlying the Torrens System.

After proper surveying, application, publication and service of notice and hearing, unregistered land may be brought under the system by virtue of judicial or administrative proceedings. In a judicial proceeding, the Regional Trial Court within whose jurisdiction the land is situated confirms title to the land. Persons opposing the registration may appeal the judgment within 15 days to the Court of Appeals or the Supreme Court. After the lapse of the period of appeal, the Register of Deeds may issue an Original Certificate of Title. The decree of registration may be annulled on the ground of actual fraud within one year from the date of entry of the decree of registration. Similarly, in an administrative proceeding, the land is granted to the applicant by the DENR by issuance of a patent and the patent becomes the basis for issuance of the Original Certificate of Title by the Register of Deeds. All land patents such as homestead, sales, and free patents, must be registered with the appropriate registry of deeds since the conveyance of the title to the land covered thereby takes effect only upon such registration.

Any subsequent transfer of encumbrance of the land must be registered in the system in order to bind third persons. Subsequent registration and a new Transfer Certificate of Title in the name of the transferee will be granted upon presentation of certain documents and payment of fees and taxes.

All documents evidencing conveyances of subdivision and condominium units should also be registered with the Register of Deeds. Title to the subdivision or condominium unit must be delivered to the purchaser upon full payment of the purchase price. Any mortgage existing thereon must be released within six months from the delivery of title. To evidence ownership of condominium units, a Condominium Certificate of Title is issued by the Register of Deeds.

Nationality Restrictions

The Philippine Constitution limits ownership of land in the Philippines to Filipino citizens or to corporations the outstanding capital stock of which is at least 60.0% owned by Philippine Nationals. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning building and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to 40.0%.

Republic Act No. 7042, as amended, otherwise known as the Foreign Investments Act of 1991, and the Ninth Regular Foreign Investment Negative List, provide those certain activities are nationalized or partly- nationalized, such that the operation and/or ownership thereof are wholly or partially reserved for Filipinos. Under these regulations, and in accordance with the Philippine Constitution, ownership of private lands is partly- nationalized and thus, landholding companies may only have a maximum of 40.0% foreign equity.

Property Taxation

Real property taxes are payable annually based on the property's assessed value. The assessed value of property and improvements vary depending on the location, use and the nature of the property. Land is ordinarily assessed at 20.0% to 50.0% of its fair market value; buildings may be assessed at up to 80.0% of their fair market value; and machinery may be assessed at 40.0% to 80.0% of its fair market value. Real property taxes may not exceed 2.0% of the assessed value in municipalities and cities within Metro Manila or in other chartered cities and 1.0% in all other areas. An additional special education fund tax of 1.0% of the assessed value of the property is also levied annually.

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MANAGEMENT

The following discussion presents a brief description of the business experience of each of the Company's directors and principal officers over the past five (5) years.

Board of Directors

Under the amended by-laws of the Company, the term of office of the Directors is one (1) year. The Company's Nominations Committee conducts nominations and pre-screens the qualifications of candidates for Independent Directors prior to the stockholders' meeting in accordance with Sec. 5, Art. III of the Company's by-laws. All the nominees for election to the Board satisfy the mandatory requirements specified therein.

As of the date of this Prospectus, the composition of the Board is as follows:

Name	Age	Citizenship	Position	Year Position was Assumed
Arthur M. Lopez	74	Filipino	Chairman	2016
Kenneth T. Gatchalian	45	Filipino	Vice Chairman	2016
Elvira A. Ting	60	Filipino	President	2016
Dee Hua T. Gatchalian	72	Filipino	Director	2016
Richard L. Ricardo	58	Filipino	Director	2015
Arthur R. Ponsaran	78	Filipino	Director	1996
Sergio Ortiz-Luis, Jr.	78	Filipino	Director	2021
Ruben D. Torres	79	Filipino	Lead Independent Director	2020
Josaias T. Dela Cruz	60	Filipino	Independent Director	2021
Byoung Hyun Suh	64	Korean	Independent Director	2015
Renato C. Francisco	72	Filipino	Independent Director	2020

The business experiences for the last five (5) years of the members of the Board are set forth below.

Arthur M. Lopez, 74, Filipino, Chairman

Arthur M. Lopez is a hotel management consultant specializing in general hotel management consultancy services, marketing, hotel design development/technical services, gaming, hotel feasibility study, pre and post hotel opening management services, asset management/owner's representative, food and beverage concept and service, mergers and acquisitions, travel and tours, theme parks and third-party management and branding. Mr. Lopez Holds a Bachelor of Science degree in Commerce, major in Management, and a Master's Degree in Business Administration, both from the University of Santo Tomas in the Philippines. He completed a Tourism Management course at the East-West Center, University of Honolulu in Hawaii, and Cornell University, Ithaca, New York, USA. He is concurrently the Owner and Principal Consultant of AML Hotel Consultants, a Hotel Management Consultant to Double Dragon Properties Corporation, The Bellevue Hotels and Resorts, and Wellworth Properties and Development Corporation, the Chairman of Acesite (Phils.) Hotel Corporation ("ACE"), Legoli Holdings Inc., and Arleff Holdings Inc., the Lead Independent Director of Waterfront Philippines, Inc. ("WPI"), and the President of Philippine Hotel Owners Association, Inc.

Kenneth T. Gatchalian, 45, Filipino, Vice Chairman

Kenneth T. Gatchalian is the son of Mr. William T. Gatchalian and Mrs. Dee Hua T. Gatchalian. He is currently the Vice Chairman of PHES and is concurrently serving as a Director of Wellex, Wellex Industries, Inc. ("WIN"), WPI, and Forum Pacific Incorporated ("FPI"). He is also a Director and the President of WPI and the Treasurer of FPI.

Elvira A. Ting, 60, Filipino, President

Elvira A. Ting graduated from the Philippine School of Business Administration in 1981 with a Bachelor of Science degree in Business Administration. She is concurrently the Treasurer and a Director of WPI, a Director and the Vice President of WIN, the Vice Chairperson and a Director of FPI, the Treasurer and a Director of ACE, the Chairperson, the President, and a Director of Orient Pacific Corporation and Crisanta Realty Development Corporation, a Director and the Vice President of Recovery Development Corporation, and a Director and the Treasurer of Wellex.

Dee Hua T. Gatchalian, 73, Filipino, Director

Dee Hua T. Gatchalian graduated from the Far Eastern University in 1970 with a Bachelor of Science degree in Medical Technology. She is the spouse of Mr. William T. Gatchalian. Mrs. Gatchalian is concurrently the Executive Vice President – Finance and Administration of Wellex and Plastic City Corporation, and a Director of ACE, and WPI.

Richard L. Ricardo, 58, Filipino, Director

Richard L. Ricardo graduated from the Ateneo de Manila University with degrees in BS Business Management and AB Economics. He started in banking and corporate lending with the Far East Bank and Trust Company, and later handled corporate planning for the Philippine Banking Corporation. He has previously worked with AEA Development Corporation, and investment house, and he has also served in the government under both the Office of the President and the Department of Finance. Concurrently, Mr. Ricardo is a Director of CIMA Realty Phils., Inc., a Director of Mayo Bonanza, Inc., a Director of Davao Insular Hotel Company, Inc., the Treasurer and a Director of WIN, and a Director of FPI.

Arthur R. Ponsaran, 78, Filipino, Director

Arthur R. Ponsaran is a CPA-Lawyer with extensive experience in corporate law, taxation, banking and finance law, and, more particularly investment banking. Mr. Ponsaran obtained his Bachelor of Business Administration from the University of the East in 1962, Bachelor of Laws from the University of the Philippines in 1968, and completed the Management Development Program at the Asian Institute of Management in 1972. He is a Certified Public Accountant and a member of both the Philippine Bar and the New York Bar. He is also a member of the Integrated Bar of the Philippines, Philippine Bar Association, American Bar Association, and the Philippine Institute of Certified Public Accountants. Mr. Ponsaran is concurrently a Managing Partner of Corporate Counsels Philippines Law Offices. He is also a Director of ACE and Producers Savings Bank and the Corporate Secretary of WPI, Wilcon Depot, In. ("WLCON"). and Wilcon Corporation.

Sergio R. Ortiz-Luis, Jr., 78, Filipino, Director

Sergio R. Ortiz-Luis, Jr. holds degrees in Bachelor of Arts and Bachelor of Science in Business Administration from De La Salle University – Manila College of Business and Economics. Mr. Ortiz-Luis obtained his Master of Business Administration from De La Salle Professional Schools and Doctor of Humanities from Central Luzon State University. He is concurrently an Honorary Chairman and the Treasurer of the Philippine Chamber of Commerce and Industry, the President and CEO of Philippine Exporters Confederations of the Philippines, an Honorary Chairman of Employers Confederation of the Philippines and Integrated Concepts & Solutions, Inc., a Director of Philippine Foundation, Inc., a Founding Director of International Chamber of Commerce of the Philippines and GS1 Philippines, Inc., a Director of Alliance Global, Inc. ("AGI"), an Independent Director of WPI, ACE, WIN, B.A. Securities, FPI, Manila Exposition Complex, Inc., LasalTech Academy, Rural Bank of Baguio, Jolliville Holdings Corporation, Calapan Ventures, Inc., LikeCash Asia & the Pacific Corporation, a Trustee and the Treasurer of Human Resources Development Foundation, the Chairman of National Center for Mediation, and the Vice Chairman and an Independent Director of VC Securities Corporation. Mr. Ortiz-Luis government affiliations include being the Vice Chairman of Export Development Council and the Commissioner of Patrol 117.

Byoung Hyun Suh, 64, Korean, Independent Director

Byoung Hyun Suh obtained a Business Administration degree from Korea University in 1982. He is concurrently the President of Pan Islands, Inc., a Director and Vice President of World OKTA Federation, the President and an Advisor of National Unification Advisory Council – South East Region.

Josaias T. Dela Cruz, 60, Filipino, Independent Director

Josaias T. Dela Cruz obtained his Bachelor of Science in Business Management from the Ateneo De Manila University and Master in Business Management from the Asian Institute Management. Mr. Dela Cruz served as the National Director of World Vision Development Foundation, Inc. from 2013 to 2016. He is concurrently the Treasurer and Vice President for Investor Relations and Financial Planning of the Wegen Distributed Energy Philippines Holdings Corp.

Ruben D. Torres, 79, Filipino, Lead Independent Director

Ruben D. Torres obtained his Bachelor of Arts in Political Science and Bachelor of Laws both from the University of the Philippines. Mr. Ruben is a recipient of Presidential Golden Hear Award for his role in the GRP-MNLF Peace Process. His work experience include service in the Philippine Government, having acted as Undersecretary of Labor and Employment from 1987 to 1989, Secretary of Labor and Employment from 1989 to 1992, and Congressman of the 2nd District of Zambales from 2001 to 2004.

Renato C. Francisco, 72, Filipino, Independent Director

Renato C. Francisco obtained his Bachelor of Laws from the Ateneo De Manila University in 1973. From 2012 to 2018, he served as an Associate Justice of the Court of Appeals in Manila.

Principal Officers

Name	Age	Citizenship	Position	Year Position was Assumed
Elvira A. Ting	61	Filipino	President and Chief Executive Officer	2016
Glenn Gerald D. Pantig	46	Filipino	Chief Operation Officer	2018
Richard L. Ricardo	58	Filipino	Treasurer & Investor Relations Officer	2015
Arsenio A. Alfiler Jr.	75	Filipino	Corporate Secretary	2017
Mariel L. Francisco	39	Filipino	Assistant Corporate Secretary	2010
Ruben D. Torres	79	Filipino	Lead Independent Director	2021
Byoung Hyun Suh	65	Korean	Chief Audit Executive	2015
Jocelyn A. Valle	59	Filipino	Finance Head, Corporate Information Officer, and Corporate Compliance Officer	2015
Erwin Bryan S. Kanapi	43	Filipino	Chief Risk Officer, Data Protection Officer, and Compliance Officer for AMLC	2021

Glenn Gerald D. Pantig, 46, Filipino, Chief Operation Officer

Glenn Gerald D. Pantig obtained his Bachelor of Arts in Economics from the De La Salle University in 1996 and Master of Business Administration from the University of Notre Dame Australia in 2002. Prior to serving as the Chief Operating Officer of PHES, he acted as the Senior Manager for Project Development and New Businesses for Residential Projects of Roxaco Land, Corp. in from 2014 to 2018.

Arsenio A. Alfiler, Jr., 75, Filipino, Corporate Secretary

Arsenio A. Alfiler, Jr. has considerable experience as a corporate lawyer and as in-house legal counsel. As legal counsel of financial institutions, he dealt with a variety of legal, administrative, and related problems that deepened his professional competence in corporate law. Mr. Alfiler completed his Bachelor of Laws at the University of the Philippines in 1971. Concurrently, he is a partner in Corporate Counsels Philippines Law Offices, Corporate Secretary in FPI, ACE, and Producers Savings Bank, and Assistant Corporate Secretary in WPI.

Mariel L. Francisco, 39, Filipino, Assistant Corporate Secretary

Mariel L. Francisco obtained her Bachelor of Arts in Economics from the University of the Philippines – Visayas in 2002 and then her Bachelor of Laws from the Arellano University School of Law in 2007. She is concurrently an Associate Attorney of the Corporate Counsels Philippines Law Offices, the Corporate Secretary of WIN and the Assistant Corporate Secretary of FPI.

Jocelyn A. Valle, 59, Filipino, Finance Head, Corporate Information Officer, and Corporate Compliance Officer

Jocelyn A. Valle is a CPA and graduated from Letran College – Manila with a degree in Bachelor of Science in Commerce – Major in Accounting in 1984. Before becoming the Finance Head and Corporate Information Officer and Compliance Officer of PHES in 2015, she served as a Senior Manager for Accounting and Corporate Information Officer of Highlands Prime, Inc., which used to be a publicly listed company.

Erwin Bryan S. Kanapi, 43, Filipino, Chief Risk Officer, Data Protection Officer, and Compliance Officer for AMLC

Erwin Bryan S. Kanapi obtained his Bachelor of Arts in Legal Management from the University of Santo Tomas in 2000 and his Bachelor of Laws from the University of Perpetual Help in 2007. Prior to being the Chief Risk Officer and part of the Corporate Legal Counsel of PHES, Mr. Kanapi served as the Legal Compliance Officer of Paragon ICC in 2015.

Directorships in other Reporting Companies

During the last five (5) years, the following Directors are also directors of other reporting companies as listed below:

Name of Director	Name of Reporting Company	Position Held
Arthur M. Lopez	ACE	Chairman
	WPI	Lead Independent Director
Kenneth T. Gatchalian	FPI	Director
	WIN	Director
Elvira A. Ting	FPI	Director
	ACE	Director
Dee Hua T. Gatchalian	ACE	Director
	WPI	Director
Richard L. Ricardo	WIN	Director
	FPI	Director
Arthur R. Ponsaran	ACE	Director
	WLCON	Director
Sergio R. Ortiz-Luis	AGI	Independent Director
	WPI	Independent Director
	ACE	Independent Director
	WIN	Independent Director
	FPI	Independent Director
Josaias T. Dela Cruz	FPI	Independent Director
	WIN	Independent Director

Corporate Governance

PHES adopted a Manual of Corporate Governance (the Manual) to ensure its compliance with the leading practices on good corporate governance and related Philippine SEC rules and regulations. The Manual was approved and adopted by the Board and deemed effective on February 09, 2011.

It is the Board's responsibility to foster the long-term success of the Company, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders.

The control environment of the Company consists of:

- i. The Board, which ensures that the Company is properly and effectively managed and supervised;
- ii. A Management that actively manages and operates the Company in a sound and prudent manner;
- iii. The organizational and procedural controls supported by effective management information and risk management reporting systems; and
- iv. An independent audit mechanism to monitor the adequacy and effectiveness of the Company's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations, and contracts.

The Board shall constitute the proper committees to assist it in good corporate governance. Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules, and regulations.

To enable the members of the Board to properly fulfill their duties and responsibilities, Management should provide them with complete, adequate, and timely information about the matters to be taken in their meetings. The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts, and internal financial documents.

The Board is primarily accountable to the stockholders. It should provide them with a balanced and comprehensible assessment of the Company's performance, position, and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.

The Board shall respect the rights of the stockholders as provided for in the Company Code; namely:

- i. Right to vote on all matters that requires their consent or approval;
- ii. Right to inspect corporate books and records;
- iii. Right to information;
- iv. Right to dividends; and
- v. Appraisal right.

The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Company. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the bylaws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

To strictly observe and implement the provisions of this manual, the following penalties shall be imposed, after notice and hearing, on the Company's directors, officers, and staff in case of violation of any of the provision of this Manual:

- i. In case of first minor violation, the subject person shall be reprimanded.
- ii. Suspension from office shall be imposed in case of second minor violation. The duration of the suspension shall depend on the gravity of the violation.
- iii. For third minor or first major violation, the maximum penalty of removal from office shall be imposed.

The commission of a third minor violation of this Manual by any member of the Board shall be a sufficient cause for removal from directorship.

The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

PHES shall continue to improve its corporate governance and shall amend the Manual as may be necessary.

Committees of the Board of Directors

The Board created and appointed directors to the five (5) board committees set forth below. Each member of the respective committees named below holds office as of the date of this Prospectus and will serve until his or her successor is elected and qualified. The five (5) committees are: (i) Audit Committee; (ii) Corporate Governance Committee; (iii) Executive Committee; (iv) Board Risk Oversight Committee; and (v) Related Party Transactions (RPT) Committee. These are composed of the following chairpersons and members.

Position	Audit Committee	Corporate Governance Committee	Executive Committee	Board Risk Oversight Committee	Related Party Transactions (RPT) Committee
Chairperson	Byoung Hyun Suh	Ruben D. Torres	Elvira A. Ting	Josaias Dela Cruz	Renato C. Francisco
Members	Sergio Ortiz-Luis, Jr. Josaias Dela Cruz	Byoung Hyun Suh Renato C. Francisco Josaias Dela Cruz	Kenneth T. Gatchalian Dee Hua T. Gatchalian Richard L. Ricardo Arthur M. Lopez	Ruben D. Torres Sergio Ortiz-Luis, Jr.	Josaias Dela Cruz Arthur R. Ponsaran

Executive Compensation

The following summarizes the executive compensation received by the CEO and the top four (4) most highly compensated officers of the Company for 2018 to 2020. It also summarizes the aggregate compensation received by all the officers and directors, unnamed.

<i>Amounts in ₱0.00</i>	Year	Basic Salaries	Bonuses/ Other Income
CEO and the four (4) most highly compensated officers	2018	₱3,790,000.00	₱0.00
	2019	₱3,978,000.00	₱0.00
	2020	₱3,978,000.00	₱0.00
	2021 (est.)	₱3,471,000.00	₱0.00
Aggregate compensation paid to all officers and directors as a group unnamed	2018	₱3,790,000.00	₱520,000.00
	2019	₱3,978,000.00	₱620,000.00
	2020	₱3,978,000.00	₱660,000.00
	2021 (est.)	₱3,471,000.00	₱770,000.00

Standard Arrangements

Each member of the Board is given ₱10,000.00 per diem for attendance in a special or regular board meeting and ₱5,000.00 for attendance in a committee meeting.

Other Arrangements

There are no other arrangements pursuant to which any member of the Board is compensated, directly or indirectly, for any service provided as a Director.

Warrants and Options Outstanding

There are no outstanding warrants or option held by Directors and officers nor are there any adjustments in the exercise price of said warrants or options.

Involvement in Certain Legal Proceedings of Directors and Executive Officers

None of the directors or officers of the registrant has been involved in any of the following: (i) bankruptcy petition; (ii) violation of a securities or commodities law; (iii) conviction by final judgment nor has the foregoing officers been subjected to any order or decree; and (iv) none of the foregoing incidents occurred during the past five (5) years up to January 31, 2021 that are material to and for purposes of the PSE's evaluation.

Some of the directors and executive officers were involved in certain proceedings specifically: Lily Y. Part vs Elvira A. Ting, Arthur R. Ponsaran, Joaquin P. Obieta, Lisandro Abadia, Yolanda T. dela Cruz, Dee Hua T. Gatchalian, Kenneth T. Gatchalian, Arthur M. Lopez, Renato B. Magadia, James B. Palit-Ang and May Castillo, for violation of P.D. 957 and Syndicated Estafa.

The complaint filed by Lily Part was dismissed by the City Prosecutor of Iloilo City for lack of probable cause to indict said directors and executive officers. Aggrieved of the dismissal, Lily Part filed a Petition for Review before the Department of Justice (DOJ). Consequently, a Motion to Dismiss her Petition Review with Affidavit of Desistance was filed by Lily Part before the same DOJ by reason of a compromise agreement entered into by her with the said directors and executive officers.

As of the date of this Prospectus, the DOJ has not yet issued a Resolution on Lily Part's Motion to Dismiss.

Significant Employees

There is no person who is not an executive officer but expected by the registrant to make significant contribution to the business

Family Relationships

Ms. Dee Hua T. Gatchalian and Ms. Elvira A. Ting are sisters. Ms. Dee Hua T. Gatchalian is the mother of Mr. Kenneth T. Gatchalian.

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SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL SHAREHOLDERS

Security Ownership of Certain Record and Beneficial Owners of More Than 5.0% of the Company's Voting Securities

As of September 30, 2021, the following table sets forth the record owners and beneficial owners of more than 5.0% of the Company's total issued common shares:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	% of Total Outstanding Shares
Common	PCD NOMINEE CORP. Indirect Beneficial Ownership 6767 Ayala Ave. Makati City	-	Filipino	747,130,452	51.7%
Common	REXLON REALTY GROUP, INC. ¹² 22 nd Flr. Citibank Tower 8741 Paseo De Roxas, Makati City Affiliate-Direct Beneficial Ownership	DEE HUA T. GATCHALIAN Corporate Treasurer	Filipino	200,000,000	13.8%
Common	ROPEMAN INTERNATIONAL CORP. #7 T. Santiago St., Canumay, Valenzuela, Metro Manila Affiliate-Direct Beneficial Ownership	DEE HUA T. GATCHALIAN Corporate Treasurer	Filipino	178,270,000	12.3%
Common	RECOVERY REAL ESTATE CORP. 22 nd Flr. Citibank Tower 8741 Paseo De Roxas, Makati City Affiliate-Direct Beneficial Ownership	DEE HUA T. GATCHALIAN Corporate Treasurer	Filipino	150,000,000	10.4%
Common	THE WELLEX GROUP, INC. ¹³ 35 th Flr. One Corp. Center Units 3504 & 3504, Julia Vargas Ave. corner Meralco Ave., Ortigas Center, Pasig City Affiliate-Direct Beneficial Ownership	DEE HUA T. GATCHALIAN Assistant Corporate Treasurer	Filipino	143,892,990	10.0%
Total				1,419,293,442	98.2%

Security Ownership of Directors and Officers

As of November 05, 2021, the following are the security ownership of the directors and principal officers of the Company:

Title of Class	Name of Record Owner	Number of Shares	Nature of Beneficial Ownership	Citizenship	% of Total Outstanding Shares
Common	Arthur M. Lopez	1,000	Direct	Filipino	-nil-
Common	Dee Hua T. Gatchalian	2,000	Direct	Filipino	-nil-
Common	Elvira A. Ting	500,000	Direct	Filipino	0.035%
Common	Sergio R. Ortiz-Luis, Jr.	1,000	Direct	Filipino	-nil-
Common	Arthur R. Ponsaran	1,000	Direct	Filipino	-nil-
Common	Richard L. Ricardo	1,230,000	Direct	Filipino	0.085%
Common	Kenneth T. Gatchalian	320,000	Direct	Filipino	0.022%
Common	Byoung Hyun Suh	1,000	Direct	Korean	-nil-
Common	Renato Francisco	100	Direct	Filipino	-nil-

¹² Beneficial ownership of REXLON Realty Group, Inc. is 200,480,000 common shares equivalent to 13.9% as of September 30, 2021.

¹³ Beneficial ownership of The Wellex Group, Inc. is 153,760,990 common shares equivalent to 10.6% as of September 30, 2021.

Table 40: Security Ownership of Directors and Officers					
Title of Class	Name of Record Owner	Number of Shares	Nature of Beneficial Ownership	Citizenship	% of Total Outstanding Shares
Common	Ruben Torres	100	Direct	Filipino	-nil-
Common	Josaias Dela Cruz	100	Direct	Filipino	-nil-
Total		2,056,300			0.142%

Voting Trust Holders of 5.0% or More

There are no voting trust holders of 5.0% or more of the securities of the registrant.

Changes in Control

There has been no change in the control of the Company in the last three (3) years.

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MARKET PRICE OF SHARES AND RELATED SHAREHOLDER MATTERS

Market Information

As of September 30, 2021, the Company has 1,445,549,830 issued and outstanding common shares listed shares on the PSE.

The following table presents the summary of the high and low closing trading prices of the Company's Common Shares as reported on the PSE in each of the quarterly periods from 2018 to 2020.

	2018		2019		2020		2021	
	High	Low	High	Low	High	Low	High	Low
Q1	0.520	0.295	0.530	0.440	0.465	0.300	0.7500	0.3600
Q2	0.540	0.390	0.540	0.455	0.380	0.255	0.8800	0.4400
Q3	0.600	0.405	0.540	0.410	0.340	0.280	0.7300	0.4850
Q4	0.495	0.395	0.460	0.390	0.450	0.285	-	-

As of September 30, 2021, the shares of the Company are being traded on the PSE at a price of ₱0.4850 per share.

Authorized Capital Stock

As of the date of this Prospectus, the authorized capital stock of the Company is ₱5,000,000,000.00 consisting of 5,000,000,000 Common Shares with a par value of ₱1.00 per share as follows:

Recent Issuances of Securities Constituting Exempt Transactions by the Company

There have been no recent issuances of securities of the Company in the last three (3) years.

The Shareholders of the Company

The table below sets forth certain information as of September 30, 2021 with respect to the registered ownership of the Company's outstanding shares.

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Table 42: Ownership Structure				
Name	No. of shares Subscribed	Amount Subscribed	Amount Subscribed and Paid Up	% Ownership
PCD Nominee Corp. (Filipino)	747,130,250	747,130,250	747,130,250.00	51.7%
Rexlon Realty Group, Inc. ¹⁴	200,000,00	200,000,000	200,000,000.00	13.8%
Ropeman International Corp.	178,270,000	178,270,000	178,270,000.00	12.3%
Recovery Real Estate Corp.	150,000,000	150,000,000	150,000,000.00	10.4%
The Wellex Group, Inc. ¹⁵	143,892,990	143,892,990	143,892,990.00	10.0%
PCD Nominee Corp. (Non-Filipino)	9,684,808	9,684,808	9,684,808.00	0.7%
Recovery Development Corp.	3,000,900	3,000,900	3,000,900.00	0.2%
Jianxi Li	2,570,000	2,570,000	2,570,000.00	0.2%
Vicente C. Co	1,575,000	2,570,000	2,570,000.00	0.1%
Richard L. Ricardo	1,230,000	1,230,000	1,230,000.00	0.1%
Renato B. Magadia	1,000,000	1,000,000	1,000,000.00	0.1%
Anthony Samuel Lee	900,000	900,000	900,000.00	0.1%
International Polymer Corp.	718,000	718,000	718,000.00	0.1%
Juliet Bangayan	545,000	545,000	545,000.00	0.0%
Rodolfo S. Estrellado	500,000	500,000	500,000.00	0.0%
Elvira A. Ting	500,000	500,000	500,000.00	0.0%
Benison L. Co	364,000	364,000	364,000.00	0.0%
Kenneth T. Gatchalian	320,000	320,000	320,000.00	0.0%
Carolina G. Aquino	250,000	250,000	250,000.00	0.0%
Betty S. Chan	250,000	250,000	250,000.00	0.0%
Total Top 20 Shareholders	1,442,701,150	1,442,701,150	1,442,701,150.00	99.8%
Others	2,848,680	2,848,680	2,848,680.00	0.2%
Total Shareholders	1,445,549,830	1,445,549,830	1,445,549,830.00	100.0%

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¹⁴ Beneficial ownership of Rexlon Realty Group, Inc. is 200,480,000 common shares equivalent to 13.9% as of September 30, 2021.

¹⁵ Beneficial ownership of the The Wellex Group, Inc. is 153,760,990 common shares equivalent to 10.6% as of September 30, 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the Company's financial condition and results of operations and certain trends, risks, and uncertainties that may affect the Company's business. The discussion and analysis of the Company's results of operations is presented in four (4) comparative sections: the six (6) months ended June 30, 2021 compared with the six (6) months ended June 30, 2020, the year ended December 31, 2020 compared with the year ended December 31, 2019, the year ended December 31, 2019 compared with the year ended December 31, 2018, and the year ended December 31, 2018 compared with the year ended December 31, 2017. Disclosure relating to liquidity and financial condition and the trends, risks, and uncertainties that have had or that are expected to affect revenues and income, completes the management's discussion and analysis. Prospective investors should read this discussion and analysis of the Company's financial condition and results of operations in conjunction with the financial statements and the notes thereto set forth elsewhere in this Prospectus.

This discussion contains forward-looking statements and reflects the Company's current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the section entitled "Risk Factors" and elsewhere in this Prospectus.

Results of Operations

The Company's revenues, gross profit, operating profit, and net income are presented in the table below.

	For the years ended December 31			For the Six (6)-month period ended June 30	
	(Audited)			(Unaudited)	
<i>In ₱millions (except for per share)</i>	2018	2019	2020	2020	2021
Real estate sales	₱306.91	₱212.60	₱217.94	₱45.90	₱103.33
Cost of Real Estate Sold	(130.62)	(96.06)	(90.08)	16.47	50.17
Gross Profit	176.29	116.54	127.86	29.44	53.16
Deferred Gross Profit	(79.62)	(68.03)	(90.05)	9.91	29.37
Realized Gross Profit during the year	96.67	48.51	37.81	19.52	23.79
Realized Gross Profit from previous years sales	28.91	59.63	36.84	4.45	14.47
Total Realized Gross Profit	125.58	108.14	74.66	23.97	38.26
Other Income	27.42	7.58	10.15	1.83	3.71
Operating Expenses	(105.65)	(90.99)	(61.79)	20.77	32.42
Finance Costs	(13.52)	(14.47)	(16.10)	(5.41)	(7.47)
Income Before Tax	33.83	10.27	6.92	(0.37)	2.08
Income Tax Expense	16.59	11.24	6.37	-	0.77
Net Income for the Year	₱17.24	₱(0.97)	₱0.55	₱(0.37)	₱1.31
Remeasurement gain (loss) on retirement benefit obligation	(0.27)	(1.45)	0.12	-	-
Total Comprehensive Income	16.97	(2.42)	0.67	(0.37)	1.31
Earnings per Share	₱0.0119	₱(0.0007)	₱0.0004	₱(0.0003)	₱0.0009

Six (6)-Month Period Ended June 30, 2021 compared with same period ended June 30, 2020

Revenues and Gross Profit

Real Estate Sales increased by 125.1%. Consequently, Cost of Sales also increased by 204.7%. Total Realized Gross Profit increased by 59.6% primarily due to higher sales and completion rate of the projects.

Income Before Income Tax

Increase in sales translated well into Operating Income, having turned positive from the operating loss in the previous year. Operating Expenses increased by 56.1%. Finance cost increased by 38.1% from ₱5.40 million in 2020 to ₱7.47 million in 2021, while Other Income increased by 102.9%.

Net Income

PHES generated a Net Income compared to the Net Loss in the previous year. It incurred Income Tax Expense of around ₱0.77 million compared to none in the previous year.

Year Ended December 31, 2020 Compared with Year December 31, 2019

Revenues and Gross Profit

Real Estate Sales marginally increased by 2.5% while Cost of Sales decreased by 6.2%. Deferred Gross Profit and Realized Gross Profit from previous year sales increased by 32.4% and decreased by 38.2%, respectively. The increases in Real Estate Sales and Deferred Gross Profit, and decreases in cost and Realized Gross Profit from previous year sales resulted in a net decrease in Total Realized Gross Profit of 31.0%. This is primarily due to higher sales but at a slower completion rate of projects.

Income Before Income Tax

Operating Expenses decreased by 32.1% primarily due to lower salaries and wages, loss on cancelled contracts, commissions, and advertising, which decreased by 26.9%, 71.5%, 39.2%, and 52.4%, respectively. Finance Costs increased by 11.3% on higher borrowings. Other Income increased by 33.8%, primarily due to higher interest income on its advances to affiliates. These resulted in a net decrease in Income before Income Tax of 32.7%.

Net Income and Total Comprehensive Income

PHES generated a Net Income compared to the Net Loss in the previous year. PHES' Income Tax Expense fell by 43.3% on lower income. Other Comprehensive Income was recognized in relation to the remeasurement gain on retirement benefits.

Year Ended December 31, 2019 Compared with Year December 31, 2018

Revenues and Gross Profit

Real Estate Sales decreased by 30.7% while Cost of Sales decreased by 26.5%. Deferred Gross Profit and Realized Gross Profit from previous year sales decreased by 14.6% and increased by 106.3%, respectively. The decreases in Real Estate Sales, Deferred Gross Profit, and Cost of Sales, and the increase in Realized Gross Profit from previous year sales resulted in a net decrease in Total Realized Gross Profit of 13.9%. This is primarily due to lower sales but at lower completion rate of projects.

Income Before Income Tax

Operating Expenses decreased by 13.9% primarily due to lower loss on cancelled contracts, commissions, taxes and licenses, and rent. Loss on cancelled contracts, commissions, taxes and licenses, and rent fell by 37.6%, 22.7%, 21.2%, and 89.1%, respectively. Finance Costs increased by 7.0% on higher borrowings. Other Income decreased by 72.3%, primarily due to recognizing no recovery on allowance for expected credit losses ('ECL'). These resulted in a net decrease in Income before Income Tax of 69.6% YoY.

Net Income and Total Comprehensive Income

PHES generated a Net Loss compared to the Net Income in the previous year albeit the decrease in PHES' Income Tax Expense by 32.2% on lower income. Other Comprehensive Loss was recognized in relation to the remeasurement loss on retirement benefits.

Year Ended December 31, 2018 Compared with Year December 31, 2017

Revenues and Gross Profit

Real Estate Sales decreased by 17.3% while Cost of Sales decreased by 11.0%. Deferred Gross Profit and Realized Gross Profit from previous year sales decreased by 4.6% and increased by 66.0%, respectively. The decreases in Real Estate Sales, Deferred Gross Profit, and Cost of Sales, and increase in Realized Gross Profit from previous year sales resulted in a net decrease in Total Realized Gross Profit of 20.6%. This is primarily due to lower sales and lower completion rate of projects.

Income Before Income Tax

Operating Expenses remained flat having reduced by only 0.1%. The primary contributors to the Company's expenses are salaries and wages, loss on cancelled contracts, commissions, and travel and transportation, which increased by 5.9%, decreased by 13.5%, increased by 87.5%, and decrease of 83.4%, respectively. Finance Costs also remained flat having increased by only 0.9%. Other Income increased by 190.5%, primarily due to the recognition of recovery on allowance for ECL. These resulted in a net decrease in Income before Income Tax of 30.2%.

Net Income and Total Comprehensive Income

PHES' Net Income fell by 10.6%. Income Tax Expense fell by 43.2% on lower income. Other Comprehensive Loss was recognized in relation to the remeasurement loss on retirement benefits.

Financial Condition

	As of December 31 (Audited)			As of June 30 (Unaudited)
	2018	2019	2020	2021
Current Assets				
Cash	₱18.54	₱13.00	₱16.84	₱16.31
Trade and other receivables - net	557.68	509.00	539.85	561.05
Real estate inventory	652.32	398.22	390.73	390.55
Advances to related parties	-	-	276.40	275.57
Prepayments and other current	25.83	17.20	12.65	12.84
Total Current Assets	1,254.37	937.42	1,236.47	1,256.32
Non-current Assets				
Advances to related parties	269.94	552.59	269.15	269.15
Trade and other receivables	30.97	41.75	40.69	40.82
Property and equipment	42.95	41.58	40.40	38.87
Financial asset at FVOCI	12.50	12.50	50.00	50.00
Investment property	1.07	1.07	1.07	1.07
Deferred tax assets	3.78	4.40	5.50	5.50
Other non-current assets	7.14	7.13	7.92	7.92
Total non-current asset	368.36	661.02	414.75	413.34
TOTAL ASSETS	₱1,622.72	₱1,598.44	₱1,651.22	₱1,669.66
Current Liabilities				
Accounts payable and other liabilities	73.38	87.45	89.68	101.35
Deferred gross profit	142.20	138.57	145.00	145.05
Borrowings - current	85.55	65.77	96.03	101.01
Lease liabilities - current	-	0.69	0.98	0.98
Customers' deposits	5.76	2.90	4.83	6.11
Total Current Liabilities	306.89	295.39	336.52	354.50

Table 44: Statements of Financial Position				
	As of December 31			As of June 30
	(Audited)			(Unaudited)
	2018	2019	2020	2021
Non-current liabilities				
Advances from related parties	102.47	104.02	104.02	104.02
Borrowings	27.65	19.96	21.94	21.94
Lease liabilities	-	1.21	2.41	2.41
Retention payable and refundable bonds	24.44	23.66	26.15	25.99
Deferred tax liabilities	65.70	58.90	62.21	62.21
Retirement benefits obligation	7.79	10.03	12.03	11.33
Total Non-current Liabilities	228.05	217.78	228.76	227.90
TOTAL LIABILITIES	₱534.93	₱513.17	₱565.28	₱582.41
Equity				
Capital Stock	1,445.55	1,445.55	1,445.55	1,445.55
Remeasurement gain on retirement benefits	3.37	1.92	2.04	2.04
Retained Earnings	(361.13)	(362.19)	(361.65)	(360.34)
TOTAL EQUITY	₱1,087.79	₱1,085.28	₱1,085.94	₱1,087.25
TOTAL LIABILITIES AND EQUITY	₱1,622.72	₱1,598.44	₱1,651.22	₱1,669.66

Six (6)-Month Period Ended June 30, 2021 compared with Year Ended December 31, 2020

Current Assets

There are no significant or material movements in the Company's Current Assets having increased by only 1.6% equivalent to ₱19.85 million primarily due to the 3.9% increase in Trade and Other Receivables.

Non-current Assets

There are no significant or material movements in the Company's Non-Current Assets having decreased by only ₱1.41 million due to depreciation of property and equipment.

Current Liabilities

Current Liabilities increased by 5.3% primarily due to the 13.0% increase in Accounts Payable and Other Liabilities from ₱89.68 million to ₱101.35 million and the 5.2% increase in the current portion of Borrowings from ₱96.03 million to ₱101.01 million. Customers' Deposits increased by 26.6% from ₱4.83 million to ₱6.11 million.

Non-current Liabilities

There are no significant or material movements in the Company's Non-Current Liabilities having decreased by only ₱0.85 million primarily due to movements in Retirement Benefits Obligation.

Equity

Equity marginally increased by 0.1% due to the ₱1.31 million Net Income earned during the period.

Year Ended December 31, 2020 Compared with Year Ended December 31, 2019

Current Assets

Current Assets increased by 31.9% from ₱937.42 million to ₱1,236.47 million primarily due to advances to related parties amounting to ₱276.40 million and 6.1% increase in Trade and Other Receivables from ₱509.00 million to ₱539.85 million. Cash increased by 29.5% primarily attributable to the proceeds of working capital loans from Luzon Development Bank. Current Trade and Other Receivables increased by 6.1% due to sales from Wellford Homes Malolos. Prepayments and Other Current Assets decreased by 26.45% due to application of creditable

withholding tax for the year's income tax due per Income Tax Return. Prepayments and other current assets decreased by 26.5% due to the application of creditable withholding tax for the year's income tax due.

Non-current Assets

Non-current assets decreased by 37.3% primarily due to the 51.3% decrease in Advances to Related Parties from ₱552.59 million to ₱269.15 million and 300.0% increase in Financial Asset from ₱12.5 million to ₱50.0 million, which is due to an additional investment in Waterfront Manila Premier Development, Inc. Deferred Tax Assets increased by 25.0% due to the effects of CREATE. Other Non-current Assets increased by 11.2% due to additional security deposits on the renewal of lease and utility deposits.

Current Liabilities

Current Liabilities increased by 13.9% primarily due to the 46.0% increase in the current portion of the Company's Borrowings increased as a result of the loan availed from the Luzon Development Bank. The current portion of the Company's Lease Liabilities increased by 43.3% due to the additional assets leased by the Company. Customer Deposits increased by 66.4% due to an increase in sales reservation fees. Deferred Gross Profit increased by 4.6% from ₱138.57 million to ₱145.00 million.

Non-current Liabilities

Non-current Liabilities increased by 5.0% from ₱217.78 million to ₱228.76 million with all accounts having increased except for Advances from Related Parties. The non-current portion of the Company's Borrowings increased by 9.9% due to the loan availed from the Luzon Development bank. The non-current portion of the Company's Lease Liabilities increased by 98.8% due to the additional assets leased by the Company. The 10.5% increase in the Retention Payable and Refundable Bonds pertains to the 10.0% retained payment each progress billing of contractors, which are to be paid until full completion of the contracts of all on-going projects. Deferred Tax Liabilities increased by 5.6% due to the effects of CREATE. Retirement Benefits Obligation increased by 20.0%.

Equity

Equity marginally increased by 0.1% due to the ₱0.55 million Net Income and 6.4% increase in Remeasurement Gain on Retirement Benefits, which was due to an increase of amounts recognized in OCI for the year's actuarial valuation.

Year Ended December 31, 2019 Compared with Year December 31, 2018

Current Assets

Current Assets decreased by 25.3% primarily due to the 39.0% drop in Real Estate Inventory as a result of a reclassification from raw land inventory to advances to affiliates Cash decreased by 29.8% primarily due to the settlement of prior years' payables and current payables incurred particularly on the newly set up sales office in Malolos. Trade Receivables decreased by 8.7% due to the decreased sales brought about by the decreasing inventory of Ready-for-Occupancy (RFO) units, especially in Iloilo. Prepayments and Other Current Assets decreased by 32.9% was due to the application of creditable withholding tax for the year's income tax due.

Non-current Assets

Non-current Assets increased by 79.5% primarily due to the 104.7% increase in Advances to Related Parties as a result of a reclassification from raw land inventory to advances to affiliates. Non-current Trade and Other Receivables increased by 34.8% due to an increase of old accounts from external customers. Deferred Tax Assets increased by 16.4% due to higher corporate income tax paid per ITR than on the tax due per financial statements for the year.

Current Liabilities

Current Liabilities decreased by 3.7% primarily due to the 23.1% decrease in the current portion of the Company's Borrowings as a result of settlement of loans. Accounts Payable and Other Liabilities increased by 19.4% due to an increase of advance payments made by the customers for their titling fees. Customers' Deposits dropped by 49.6% due to increase in reported sales from the reservations made in prior's year.

Non-current Liabilities

Non-current Liabilities decreased by 4.5% primarily due to decreases in Borrowings and Deferred Tax Liabilities. The non-current portion of Borrowings decreased by 27.8% due to the settlement of loans. Deferred Tax Liabilities decreased by 10.4% due to excess of taxable realized gross profit over financial realized gross profit. Retirement Benefits Obligation increased by 28.8% due to an expense recognized based on actuarial valuation for 2019.

Equity

Equity marginally decreased by 0.2% primarily due to the 43.0% decrease in Remeasurement Gain on Retirement Benefits as a result of an increase of changes in financial assumptions for the year's actuarial valuation. A Net Loss of ₱0.97 million was incurred.

Year Ended December 31, 2018 Compared with Year December 31, 2017

Current Assets

Current Assets increased by 10.9% primarily due to the 27.9% increase in Trade Receivables as a result of new sales recorded during the year. Cash increased by 38.5% primarily due to improved collection on sales, and proceeds from loans. Prepayments and Other Current Assets decreased by 7.5%.

Non-current Assets

Non-current Assets decreased by 23.0% primarily due to the 14.6% decrease in Advances to Related Parties from ₱315.98 million to ₱269.94 million. Non-current Trade and Other Receivables decreased by 65.1% due to improved collections on sales and restatement of old accounts. Deferred Tax Assets dropped by 64.7% due to the application Net Operating Loss Carry-Over (NOLCO) and Minimum Corporate Income Tax (MCIT) for the year. Other Non-current Assets decreased by 7.4%.

Current Liabilities

Current Liabilities increased by 28.4% primarily due to increases in Accounts Payable and Other Liabilities, Deferred Gross Profit, and Borrowings. Accounts Payable and Other Liabilities increased by 11.5% due to an increase in payable to suppliers on credit terms. Deferred Gross Profit increased by 33.0% due to sales reported for the period which are not yet completed as at reporting date and to be realized thereafter, based on the percentage of completion of the real estate inventories sold. The current portion of Borrowings increased by 45.1% as non-current portion become current. Customers' Deposits decreased by 21.2% due to an increase in reported sales that has not been booked as sales due to its low payment milestone.

Non-current Liabilities

Non-current Liabilities decreased by 23.3% primarily due to decreases in Advances from Related parties and Borrowings. Advances from related parties decreased by 34.2% from ₱155.84 million to ₱102.47 million, while Borrowings decreased by 47.2% from ₱52.32 million to ₱27.65 million. Deferred Tax Liabilities increased by 10.5% due to excess of financial realized gross profit over taxable realized gross profit. Retirement Benefits Obligation increased by 29.6% due to the expense recognized for the year based on valuation for 2018.

Equity

Equity marginally increased by 1.4% primarily due to Net Income of ₱17.24 million. Remeasurement Gain on Retirement Benefits decreased by 7.5% from ₱3.64 million to ₱3.37 million.

Liquidity and Capital Resources

The Company's overall strategy in terms of capital management is to keep capital expenditures at a prudent level and focus on financing operational expenditure requirements from collection of receivables. The Company's primary uses of cash are for the acquisition of land properties for its projects and development and construction these projects. The Company has historically met its liquidity requirements principally through cash flow from operations.

The Company expects to meet its operating assets and liabilities, capital expenditure, dividend payment, and investment requirements for the next 12 months primarily from its operating cash flows, borrowings, and proceeds from the Offer. It may also from time to time seek other sources of funding, which may include debt or equity financing, depending on its financing needs and market conditions.

The following table sets out information from the Company's statements of cash flows for the periods indicated.

In ₱millions	For the Years Ended December 31, (Audited)			For the Six (6)-Month Period June 30 (Unaudited)	
	2018	2019	2020	2020	2021
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income/loss before tax	33.83	₱10.27	₱6.92	₱(0.37)	₱1.31
Adjustment for:					
Loss on cancelled contracts	27.91	17.40	4.96	-	-
Finance costs	13.52	14.47	16.10	-	-
Depreciation	3.17	4.35	4.28	0.54	1.62
Retirement benefits expense	1.39	1.67	2.18	-	-
Interest income	(8.65)	(7.69)	(13.17)	-	-
Provision for (reversal of) expected credit losses	(14.14)	3.48	4.68	-	-
Operating income/loss before working capital changes	57.03	43.96	25.94	0.17	2.93
(Increase)/decrease in trade and other receivables	(94.70)	18.15	(37.15)	9.48	(21.32)
Increase/decrease in Inventory	1.50	(24.17)	7.48	4.08	6.20
Increase/decrease in Prepayments and other current assets	2.04	8.49	4.55	1.15	(0.19)
Increase/decrease in Accounts payable and other liabilities	7.55	14.22	2.23	28.65	12.10
Increase/decrease in Customers' deposit	(1.55)	(2.86)	1.93	-	-
Increase/decrease in Deferred gross profit	35.28	(3.62)	6.42	(0.94)	(0.05)
Increase/decrease in Retention payable and refundable bonds	0.80	(0.79)	2.49	-	-
Cash generated from (used in) operations	7.95	53.38	13.89	42.59	(0.23)
Contributions to retirement fund	-	(1.50)	-	-	-
Interest received	2.16	2.12	2.30	-	-
Income tax paid	(3.22)	(18.04)	(4.22)	-	-
Net cash provided by (used in) operating activities	6.89	35.96	11.97	42.59	(0.23)

Table 45: Statements of Cash Flow					
In ₱millions	For the Years Ended December 31, (Audited)			For the Six (6)-Month Period June 30 (Unaudited)	
	2018	2019	2020	2020	2021
CASH FLOWS FROM INVESTING ACTIVITIES					
Net (acquisition) disposal of:					
Additions to raw land inventory	-	-	-	-	(6.44)
Additions to real estate held for sale	-	-	-	-	0.42
Collection of advances to related parties	67.85	0.66	37.88	-	-
Additional advances to related parties	(0.57)	(0.61)	(22.25)	-	-
Additions to property and equipment	(3.54)	(0.27)	(0.31)	(16.31)	(0.09)
Acquisition of financial asset at FVOCI	(0.49)	0.02	(1.15)	-	-
Utilization of (additions to) other non-current assets -	-	-	(37.50)	-	-
Net cash provided by (used in) investing activities	63.25	(0.20)	(23.34)	(16.31)	(6.10)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings	78.99	81.89	91.77	-	47.69
Payment of lease liabilities	-	(1.16)	(1.17)	-	-
Payment of finance costs	(13.52)	(14.21)	(15.87)	-	-
Payment of borrowings	(77.09)	(109.36)	(59.54)	-	(42.72)
Additional advances from related parties	4.99	16.56	-	(0.00)	0.83
Settlement of advances from related parties	(58.36)	(15.01)	-	-	-
Net cash provided by (used in) financing activities	(64.99)	(41.29)	15.20	(0.00)	5.81
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5.15	(5.53)	3.83	26.28	(0.52)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	13.39	18.54	13.00	13.00	16.84
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	₱18.54	₱13.00	₱16.84	₱39.29	₱16.31

Six (6)-Month Period Ended June 30, 2021 compared with same period ended June 30, 2020

Net Cash Flows from Operating Activities

Net cash used in operating activities was ₱0.23 million compared to the net cash provided of ₱42.59 million last year.

Net Cash Flows from Investing Activities

Net cash used in investing activities decreased by 61.6%. Investing activities primarily involved acquisition of property and equipment and project development cost.

Net Cash Flows from Financing Activities

Net cash provided by financing activities was ₱5.81 million compared to the net cash used of ₱0.00 last year. Financing activities primarily involved additions to and payments of borrowings.

Year Ended December 31, 2019 Compared with Year December 31, 2020

Net Cash Flows from Operating Activities

Net cash provided by operating activities was 66.7% lower. Net income after adjustments for loss on cancelled contracts, finance costs, depreciation, retirement benefits expense, interest income, and provision for (reversal of) ECL decreased by 41.0%.

Net Cash Flows from Investing Activities

Net cash used in investing activities increased by 11,431.1%. Investing activities primarily involved additions to other non-current assets and advances to related parties.

Net Cash Flows from Financing Activities

Net cash provided by financing activities was ₱15.20 million compared the net cash used of ₱41.29 million last year. Financing activities primarily involved additions to and payments of borrowings.

Year Ended December 31, 2018 Compared with Year December 31, 2019

Net Cash Flows from Operating Activities

Net cash provided by operating activities was 422.0% higher. Net income after adjustments for loss on cancelled contracts, finance costs, depreciation, retirement benefits expense, interest income, and provision for (reversal of) ECL decreased by 22.9%.

Net Cash Flows from Investing Activities

Net cash used in investing activities was ₱0.20 million compared to the net cash provided of ₱63.25 million last year. Investing activities primarily involved additions to and collections of advances to related parties.

Net Cash Flows from Financing Activities

Net cash provided by financing activities decreased by 36.5%. Financing activities primarily involved additions to and payments of borrowings.

Year Ended December 31, 2018 Compared with Year December 31, 2017

Net Cash Flows from Operating Activities

Net cash provided by operating activities was ₱6.89 million compared to the net cash used of ₱50.36 million last year. Net income after adjustments for loss on cancelled contracts, finance costs, depreciation, retirement benefits expense, interest income, and provision for (reversal of) ECL decreased by 36.7%.

Net Cash Flows from Investing Activities

Net cash provided by investing activities increased by 1,921.3%. Investing activities primarily involved collections of advances to related parties.

Net Cash Flows from Financing Activities

Net cash used in financing activities was ₱64.99 million compared to the net cash provided of ₱51.65 million last year. Financing activities primarily involved additions to and payments of borrowings and settlement of advances from related parties.

Debt Obligations and Facilities

The Company's short-term and long-term loans and borrowings were as follows for the three (3) years ended December 31, 2018, 2019, and 2020, and the six (6)-month period ended June 30, 2021:

<i>In ₱millions</i>	For the Years Ended December 31 (Audited)			For the Six (6)- Month Period Ended June 30 (Unaudited)
	2018	2019	2020	2021
Bank Loans - current	₱85.55	₱65.77	₱96.03	₱ 101.01
Bank Loans – non-current	27.65	19.96	21.94	21.94
TOTAL	₱113.20	₱85.73	₱117.97	₱122.94

These bank loans correspond to the bridge financing or CTS financing of the Company with Luzon Development Bank, CV Financial Corporation, and Qwick Financing, Inc. The loans were obtained to fund working capital requirements.

As of June 30, 2021, the details of the Company's interest-bearing loans are as follows:

Bank Loans	Security	Term (Years)	Interest Rates	Balance (in ₱millions)
Luzon Development Bank	CTS Financing	1-6 years	11-12%	₱60.00
CV Financial Corporation	CTS Financing	1-2 years	15%	₱12.28
Qwick Financing Inc.	CTS Financing	1-2 years	15%	₱33.29
PBCOMM	CTS Financing	1-2 years	9%	₱17.38
Total				₱122.94

Key Performance Indicators

The table below sets forth key performance indicators for the Company as of and for the years ended December 31, 2018, 2019, and 2020, and as of and for the six (6)-month period ended June 30, 2021 are set forth below:

	As of and for the Year Ended December 31			As of and for the Six (6)-Month Period Ended June 30
	2018	2019	2020	2021
<i>Key Financial Ratios</i>				
Current Ratio ⁽¹⁾	4.1x	3.2x	3.7x	3.5x
Debt to Equity ⁽²⁾	0.1x	0.1x	0.1x	0.1x
EBITDA ⁽³⁾	₱50.01	₱33.61	₱14.91	₱6.16
EBITDA Margin ⁽⁴⁾	16.3%	15.8%	6.8%	13.4%
Net Income Margin ⁽⁵⁾	5.6%	-0.5%	0.3%	1.3%
Return on Equity ⁽⁶⁾	1.6%	-0.1%	0.1%	0.2%
Asset to Equity ⁽⁷⁾	1.5x	1.5x	1.5x	1.5x

Notes:

- (1) Current ratio is derived by dividing current assets by current liabilities at the end of a given period. Current ratio measures the Company's ability to pay short-term obligations.
- (2) Debt to equity ratio is derived by dividing total loans and borrowings by total equity. Debt to equity measures the degree of financial leverage.
- (3) EBITDA is computed as net income, excluding other income before interest expenses, provision for income taxes, depreciation and amortization. The table below sets forth further information with respect to the computation of EBITDA for the years ended December 31, 2018, 2019, and 2020, and the six (6)-month period ended June 30.

	For the Years Ended December 31			For the Six (6)- Month Period Ended June 30
	2018	2019	2020	2021
Net income	17.24	(0.97)	0.55	0.95
Add:				-
Tax expense income	16.59	11.24	6.37	0.65
Finance costs	13.52	14.47	16.10	3.47
Depreciation	3.17	4.35	4.28	0.81
Loss on cancelled contracts	27.91	17.40	4.96	1.62
Retirement benefits expense	1.39	1.67	2.18	-
Provision for (reversal of) expected credit losses	(1.19)	(3.48)	(4.68)	-
Less:				-
Interest income	(28.61)	(11.07)	(14.83)	(1.35)
EBITDA	₱50.01	₱33.61	₱14.91	₱6.16

- (4) EBITDA margin is derived as EBITDA divided by revenues.
- (5) Net income margin is derived by dividing net income and revenues.
- (6) Return on equity is derived by dividing net income by average Equity. Return on equity measures how profitable the Company is at generating profit from each unit of shareholder equity.
- (7) Asset to equity ratio is derived by dividing total assets by Equity. Asset to equity ratio measures the Company's financial leverage and long-term solvency.

Qualitative and Quantitative Disclosure of Risk

The Company has various other financial assets and liabilities, such as receivables and payables which arise directly from its operations. The most important components of this financial risk are credit risk, liquidity risk, market risk, equity price risk, and interest rate risk.

Credit Risk

Credit risk is the risk that the Company will incur a loss from customers or counterparties that fail to discharge their contractual obligations. The Company manages credit risk by setting limits on the amount of risk the Company is willing to accept from counterparties and by monitoring exposures in relation to such limits.

The Company's credit risks are primarily attributable to financial assets, especially on installment contract receivables. To manage credit risks, the Company maintains defined credit policies and monitors on a continuous basis its exposure to credit risks. Given the Company's diverse base of counter parties, it is not exposed to a large concentration of credit risk.

Credit risk arises from cash, trade and other receivables, advances to related parties (net) and refundable deposit lodged in "Other noncurrent assets".

The credit risk for cash in banks is considered negligible, since the counterparties are reputable banks with high quality external credit ratings

Credit risk from installments contract receivables is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Company undertakes credit review procedures for certain installment payment structures. The Company's stringent customer requirements and policies in place contribute to lower customer default. Customer payments are facilitated through various collection modes including the use of post-dated checks and direct bank deposit arrangements. Exposure to bad debts is not significant and the requirement for remedial procedures is minimal given the profile of buyers.

For advances to related parties, the Company has applied the general approach to measure the loss allowance using the management's adopted policy on ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

On refundable deposits, the Company ensures compliance with the terms and conditions of the contract necessary for the refund of utilities and other deposits.

Liquidity Risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. To cover the Company's financing requirements, financial readiness is maintained in the form of centrally available liquid fund and committed credit facilities extended by banks in the form of loans and rediscounting of receivables. As part of the Company's liquidity program, a regular monitoring of financial ratios is being done. Regular analysis shows that these financial ratios indicate positive liquidity condition.

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payment for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly,

Market Risk

Market risk is the risk of loss of future earnings or future cash flows arising from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchanges rates and other market changes. Market prices comprise three types of risk: Interest rate risk, equity price risk and other price risk such as equity risk. The Company's market risk is manageable within conservative bounds. As of June 30, 2021, the Company has unquoted shares of stock classified as FVOCI. The cost of the financial asset at FVOCI approximates its fair value.

Equity Price Risk

Equity price risk is the risk that the fair value of equity instrument decreases as a result of changes in the value of individual stocks. It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments. The Company's financial asset at FVOCI has no significant price risk since it has no quoted price in an active market.

Equity instruments designated at FVOCI in listed and non-listed companies are held for strategic rather than trading purposes. The Company does not actively trade these investments.

If the price of financial asset at FVOCI had been 10.0% higher or lower, other comprehensive income (loss) for the years ended December 31, 2020 and 2019 would decrease or increase by ₱5.00 million and ₱1.25 million, respectively.

Interest Rate Risk

Interest rate risk is the risk to earnings or capital resulting from adverse movements in the interest rates. The economic perspective of interest rate risk focuses on the value of a bank in the current interest rate environment and the sensitivity of that value to changes in interest rates.

To assure a fair margin of profitability, the Company keeps a reasonable spread between interest rate on installment contracts receivables and interest rates on borrowings. Fluctuation in interest rates has no material effect on Company's sales since the rates are fixed and predetermined at the inception of the contract.

The Company's policy is to minimize interest rate cash flow risk exposure on long-term financing. Long-term borrowings are therefore usually at fixed rates. As of June 30, 2021, the Company is exposed to market interest rates through its borrowings and cash, installment contract receivables, and advances to related parties which are subject to fixed interest rates.

RELATED PARTY TRANSACTIONS

In the ordinary course of the Company's business, the Company engages in a variety of transactions with related parties and affiliates. It is the Company's policy to ensure that these transactions are entered on terms comparable to those available from unrelated third parties. A summary of the Company's related party transactions (RPTs) as of the years ended December 31, 2018, 2019, and 2020 and the six (6)-month period ended June 30, 2021 is shown below.

	For the Years Ended December 31 (Audited)			For the Six (6)- Month Period Ended June 30 (Unaudited)
	2018	2019	2020	2021
<i>In ₱millions</i>				
Common Key Management				
Plastic City Corp.	₱185.56	₱189.18	₱192.82	₱192.82
Forum Holdings Corp.	36.91	37.62	38.33	38.33
Kennex Container Corp.	34.49	35.15	35.81	35.81
Orient Pacific Corp.	33.18	33.66	34.13	34.13
Noble Arch Realty and Construction	4.66	4.76	4.87	4.87
Pacific Rehouse Corporation	0.59	0.87	0.89	0.89
Metro Alliance Holdings and Equities Corporation	-	278.27	268.26	268.26
Stockholders				
International Polymer Corp.	1.56	1.23	0.87	0.02
TOTAL	₱296.95	₱580.74	₱575.98	₱575.13

	For the Years Ended December 31 (Audited)			For the Six (6)- Month Period Ended June 30 (Unaudited)
	2018	2019	2020	2021
<i>In ₱millions</i>				
Common Key Management				
Waterfront Cebu City Hotel	₱92.05	₱92.05	₱92.05	₱92.05
Concept Moulding Corp.	3.83	3.83	3.83	3.83
Manila Pavilion	0.17	0.17	0.17	0.17
The Wellex Group, Inc.	6.42	7.97	7.97	7.97
TOTAL	₱102.47	₱104.02	₱104.02	₱104.02

For more information, see Note 23 of the Company's consolidated financial statements for the years ended December 31, 2018, 2019, and 2020 and the six (6)-month period ended June 30, 2021, attached to this Prospectus.

In addition to the above, the Company entered into several Memoranda of Agreement with related parties, with details provided in the section "Material Contracts" found on page 137.

THE PHILIPPINE STOCK MARKET

The information presented in this section has been extracted from publicly available documents that have not been prepared or independently verified by the Company, or any of their respective subsidiaries, associates, or advisors in connection with listing of the Subject Shares.

Brief History

The Philippines initially had two (2) stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulating, governed by its respective Board of Governors elected annually by its members.

Several steps initiated by the Government have resulted in the unification of the two (2) bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two (2) exchanges were revoked. The PSE previously maintained two (2) trading floors, one (1) in Makati City and the other in Pasig City, which were linked by an automated trading system that integrated all bid and ask quotations from the bourses. In February 2018, the PSE transferred to its new office located at the PSE Tower, Bonifacio Global City, Taguig City. The PSE Tower houses the PSE corporate offices and a single, unified trading floor.

In June 1998, the SEC granted the PSE “Self-Regulatory Organization” status, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 08, 2001, PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the SRC. Each of the 184 member-brokers was granted 50,000 shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a “Trading Participant Certificate” was immediately conferred on each member broker allowing the use of the PSE’s trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven (7) brokers and eight (8) non-brokers, one of whom is the president. On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

As of the date of this Prospectus, the PSE has an authorized capital stock of One Hundred Twenty Million Pesos (₱120,000,000.00), of which Seventy-Three Million, Four Hundred Eighty Thousand, Three Hundred Ninety-Six Pesos (₱73,480,396.00) is subscribed and fully paid-up.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE’s Main Board or the Small, Medium and Emerging Board. Recently, the PSE issued Rules on Exchange Traded Funds (ETF) which provides for the listing of ETFs on an ETF Board separate from the PSE’s existing boards. Previously, PSE allowed listing on the First Board, Second Board or the Small and Medium Enterprises Board. With the issuance by the PSE of Memorandum No. CN-No. 2013-0023 dated June 06, 2013, revisions to the PSE Listing Rules were made, among which changes are the removal of the Second Board listing and the requirement that lock-up rules be embodied in the articles of incorporation of the issuer. Each index represents the numerical average of the prices of component stocks. The PSE has an index, referred to as the PHISIX, which as at the date thereof reflects the price movements of selected stocks listed on the PSE, based on traded prices of stocks from the various sectors. The PSE shifted from full market capitalization to free float market capitalization effective April 03, 2006 simultaneous with the migration to the free float index and the renaming of the PHISIX to PSEi. The PSEi includes 30 selected stocks listed on the PSE. In July 2010, the PSE’s new trading system, now known as PSE Trade, was launched.

In December 2013, the PSE Electronic Disclosure Generation Technology (EDGe), a new disclosure system co-developed with the Korea Exchange, went live. The EDGe system provided a dedicated portal for listed company disclosures and offered a free-to download mobile application for easy access by investors.

In June 2015, the PSE shifted to a new trading system, the PSEtrade XTS, which utilizes NASDAQ’s Xstream Technology. The PSEtrade XTS, which replaced the NSC trading platform provided by NYSE Euronext Technologies SAS, is equipped to handle large trading volumes. It is also capable of supporting the future requirements of the PSE should more products and services be introduced.

In November 2016, the PSE received regulatory approvals to introduce new products in the stock market – the Dollar Denominated Securities and the Listing of public-private partnership (PPP) Companies.

In June 2018, the PSE received approval from the Philippine SEC to introduce short selling in the equities market.

With the increasing calls for good corporate governance, PSE has adopted an online daily disclosure system to improve the transparency of listed companies and to protect the investing public.

The PSE launched its Corporate Governance Guidebook in November 2010 as another initiative of the PSE to promote good governance among listed companies. It is composed of 10 guidelines embodying principles of good business practice and based on internationally recognized corporate governance codes and best practices.

The table below sets forth movements in the composite index from 2009 to 2019, and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Year	Composite Index at Closing	Number of Listed Companies	Aggregate Market Capitalization (in ₱ billions)	Combined Value of Turnover (in ₱ billions)
2009	3,052.7	248	6,032.1	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	253	8,697.0	1,422.6
2012	5,812.7	254	10,930.1	1,771.7
2013	5,889.8	257	11,931.3	2,546.2
2014	7,230.6	263	14,251.7	2,130.1
2015	6,952.1	265	13,465.6	2,151.4
2016	6,840.6	265	14,438.8	1,929.5
2017	8,558.4	267	17,583.1	1,958.4
2018	7,466.0	267	16,146.7	1,736.8
2019	7,815.3	268	16,705.3	1,772.6
2020	7,139.7	271	15,888.9	1,770.9
2021*	6,370.9	272	15,382.0	776.5

Source: PSE. *As of April 30, 2021

Amended Listing Rules for Real Estate Investment Trusts (REITS)

Under Republic Act No. 9856, otherwise known as the REIT Act of 2009, it states that shares of a stock of a Real Estate Investment Trust (“REIT”) must be listed in accordance with the rules of the Philippine Stock Exchange Inc. (“PSE” or the “Exchange”).

Pursuant to this rule, for the listing of REITs, the Exchange adopted the applicable listing and disclosure requirements under the REIT Act of 2009 and its implementing rules and regulations, the PSE Listing and Disclosure Rules, and all applicable rules, regulations, policies, and guidelines of the PSE.

In addition to the criteria for listing under the PSE Rules, on 7 February 2020, the PSE issued the Amended Listing Rules for REITs. The salient points are as follows:

- i. A REIT must have a dividend policy of distributing annually at least 90% of its distributable income as dividends to its shareholders;
- ii. A REIT must be a public company upon and after listing. The minimum public ownership is 1/3 of the outstanding capital stock, owned by at least 1000 shareholders, each owning at least 50 shares;
- iii. A REIT must have a minimum paid-up capital of Php300 million;
- iv. A REIT must at least have 75% of its deposited property invested in, or consist of, income-generating real estate;
- v. A REIT must appoint a qualified fund manager and property manager;

- vi. REIT Directors or Officers, fund manager, property manager, distributor, and other REIT participants are subject to the fit and proper rule;
- vii. A REIT's Articles of Incorporation and By-Laws must provide that all of its shares of stock shall be issued in the form of uncertificated securities, and an investor may not require the REIT to issue a certificate in respect of any share recorded in their name;
- viii. A REIT shall comply with the reportorial and disclosure requirements prescribed by the PSE Amending Listing Rules for REITS, Revised Corporation Code, Securities and Regulation Code, PSE general disclosure rules, and the REIT Act of 2009 and its implementing rules and regulations;
- ix. A REIT is required to submit a Reinvestment Plan by the sponsors/promoters which transferred income-generating real estate to the REIT, committing to reinvest in real estate or infrastructure projects in the Philippines any monies realized by such sponsors/promoters from (a) the subsequent sale of REIT shares issued in exchange of income-generating real estate transferred by such sponsors/promoters to the REIT; or (b) the sale of any income-generating real estate to the REIT. The reinvestment shall be made within one year from the date of receipt of the proceeds by the sponsors and promoters

Supplemental Listing and Disclosure Requirements for Petroleum and Renewable Energy Companies

On 12 August 2011, the Securities and Exchange Commission released the Supplemental Listing and Disclosure Requirements for Petroleum and Renewable Energy Companies ("Supplemental Requirements"). The Supplemental Requirements took effect on 8 September 2011.

Under the Supplemental Requirements, petroleum and renewable energy companies who are interested in listing on the PSE are required to comply with the general listing requirements stipulated in the Second Board Listing Rules of the Exchange (Article III, Part E of the Revised Listing Rules of the Exchange), as well as the Supplemental Listing and Disclosure Requirements for Petroleum and Renewable Energy companies.

Further, the Supplemental Requirements relaxed the one-year operating history requirement under the Second Board Listing Rules of the PSE, such that for companies that do not meet the operating history requirement, compliance with general listing and supplemental requirements for Petroleum and Renewable Energy Companies is considered sufficient. This allows for the listing of more petroleum and renewable energy companies who may still be in the early stages of exploration and development.

The Supplemental Requirements are also applicable to listed companies which will undertake capital-raising activities through the Exchange, such as follow-on offerings or stock rights offerings. Moreover, existing listed companies that will apply for initial listing under the Supplemental Requirements must comply with the supplemental disclosure requirements specified therein.

The enactment of the Supplemental Requirements aims to provide for industry-specific listing requirements, such that investors are given a comprehensive understanding of petroleum and renewable energy resources and reserves, and the investing public is protected from irregular and unregulated reports concerning declaration of potential, possible or probable petroleum and renewable energy resources and reserves.

Trading

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bids or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one (1) broker at the same price are crossed at the PSE at the indicated price. Transactions are generally invoiced through a confirmation slip sent to customers on the trade date (or the following trading day). Payment of purchases of listed securities must be made by the buyer on or before the third trading day after the trade.

Equities trading on the PSE starts at 9:30 a.m. and ends at 12:00 p.m. for the morning session and resumes at 1:30 p.m. and ends at 3:30 p.m. for the afternoon session, with a 10-minute extension during which transactions may be conducted, provided that they are executed at the last traded price and are only for the purpose of completing unfinished orders. Trading days are Monday to Friday, except legal and special holidays and days when the trading at the PSE as well as the clearing and settlement services at the Securities Clearing Corporation of the Philippines

("SCCP") are suspended. Beginning on March 15, 2020, the PSE, in the observance of the government's implementation of the community quarantine in parts of the country including Metro Manila due to the COVID-19 pandemic, has implemented shortened trading hours starting at 9:30 a.m. and ending at 1:00 p.m. The shortened trading hours are still being implemented as of the date of this Prospectus and will continue to be implemented until further notice from the PSE.

Minimum trading lots range from five (5) shares to 1,000,000 shares depending on the price range and nature of the security traded. The minimum trading lot for the Company's Common Shares is 100 shares. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, when the price of a listed security moves up by 50.0% or down by 50.0% in one (1) day (based on the previous closing price or last posted bid price, whichever is higher), the price of that security is automatically frozen by the PSE, unless there is an official statement from the company or a government agency justifying such price fluctuation, in which case the affected security can still be traded but only at the frozen price. If the issuer fails to submit such explanation, a trading halt is imposed by the PSE on the listed security the following day. Resumption of trading shall be allowed only when the disclosure of the company is disseminated, subject again to the trading ban.

Orders cannot be posted, modified, or canceled for a security that is frozen. In cases where an order has been partially matched, only the portion of the order that will result in a breach of the trading threshold will be frozen. Where the order results in a breach of the trading threshold, the following procedures shall apply:

- In the event the static threshold is breached, the PSE will accept the order, provided the price is within the allowable percentage price difference under the implementing guidelines of the revised trading rules (i.e., 50.0% of the previous day's reference or closing price, or the last adjusted closing price). Otherwise, such order will be rejected. In cases where the order is accepted, the PSE will adjust the static threshold to 60.0%. All orders breaching the 60.0% static threshold will be rejected by the PSE;
- In the event the dynamic threshold is breached, the PSE will accept the order if the price is within the allowable percentage price difference under the existing regulations (i.e., 20.0% for security cluster A and newly listed securities, 15.0% for security cluster B and 10.0% for security cluster C). Otherwise, such order will be rejected by the PSE.

Non-Resident Transactions

When the purchase/sale of Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the shareholder's BSP-licensed custodian bank that will file and process the application for registration of the equity investment. It is the custodian bank that issues the certification of registration on behalf of the BSP. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated with foreign exchange sourced from the Philippine banking system.

Settlement

The SCCP is a wholly owned subsidiary of the PSE and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on January 17, 2002. It is responsible for:

- Synchronizing the settlement of funds and the transfer of securities through delivery versus payment, as well as clearing and settlement of transactions of Clearing Members, who are also PSE Trading Participants;
- Guaranteeing the settlement of trades in the event of a PSE Trading Participant's default through the implementation of its "Fails Management System" and administration of the Clearing and Trade Guaranty Fund; and
- Performance of risk management and monitoring to ensure final and irrevocable settlement.

The SCCP settles the PSE trades on a three (3) -day rolling settlement environment, which means that settlement of trades takes place three (3) trading days after transaction date (“T+3”). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the book-entry system of the PDTC. Each PSE broker maintains a Cash Settlement Account with one of the nine (9) existing settlement banks of SCCP, which include Banco de Oro Unibank, Inc., Rizal Commercial Banking Corporation, Metropolitan Bank and Trust Company, Deutsche Bank, The Hongkong and Shanghai Banking Corporation Limited, Unionbank of the Philippines, and Maybank Philippines, Inc. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its Central Clearing and Central Settlement system (“CCCS”) on May 29, 2006. CCCS employs multilateral netting, whereby the system automatically offsets “buy” and “sell” transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each clearing member. All cash debits and credits are also netted into a single net cash position for each clearing member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the central counterparty to each PSE-eligible trade cleared through it.

Scripless Trading

In 1995, the PDTC (formerly the Philippine Central Depository, Inc.), was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On December 16, 1996, the PDTC was granted a provisional license by the SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders’ meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks, Banco de Oro Unibank, Inc., Rizal Commercial Banking Corporation, Metropolitan Bank and Trust Company, Deutsche Bank, HSBC Philippines, Unionbank of the Philippines, Maybank Philippines, Inc., Asia United Bank and China Banking Corporation.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares of stock in favor of PCD Nominee, a corporation wholly owned by the PDTC whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged into the PDTC. “Immobilization” is the process by which the warrant or share certificates of lodging holders are canceled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares to PCD Nominee will be recorded in the Issuer’s registry. This trust arrangement between the participants and PDTC through PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the SEC. No consideration is paid for the transfer of legal title to PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished by way of book-entry settlement.

Under the current PDTC system, only participants (e.g., brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant’s aggregate holdings, in the PDTC system, and with respect to each beneficial owner’s holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant-custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (trading date plus three (3) trading days) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the CCCS system, in

accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his stockholdings from the PDTC System, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of shares lodged under the name of PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of ownership of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are canceled, and a confirmation advice is issued in the name of PCD Nominee to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current "de facto" custodianship role.

Amended Rule on Lodgment of Securities

On June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on July 01, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the SEC, without any jumbo or mother certificate in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III, Part A of the PSE's Listing Rules.

For listing applications, the amended rule on lodgment of securities is applicable to:

- The offer shares/securities of the applicant company in the case of an initial public offering;
- The shares/securities that are lodged with the PDTC, or any other entity duly authorized by the Commission in the case of a listing by way of introduction;
- New securities to be offered and applied for listing by an existing listed company; and
- Additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof to wit:

- For a new company to be listed at the PSE as of July 01, 2009, the usual procedure will be observed but the transfer agent of the company shall no longer issue a certificate to PCD Nominee but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the depository participants on listing date.
- For existing listed companies, the PDTC shall wait for the advice of the transfer agent that it is ready to accept surrender of PCD Nominee Jumbo Certificates and upon such advice, the PDTC shall surrender all PCD Nominee Jumbo Certificates to the transfer agent for cancellation. The transfer agent shall issue a Registry Confirmation Advice to PCD Nominee evidencing the total number of shares registered in the name of PCD Nominee in the listed company's registry as of confirmation date.

Issuance of Certificated Shares

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply to PDTC through his broker or custodian-participant for a withdrawal from the book-entry system and return to the conventional paper-based settlement. As stated above, if a shareholder wishes to withdraw his stockholdings from the PDTC System,

the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of shares lodged under the name of PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

Upon the issuance of certificated shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of beneficial ownership in the shares to certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent.

Amended Rule on Minimum Public Ownership

Pursuant to the amended rules on minimum public ownership promulgated by the PSE and approved by the SEC, companies listed prior to December 06, 2017 are required at all times to maintain a minimum percentage of listed securities held by the public of 10.0% of the listed companies' issued and outstanding shares, exclusive of any treasury shares, or as such percentage as may be prescribed by the PSE. The determination of whether shareholdings are considered public or non-public is based on the amount of shareholdings and its significance to the total outstanding shares, purpose of investment, and the extent of involvement in the management of the company.

The shares held by the following are generally considered as held by the public: (i) individuals whose shares are not of significant size and which are non-strategic in nature; (ii) PSE trading participants (such as brokers) whose shareholdings are non-strategic in nature; (iii) investment funds and mutual funds; (iv) pension funds which hold shares in companies other than the employing company or its affiliates; (v) PCD Nominee provided that none of the beneficial owners of the shares has significant holdings (i.e., shareholdings by an owner of 10.0% or more are excluded and considered non-public); and (vi) social security funds.

If an investment in a listed company is meant to partake of sizable shares for the purpose of gaining substantial influence on how the company is being managed, then the shareholdings of such investor are considered non-public. Ownership of 10.0% or more of the total issued and outstanding shares of a listed company is considered significant holding and therefore non-public.

Listed companies which become non-compliant with the minimum public ownership requirement will be suspended from trading for a period of not more than six (6) months and will be automatically delisted if it remains non-compliant with the said requirement after the lapse of the suspension period.

On December 01, 2017, the SEC issued SEC Memorandum Circular No. 13, Series of 2017 ("SEC MC 13-2017") on the rules and regulations on minimum public ownership ("MPO") on initial public offerings.

Under SEC MC 13-2017, companies filing a registration statement pursuant to Sections 8 and 12 of the SRC and with intention to list their shares for trading in an exchange shall apply for registration with a public float of at least 20.0% of the companies' issued and outstanding shares. It shall, at all times, maintain an MPO of at least 20.0%. If the MPO of the company falls below 20.0% at any time after registration, such company shall bring the public float to at least 20.0% within a maximum period of 12 months from the date of such fall.

Furthermore, notwithstanding the quarterly public ownership report requirement of the PSE, a company is required to establish and implement an internal policy and procedure to monitor its MPO and to immediately report to the SEC within the next business day if its public float level has fallen below 20.0%. The company must submit to the SEC within 10 days after knowledge about the deficiency in its MPO, a time-bound business plan describing the steps that the company will take to bring the public float to at least 20.0% within a maximum period of 12 months from the date of such decline. The company must submit to the SEC a public ownership report and progress report on submitted business plan within 15 days after end of each month until such time that its public float reaches the required level.

The minimum public ownership requirement is also a requirement for the registration of securities. Non-compliance with these requirements may subject publicly listed companies to administrative sanctions, including suspension and revocation of their registration with the SEC. Since the Company was already publicly traded as of December 01, 2017, the 20.0% MPO requirement of SEC MC 13-2017 is not applicable to the Company. Accordingly, the Company is currently subject to the 10.0% minimum public ownership requirement.

Disclosure of Price Range for Follow-On and Stock Rights Offerings of Common Shares and Exchange Traded Funds

On March 22, 2019, the PSE issued Memorandum Circular No. 2019-0013, which requires issuers in a follow-on or stock rights offering of common shares and exchange traded funds to disclose in the prospectus an offer price range consisting of a floor price and a cap, upon the filing of the listing application with the PSE. Otherwise, the PSE will not accept the application. Under the Memorandum Circular, the floor price must be lower than or equal to the disclosed market price.

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PHILIPPINE FOREIGN INVESTMENT, EXCHANGE CONTROLS, AND FOREIGN OWNERSHIP

Foreign Investment

Under the Foreign Investments Act of 1991, foreign investors are permitted to invest in the securities of a Philippine corporation unless otherwise limited by restrictions on foreign ownership imposed under the Constitution and Philippine statutes, as provided in the Foreign Investment Negative List.

Among the principal restricted business activities is the ownership of private land where the Constitution, in relation to Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60.0% of whose capital is owned by such citizens.

Foreign Exchange Regulations

Under current BSP regulations, an investment in Philippine securities (such as the Rights Shares) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings derived from such shares is to be sourced from the Philippine banking system. If the foreign exchange required to service capital repatriation or dividend remittance is sourced outside the Philippine banking system, registration is not required.

The application for registration may be done directly with the BSP or through a custodian bank duly designated by the foreign investor. A custodian bank may be a universal bank, commercial bank or an offshore banking unit registered with the BSP to act as such and appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines. Applications for registration must be accompanied by: (i) purchase invoice, subscription agreement and proof of listing on the PSE (either or both); (ii) credit advice or bank certificate showing the amount of foreign currency inwardly remitted and converted into pesos; and (iii) transfer instructions from the stockbroker or dealer, as the case may be. Upon submission of the required documents, a Bangko Sentral Registration Document will be issued by the BSP or the investor's custodian bank.

Proceeds of divestments or dividends of registered investments are repatriable or remittable immediately and in full with foreign exchange sourced from the Philippine banking system, net of applicable tax, without need of BSP approval. Remittance is permitted upon presentation of: (i) the BSP registration document; (ii) the cash dividends notice from the PSE and the Philippine Central Depository printout of cash dividend payment or computation of interest earned; (iii) copy of the corporate secretary's sworn statement on the board resolution covering the dividend declaration and (iv) detailed computation of the amount applied for in the format prescribed by the BSP. Pending registration or reinvestment, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, may also be remitted in full. Remittance of divestment proceeds or dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor's custodian bank.

The foregoing is subject to the power of BSP, through the Monetary Board and with the approval of the President of the Philippines, to temporarily suspend or restrict the availability of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee when an exchange crisis is imminent, or in times of national emergency.

The registration with the BSP of all foreign investments in Rights Shares shall be the responsibility of the foreign investor.

Restriction On Foreign Ownership

Foreign investors are permitted to invest in only a limited number of securities of Philippine corporations due to restrictions on foreign ownership imposed under the Constitution and by Philippine statutes, particularly in respect of securities of corporations engaged in restricted business activities. The principal restricted business activities are the ownership of land, exploitation and development of natural resources, ownership of educational institutions,

operation of public utilities, and advertising, commercial banking, mass media, retail trade and rural banking activities.

As discussed under Foreign Investments above, no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60.0% of whose capital is owned by such citizens.

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PHILIPPINE TAXATION

The statements made regarding taxation in the Philippines are based on the laws in force at the date of this Prospectus and are subject to any changes in law occurring after such date. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to invest in the Shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rates. Prospective purchasers of the Shares are advised to consult their own tax advisers concerning the tax consequences of their investment in the Shares.

As used in this section, the term "non-resident citizen" is a citizen of the Philippines who (i) establishes to the satisfaction of the Commissioner of Internal Revenue the fact of his physical presence abroad with a definite intention to reside therein, or (ii) leaves the Philippines during the taxable year to reside abroad, either as an immigrant or for employment on a permanent basis, or (iii) works and derives income from abroad and whose employment thereat requires him to be physically present abroad most of the time during the taxable year, or (d) has been previously considered as a non-resident citizen and who arrives in the Philippines at any time during the taxable year to reside permanently in the Philippines, but shall likewise only be treated as a non-resident citizen for the taxable year in which he arrives in the Philippines with respect to his income derived from sources abroad until the date of his arrival in the Philippines.

A "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof.

A "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen thereof. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a non-resident alien engaged in trade or business in the Philippines; otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a non-resident alien not engaged in trade or business in the Philippines.

A "dealer in securities" means a merchant of stock or securities, whether an individual, partnership or corporation, with an established place of business, regularly engaged in the purchase of securities and their resale to customers, that is, one who as a merchant, buys securities and sells them to customers with a view to the gains and profits that may be derived therefrom.

A "domestic corporation" is created or organized under the laws of the Philippines; while a "foreign corporation" is one which is not domestic.

A "resident foreign corporation" is a foreign corporation engaged in trade or business in the Philippines; and a "non-resident foreign corporation" is a foreign corporation not engaged in trade or business in the Philippines.

The term "non-resident holder" means a holder of the Shares:

- who is an individual and who is neither a citizen nor a resident of the Philippines or an entity which is a non-resident foreign corporation; and
- should a tax treaty be applicable, whose ownership of the Shares is not effectively connected with a fixed base or a permanent establishment in the Philippines.

The term "dividends" under this section refers to cash or property dividends. "Tax Code" means the Philippine National Internal Revenue of 1997, as amended.

General

On January 01, 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion ("TRAIN Law") took effect. The TRAIN Law amended various provisions of the National Internal Revenue Code of 1997 ("NIRC"), including those on ordinary income tax of individuals, capital gains tax on the sale and disposition of shares of stock, estate tax, donor's tax, and documentary stamp tax. Last March 26, 2021, Republic Act No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises ("CREATE Law") was signed into law, effectively lowering corporate income tax and other taxes imposed on corporations to help boost economic recovery post-pandemic.

Individual Income Tax

A resident citizen is taxed on income from all sources within and without the Philippines at progressive rates ranging from 20.0% to 35.0% of net taxable income (other than certain passive income and capital gains which are subject to final taxes). A resident alien, non-resident citizen, or non-resident alien engaged in trade or business in the Philippines is generally subject to an income tax in the same manner and at the same progressive tax rates on taxable income from all sources within the Philippines (other than certain passive income and capital gains which are subject to final taxes).

The tax shall be computed in accordance with and at the rates established in the following schedule:

Not over ₱250,000	0.0%
Over ₱250,000 but not over ₱400,000	20% of the excess over ₱250,000
Over ₱400,000 but not over ₱800,000	₱30,000 + 25.0% of the excess over ₱400,000
Over ₱800,000 but not over ₱2,000,000	₱130,000 + 30.0% of the excess over ₱800,000
Over ₱2,000,000 but not over ₱8,000,000	₱490,000 + 32.0% of the excess over ₱2,000,000
Over ₱8,000,000	₱2,410,000 + 35.0% of the excess over ₱8,000,000

Not over ₱250,000	0.0%
Over ₱250,000 but not over ₱400,000	15.0% of the excess over ₱250,000
Over ₱400,000 but not over ₱800,000	₱22,500 + 20.0% of the excess over ₱400,000
Over ₱800,000 but not over ₱2,000,000	₱102,500 + 25.0% of the excess over ₱800,000
Over ₱2,000,000 but not over ₱8,000,000	₱402,500 + 30.0% of the excess over ₱2,000,000
Over ₱8,000,000	₱2,202,500 + 35.0% of the excess over ₱8,000,000

A non-resident alien not engaged in trade or business in the Philippines is taxed on gross income from Philippine sources such as interest, cash and/or property dividends, rents, salaries, wages, premiums, annuities, compensation, remuneration, emoluments, or other fixed or determinable annual or periodic or casual gains, profits, and income, and capital gains (other than capital gains from the sale of shares of stock in a domestic corporation and real property) at the rate of 25.0% withheld at source.

Corporate Income Tax

Under the recently passed Republic Act 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act or CREATE law, starting July 01, 2020, a domestic corporation is generally subject to regular corporate income tax at the rate of 25.0% on its taxable income from all income sources within and outside the Philippines except certain passive incomes that are subject to final withholding tax. As an exception, the rate of 20.0% shall be applied if (i) the domestic corporation's net taxable income is not more than Five Million Pesos (₱5,000,000.00); and (ii) if the total assets of the corporation do not exceed One Hundred Million pesos (₱100,000,000.00), excluding the land on which the corporation's office, plant, or equipment are situated.

Taxable net income refers to pertinent items of gross income specified under Section 32 (A) of the NIRC less deductions, if any, authorized by the NIRC or those allowed under special laws, or the optional standard deduction ("OSD") equivalent to an amount not exceeding 40.0% of the corporation's gross sales or gross receipts.

Passive incomes of the domestic corporation are as follows: (i) gross interest income from Philippine currency bank deposits and yield or any other monetary benefit from deposit substitutes, trust funds, and similar arrangements as well as royalties derived from sources within the Philippines which are generally taxed at the lower final withholding tax rate of 20.0% of the gross amount of such income; (ii) interest income from a depository bank under the expanded foreign exchange deposit system which is subject to a final tax of 15.0% of such income; (iii) net capital gains from the sale, exchange or other disposition of shares of stock in a domestic corporation not traded in the

stock exchange which is subject to a final tax of 15.0%; and (iv) capital gains presumed to have been realized on the sale, exchange, or disposition of lands and/or buildings that are treated as capital assets which is subject to final tax of 6.0% based on the gross selling price or fair market value, whichever is higher.

A resident foreign corporation (except certain types of corporations enumerated in the NIRC) is subject to a tax of 25.0% of its taxable income (gross income less allowable deductions, or OSD) from all sources within the Philippines except those passive incomes subject to final withholding tax, such as: (i) gross interest income from Philippine currency bank deposits and yield or any other monetary benefit from deposit substitutes, trust funds, and similar arrangements as well as royalties from sources within the Philippines which are generally taxed at the lower final withholding tax rate of 20.0% of the gross amount of such income; (ii) interest income from a depository bank under the expanded foreign currency deposit system which is subject to a final tax at the rate of 15.0% of such income; (iii) income derived by a depository bank under the expanded foreign currency deposit system from foreign currency transactions with local commercial banks including branches of foreign banks as authorized by the Bangko Sentral ng Pilipinas (BSP) which is taxed at the rate of 10.0% of such income; and (iv) net capital gains from the sale, exchange or other disposition of shares of stock in a domestic corporation not traded in the stock exchange is subject to tax at the final tax rate of 15.0%.

Generally, a minimum corporate income tax of 2.0% of the gross income as of the end of the taxable year is imposed on domestic corporations and resident foreign corporations beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the regular corporate income tax for the taxable year. However, with the enactment of the CREATE law, the minimum corporate income tax rate was reduced from 2.0% to 1.0% for the period between July 01, 2020 to June 30, 2023.

Nevertheless, any excess of the minimum corporate income tax over the regular corporate income tax shall be carried forward and credited against the latter for the three (3) immediately succeeding taxable years. Further, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation that suffers losses on account of a prolonged labor dispute, force majeure, or legitimate business reverses.

A final withholding tax of 25.0% is imposed, as a general rule, upon the gross income received during each taxable year of a non-resident foreign corporation from all sources within the Philippines, subject to the provisions of tax treaties between the Philippines and the country of residence of such foreign corporation.

Tax on Dividends

Cash and property dividends received from a domestic corporation by individual stockholders who are either citizens or residents of the Philippines are subject to tax at the rate of 10.0%. Cash and property dividends received by non-resident alien individuals engaged in trade or business in the Philippines are subject to a 20.0% tax on the gross amount thereof, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines or business in the Philippines from a domestic corporation are generally subject to tax at the rate of 25.0% of the gross amount subject, however, to the applicable preferential tax rates under tax treaties executed between the Philippines and the country of residence or domicile of such non-resident foreign individuals.

Cash and property dividends received from a domestic corporation by another domestic corporation or by resident foreign corporations are not subject to tax while those received by non-resident foreign corporations are subject to withholding tax at the rate of 25.0%.

The 25.0% rate for dividends paid to non-resident foreign corporations with countries of domicile having no tax treaty with the Philippines may be reduced to a lower rate of 15.0% whenever its country of domicile: (i) imposes no tax on foreign sourced dividends; or (ii) allows a credit against the tax due from the non-resident foreign corporation, for taxes deemed to have been paid in the Philippines equivalent to 10.0%, which represents the difference between the regular income tax of 25.0% and the 15.0% tax on dividends.

Transfer taxes (e.g., documentary stamp tax, local transfer tax) may be payable if the dividends declared are property dividends, depending on the type of property distributed as dividends.

Stock dividends distributed pro rata to any holder of shares of stock are not subject to Philippine income tax. However, if the proportionate interests of the stockholders are changed, dividends received are taxable as ordinary income in the year paid or accrued. The sale, exchange or disposition of shares received as stock dividends by the holder is subject to either the capital gains or stock transaction tax.

Philippine tax authorities have prescribed certain procedures, through an administrative issuance, for availment of tax treaty relief. Subject to the approval by the BIR of the recipient's application for tax treaty relief, the Company shall withhold taxes at a reduced rate on dividends to be paid to a non-resident holder, if such non-resident holder provides the Company with proof of residence and, if applicable, individual or corporate status. Proof of residence for an individual consists of certification from his embassy, consulate, or other equivalent certifications issued by the proper government authority, or any other official document proving residence. If the regular tax rate is withheld by the paying corporation instead of the reduced rates applicable under a treaty, the non-resident holder of the shares may file a claim for refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information and may also involve the filing of a judicial appeal, it may be impractical to pursue such a refund.

Tax Treaties

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

	Dividends (0.0%)	Stock transaction tax on sale or disposition effected through the PSE (0.0%)⁹	Capital Gains tax due on disposition of shares outside the PSE (0.0%)
Canada	25 ¹	0.6	May be exempt ¹³
China	15 ²	Exempt ¹⁰	May be exempt ¹³
France	15 ³	Exempt ¹¹	May be exempt ¹³
Germany	15 ⁴	Exempt ¹²	May be exempt ¹³
Japan	15 ⁵	0.6	May be exempt ¹³
Singapore	25 ⁶	0.6	May be exempt ¹³
United Kingdom	25 ⁷	0.6	Exempt ¹⁴
USA	25 ⁸	0.6	May be exempt ¹³

Notes:

- 15.0% if recipient company which is a resident of Canada controls at least 10.0% of the voting power of the company paying the dividends; 25.0% in all other cases.
- 10.0% if the recipient company holds directly at least 10.0% of the capital of the company paying the dividends; 15.0% in all other cases.
- 10.0% if the recipient company (excluding a partnership) holds directly at least 10.0% of the voting shares of the company paying the dividends; 15.0% in all other cases.
- 5.0% if the recipient company (excluding a partnership) holds directly at least 70.0% of the capital of the company paying the dividends; 10.0% if the recipient company (excluding a partnership) holds directly at least 25.0% of the capital of the company paying the dividends; 15.0% in all other cases.
- 10.0% if the recipient company holds directly at least 10.0% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six (6) months immediately preceding the date of payment of the dividends; 15.0% in all other cases.
- 15.0% if during the part of the paying company's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15.0% of the outstanding shares of the voting stock of the paying company were owned by the recipient company; 25.0% in all other cases.
- 15.0% if the recipient company is a company which controls directly or indirectly at least 10.0% if the voting power of the company paying the dividends; 25.0% in all other cases.
- 20.0% if during the part of the paying corporation's taxable year which precedes the date of payment of dividends and during the whole year of its prior taxable year at least 10.0% of the outstanding shares of the voting stock of the paying corporation were owned by the recipient corporation; 25.0% in other cases. Notwithstanding the rates provided under the Convention between the Government of the Republic of the Philippines and the Government of the United States of America with respect to Taxes on Income, corporations which are residents of the United States may avail of the 15% withholding tax rate under the tax-sparing clause of the Philippine Tax Code provided certain conditions are met.
- If the stock transaction tax is not expressly included in the tax treaty, the income recipient will be subject to stock transaction tax at the rate of 0.6% of the gross selling price as provided under Section 127 of the NIRC as amended by Section 39 of the TRAIN Law.
- Article 2(1)(b) of the Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income was signed on November 18, 1999.
- Article 1 of the Protocol to the Tax Convention between the Government of the Republic of the Philippines and the Government of the French Republic Signed on January 9, 1976 was signed in Paris, France on June 26, 1995.

12. *Article 2 (3)(a) of Agreement between the Government of the Republic of the Philippines and the Federal Republic of Germany for the Avoidance of Double Taxation with Respect to Taxes on Income and Capital signed on September 9, 2013.*
13. *Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.*
14. *Under the income tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the stock of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.*

Sale, Exchange, or Disposition of Shares

Capital Gains Tax

Net capital gains realized by a resident or non-resident other than a dealer in securities during each taxable year from the sale, exchange, or disposition of shares of stock in a Philippine corporation listed at and effected outside of the facilities of the local stock exchange, are subject to 15.0% final tax. On January 31, 2018, the BIR issued Revenue Regulations No. 11-2018, which requires buyers to withhold the 15.0% final tax on the net capital gains realized by a resident or non-resident alien or a domestic corporation other than a dealer in securities.

Gains from the sale or disposition of shares in a Philippine corporation may be exempt from capital gains tax or subject to a preferential rate under a tax treaty. An application for tax treaty relief must be filed (and approved) by the Philippine tax authorities in order to obtain such exemption under a tax treaty. A prospective investor should consult its own tax adviser with respect to the applicable rates under the relevant tax treaty.

The transfer of shares shall not be recorded in the books of the Bank unless the BIR certifies that the capital gains and documentary stamp taxes relating to the sale or transfer have been paid or, where applicable, tax treaty relief has been confirmed by the International Tax Affairs Division of the BIR in respect of the capital gains tax or other conditions have been met.

Taxes on Transfer of Shares Listed and Traded at the PSE

A sale, barter, exchange, or other disposition of shares of stock listed at and effected through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, is subject to a stock transaction tax at the rate of 0.6% of the gross selling price or gross value in cash of the shares of stock sold, bartered, exchanged or otherwise disposed, unless an applicable treaty exempts such sale from the said tax. The stock transaction tax is classified as a percentage tax and is paid in lieu of capital gains tax. In addition, a value added tax of 12.0% is imposed on the commission earned by the PSE-registered broker who facilitated the sale, barter, exchange, or disposition through the PSE, and is generally passed on to the client.

On November 07, 2012, the BIR issued Revenue Regulations No. 16-2012 which provides that the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the Minimum Public Ownership requirement after December 31, 2012 will be subject to capital gains tax and documentary stamp tax instead of the lower stock transaction tax. It also requires publicly listed companies to submit public ownership reports to the BIR within 15 days after the end of each quarter.

On December 31, 2012, the Philippine SEC began imposing a trading suspension for a period of not more than six (6) months, on shares of a listed company that has not complied with the Rule on Minimum Public Ownership which requires listed companies to maintain a minimum percentage of listed securities held by the public at 10.0% of the listed companies' issued and outstanding shares at all times. On December 01, 2017, the Philippine SEC, through Memorandum Circular No. 13, raised the Minimum Public Ownership requirement to 20.0% for any new company applying for registration of its shares of stock for the purpose of conducting an initial public offering. Companies which do not comply with the Minimum Public Ownership requirement after the lapse of the trading suspension shall be automatically delisted. The sale of such listed company's shares during the trading suspension or such delisted company may be effected only outside the trading system of the PSE and shall be subject to capital gains tax and documentary stamp tax. Furthermore, if the fair market value of the shares of stock sold is greater than the consideration or the selling price, the amount by which the fair market value of the shares exceeds the selling price shall be deemed a gift that is subject to donor's tax under Section 100 of the Tax Code.

Documentary Stamp Tax

The original issue of shares is subject to documentary stamp tax of ₱2.00 for each ₱200.00, or a fractional part thereof, of the par value of the shares issued. The transfer of shares is subject to a documentary stamp tax of ₱1.50 for each ₱200.00, or a fractional part thereof of the par value of the shares transferred. However, the sale, barter, or exchange of shares of stock listed and traded through the local stock exchange shall not be subject to documentary stamp tax under Republic Act No. 9648 which exempts the sale, barter, or exchange of shares of stock listed and traded through the local stock exchange from the documentary stamp tax, retroactive to March 20, 2009.

In addition, the borrowing and lending of securities, which will be executed under the securities borrowing and lending program to be implemented by a registered exchange, or which are in accordance with regulations prescribed by the appropriate regulatory authority, will likewise be exempt from DST. However, the securities borrowing and lending agreement should be duly covered by a master securities borrowing and lending agreement acceptable to the appropriate regulatory authority and should be duly registered and approved by the BIR. Otherwise, such agreement would be subject to the DST on debt instruments.

Estate and Gift Taxes

The transfer of shares of stock upon the death of an individual holder to his heirs by way of succession, whether such holder was a citizen of the Philippines or an alien and regardless of residence, is subject to Philippine taxes at a fixed rate of 6.0% of the net estate (i.e., gross estate less allowable deductions). Individual and corporate holders, whether or not citizens or residents of the Philippines, who transfer shares of stock by way of gift or donation are liable to pay Philippine donors' tax at the fixed rate of 6.0% based on the total gifts in excess of ₱250,000.00 exempt gifts made during the calendar year, whether the donor is a stranger or not.

Estate and donors' taxes, however, shall not be collected in respect of intangible personal property, such as shares of stock: (i) if the deceased at the time of his death or the donor at the time of his donation was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character, in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (ii) if the laws of the foreign country of which the deceased or donor was a citizen and resident at the time of his death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

Taxation outside the Philippines

Shares of stock in a domestic corporation are considered under Philippine law as situated in the Philippines and the gain derived from their sale is entirely from Philippine sources; hence such gain is subject to Philippine income tax and capital gains tax and the transfer of such shares by gift (donation) or succession is subject to the donors' or estate taxes, each as described above.

As above-mentioned on taxes on transfer of shares through the PSE, unless an applicable income tax treaty exempts the sale from income and/or percentage tax, a sale or other disposition of shares of stock listed and traded through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, is generally subject to a percentage tax usually referred to as a stock transaction tax at the rate of 6/10 of 1.0% of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed. This tax is required to be collected by and paid to the Government by the selling stockbroker on behalf of his client.

The tax treatment of a non-resident holder of shares of stock in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation. This Prospectus does not discuss the tax consideration on non-resident holders of shares of stock under laws other than those of the Philippines.

EACH PROSPECTIVE HOLDER SHOULD CONSULT WITH HIS/HER OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF PURCHASING, OWNING, AND DISPOSING OF THE SUBJECT SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, AND NATIONAL TAX LAWS.

LEGAL MATTERS

Certain legal matters as to Philippine law relating to the Rights Offer will be passed upon by Corporate Counsels Philippines Law Offices, legal counsel to PHES, and Tan Venturanza Valdez Law, legal counsel to the Issue Manager and Lead Underwriter.

Each of the foregoing legal counsel has neither shareholding in PHES nor any right, whether legally or enforceable or not, to nominate persons or to subscribe to its securities. None of the legal counsels will receive any direct or indirect interest in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Rights Offer.

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MATERIAL CONTRACTS

In relation to the Company's planned acquisition of land totaling 604,414 sq.m., the Company entered into several Memoranda of Agreement, with details provided below.

- i. Memorandum of Agreement ("MOA") with Bocaue Prime Estate Corp. and Recovery Real Estate Corporation for the purchase of five (5) parcels of land with a total area of 44,346 sq.m located in Brgy. Santol, Balagtas, Bulacan for ₱48,780,600.00, to be utilized for the Wellford Homes Balagtas project.
- ii. MOA with Pacific Rehouse Corporation for the purchase of two (2) parcels of land with a total area of 10,787 sq.m located in Brgy. Subabasbas, Lapu-Lapu City for ₱48,541,500.00. These properties are adjacent to the Company's existing subdivision project, Pacific Grand Villas, and will be developed as Pacific Grand Villas Phase 5.
- iii. MOA with Pacific Rehouse Corporation for the purchase of six (6) parcels of land with a total area of 39,563 sq.m located in Brgy. Bito-on, Jaro, Iloilo City for ₱87,038,600.00. These properties are likewise adjacent to the Company's existing subdivision in Iloilo, Jaro Grand Estates and will be developed as Wellford Homes at Jaro Grand Estates (Phase 3) Parcel C.
- iv. MOA with Pacific Rehouse Corporation for the purchase of three (3) parcels of land with a total area of 15,268 sq.m also located in Brgy. Subabasbas, Lapu-Lapu City for ₱97,044,000.00, to be utilized for the Winfields Towncenter project.
- v. MOA with Rexlon Realty Group Inc. and Crisanta Realty Development Corp. for the purchase of two (2) parcels of land with a total area of 196,995 sq.m located in Tanza, Cavite for ₱295,492,500.00, to be utilized for the Winfields Village Tanza project.
- vi. MOA with Westland Pacific Properties Corporation and Pacific Concorde Corporation for the purchase of twelve (12) parcels of land with a total area of 235,955 sq.m located in Sta. Maria Bulacan for ₱167,918,600.00, to be utilized for the Wellford Homes Sta. Maria Phase 1 and Phase 2 projects.
- vii. MOA with Westland Pacific Properties Corporation for the purchase of three (3) parcels of land with a total area of 61,500 square meters located in Jaro, Iloilo for ₱153,750,000.00, to be utilized for the Wellford Homes at Jaro Grand Estates (Phase 3) Parcel D project.

The Company shall enter into the corresponding Absolute Deed of Sale for each of the aforesaid MOAs, to be executed in due course.

The planned dates of acquisitions relating to the aforesaid MOAs are dependent on the date/s that the Company expects to receive the proceeds from the Offer. In the event that there are changes in the expected date of receipt of the proceeds from the Offer, the Company shall execute contract addenda to the MOAs to accommodate the delay in the contemplated timeline.

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INDEPENDENT AUDITORS

Diaz Murillo Dalupan and Company, independent auditors, has audited the Company's financial statements as at and for the years ended December 31, 2018, 2019, and 2020 in accordance with the Philippine Standards on Auditing.

DMD has acted as the Company's external auditor for the past three (3) years. DMD is the Company's current audit partner since 2011. PHES elected to appoint DMD as its auditor to comply with the requirements of the Philippine SEC for companies to engage a class A auditor for public companies.

The Company, in compliance with SRC Rule 68 Par. 3(B)(ix), expresses that its independent auditors, the accounting firm of DMD and the signing partners thereof shall be rotated after every five (5) years of engagement and that a two (2) -year cooling off period shall be observed in the engagement of the same signing partner(s). The signing partners of the Company for its Audited Financial Statements for 2018 is Ms. Rosemary D. De Mesa and for 2019 and 2020 is Mr. Richard Noel M. Ponce.

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

The following table sets out the aggregate fees billed to the Company and its subsidiaries for each of the last two fiscal years for professional services rendered, excluding fees directly related to the Rights Offer. DMD does not provide other services that are not reasonably related to the performance of the audit or review of the Company's financial statements.

	2018	2019	2020
Audit and audit related fees	₱537,075.00	₱600,000.00	₱605,000.00
Tax Fees	-nil-	-nil-	-nil-
All other Fees	-nil-	-nil-	-nil-

Audit and audit related fees refer to the professional services rendered by DMD for audit of the Company's annual financial statements and services that are normally provided in connection with statutory and regulatory filings for the said calendar years. The fees presented above include out-of-pocket expenses incidental to the Independent Auditors' services. No other fees were billed and paid during the last three (3) years.

The external auditor regularly tenders an audit engagement proposal which the audit committee reviews. The audit committee looks into the audit plan, scope and frequency of the audit and regularly holds audit committee meeting with the external auditor

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Annex A

*UNAUDITED FINANCIAL STATEMENTS
AS OF AND FOR THE SIX (6) MONTHS ENDED JUNE 30, 2020 AND 2021*

*FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2018, 2019, and 2020*

Annex A

*UNAUDITED FINANCIAL STATEMENTS
AS OF AND FOR THE SIX (6) MONTHS ENDED JUNE 30, 2020 AND 2021*

*FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2018, 2019, and 2020*

COVER SHEET

SEC Registration Number

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Company Name

P	H	I	L	I	P	P	I	N	E	E	S	T	A	T	E	S	C	O	R	P	O	R	A	T	I	O	N
A	N	D	S	U	B	S	I	D	I	A	R	Y															

Principal Office (No./Street/Barangay/City/Town)Province)

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Form Type

1	7	-	Q
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	A		
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COMPANY INFORMATION

Company's Email Address

info@phes.com.ph

Company's Telephone Number/s

8637-3112

Mobile Number

09178338243

No. of Stockholders

708

Annual Meeting
Month/Day

October/30

Fiscal Year
Month/Day

December/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Jocelyn A. Valle

Email Address

phes_finance@yahoo.com

Telephone Number/s

8637-3112

Mobile Number

NA

Contact Person's Address

35Th Floor, One Corporate Center, Doña Julia Vargas Ave. Corner Meralco Avenue, Ortigas Center, Pasig City
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Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

SEC Number 112978
File Number _____

PHILIPPINE ESTATES CORPORATION

Company's Full Name

35TH Flr. One Corporate Centre, Julia Vargas cor. Meralco Ave., Ortigas Center, Pasig City

Company's Address

8637-3112

Telephone Number

DECEMBER 31

**Fiscal Year Ending
(Month and day)**

SEC-FORM 17-Q

Form Type

N.A.

Amendment Designation(If applicable)

June 30, 2021

Period Ended Date

N.A.

Secondary License Type and File Number

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE
AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **June 30, 2021**

2. Commission identification number **112978**

3. BIR Tax Identification No. **000-263-366**

PHILIPPINE ESTATES CORPORATION

4. Exact name of registrant as specified in its charter

Metro Manila, Philippines

5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: SEC Use Only

7. ^{35th} **Flr., One Corporate Centre, Julia Vargas cor. Meralco Ave., Ortigas Center, Pasig City**
Address of issuer's principal office

8. **(632) 8637-3112**
Issuer's telephone number, including area code

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

10. Securities registered pursuant to Section 4 and 8 of the RSA: Common shares **5,000,000,000** with
par Value of P1.00 per share

Number of Shares Common Stock Issued Outstanding: **1,445,549,830 Common Shares**

Amount of Debt Outstanding: P 122,944,500 (as per Financial Statements)

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

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

PHILIPPINE STOCK EXCHANGE COMMON SHARES

12. Indicate by check mark whether the registrant:

a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 hereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such report)
Yes No

b) has been subject to such filing requirements for the past 90 days
Yes No

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The Quarterly Financial Statements of the Company for the period ending June 30, 2021 are incorporated herein by reference and attached as an integral part of this Quarterly Report.

Statement of Compliance

The Financial Statements of the Company have been prepared in accordance with Statements of Financial Accounting Standards of the Philippines issued by the Accounting Standards Council.

Earnings per Share

Basic Earnings per share is determined by dividing the Net Income by the weighted average number of shares issued and subscribed during the period.

Financial Information

- a. The management maintains the same system of accounting policies and methods of computation in the Interim Financial Statements.
- b. There were no changes in accounting estimates of amounts reported in interim periods of current financial year or even in prior financial years
- c. There were no issuances, repurchases and repayments of equity securities
- d. There were no changes in the composition of the issuer during the interim period i.e. Business Combinations, Acquisitions, or Disposal of Subsidiaries and Long-term Investments, Restructuring and Discontinuing operations. However, on March 25 and June 15, 2021, the Board of Directors approved the Stock Rights Offering of 1,445,549,830 shares
- e. There were no dividends declared and paid on the Company's Common Equity.
- f. Despite the negative economic effects of the pandemic, there will be continued demand for housing as the vaccine rollout is made. Hence, Philippine Estates Corporation aims to expand its inventory of projects through the acquisition of land in selected areas where economic growth is expected to show resiliency (i.e. Bulacan and Cavite). In this regard, the board of PHES has approved to undertake a Stock Rights Offering ("SRO") to raise capital for land acquisition.
- g. The Company is contingently liable for existing lawsuits and claims from third parties arising from the ordinary course of business. Management believes that the ultimate liability for the abovementioned lawsuits and claims, if any, would not be material in relation to the Financial Position and Operating Results of the company's operations.

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

1. Plan of Operation

Due to the restrictions imposed on the construction industry because of the Covid-19 pandemic, completion of the remaining works of Phase 4 of Pacific Grand Villas in Cebu, Wellford Homes Jaro – Parcel A in Iloilo, as well as a portion of Phase 1 of Wellford Homes Malolos in Bulacan, will be done within 2021.

Although the Company was able to complete most of the housing units scheduled for delivery in 2020, the pandemic affected the operations of several contractors, with some being forced to close operations. This resulted in the takeover of several construction works, particularly several rows of townhouses in Pacific Grand Townhomes. However, bidding and awarding of units for construction continue, as the Company aims to fulfill delivery of units on time, as promised to buyers, despite the difficulties brought about by the pandemic. Furthermore, in order to assist the marketing efforts in Wellford Homes Malolos, the Company aims to complete all model houses before the end of 2021, including interior design and landscaping.

The Company will start the construction of Wellford Residences – Mactan by the fourth quarter of 2021. The first tower will have 80 condominium units and is expected to be completed by 2022.

As the country continues to feel the economic effects of the Covid-19 pandemic, the Company has gradually learned to shift sales and marketing efforts online. Even sales events such as project knowledge seminars and the Annual Seller Awards were held online. For this year, more buyer-friendly payment terms will be offered in order to assist those whose sources of income have been adversely affected by the pandemic, such as the OFWs and local employees who belong to the tourism sector.

New Residential and Commercial Projects

For this year, the Company is looking to launch two (2) new residential projects, with both contiguous to existing projects.

The initial government permits for Wellfrod Homes Jaro Phase 2 have already been acquired, with the License to Sell the only remaining permit to be processed. Target launch of the said project will be the 4th quarter of 2021.

Planning is currently underway for Pacific Grand Villas Five, which will be a purely residential phase, with fewer units, but bigger houses and lot cuts to be offered. With the absence of substantial lots/house and lots inventory in Cebu, the Company is looking to secure all the necessary permits for its launch in the 1st quarter of 2022.

Planning of the commercial components of Jaro Grand Estates in Iloilo, is in the works. This is in anticipation of the increasing number of residents in our existing and future horizontal projects.

The Company will be looking for additional properties in Luzon, particularly the Bulacan area, for its future projects, based on the warm acceptance by the market of the Company's Wellford Homes Malolos project. This 2Q, the Company is starting to masterplan the Sta Maria property for a mixed-use development.

To support its liquidity, the Company is offering attractive and flexible payment terms to its buyers and has also accredited new contractors which can deliver built units faster so as to

expedite collection of loan proceeds from partner institutions. Pre-selling of its units and CTS Financing are being explored to fund its projects especially for its newly launched projects

The Company continues to develop and generate cash flow through the following projects:

- ***Wellford Homes at Jaro Grand Estates (Phase 3) – Parcel A***

This project is our third residential community in Iloilo City. The house-and lot packages are mainly designed for homebuyers inclined for economy, maximizing value-for-money. Consisting of about 10 hectares, the initial offering is an American inspired duplex bungalow-type house model.. These single-level houses are very much suited also for senior citizens and retirees. The project was launched in November 2016, with the land development and house construction well underway.

- ***Wellford Homes – Malolos***

Wellford Homes – Malolos is a residential development with an area of approximately 6.7 hectares located in Barangay Longos, Malolos City, Bulacan. This horizontal development is American inspired. Housing design reflects the suburban feel with the American ambiance reflected even in the design of the community facilities and amenities. The subdivision is designed to provide generous areas for roads and open spaces, which accounts for nearly 42% of the total developable area. Based on the projections, the development will generate Php1.15 Billion gross revenues upon completion of the project.

- ***Wellford Residences - Mactan***

As the Company's answer to the housing backlog in the economic sector in the area, PHES launched Wellford Residences-Mactan. WR-Mactan is a two-tower medium rise condominium project in one of the Company's prime and highly accessible properties in Mactan, Cebu, located in Barangay Suba-basbas in the City of Lapu-Lapu, the project will offer around 200 condominium units and is expected to generate for the Company approximately P541M in Revenue.

2. Financial Position

The Company maintained its Financial Position as its total assets stood at P1.67B. Current ratio registered at 3.54:1. Current assets reached P1.26B while current liabilities amounted only to P0.35B. Debt -to- equity ratio stood at 0.54:1 The Balance Sheet shows that accounts are indicators of positive liquidity condition. Hereunder are the significant or material changes in the Balance Sheet accounts as of June, 2021.

Causes for material changes (5% or more) from period to period:

- a. Accounts Payable and Accrued Expenses – the increase of 13.01% was due to an increase in payments made by the buyers for the titling fees and an increase in Deferred Output VAT from the installment sales.
- b. Borrowings - the increase of 5.18% was the result of new loan availment from PBCom, Luzon Development Bank and Quick Financial.

- c. Customers' Deposits – the increase of 26.64% was due to an increase in reservation fees for the period.
- d. Retirement benefits obligation - the decrease of 5.82% was due to an increase in retirement fund for the period.

3. Result of Operations

For the 2Q 2021, the Company was able to post a consolidated net sales of ₱ 58.55M thus registering an increase of ₱30.77M or 110.78% compared to the Sales for same period in 2020 of ₱ 27.78M.

Realized Gross Profit increased by 92.55% or ₱8.92M from ₱18.56M this 2Q 2021 compared to ₱9.64M in 2Q 2020. Thus, Net Income before tax decreased to ₱0.48M compared from ₱2.33M in 2Q 2020, a decrease of -79.52% or ₱1.85M. This was primarily due to higher operating expenses by ₱11.03M or 203.83%.

Comparative Top Key Performance Indicators of the Company:

Management evaluates the Company's performance as it relates to the following:

- a. Sales – The Company gauges its performance by determining the Return on Sales (net income after tax over the net sales). It indicates net profitability of each peso of sales.
- b. Accounts Receivable – The Company assesses the efficiency in collecting receivables and in managing of credit by determining the past due ratio thru the aging of receivables.
- c. Gross Profit Margin – Measures effectiveness of pricing and control of project development cost. This is derived by dividing Gross Profit over Net Sales.
- d. Working Capital – The Company's ability to meet obligations is measured by determining Current Assets over Current Liabilities. Working Capital turnover is calculated by dividing Sales over Average Net Working Capital.

Variance Analysis – Another tool that measures efficiency on how the actual sales were attained via a vis forecasted sales.

<u>INDICATOR</u>	<u>Q2 2021</u>	<u>Q2 2020</u>
Return on sales	0.81%	8.37%
Past due ratio	5.20%	14.00%
Gross Profit rate	48.44%	62.46%
Working Capital Turnover	0.06	0.04

4. Other Notes to 2Q 2021 Operations and Financials:

Analysis of material events and uncertainties known to management that would address the past and would have an impact on future operations:

- **Any known trends, demands, commitments, events or uncertainties that will have an impact on the issuer's liquidity;**

At present, the uncertainty that may have a material impact on sales is the economic situation. The seemingly improving economic situation has already translated into a significant buying mood for the real estate market. Overall, there are no contingencies that may affect future operations of the Company. In such eventuality, the resolution of this is dependent to a large extent, on the efficacy of the fiscal measures and other actions.

- **Any event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;**

The Company sees no event that will trigger direct or contingent financial obligation that is material to the Company despite of the effect of pandemic COVID-19..

- **All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during reported period.**

There were no material off-balance sheet transactions, agreements, obligations, (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reported period

- **Any material commitments for capital expenditures, the general purpose of such commitments and expected sources of funds of such expenditures.**

Despite the negative economic effects of the pandemic, there will be continued demand for housing as the vaccine rollout is made. Hence, the Company aims to expand its inventory of projects through the acquisition of land in selected areas where economic growth is expected to show resiliency (i.e. Bulacan and Cavite). In this regard, the board of the Company has approved to undertake a Stock Rights Offering ("SRO") to raise capital for land acquisition.

The proceeds will be used to acquire land to be developed by the Company.

- **Any known trends, events or uncertainties (Material Impact on Sales)**

Due to Global Pandemic, there were significant material impacts on sales.

- **Any significant elements of income or loss (from continuing operations)**

Considering the evolving nature of this pandemic, the Company will continue to monitor the situation to determine the impact to its financial position, performance and cash flows.

- **Seasonal aspects that had material effect on the financial condition or results of operation.**

Projects are launched at no particular time of the year depending on several factors such as completion of plans and permits and appropriate timing in terms of market condition and strategies. Development and construction works follow.

- **Internal and external sources of liquidity**

Collections from selling activities provide liquidity. Externally, the Company avails of credit lines offered by banks and other financial institution, private or government. The Company periodically reviews its capital structure and existing obligations.

Compliance with Leading Practice on Corporate Governance

The Company has adopted the Manual of Corporate Governance and full compliance with the same has been made since the adoption of the Manual.

The Company is taking further steps to enhance adherence to principles and practices of good corporate governance. Among these are as follows:

- Organizational and Procedural Controls
- Independent Audit Mechanism
- Regular Reporting to Audit Committee
- Creation of Board Committees
- Financial and Operational Reporting
- Compliance to Government Regulatory and Reportorial Requirements
- Disclosure of Transparency to the Public

There was no deviation committed by any of the Company's directors and/or officers on the Manual of Corporate Governance during the period covered in this report.

PART II – OTHER INFORMATION

Disclosure not made under SEC FORM 17-C: **NONE**

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY		
STATEMENTS OF FINANCIAL POSITION		
	Interim F/S	Audited F/S
	30-Jun-21	31-Dec-20
ASSETS		
Current Assets		
Cash	16,311,822	16,836,562
Trade and other receivables (net)	561,050,080	539,850,712
Advances to related parties (net)	275,568,827	276,397,919
Real estate inventories, net	390,550,394	390,734,889
Prepayments and other current assets	12,841,629	12,653,243
	1,256,322,753	1,236,473,325
Non-current Assets		
Trade and other receivables (net of current portion)	40,816,118	40,694,028
Advances to related parties (net of current portion)	269,153,803	269,151,715
Property and equipment, net	38,870,349	40,402,837
Financial Asset at FVOCI	50,000,000	50,000,000
Investment property	1,072,016	1,072,016
Deferred tax assets	5,501,261	5,501,261
Other noncurrent assets	7,923,800	7,923,800
	413,337,348	414,745,657
TOTAL ASSETS	1,669,660,100	1,651,218,982
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other liabilities	101,347,400	89,679,391
Deferred gross profit	145,050,657	144,998,054
Borrowings (current portion)	101,005,887	96,027,677
Lease liabilities	984,384	984,384
Customers' deposits	6,114,794	4,828,637
	354,503,120	336,518,143
Non-current Liabilities		
Advances from related parties	104,024,033	104,024,033
Borrowings (non- current portion)	21,938,614	21,938,614
Lease liabilities (net of current portion)	2,405,414	2,405,414
Retention payable and refundable bonds	25,994,328	26,149,094
Deferred Tax Liabilities	62,209,662	62,209,661
Retirement benefits obligation	11,330,231	12,030,231
	227,902,281	228,757,047
Total liabilities	582,405,401	565,275,190
Equity		
Capital Stock	1,445,549,830	1,445,549,830
Remeasurement gain on retirement benefits	2,042,257	2,042,257
Deficit	(360,337,387)	(361,648,295)
Total equity	1,087,254,699	1,085,943,792
TOTAL LIABILITIES AND EQUITY	1,669,660,100	1,651,218,982

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY				
STATEMENT OF INCOME AND DEFICIT				
	2021	2021	2020	2020
	Apr - Jun	Year to date	Apr-Jun	Year to date
REAL ESTATE SALES	58,553,628	103,330,724	27,779,848	45,901,908
LESS: COST OF SALES	30,187,731	50,169,082	10,427,745	16,465,734
GROSS PROFIT	28,365,897	53,161,642	17,352,103	29,436,174
DEFERRED GROSS PROFIT	15,473,851	29,370,983	8,725,789	9,911,247
REALIZED GROSS PROFIT ON CURRENT YEAR	12,892,046	23,790,659	8,626,314	19,524,927
ADD: REALIZED GROSS PROFIT - PRIOR YEAR	5,665,950	14,471,388	1,011,473	4,446,864
TOTAL REALIZED GROSS PROFIT	18,557,996	38,262,047	9,637,787	23,971,791
OPERATING EXPENSES	16,442,383	32,423,016	5,411,632	20,765,220
NET OPERATING INCOME (LOSS)	2,115,612	5,839,030	4,226,154	3,206,570
FINANCE COST	(3,998,929)	(7,471,913)	(2,711,281)	(5,409,799)
OTHER INCOME	2,359,558	3,714,070	810,718	1,830,156
NET INCOME (LOSS)	476,242	2,081,188	2,325,592	(373,071)
LESS: INCOME TAX	(119,061)	(770,281)	-	-
DEFERRED INCOME TAX		0	-	-
NET INCOME (LOSS) AFTER PROVISION	357,182	1,310,907	2,325,592	(373,071)
RETAINED EARNINGS, BEGINNING	(360,694,570)	(361,648,294)	(360,274,617)	(360,274,617)
NET INCOME (LOSS)	357,182	1,310,907	2,325,592	(373,071)
RETAINED EARNINGS, END	(360,337,388)	(360,337,387)	(357,949,025)	(360,647,688)
EARNINGS (LOSS) PER SHARE *	0.00	0.00	0.00	(0.00)
			1,445,549,830	

* Based on Weighted Average number of common shares outstanding

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	CAPITAL STOCK	Remeasurement gain on retirement benefits	DEFICIT	TOTAL
Balance at December 31, 2019	1,445,549,830	1,919,268	(362,193,885)	1,085,275,213
Remeasurement gain on retirement benefits				
Net Income (Loss) as of June 30, 2020			(373,071)	(373,071)
Balance at June 30, 2020	1,445,549,830	1,919,268	(362,566,956)	1,084,902,142
Balance at December 31, 2020	1,445,549,830	2,042,257	(361,648,295)	1,085,943,792
Remeasurement gain on retirement benefits				0
Net Income (Loss) as of June 30, 2021			1,310,907	1,310,907
Balance at June 30, 2021	1,445,549,830	2,042,257	(360,337,388)	1,087,254,699

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY							
STATEMENT OF CASH FLOW							
						June 2021	June 2020
CASH FLOW FROM OPERATING ACTIVITIES:							
	Net Income (Loss)					1,310,907	(373,071)
	Adjustment to reconcile net income (loss) to net cash provided by operating activities:						
	Depreciation and Amortization					1,623,024	540,624
	Amortization of deferred charges						
	Income from insurance claims						
	Gain on sale of property and equipment						
	Provision for doubtful accounts						
	Decrease (increase) in assets:						
		Trade and other receivables			(21,321,459)	9,477,742	
		Real estate inventories			6,197,797	4,082,634	
		Intangible Assets					
		Prepayments and other current asse			(188,387)	1,715,584	
		Other Assets			0	(561,439)	
	Increase (decrease) in liabilities:						
		Accounts payable and other liabilities			11,668,008	29,462,989	
		Accrued expenses			431,390	(813,162)	
		Deferred Income			52,603	(938,392)	
	Net cash provided by (used in) operating activities					<u>(226,117)</u>	<u>42,593,509</u>
CASH FLOW FROM INVESTING ACTIVITIES:							
	Additions to raw land inventory					(6,436,579)	
	Additions to equipment					(90,536)	(181,124)
	Deductions to real estate held for sale					423,277	
	Additions to project development costs						(16,129,990)
	Investment in Stock to Waterfront Manila Premier Development Inc.						
	Proceeds from insurance claims						
	Proceeds from sale of property & equipment						
	Net cash provided by (used in) investing activities					<u>(6,103,838)</u>	<u>(16,311,114)</u>
CASH FLOW FROM FINANCING ACTIVITIES:							
	Additional deposits on subscription						
	Net decrease in due to/from affiliates					827,004	(728)
	Net increase in due to stockholders					0	
	Payment of long-term debts						
	Payment for short-term borrowings					(42,715,939)	
	Proceeds of short term borrowings					47,694,149	
	Proceeds of long term borrowings					0	
	Net cash provided by (used in) financing activities					<u>5,805,214</u>	<u>(728)</u>
NET INCREASE (DECREASE) IN CASH						(524,740)	26,281,667
ADJUSTMENT OF PRIOR PERIODS						-	
CASH AT BEGINNING						16,836,562	13,004,316
CASH, ENDING BALANCE						<u>16,311,822</u>	<u>39,285,983</u>

PROPERTY AND EQUIPMENT (net)

Property and equipment as of June 30, 2021 is as follows:

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY					
PROPERTY, PLANT AND EQUIPMENT					
	Right-of-use Asset	Transportation Equipment	Computer Software	Building & Furniture & Office	TOTAL
Cost					
At January 1, 2021	4,383,276	6,326,325	350,000	99,268,007	110,327,609
Additions	0	0	0	90,536	90,536
Disposals	-	-	-	-	0
June 30, 2021	4,383,276	6,326,325	350,000	99,358,543	110,418,144
Accumulated Depreciation					
At January 1, 2021	(1,195,584)	(6,045,255)	(29,167)	(62,654,765)	(69,924,771)
Additions	0	(154,692)	(58,333)	(1,409,998)	(1,623,024)
Disposals	-	-	-	-	-
June 30, 2021	(1,195,584)	(6,199,948)	(87,500)	(64,064,763)	(71,547,795)
Net Book Value					
At January 1, 2021	3,187,693	281,070	320,833	36,613,242	40,402,837
June 30, 2021	3,187,693	126,377	262,500	35,293,780	38,870,349

BUSINESS SEGMENT INFORMATION

The business segment report of the company as of June 30, 2021 is as follows:

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY						
SEGMENT REPORT						
	HEAD OFFICE	MALOLOS	DAVAO	CEBU	ILOILO	CONSOLIDATED
Sales	0	57,205,172	0	9,000,021	37,125,531	103,330,724
Realized Gross Profit		5,575,362		19,973,593	12,713,091	38,262,047
Other Income	1,661,007	55,472		310,322	1,687,270	3,714,070
Finance Cost	7,471,913					7,471,913
Depreciation	1,430,766	12,370		60,968	118,920	1,623,024
Other Operating Expenses	15,323,954	2,159,150	83,657	7,074,852	6,158,379	30,799,992
SEGMENT ASSETS	734,169,378	49,588,955	447,149	386,506,053	498,948,565	1,669,660,100
SEGMENT LIABILITIES	271,549,616	34,690,065	343,428	146,628,841	129,193,452	582,405,401



QUALITY.
OUR DISTINCTION.
OUR COMMITMENT.

AGING OF RECEIVABLES
AS OF JUNE 2021

PROJECT	RECEIVABLE BALANCE	CURRENT	PAST DUE					TOTAL
			1-30	31-60	61-90	91-120	121-180	
PACIFIC GRAND VILLAS PHASE 1B	19,331,351	18,179,215	0	0	0	0	1,152,137	1,152,137
LOT	223,106	223,106						0
H&L	19,108,245	17,956,108					1,152,137	1,152,137
PACIFIC GRAND VILLAS PHASE 1C	17,991,928	16,528,015	92,348	92,348	92,348	184,695	1,002,175	1,463,913
LOT	867,364	865,329	0	0			2,036	2,036
H&L	17,124,564	15,662,686	92,348	92,348	92,348	184,695	1,000,139	1,461,877
PACIFIC GRAND VILLAS PHASE 4A	61,335,668	59,221,136	151,505	151,505	151,505	151,505	1,508,511	2,114,531
LOT	17,806,149	17,084,945	54,989	54,989	54,989	54,989	501,248	721,204
H&L	43,529,519	42,136,191	96,516	96,516	96,516	96,516	1,007,263	1,393,327
PACIFIC GRAND VILLAS PHASE 4B	22,141,332	21,465,932	55,259	55,259	55,259	55,259	454,365	675,400
LOT	53,377	53,377	0	0	0	0	0	0
H&L	22,087,955	21,412,555	55,259	55,259	55,259	55,259	454,365	675,400
PACIFIC GRAND TOWNHOMES	49,936,569	47,567,952	135,064	111,097	111,097	111,097	1,900,261	2,368,616
H&L	49,936,569	47,567,952	135,064	111,097	111,097	111,097	1,900,261	2,368,616
WELLFORD RESIDENCES MADISON	58,525,772	56,656,017	133,038	108,292	108,292	108,292	1,411,841	1,869,755
H&L	57,108,786	55,239,032	133,038	108,292	108,292	108,292	1,411,841	1,869,755
LOT	1,416,986	1,416,986	0	0	0	0	0	0
CEBU TOTAL	229,262,620	219,618,267	567,214	518,500	518,500	610,848	7,429,289	9,644,352
<i>* Past Due Ratio</i>	<i>100%</i>	<i>96%</i>						<i>4%</i>
CHATEAUX GENEVA	993,053	847,190	3,623	3,623	3,623	3,623	131,371	145,863
LOT	945,425	847,190	3,623	3,623	3,623	3,623	83,744	98,235
H&L	47,628	0	0	0	0	0	47,628	47,628
COSTA SMERALDA	145,914,063	142,867,011	201,877	201,664	190,832	190,191	2,262,489	3,047,052
LOT	54,399,974	53,087,309	32,754	32,541	21,709	21,068	1,204,593	1,312,665
H&L	91,514,089	89,779,703	169,123	169,123	169,123	169,123	1,057,896	1,734,387
WELLFORD HOMES	68,461,525	65,488,766	218,268	197,419	197,373	181,096	2,178,603	2,972,758
H&L	68,461,525	65,488,766	218,268	197,419	197,373	181,096	2,178,603	2,972,758
ILOILO TOTAL	215,368,640	209,202,967	423,768	402,706	391,828	374,909	4,572,463	6,165,673
<i>* Past Due Ratio</i>	<i>100%</i>	<i>97%</i>						<i>3%</i>
PLASTIC CITY INDUSTRIAL PARK	4,560,710						4,560,710	4,560,710
EMBASSY POINTE	9,049,365						9,049,365	9,049,365
METRO MANILA	13,610,075		0	0	0	0	13,610,075	13,610,075
<i>* Past Due Ratio</i>	<i>100%</i>							<i>100%</i>
WELLFORD HOMES -MALOLOS	112,937,060	112,698,251	154,737	50,294	8,444	8,444	16,889	238,809
LOT	43,043,929	42,873,383	91,038	45,731	8,444	8,444	16,889	170,547
H&L	69,893,131	69,824,869	63,699	4,563	0	0	0	68,262
	<i>100.00%</i>	<i>99.79%</i>						<i>0.21%</i>
GRAND TOTAL	571,178,395	541,519,486	1,145,719	971,500	918,772	994,202	25,628,716	29,658,910
<i>* Past Due Ratio</i>	<i>100%</i>	<i>94.8%</i>						<i>5.2%</i>

SIGNATURES

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

Issuer
Title
Signature
Date

: **ELVIRA A. TING**
: **PRESIDENT / CEO**

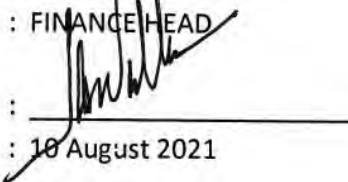


10 August 2021

Principal Financial Accounting Officer Controller
Title

: **JOCELYN A. VALLE**
: **FINANCE HEAD**

Signature
Date



: 10 August 2021

***Philippine Estates Corporation
and Subsidiary***

*Financial Statements
December 31, 2020 and 2019*

and

Independent Auditors' Report

Independent Auditors' Report

To the Board of Directors and Stockholders of
PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
35th Floor, One Corporate Center
Doña Julia Vargas Ave., corner Meralco Ave.
Ortigas Center, Pasig City

Report on the Audits of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Code of Ethics for Professional Accountants in the Philippines (the 'Code of Ethics') together with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Global Reach, Global Quality

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