

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 3 4 8 0 0

COMPANY NAME

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

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Form Type

1 7 - A

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address

info@joh.ph

Company's Telephone Number/s

(02) 8-373-3038

Mobile Number

0966-854-4344

No. of Stockholders

29

Annual Meeting (Month / Day)

Month of June

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Ortrud T. Yao

Email Address

ortrud_ting@joh.ph

Telephone Number/s

(02) 8 -373 - 3038

Mobile Number

0966-854-4344

CONTACT PERSON'S ADDRESS

4/F 20 Lansbergh Place Bldg., 170 Tomas Morato Ave. cor. Scout Castor St., Quezon City


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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the calendar year ended **December 31, 2020**
2. SEC Identification Number **134800** 3. BIR Tax Identification No. **000-590-608-000**
4. Exact name of issuer as specified in its charter **JOLLIVILLE HOLDINGS CORPORATION**
5. **PHILIPPINES** 6.  (SEC Use Only)
Province, Country or other jurisdiction of Industry Classification Code:
incorporation or organization
7. **4/F 20 Lansbergh Place**
170 Tomas Morato Ave., corner Scout Castor St.
Quezon City **1103**
Address of principal office Postal Code
8. **(632) 8373-3038**
Issuer's telephone number, including area code
9. Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA
- | Title of Each Class | Number of Shares of Common Stock
Outstanding and Amount of Debt Outstanding |
|-----------------------------------|--|
| Common Stock, ₱1 par value | 281,500,000 shares |
11. Are any or all of these securities listed on a Stock Exchange.
- Yes [☒] No [☐]
- If yes, state the name of such stock exchange and the classes of securities listed therein:
PHILIPPINE STOCK EXCHANGE **COMMON STOCK**
12. Check whether the issuer:
- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);
- Yes [☒] No [☐]
- (b) has been subject to such filing requirements for the past ninety (90) days.
- Yes [☐] No [☒]
13. Aggregate market value of the voting stock held by non-affiliates is: **₱501,235,831** as of December 31, 2020 and **₱404,844,325** as of March 25, 2021.

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

(1) Business Development

Originally incorporated as a realty company in September 1986 by the Ting family, the Company underwent a transformation to that of a holding company on April 15, 1999 after securing Securities and Exchange Commission (SEC) approval for the change in its primary purpose. Subsequently, on May 4, 1999, the SEC approved the increase in capitalization of Jolliville Holdings Corporation ("JOH" or "the Company"). The authorized capital stock of the Company was increased from 30,000 shares with a par value of ₱100 per share to 1 billion shares with a new par value of ₱1 per share. To date, 281.5 million common shares are issued and fully paid.

As of December 31, 2020, the Company holds interests in the following subsidiaries:

| <u>Name of Subsidiary/Affiliate</u> | <u>Percentage of Ownership</u> |
|---|--------------------------------|
| Jolliville Group Management, Inc. | 100% |
| Ormina Realty & Development Corp. | 100% |
| Servwell BPO International Inc. | 100% |
| Jollideal Marketing Corporation | 100% |
| Ormin Holdings Corporation | 100% |
| Melan Properties Corp. | 100% |
| NGTO Resources Corp. | 100% |
| KGT Ventures, Inc. | 100% |
| OTY Development Corp. | 100% |
| Ibayo Island Resort Corp. | 100% |
| Philippine Hydro Electric Ventures Inc. | 100% |
| Ormin Power, Inc. | 59.95% |
| 2Big Philippines Corp. | 88.50% |
| Calapan Waterworks Corporation | 99.75% |
| Nation Water Corporation | 34.99% |
| Greater Rosario Water Inc. | 99.75% |
| Tubig Bohol Corporation | 49.87% |

Set out below is a brief description of each subsidiary/affiliate.

Jolliville Group Management Inc. ("JGMI") was incorporated on March 9, 1994 and at present, has an authorized capital stock of ₱10 million divided into 100,000 common shares, with a par value of ₱100 per share. To date, 100,000 common shares of JGMI are issued and fully paid.

Ormina Realty & Development Corp. ("ORDC") was incorporated on April 22, 1997 with an authorized capital stock of ₱200 million divided into 200 million common shares, with a par value of ₱1 per share. To date, 118,587,073 common shares of the corporation are subscribed and paid with additional paid-in capital of ₱63,272,184.

Servwell BPO International Inc. ("Servwell" or "SBII") was incorporated on May 19, 2009 as a wholly-owned subsidiary of JOH primarily to design, implement, and operate certain business processes; to assist companies in running their accounting units; to provide receivables and payables processing, billings and collections, treasury, escrow and other related services; to provide provident fund accounting; and to provide human-resource related processes. It has an authorized capital stock of ₱5 million divided into 5 million common shares with a par value of ₱1 a share. To date, all SBI shares have been fully subscribed and paid for.

JMC was incorporated on April 10, 1999 with an authorized capital stock of ₱2 million divided into 20,000 common shares, with a par value of ₱100 per share. To date, 10,000 common shares are issued and fully paid.

Granville Ventures, Inc. ("GVI") was incorporated on March 19, 2001 with an initial authorized capital stock of ₱1.0 million divided into 1 million common shares, with a par value of ₱1 per share. To date, 500 thousand common shares are subscribed and fully paid.

As of last report, GVI was a wholly owned subsidiary of JOH. On September 24, 2020, GVI applied for a ₱9 million increase in capitalization with the SEC. JOH did not subscribe to additional shares of GVI and retained its existing shareholdings of 499,995 shares at ₱1.00 par value. After the approval by the SEC of GVI's application for the increase in authorized capital stock, JOH owns 18.18% of GVI and the latter's financials are no longer included in the Company's consolidated financial statements.

Ormin Holdings Corporation ("OHC") was incorporated on March 1, 1994 with an authorized capital stock of ₱50 million divided into 500,000 common shares, with a par value of ₱100 per share. Currently, 361,630 common shares are subscribed and ₱16,540,750 have been received as payment on subscription.

On December 9, 2019, the BOD of OHC approved to declare a cash dividend out of the dividends received from its subsidiaries namely, KGT Ventures Inc., Melan Properties Corporation, NGTO Resources Corporation, and OTY Development Corporation, amounting to Two Hundred Twelve Million Pesos (₱212,000,000).

The Company, through OHC, indirectly acquired the following corporations: (a) OTY Development Corp; (b) Melan Properties Corp.; (c) NGTO Resources Corp.; (d) KGT Ventures Inc.; and (e) Ibayo Island Resort Corp.

OTY Development Corp. ("ODC") was incorporated on March 7, 2008, and at present, has an authorized capital stock of ₱5 million divided into 50,000 common shares, with a par value of ₱100.00 per share. As of December 31, 2020, 24,995 common shares of ODC are subscribed and paid.

Melan Properties Corp. ("MPC") was incorporated on March 3, 2008, and at present, has an authorized capital stock of ₱5 million divided into 50,000 common shares, with a par value of ₱100.00 per share. As of December 31, 2020, 24,995 common shares of MPC are subscribed and paid.

NGTO Resources Corp. ("NRC") was incorporated on March 5, 2008, and at present, has an authorized capital stock of ₱5 million divided into 50,000 common shares, with a par value of ₱100.00 per share. As of December 31, 2020, 24,995 common shares of NRC are subscribed and paid.

KGT Ventures Inc. ("KVI") was incorporated on March 11, 2008, and at present, has an authorized capital stock of ₱5 million divided into 50,000 common shares, with a par value of ₱100.00 per share. As of December 31, 2020, 24,995 common shares of KVI are subscribed and paid.

On December 5, 2019, the BOD of ODC, MPC, NRC, and KVI unanimously approved to cancel the appropriation of the retained earnings as additional equity investments amounting to Fifty Four Million Pesos (₱54,000,000) for each company and further approved to declare as a cash dividend.

Ibayo Island Resort Corp. ("IIRC") was incorporated on August 14, 2007, and at present, has an authorized capital stock of ₱5 million divided into 50,000 common shares, with a par value of ₱100.00 per share. As of December 31, 2020, 12,500 common shares of IIRC are subscribed and paid.

2Big Philippines Corp. ("2Big Phil") (formerly Tubig Pilipinas Corp.) was acquired by the Company by virtue of a Deed of Absolute Sale executed with Philippine H2O Ventures Corp. ("H2O") (now PH Resorts Group Holdings, Inc.) ("PHR") on June 1, 2018.

2Big Phil was originally incorporated as Tabuk Water Corp. on April 14, 2006 to engage in, carry on, conduct, operate, manage and maintain the general business of development and utilization of water resources which have for their objects the harnessment, production and supply of water for domestic, municipal, agricultural, industrial, commercial or recreational purposes and to this end, to acquire, own, lease, construct, install, equip, operate, manage and maintain plants for the harnessment, production, conveyance and supply of water and other plants and related system elements required thereto.

On March 1, 2018, the SEC approved the change of name from Tabuk Water Corp. to Tubig Pilipinas Corp. The BOD further resolved to amend Article 1 of its Articles of Incorporation by changing its corporate name from Tubig Pilipinas Corp. to 2Big Philippines Corp. and it was approved by the SEC on September 25, 2019.

2Big Phil had an authorized capital stock of ₱500,000,000 divided into 500 million shares with par value of ₱1.00. To date, the total amount of capital stock subscribed is ₱163,450,000 and paid-up capital is ₱442,000,000 inclusive of additional paid-in capital of ₱278,550,000.

Calapan Waterworks Corporation ("CWWC" or "Calapan Water") was incorporated on May 23, 1991 and at present, has an authorized capital stock of ₱200 million divided into 200 million common shares, with a par value of ₱1 per share. As of December 31, 2020, 137,909,053 common shares of Calapan Water are subscribed and paid.

On November 13, 2014, CWWC and Tabuk Water subscribed shares in Nation Water Corporation.

Nation Water Corporation ("NWC") is a pre-operating company that was formally registered with the SEC on November 13, 2014 primarily to engage in, carry on, conduct, operate, manage and maintain the general business of development and utilization of water resources which have for their objects the harnessment, production, and supply of water for domestic, municipal, agricultural, industrial, commercial and recreational purposes to this end, to acquire, own, lease, construct, install, equip, operate, manage and maintain plants for the harnessment, production, conveyance and supply of water and other plants and other related system elements required thereto. It has an authorized capital stock of ₱10million divided into 10 million common shares with a par value of ₱1 per share. Currently, 2.5 million common shares are subscribed and paid.

The BOD of CWWC approved a total subscription of 2,499,995 common shares of Greater Rosario Water Inc. on July 13, 2018 at ₱1.00 per share and 1,249,995 common shares of Tubig Bohol Corporation on October 4, 2018 with a par value of ₱1.00.

Greater Rosario Water Inc. ("GRWI") was incorporated on July 13, 2018, primarily to engage in, carry on, conduct, operate, manage and maintain general business development and utilization of water resources which have for their objects the harnessment, production and supply of water for domestic, municipal, agricultural, industrial, commercial or recreational purposes to this end, to acquire, own, lease, construct, install, equip, operate, manage and maintain plants for the harnessment, production, conveyance and supply of water and other plants and other related system elements required thereto. GRWI has an authorized capital stock of ₱10 million divided into 10 million common shares at ₱1.00 par value. To date, the total amount subscribed is ₱2,500,000 and ₱625,000 of which is paid.

Tubig Bohol Corporation ("TBC") was incorporated on October 4, 2018, primarily to engage in, carry on, conduct, operate, manage and maintain the general business development and utilization of water resources which have for their objects the harnessment, production and supply of water for domestic, municipal, agricultural, industrial, commercial or recreational purposes to this end, to acquire, own, lease, construct, install, equip, operate, manage and maintain plants for the harnessment, production, conveyance and supply of water and other plants and other related system elements required thereto. TBC has an authorized capital stock of ₱10 million divided into 10 million common shares with par value of ₱1.00 a share. To date, the total amount subscribed is ₱2,500,000 with paid-up capital of ₱625,000.

On March 24, 2014, the BOD of JOH approved to purchase 100% of the total outstanding shares of pre-operating company Philippine Hydro Electric Ventures Inc. ("PHEVI") equivalent to 79,999,300 common shares at ₱1.00 a share. Subsequently, JOH sold all of its shareholdings in subsidiary Ormin Power Inc. to PHEVI. These transactions did not affect the consolidated financial results of the Company.

Philippine Hydro Electric Ventures Inc. ("PHEVI"), formerly, Bia Ventures Inc., was incorporated on July 17, 2009, primarily to lease and purchase land, marine, aquatic and environmental resources of the Philippines to the extent permitted by law and to develop and conserve places with tourism value. The SEC has approved PHEVI's amended Articles of Incorporation on November 23, 2014, amending its primary purpose as to engage in, own develop, construct, rehabilitate, operate and maintain water and electric power plant systems and facilities, renewable and indigenous power generation plants and other types of power generation and/or converting stations; and to make the necessary undertaking for the distribution of such facilities to consumers; to act as holding company or joint venture partner or investor in the business of developing, operating, and/or owning power generation plants. On October 26, 2018, the SEC approved PHEVI's application for an increase in authorized capital stock to ₱1 billion divided into 1 billion common shares with par value of ₱1.00 per share from ₱300 million divided into 300 million shares with a par value of ₱1.00 a share. As of December 31, 2020, the subscribed and paid-up capital of PHEVI is ₱255 million.

Ormin Power Inc. ("OPI") was incorporated on April 27, 2009 to provide power generation and electricity supply services to distribution utilities, including but not limited to, electric cooperatives; to install, build, own, lease, maintain or operate power generation facilities, using fossil fuel, natural gas, or renewable energy; and to engage in any and all acts which may be necessary, or convenient, in the furtherance of such power generation services.

The BOD in its meeting held on June 20, 2018, approved to increase OPI's authorized capital stock from ₱766,000,000 divided into 466,000,000 common shares of the par value of ₱1.00 each and 300,000 preferred shares of the par value of ₱1,000 per share to ₱1,066,000,000 consisting of 466,000,000 common shares at ₱1.00 par value per share and 600,000 preferred shares at ₱1,000 par value per share. Out of the net increase in authorized capital stock of ₱300,000,000, ₱75,000,000 worth of shares has been actually subscribed with the par value of ₱1,000 per share and ₱72,000,000 has been paid in cash.

On December 29, 2020, the BOD approved and authorized the appropriation of Retained Earnings as of December 31, 2020 amounting to ₱102,200,000. The appropriation will be used for future dividends declaration of OPI.

As of December 31, 2020, OPI had a subscribed and paid-up capital of ₱1.047 billion and ₱1.019 billion, respectively.

There were no companies that declared dividends in the year 2020.

Neither the Company nor its subsidiaries are the subject of any bankruptcy, receivership or similar proceedings.

(2) Business of Issuer

The Group (refers to Jollville Holdings Corporation and its subsidiaries) has principal business interests in leasing, management services, property development, land banking, local waterworks system, business process outsourcing, and power generation.

The Group owns and holds title to a number of properties in Metro Manila, Calapan City, and Puerto Galera in Oriental Mindoro. These property investments, which include parcels of urban land, provincial and beachfront properties, as well as condominium units, are held for future operations and/or development. JOH and ORDC leases and rents out certain assets including land, buildings & improvements, furnishings and fixtures, equipment, and machineries to a number of independent

business entities involved in the operation and management of KTV entertainment/recreation centers in the Metro Manila area.

A group subsidiary, JGMI provides general management services and assistance to companies within and affiliated to the Group, notably ORDC and Calapan Water. Another consolidated subsidiary, SBI, on the other hand, provides business process outsourcing services to third parties engaged in the KTV entertainment and leisure/recreation business. All relevant contracts are reviewed annually.

Calapan Water owns and operates exclusively the waterworks system of Calapan City, Oriental Mindoro by virtue of its legislative franchise under Republic Act No. 9185 which will expire on February 9, 2028 and a Certificate of Public Convenience (CPC) issued by the National Water Resources Board ("NWRB") which expires on January 17, 2023. Calapan Water is one of the few privately owned water systems in the country today. It has no competitor nor known oppositor to its franchise within its franchise area.

Groundwater is the source of water supply in Calapan City. CWWC draws water from the ground and distributes the water through its transmission and distribution lines leading to the household. A total of nine (9) wells are operational and are equipped with production meters. These operational wells are as follows:

| <u>Well No.</u> | <u>Approved Location/ Barangay</u> | <u>Discharge Rate (liters per second)</u> |
|-----------------|--|---|
| 4 | Tawiran | 18.93 |
| 9 | Bayanan 1 | 32.00 |
| 10 | Bayanan 1 | 32.00 |
| 12 | Bayanan 1 | 32.00 |
| B1a | Bayanan 1 | 20.70 |
| B1b | Bayanan 1 | 40.00 |
| B2a | Bayanan II | 32.00 |
| BGa | Biga | 27.00 |
| BGb | Biga | 32.00 |
| Sta. Isabel | Sta. Isabel | 32.00 |

Currently, CWWC also operates eight (8) water reservoir/tank with a total combined capacity of 2,247 cubic meters to ensure water availability during peak hour.

As of December 31, 2020, the water supply system serves ten (10) urban barangays and twenty-nine (29) adjoining rural barangays. The total number of water service connections is now at 18,142 from the previous year's 17,125. It currently serves 17,061 residential and 1,081 commercial clients. It is not dependent on one or few major customers nor does it depend on a limited number of suppliers.

CWWC's average Non-Revenue Water (NRW) went up to 19.95% for 2020 as against 13.28% of the previous year. For the month of December 2020, non-revenue water is 23.76% from 17.92% of December 2019. The increase in NRW is due to flushing of lines, leaks on distribution pipes, and cleaning of tanks.

Regular bacteriological and chemical/physical test results released by the Batangas Water District Laboratory indicate that all of CWWC's water sources conform to the Philippine National Standards for Drinking Water (PNSDW).

The chart below shows the residential and commercial rates being implemented in Calapan City. It was approved by the NWRB in reference to NWRB Case No. 09-1304 and Resolution No. 010-0510. The approved CPC is valid for five (5) years with authority to charge the following rates:

| Residential | |
|---------------------|---------------------|
| Consumption Bracket | Water Rates |
| 0-10 cu.m. | ₱321.00 min. charge |
| 11-20 cu.m. | 47.90 per cu.m. |
| 21-30 cu.m. | 59.00 per cu.m. |
| 31-40 cu.m. | 62.60 per cu.m. |
| 41-50 cu.m. | 66.80 per cu.m. |
| Over 50 cu.m. | 72.30 per cu.m. |

| Commercial | |
|---------------------|---------------------|
| Consumption Bracket | Water Rates |
| 0-10 cu.m. | ₱642.00 min. charge |
| 11-25 cu.m. | 64.20 per cu.m. |
| 26-1000 cu.m. | 118.00 per cu.m. |
| Over 1000 cu.m. | 133.60 per cu.m. |

Calapan Water formally took over the operation of the water system of the Tabuk City, the capital of Kalinga province, in October 2006. Under the contract with the Local Government of Tabuk, Calapan Water will operate and maintain the water system in Tabuk City for a period of 15 years. This lease agreement was extended for another 10 years (from year 2021) or up to September 30, 2031 through a resolution passed by the legislative council of Tabuk City on February 2, 2010. The water system remains the property of the local government.

The subscriber base stood at 4,795 as of December 31, 2020, 4,332 as of December 31, 2019, and 3,949 as of December 31, 2018. The system is capable of accommodating up to around 9,000 subscribers. CWWC in Tabuk draws water from the ground and distributes the water through the LGU owned water system leading each household.

Groundwater is the source of water supply in Tabuk City. Four (4) wells with a total capacity of 110 lps are operational. Aside from the existing four (4) wells, an elevated water steel storage and a ground level concrete reservoir with a total capacity of 350 cu.m. and 640 cu.m., respectively, have been built to ensure consistent water supply.

Enumerated below are the well stations that CWWC is currently operating in Tabuk City, Kalinga:

| Well | Location (Brgy.) | NWRB Approved Discharge (lps) | Remarks |
|--------|-------------------------------|-------------------------------|-------------------------------------|
| Well 1 | Brgy. Dagupan Centro | 30 | Operational – 20HP Submersible Pump |
| Well 2 | Brgy. Appas | 30 | Operational – 20HP Submersible Pump |
| Well 3 | Purok 4, Brgy. Bulanao Centro | 25 | Operational – 40HP Submersible Pump |
| Well 4 | Purok 6, Brgy. Bulanao Centro | 25 | Operational – 40HP Submersible Pump |

The current rates for Tabuk City are as follows:

| Consumption Bracket | Water Rates |
|----------------------------|--------------------|
| <i>Residential</i> | |
| 0 to 10 cu.m. | Php 210.00 minimum |
| 11 to 20 cu.m. | 23.15 per cu.m. |
| 21 to 30 cu.m. | 25.30 per cu.m. |
| Over 31cu.m. | 27.45 per cu.m. |
| <i>Commercial A</i> | |
| 0 to 10 cu.m. | Php 315.00 minimum |
| 11 to 20 cu.m. | 34.70 per cu.m. |
| 21 to 30 cu.m. | 37.95 per cu.m. |
| Over 31 cu.m. | 41.15 per cu.m. |
| <i>Commercial B</i> | |
| 0 to 10 cu.m. | Php 367.00 minimum |
| 11 to 20 cu.m. | 40.50 per cu.m. |
| 21 to 30 cu.m. | 44.25 per cu.m. |
| Over 31 cu.m. | 48.00 per cu.m. |

The standard rates are adjusted taking into consideration the movements in the consumer price index of the Cordillera Autonomous Region with respect to power, labor and other related costs.

Calapan Water has no direct competition for the waterworks business in its service area.

Calapan Water is very much dependent on its being able to have continuing business with its existing customers. Its water subscribers are dependent on Calapan Water for their daily water needs. As such, Calapan Water does not foresee losing clients as long as Calapan Water continues to deliver quality potable water service.

CWWC incurred minimal expenses for research and development activities as well as for compliance to environmental laws. These costs are a small percentage of revenues for the calendar years 2020, 2019, and 2018.

OPI began its commercial operations last November 11, 2011. It operates a 9.6 MW diesel fired power plant in Calapan City to supply the Oriental Mindoro Electric Cooperative.

OPI's Hydro Power Plant project has been completed after over four (4) years of construction and was commissioned last January 14, 2019. The 10 MW mini-hydro power facility in the Municipality of San Teodoro in Oriental Mindoro has been the most capital intensive project that has been launched by OPI and was considered the first renewable energy project in the island of Mindoro. It was built to develop the country's hydro-power resources essential to meet energy demand over the next 10 years. The management is confident that this project will open many doors for OPI as a respected renewable energy company and create value for OPI. On March 23, 2019, OPI has inaugurated the 10 MW mini-hydro power plant in the Municipality of San Teodoro, Oriental Mindoro.

OPI considers the Oriental Mindoro Electric Cooperative (ORMECO) as a significant customer being the primary off-taker of the power produced by OPI.

The Group does not spend material amounts for business development activities as most plans are developed internally.

Except for the waterworks business where it has no direct competition, the Company carries out most of its business activities in a competitive environment and competes in terms of market reach, diversity, customer relations, and pricing, among others. Heightened competition could negatively affect the Company's operational results.

In the leasing business, it competes with a number of financial institutions and real estate companies, both domestic and international. While its competitors offer their leasing lines to the general public, none of them have concentrated and specialized on servicing the particular market niche of the Company, the KTV operators. The long-established relationship of the Company with its KTV clients in the renting out of facilities, furnishings and equipment puts it at some advantage vis-à-vis its competitors. This competitive advantage is further strengthened by the management services and consultancy contracts of the Company with its KTV clients.

Since March of last year, operations of the company's KTV clients were temporarily suspended amid the coronavirus pandemic, negatively affecting the leasing activity of the Group as majority of its clients have negotiated to suspend their contracts.

The Company's primary competitors in the management services and business process outsourcing industries are Accenture, the management services and the business process outsourcing units of the other major independent accountancy firms, and international BPO companies. However, the Company considers as its competitive advantage, its long-time relationship with its clients as well as the fact that it has multi-faceted business relationship with them (it also rents out to the same clients furnishing, fixtures, furniture and equipment for their KTV operations). The management services and business process outsourcing lines are highly dependent on the continuing renewals of its contracts with its clients. The Company is confident though that, for as long as the KTV operations of its clients are viable and profitable, it will continue to service the specialized business process outsourcing needs of these clients.

Land banking and property development is a highly competitive industry. The major industry and sector leaders of this industry include the SM Group and Robinsons Land that are more focused on retail mall development, Ayala Land that is involved in residential, commercial, high rise, and industrial development, Sta. Lucia Realty which is into residential, commercial and leisure/resort development, Filinvest Land which is into central business district development, Megaworld and Empire East Land which are into both horizontal (subdivision & townhouses) and vertical (condominium) residential and commercial development.

For now, the Group does not plan nor propose going into other types of businesses or offer any new service.

The Company is very much dependent on its being able to have continuing business with its existing clients and customers. The Company has had a long-time relationship with these clients and does not foresee losing any of them.

The Company's subsidiaries involved in the service industries need no special government approvals. However, its waterworks business through Calapan Water and its power generation business through OPI require several special government approvals such as Environment Compliance Certificate from the Department of Environment and Natural Resources (DENR), water permits from the National Water Resources Board, Certificate of Compliance from Energy Regulation Commission (ERC) and Permit to Operate from the DENR. Tariff rates are subject to regulation by the NWRB, while power rates are approved by the ERC. The complexities of tariff regulation require consideration of many factors including the proponent's return of investment.

Item 2. Properties

The Company's real properties, owned directly and indirectly, through its consolidated subsidiaries, are summarized in the following table. These properties are covered with the titles (TCTs and CCTs) in the name of the Company itself or its subsidiaries.

| Type/Location | Area (sq.m.) | Nature of Property |
|---|-----------------|---------------------------|
| LAND IN METRO MANILA: | | |
| Quezon Ave. Q.C. | 757.65 | Commercial (on lease out) |
| Quezon Ave. Q.C. | 757.65 | " |
| Martinez St., Diliman, Q.C. | 473.30 | Residential |
| J. Bocobo St., Malate, Manila | 281.60 | Commercial |
| Lot 7, Blk. WT-7, West Ave., Q.C. | 1,250.00 | Commercial (on lease out) |
| McArthur Highway, Caloocan City | 1,400.00 | " |
| BUILDING: | | |
| Heartbeat Bldg, Quezon Ave. | 3,200.00 | Commercial structure |
| Loveboat Bldg., McArthur Highway, Caloocan City | 1,831.26 | Commercial structure |
| Prince Plaza, West Ave. | 2,406.00 | " |
| CONDOMINIUM UNITS: | | |
| Goldland Tower, Greenhills | | |
| 3-BR, Unit A-16/F | 160.45 | Residential Condo |
| Parking Slot, B3-2 | 12.50 | Owner's parking slot |
| Chateau de Baie, Roxas, Pñque | | |
| 2-BR, Unit 1702 | 157.02 | Residential Condo |
| Parking Slot No.10 | 12.50 | Owner's parking slot |
| 3-BR, Unit 705 | 185.87 | Residential Condo |
| Parking Slot No. 13 | 12.50 | Owner's parking slot |
| Maple Tower, Binondo, Mla | | |
| 3-BR, Unit 801 | 96.00 | Residential Condo |
| Parking Slot No. 12 | 12.50 | Owner's parking slot |
| Nobel Plaza, Valero St., Makati | | |
| 2-BR, Unit 1202 | 110.00 | Residential Condo |
| Lansbergh Place, T. Morato, Q.C. | | |
| 4 th Floor Commercial Space | 922.04 | Commercial (office use) |
| 15 Parking Slots | 187.50 | Parking slots |
| EGI Rufino Plaza, Pasay City | | |
| 11 th Floor Commercial Space | 1,653.49 | Commercial |

| Type/Location | Area (sq.m.) | Nature of Property |
|--|-----------------|------------------------------|
| PROVINCIAL LAND: | | |
| Brgy Calero, Calapan City | 574.00 | Institutional/Commercial |
| “ “ | 812.00 | ” |
| Pulong Gitna, Calapan City | 60,496.00 | Nature reserve island/agric. |
| Pulong Malaki, Calapan City | 6,666.00 | ” |
| “ “ | 6,874.00 | “ |
| “ “ | 6,874.00 | “ |
| “ “ | 33,865.00 | ” |
| “ “ | 7,481.00 | “ |
| “ “ | 39,273.00 | “ |
| Puerto Galera, Oriental Mindoro | 16,393.00 | Agri./Commercial |
| “ “ | 7,122.00 | “ |
| “ “ | 66,096.00 | “ |
| “ “ | 6,185.00 | Commercial |
| “ “ | 47,911.00 | Agri./Commercial |
| Brgy Tawiran, Calapan City | 301.00 | Well site |
| “ “ | 500.00 | “ |
| Brgy Sta Maria, “ | 377.00 | “ |
| Brgy Pachoca, “ | 210.00 | “ |
| Brgy Lalud, “ | 200.00 | Well site/residential |
| Brgy Pachoca “ | 182.00 | Well site |
| Brgy Ilaya “ | 205.00 | “ |
| “ “ | 286.00 | “ |
| Brgy Sta. Isabel “ | 2,090.00 | Commercial |
| “ “ | 1,237.00 | “ |
| “ “ | 200.00 | Residential |
| “ “ | 200.00 | “ |
| “ “ | 353.00 | “ |
| “ “ | 1,148.00 | “ |
| Pola, Oriental Mindoro | 40,000.00 | “ |
| “ “ | 60,000.00 | “ |
| Macalva Sur, Agoo La Union | 3,229.00 | Agricultural |
| Barangay Garcia, Tubao La Union | 3,214.00 | Residential |
| Union | 143.50 | “ |
| Poblacion, Municipality of Roxas, Oriental Mindoro | 216.00 | Commercial |
| Barrio Bulusan (Bondoc) Calapan City, Oriental Mindoro | 5,802.00 | Agricultural |
| “ “ | 5,803.00 | “ |
| “ “ | 8,079.00 | “ |
| Biga, Calapan City, Oriental Mindoro | 30,001.00 | Agricultural |
| Poblacion/Barrio Silonay, Calapan City, Oriental Mindoro | 200.00 | Well site |

Item 3. Legal Proceedings

The following are pending cases where JOH and its subsidiaries are involved in:

a. Legal cases involving JOH

Jollville Holdings Corporation ("JOH" or the "Company") vs. Philippine British Assurance Co., Inc. ("PBAC")

Civil Case No. 044051, Regional Trial Court, National Capital Judicial Region, Branch 143, Makati City

To recall, on September 10, 2004, the Company filed a Complaint [*With Application for the Issuance of A Writ of Preliminary Attachment*] dated September 8, 2004 (the "*Complaint*") with the Regional Trial Court ("RTC" or the "trial court") of Makati City. The *Complaint* sought the recovery of the Company's outstanding insurance claims against defendant PBAC amounting to at least ₱34,860,741.41, exclusive of interest. In addition, the Company prayed for the payment of ₱2,000,000 by way of exemplary damages and ₱1,000,000 as attorney's fees and litigation expenses.

On December 13, 2016, the Company received a copy of the Decision dated December 7, 2016, where the trial court rendered judgment in favor of JOH and against defendant PBAC. In the said Decision, PBAC was ordered to pay the Company the following:

1. ₱20,000,000 under the Policy HOFO1FD-FL-S001737 for the damage to the machineries, equipment and other facilities usual to the Company's business including building improvements and betterments thereon, plus interest of 12% per annum from November 21, 2001 until fully paid;
2. ₱10,000,000 under Policy HOFO1FD-FI-S001738 for office furniture, fixtures, fittings and other equipment usual to the Company's business including building improvements and betterments thereon, plus 12% per annum from November 21, 2001 until fully paid; and
3. Costs of suit.

On January 4, 2017, JOH received a copy of the Motion for Reconsideration dated December 23, 2016 filed by defendant PBAC praying for the reconsideration of the Decision dated December 7, 2016. On March 13, 2017, the Company filed its Comment/Opposition and received a copy of PBAC's reply on April 20, 2017. The court issued a Resolution on May 12, 2017 denying PBAC's Motion for Reconsideration and affirmed its Decision dated December 7, 2016.

On May 26, 2017, JOH received a copy of PBAC's Notice of Appeal dated May 23, 2017 on the ground that the Resolution dated May 12, 2017 and Decision dated December 7, 2016 are supposedly not in accord with the facts established by evidence on record and are contrary to law. The Court gave due course to the Notice and directed the transmittal of the record of the case to the Court of Appeals for proper disposition through a Court Order dated May 26, 2017.

CAG.R. CV No. 109088, Court of Appeals, Manila, Eighth (8th) Division

On September 4, 2017, JOH received a letter dated August 22, 2017 from the Court of Appeals, which noted a deficiency in the original records of the case transmitted by the trial court to the Court of Appeals, specifically, the unsigned Transcript of Stenographic Notes ("TSN") dated November 26, 2006 and directing the Clerk of the Court of the trial court to cure said defect within ten (10) days from notice.

On June 14, 2018, JOH received a copy of the Resolution dated May 29, 2018, directing the parties to submit their signed copies of the TSN dated November 26, 2006, if any, or manifest to the Court of Appeals if they admit the authenticity and correctness of the unsigned TSN within ten (10) days from notice. On June 25, 2018, the Company filed its Compliance of even date, stating that it does not have a copy of the TSN dated November 26, 2006.

On July 5, 2018, a copy of the Compliance and Manifestation dated June 28, 2018 filed by defendant-appellant PBAC, stating that there was a typographical error in the Resolution dated May 29, 2018 and the correct date of the TSN is November 16, 2006, was received by the Company. On July 26, 2018, the latter filed its Supplemental Manifestation of even date, submitting a copy of the TSN dated November 26, 2006.

A copy of the Resolution dated November 16, 2018, noting the Company's Compliance dated June 25, 2018 and Supplemental Manifestation dated July 26, 2018, and defendant-appellant PBAC's Compliance and Manifestation dated June 28, 2018 was received by the Company on November 27, 2018.

On December 6, 2018, JOH received a copy of the Notice to File Brief dated November 23, 2018, directing defendant-appellant PBAC to file with the Court of Appeals its Appellant's Brief within forty-five (45) days from receipt thereof. Thereafter, JOH shall have the same period from receipt of the Appellant's Brief to file its Appellee's Brief. Lastly, it granted PBAC twenty (20) days from receipt of the Company's Appellee's Brief to file its Reply Brief.

On January 21, 2019, defendant-appellant PBAC filed a Motion for Extension of Time dated January 21, 2019, praying for an additional period of thirty (30) days from January 20, 2019, or until February 19, 2019, within which to file its Appellant's Brief.

On March 4, 2019, the Company received a copy of PBAC's Motion for Additional Time dated February 19, 2019, requesting for an additional period of twenty (20) days from February 19, 2019, or until March 11, 2019, within which to file its Appellant's Brief. On the same day, JOH received a copy of the Resolution dated February 13, 2019 granting PBAC's Motion for Extension of Time dated January 21, 2019. The Company received a copy of the Appellant's Brief dated March 11, 2019 ("Appellant's Brief") filed by PBAC. The Parent Company received a copy of the Resolution dated March 22, 2019 granting PBAC's Motion for Additional Time.

The Company received a copy of PBAC's Compliance dated April 24, 2019, wherein it submitted a Postmaster's Certification stating that a copy of the Appellant's Brief was received by the counsel on March 18, 2019.

On May 2, 17, and 31, 2019, JOH filed Motions for Extension of Time to File Appellee's Brief of even dates, praying for an additional period of at least forty-five (45) days therefrom, or until June 16, 2019, within which to file its Appellee's Brief. These Motions were granted by the Court by way of a Resolution dated May 22, 2019, granting the Company's Motions for Extension of Time to File Appellee's Brief and noting PBAC's Compliance.

On June 14, 2019, the Company filed a Final Motion for Extension of Time to File Appellee's Brief of even date, praying for an additional period of at least ten (10) days from June 16, 2019, or until June 26, 2019, within which to file its Appellees' Brief.

On June 26, 2019, JOH filed its Appellee's Brief of even date ("Appellee's Brief"), claiming, among others, that: (1) the Appellant's Brief fatally failed to comply with the formal and mandatory requirements of Section 13, paragraphs (a), (c), (d), and (f) of Rule 44, in relation to Section 1, Rule 50 of the Rules of Court; (2) the trial court correctly found that a valid insurance claim exists between JOH and PBAC when the former paid the insurance premium to GCIA, defendant-appellant PBAC's agent; (3) all defenses raised by defendant-appellant PBAC, apart from its claim that JOH supposedly did not pay the insurance premiums on time, all of which were not timely communicated to the Company, are waived and cannot be used as grounds to deny JOH's claims; (4) JOH did not commit fraud in procuring the insurance policies since there was no overinsurance nor a *prima facie* case of arson.

The Company filed its Manifestation on June 27, 2019 stating that it served and filed copies of its Appellee's Brief to PBAC and the Court of Appeals by registered mail. On July 2 and 11, 2019, the Company received copies of the Resolutions dated June 17 and 26, 2019, granting its

Motions for Extension of Time to file Appellee's Brief dated May 31, 2019 and June 14, 2019. On July 9, 2019, the Court released a Resolution noting the Company's Manifestation and Appellee's Brief and it also directed the counsel to submit proof showing the exact date defendant-appellant PBAC's counsel received copies of the Appellee's Brief for purposes of determining when the Reply Brief was due.

On August 1, 2019, JOH filed a Compliance of even date, stating that PBAC received a copy of the Appellee's Brief on July 3, 2019 as evidenced by the Certification dated July 29, 2019 issued by the Philippine Postal Corporation, Makati Central Post Office.

On August 5, 2019, the Company received copies of PBAC's Motion for Leave to Amend and to Admit Amended Appellant's Brief ("Motion for Leave") and Amended Appellant's Brief both dated July 22, 2019. Likewise, the Company received a copy of PBAC's Reply Brief dated July 22, 2019.

In its Amended Appellant's Brief, PBAC argued that the trial court allegedly erred in (1) finding that there exists an implied agency between PBAC and GCIA; (2) finding that the tender of the check to GCIA is valid payment even if it was encashed by PBAC after the occurrence of the loss; (3) not ruling that the insurance policies were rescinded when PBAC supposedly refunded all premium payments to the Company; (4) overlooking fraudulent concealments and fraudulent means to obtain benefits under two (2) policies; and (5) ignoring the clear fact that TGACI found that the items are overinsured resulting into a *prima facie* case of arson against the Company.

In its Reply Brief, defendant-appellant PBAC reiterated its earlier arguments in its Appellant's Brief and claimed that: (1) it failed to comply with the formal and mandatory requirements under Section 13, Rule 44 of the Rules of Court supposedly due to inadvertence and allegedly substantially complied with the same; (2) it never waived its defenses to the Complaint and in fact, presented evidence to establish such defenses; and (3) arson and a *prima facie* case of arson are two (2) different grounds, either of which can void the insurance claim of the Company.

The Company filed its Opposition [Re: Motion for Leave to Amend and to Admit Amended Appellant's Brief dated July 22, 2019] on August 22, 2019 maintaining that (a) the Motion for Leave is an afterthought on the part of PBAC and (b) PBAC had ample time to cure the defects of the Appellant's Brief.

On February 5, 2020, JOH received a copy of the Resolution dated January 22, 2020 issued by the Court of Appeals: (a) noting the Company's Compliance dated August 1, 2019; (b) granting PBAC's Motion for Leave to Amend and to Admit Amended Appellant's Brief; (c) admitting PBAC's Amended Appellant's Brief; (d) noting PBAC's Reply Brief; and (e) noting the Company's Opposition [Re: Motion for Leave to Amend and to Admit Amended Appellant's Brief dated July 22, 2019] dated August 22, 2019.

In 2020, the Company received the decision issued by the Court of Appeals, which favorably dismissed the appeal of defendant-appellant PBAC and affirmed the trial court's Decision dated December 7, 2016 but reduced the interest rate from twelve percent (12%) to six percent (6%) per annum reckoned from 21 November 2001. The defendant-appellant PBAC filed a Motion for Reconsideration of the decision on November 30, 2020. The Parent Company filed its comment/opposition on the Motion for Reconsideration filed by the appellant on December 15, 2020.

"Jollville Holdings Corporation vs. Jerry Lee"
Civil Case No. 188289-CV, MTC Branch 7, Manila

This is a complaint for unlawful detainer filed by plaintiff against defendant Jerry Lee. After trial, the RTC, Br. 7 rendered a Decision dated December 11, 2014, ordering 1) defendant Jerry Lee to vacate the premises; 2) pay plaintiff unpaid rent of ₱636,650 plus 6% legal interest from March 11, 2014 until finality of the Decision; 3) pay ₱20,000 as attorney's fees; 4) pay plaintiff the amount of ₱50,000 as exemplary damages; and 5) pay plaintiff cost of suit.

The Decision became final since defendant Jerry Lee did not file an appeal after fifteen (15) days. Defendant Jerry Lee was ejected from the leased property. Unfortunately, the monetary award has yet to be enforced since the sheriff cannot locate any property of defendant Jerry Lee that could be garnished or levied.

“People of the Philippines vs. Jerry Lee”
Criminal Case No. 15-01750-54-CR MTC, Branch 9, Manila
For: Five (5) counts of B.P. 22

This is a criminal case filed by Jollville Holdings Corporation against Mr. Jerry Lee for five (5) counts of violation of B.P. 22 in the total amount of ₱455,750. The information set forth herein is as of December 31, 2020 and the trial for this case is still on going.

b. Legal Cases where CWWC is involved in:

Water use conflict filed with NWRB in February 2013 by the local executives of several barangays of Calapan City, Oriental Mindoro, opposing CWWC’s water permit application. NWRB dismissed the case in favor of the CWWC in November 2013 due to lack of merit. Series of motions were filed by the City Government of Calapan to reconsider the case which were eventually denied by NWRB. In May 2014, CWWC filed a Motion to Dismiss with Motion for Execution. As of report date, CWWC is still waiting for resolution to the motions filed.

Water use conflict filed with the NWRB in February 2015 by CWWC opposing the water permit application of DMCI Power Corporation (DMCI). CWWC and DMCI, during their preliminary conference, discussed the possibility of an amicable settlement of the case which was terminated subsequently since both parties were not able to reach a compromise. After series of filings of memorandum and presentation of several documents, an ocular inspection was conducted by the NWRB on February 3, 2016. CWWC filed its Position Paper and Formal Offer of Evidence in March 2016. As of report date, CWWC is waiting for the decision of the NWRB.

Water use conflict filed with the NWRB in February 2015 by CWWC opposing the water permit application of CLC Ice Plant, Inc. (CLC) and BSK Trucking/Edgardo Cacha (BSK) within the area of coverage of the CWWC’s water permit franchise. NWRB dismissed the case in favor of CLC and BSK since the opposition was filed out of time. Motions were filed by CWWC to reconsider the case wherein NWRB eventually ordered CLC and BSK to respond. Preliminary conferences were called by NWRB on November 2015 and on January 2016 for the parties to arrive to a settlement agreement. No settlement was reached by the parties, thus, an ocular inspection was conducted by NWRB with the representatives of CLC, BSK and CWWC on February 2016. Position papers were filed by CWWC with NWRB on April 2016. CWWC filed a Manifestation requesting that a hearing to be set in order for the presentation of witnesses in support of the Position Paper. In May 2016, CWWC received the Jointly Reply Position of the Applicants. CWWC filed its Rejoinder to the Applicant’s joint Reply Position Paper. As of report date, CWWC is waiting for the decision of the NWRB.

Civil Case No. CV-11-6397, entitled “Calapan Waterworks Corporation represented by Engr. Menardo Rivera, petitioner, versus SPS. Edilberto C. Ilano and Rhoda C. Ilano, doing business under the name, Villa Agatha Subdivision, respondents”, filed with the Regional Trial Court Oriental Mindoro, Branch 39. Said case involves an action for recovery of possession and ownership of the encroached area with damages against spouses, covering land area of 8,409 square meters. On June 8, 2012 the Regional Trial Court rendered a decision in favor of Calapan Water. The parties are still considering the possibility of swapping or exchanging the parcel of land owned by the Ilanos which was encroached by the water pipes of the Calapan Water located in Sta. Isabel, Calapan City with the land subject of Civil Case No. CV-11- 6397 adverted to above.

On December 10, 2020, the parties conducted a virtual meeting for a possible compromise agreement related to the swapping of the subject property. Both parties agreed that all the expenses to be incurred in the swapping shall be shouldered by the Llanos. However, an

untimely death of the Mother of Mrs. Llano happened and the next meeting has been reset to May 4, 2021.

- c. Below is the pending legal case of JGMI:

Jolliville Group Management, Inc. and Show Syndicate Corporation, Plaintiff-Appellee versus FELICITO GARCIA, doing business under the name and style FOXCHIT SOFTWARE SOLUTIONS, Defendant-Appellant CA G.R.CV NO.97772

The amount involved is more or less ₱0.5 million; in the second case, the amount involved is more or less ₱1.0 million. In both cases, JGMI had won the case both in the RTC and CA. It is now pending with the Supreme Court. The expectation is high of winning the said case with the Supreme Court because of the doctrine of res judicata.

On June 23, 2020, JGMI received an update from the Supreme Court stating that the case has not yet been included in the agenda due to a rotational/skeletal work force being observed due to the current situation that we are in because of pandemic.

- d. Legal case involving OPI

On June 21, 2016, the ERC issued its Decision approving the PSA between ORMECO and OPI for the Modular Bunker Fuel-Fired Power Plant in Calapan City subject to the condition that the approved rates shall be ₱2.0931/kWh (pre-maximization) and ₱1.9686/kWh (post-maximization) as opposed to the PSA generation rate of ₱2.95/kWh.

On October 17, 2016, OPI filed an Omnibus Motion for Partial Reconsideration and for the issuance of a Status Quo Order to the ERC (Omnibus Motion). In its Omnibus Motion, OPI requested that the ERC should reconsider to (1) include the pre-operating expenses, contingency, permits/licenses and other development costs in ERC's computation of the total project cost as a component of the capacity fee and (2) use the historical average of the actual delivered energy instead of the contracted energy of 3,800,000 kWh/month and 4,939,200 kWh/month in fixing the billing determinants. In the Omnibus Motion, OPI prayed for the issuance of a Status Quo Order enjoining the ORMECO and National Power Corporation to observe the status prevailing prior to the issuance of the Decision dated June 21, 2016.

In response, the ERC issued a Status Quo Ante Order on June 6, 2017 deferring the implementation of the approved generation rates for a period of no more than six (6) months or until the issues raised in OPI's Motions have been resolved. The ERC has extended the Status Quo Order until September 5, 2019 to review further the case in view of the discrepancies of the rate components prescribed under the PSA and the presented in the Omnibus Motion.

In response, the ERC issued a Status Quo Ante Order on June 6, 2017 deferring the implementation of the approved generation rates for a period of no more than six (6) months or until the issues raised in OPI's Motions have been resolved. The ERC has extended the Status Quo Order dated June 6, 2017 until the date upon which OPI received the Order of the ERC resolving the OPI's Omnibus Motion.

On June 8, 2020, OPI received ERC's Order dated September 3, 2019 partially granting OPI's Motion for Reconsideration and Supplementary Motion for Consideration and pronounced the basic tariff rate, net of fuel, of ₱2.2959 (pre-maximization) using the contracted energy of 3,800,000 kWh/month and ₱2.1522 (post-maximization) using the contracted energy of 4,939,200 kWh/month.

In the said Order, ERC also directed OPI and ORMECO to file recovery and refund schemes based on the final rates approved. OPI filed its Manifestation with the ERC recognizing the above-mentioned rates on June 23, 2020 and also filed its Notice of Compliance on July 8, 2020, detailing the recovery and refund scheme.

As of March 25, 2021, the ERC has not commented on, clarified nor approved the proposed refund and recovery scheme.

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

The Company held a Special Stockholders' Meeting (SSM) last February 13, 2019 for the purpose of approving the 66.03% property dividend declaration made by the Corporation's Board of Directors on January 4, 2019. Stockholders of record as of January 18, 2019 were entitled to vote at the SSM. The property dividends to be distributed are shares of stock of 2 subsidiaries of the Company, Philippine Hydro Electric Ventures Inc. ("Phil Hydro") and 2Big Philippines Corp. ("2Big Phil") (formerly Tubig Pilipinas Corp. ("TPC")). The property dividend amounts to ₱185,862,750, comprising of 76,500,000 shares of Phil Hydro carried at ₱1.00 per share and 42,225,000 shares of TPC carried at ₱2.59 per share. Carrying values are computed based on interim financial statements of both subsidiaries as of September 30, 2018. Entitled shareholders shall receive 27 shares of Phil Hydro and 15 shares of TPC for every 100 shares of JOH.

As a result of the declaration of the property dividends, JOH ownership in Phil Hydro will be reduced from 100% to 70% and JOH ownership in 2Big Phil will be reduced from 88.5% to 62.7%. Corporate shareholders are tax exempt (domestic and resident foreign corporation only) and shall receive the property dividends in full while individual shareholders shall receive the property dividends net of withholding tax.

Upon motion duly made and seconded, the stockholders approved, confirmed, and ratified the Board of Directors' declaration of the 66.03% property dividend, with the record date and payment date of the said property dividends to be set immediately upon the approval of the SEC of the same. As of this report, JOH's application for the property dividend is still pending approval of the SEC.

Item 5. Business Risk

Business risk is defined as threats to the organization's capability to achieve its objectives and execute its business strategies successfully. The organization's value creation objectives define the context for management's determination of risk management goals and objectives which, in turn, drive and focus the process of managing business risk.

The major risks facing the Group's businesses are briefly described below. Since the Group caters to a niche market (KTV operators) for its leasing and management services businesses, our risk sourcing is ultimately tied-in to the risks facing our clients.

Economic Circumstances

Economic circumstances are the characteristics and condition of the general business within which commerce is conducted. Due to the difficult business climate and reduced business activity, companies have become prudent spenders and are continuously trying to identify expenditures it could reduce or completely do without. One of the areas most affected are its budgets for leisure and recreation.

Human Caused Disasters

Human caused disasters pertain to major events that cause significant damage, destruction, and/or human casualties arising from human caused events such as acts of terrorism. Peace and order remains a concern and densely populated establishments such as malls, entertainment centers, cinemas and the like are the most likely targets. As a result, people tend to avoid these places.

On March 2020, the National Government declared a State of Public Health Emergency throughout the Philippines due to the Coronavirus Disease 2019 (COVID-19) and the Code Alert System for COVID-19 was raised to Code Red Sublevel Two (2) in accordance with the recommendation of the Department of Health (DOH) and the Inter-Agency Task Force for the management of emerging

infectious diseases. The President of the Republic of the Philippines declared a State of Calamity throughout the country and imposed an Enhanced Community Quarantine throughout Luzon.

The COVID-19 outbreak has materially affected the leasing activities of the Company since some lessees' businesses are affected by the COVID-19 situation and some have decided to close temporarily. While the lessees pay rent on a monthly basis under a yearly contract, their capacity to pay the rent was compromised by the economic downturn as an impact of COVID-19 pandemic.

Government Activities

Government activities are the functions undertaken to operate a political unit, including adopting and enforcing laws and regulations, supplying goods and services, and contracting for goods and services from private businesses. Calapan Water is moderately regulated and the actions of government agencies such as the NWRB hold with respect to rate increases and the operation of new water sources.

Human Behavior

Human behavior is defined as a broad range of positive and negative human activity that may affect a business' ability to reach its goals. The habits of consumers with regard to water usage may adversely affect the Group's businesses.

Through an integrated business risk management process, senior management determines how much risk they are willing to accept when balancing risks and rewards, and allocating resources. They communicate to operating managers, risk managers and process/activity owners the level of acceptable risk.

Our business risk management is a continuous process of:

- **Establishing** risk management objectives, tolerances and limits for all of the Group's significant risks
- **Assessing** risks within the context of established tolerances
- **Developing** cost-effective risk management strategies and processes consistent with the overall goals and objectives
- **Implementing** risk management processes
- **Monitoring** and reporting upon the performance of risk management processes
- **Improving** risk management processes continuously
- **Ensuring** adequate communication and information for decision making

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 6. Market for Issuer's Common Equity and Related Stockholder Matters

(1) Market Information

JOH only has unclassified common shares that is traded at the Philippine Stock Exchange ("PSE").

The high and low sales prices of the Company's securities for each quarter are indicated in the table below:

| Quarter | High | Low |
|------------------------------|------|------|
| 1 st quarter 2021 | 5.79 | 4.20 |
| 4 th quarter 2020 | 6.21 | 3.13 |
| 3 rd quarter 2020 | 5.39 | 4.02 |
| 2 nd quarter 2020 | 7.28 | 3.97 |
| 1 st quarter 2020 | 6.83 | 5.06 |

Last transaction date was on May 11, 2021 and the closing price was at ₱4.97 per share.

The market capitalization of JOH as of December 31, 2020 based on the closing price on December 29, 2020 of ₱5.20 per share is ₱1,463,800,000.

(2) Holders

The following table sets forth the Company's top twenty shareholders and their corresponding number of shares held as of December 31, 2020:

| Rank | Shareholder Name | Shares Held | Percentage |
|------|-----------------------------|-------------|------------|
| 1 | Elgeete Holdings, Inc. | 125,783,791 | 44.683% |
| 2 | PCD Nominees Corp.-Filipino | 60,083,698 | 21.344% |
| 3 | Myron Ventures Corp. | 18,000,000 | 6.394% |
| 4 | Dopero Corporation | 13,000,000 | 4.618% |
| 5 | See, Rodolfo Lim | 5,994,000 | 2.129% |
| 6 | Febra Resources Corp. | 12,503,925 | 4.442% |
| 7 | A-net Resources Corp. | 12,503,925 | 4.442% |
| 8 | Kenly Resources Inc. | 12,503,925 | 4.442% |
| 9 | Oltru Holdings Corp. | 12,503,925 | 4.442% |
| 10 | Genmaco Corp. | 2,709,500 | 0.963% |
| 11 | PCD Nominees Corp.-Foreign | 1,300,302 | 0.462% |
| 12 | Phyvita Enterprises Corp. | 1,047,200 | 0.372% |
| 13 | Yao, Ortrud T. | 1,000,001 | 0.355% |
| 14 | Ting, Jolly L. | 959,999 | 0.341% |
| 15 | Ting, Kenrick G. | 500,001 | 0.178% |
| 16 | Ongcarranceja, Nanette T. | 500,001 | 0.178% |
| 17 | Ting, Lourdes G. | 480,000 | 0.171% |
| 18 | Ensure Holdings Corp. | 110,800 | 0.039% |
| 19 | Pascua, Rogelio | 7,000 | 0.002% |
| 20 | Morelos, Lilian Guison | 5,000 | 0.002% |

(3) Dividends

The Board, in its special meeting held on January 4, 2019, approved the declaration of 66.03% property dividend of JOH with a total amount of One Hundred Eighty-Five Million Eight Hundred Sixty-Two Thousand Seven Hundred Fifty Pesos (₱185,862,750), comprising of 42,225,000 shares of Tubig Pilipinas Corp. ("Tubig Pilipinas") carried at ₱2.59 per share and 76,500,000 shares of Philippine Hydro Electric Ventures, Inc. ("Phil. Hydro") carried at ₱1.00 per share. Carrying values are computed based on interim financial statements of both subsidiaries as of September 30, 2018. Entitled shareholders shall receive 27 shares of Phil. Hydro and 15 shares of Tubig Pilipinas for every 100 shares of JOH. Fractional shares shall be converted into cash and be released to the shareholders at the same time as the property dividend. The Company held a Special Stockholders' Meeting last February 13, 2019 for the purpose of approving the 66.03% property dividend declaration made by the BOD. Upon motion duly made and seconded, the stockholders approved, confirmed, and ratified the Board of Directors' declaration of the 66.03% property dividend, with the record date and payment date of the said property dividends to be set immediately upon the approval of the SEC of the same. As of this report, JOH's application for property dividend is still pending approval of the SEC.

(4) Recent Sales of Unregistered or Exempt Securities, including recent issuance of Securities constituting an exempt transaction

There is no sale of unregistered or exempt Securities, including recent issuance of securities constituting an exempt transaction during 2020, 2019, and 2018.

Item 7. Management's Discussion and Analysis

The information herein should be read in conjunction with, and is qualified in its entirety by reference to, the consolidated financial statements and related notes thereto contained in this Report.

Results of Operations

| (Amounts are in Thousand Pesos) Profit & Loss Data | TWELVE MONTHS ENDED | | |
|---|---------------------|---------------|---------------|
| | Dec. 31, 2020 | Dec. 31, 2019 | Dec. 31, 2018 |
| Revenues | ₱1,111,468 | ₱1,013,540 | ₱803,164 |
| Cost of Services | 740,555 | 681,195 | 559,668 |
| General and Administrative Expenses | 153,042 | 156,967 | 140,148 |
| Fair value gain on investment properties | 85,805 | 112,167 | - |
| Finance costs | 113,801 | 120,888 | 15,863 |
| Gain on sale of investment in a subsidiary | - | - | 322,806 |
| Other Income (Charges) - Net | (2,208) | (4,135) | 1,763 |
| Income Tax Expense (Benefit) | 36,398 | 73,910 | 29,357 |
| Net Income | 151,269 | 88,612 | 382,697 |
| Other Comprehensive Income (Loss) | 14,069 | (5,104) | 7,504 |
| Total Comprehensive Income | 165,338 | 83,508 | 390,201 |

(Amounts are in Thousand Pesos)

| Profit & Loss Data | VERTICAL ANALYSIS | | | HORIZONTAL ANALYSIS | | | | | |
|--|-------------------|------------------|------------------|------------------------|------|----------------|-------|---------------|-------|
| | % to Revenues | | | Change from Prior Year | | | | | |
| | Dec. 31, 2020 | Dec. 31, 2019 | Dec. 31, 2018 | 2020 – 2019 | % | 2019 – 2018 | % | 2018- 2017 | % |
| Revenues | 100% | 100% | 100% | 97,928 | 10% | 210,376 | 26% | 137,712 | 21% |
| Cost of Services | 67% | 67% | 70% | 59,360 | 9% | 121,527 | 22% | 148,199 | 36% |
| General and Administrative Expenses | 14% | 16% | 17% | -3,925 | -3% | 16,819 | 12% | 17,059 | 14% |
| Fair value gain on investment properties | 8% | 11% | - | -26,362 | -24% | 122,167 | 100% | -19,261 | -100% |
| Finance costs | -10% | -12% | -2% | -7,086 | -6% | 105,024 | 662% | -13,640 | -46% |
| Gain on sale of investment in a subsidiary | - | - | 40% | - | - | -322,806 | -100% | 322,806 | 100% |
| Other Income (Charges) - Net | -0% | -0% | 0% | -1,928 | -47% | 5,899 | 334% | -2,183 | -55% |
| Income Tax Expense (Benefit) | 3% | 7% | 4% | -37,512 | -51% | 44,552 | 152% | -8,720 | -23% |
| Net Income | 14% | 9% | 47% | 62,656 | 71% | -294,085 | -77% | 296,176 | 342% |
| Other Comprehensive Income (Loss) | 1% | -1% | 1% | 19,173 | 376% | -12,608 | -168% | 11,684 | -278% |
| Total Comprehensive Income | 15% | 8% | 48% | 81,830 | 98% | 306,693 | -79% | 307,860 | 374% |

2020 compared with 2019

The consolidated net income after tax for the year ended December 31, 2020 increased by ₱62,656,491 or 71% compared to ₱88,612,262 reported in 2019. The significant increase is mainly due to profitable outcome of power operations and lesser finance costs.

Revenues increased by 10% in 2020.

Power sales pertain to the electricity generation activity of OPI. OPI supplies electricity to Oriental Mindoro Electric Cooperative Inc. (ORMECO) and operates a bunker fuel fired power plant (CDPP) in Calapan City and the Inabasan mini hydro power plant (IMHPP) in the Municipality of San Teodoro, Oriental Mindoro. Power sales increased by 22.91% from ₱655,027,002 to ₱805,124,900 for the year ended 2020 against 2019 due to increase in kilowatt hours (kWh) generated and additional cash incentives from IMHPP. Fuel cost reimbursements form part of OPI's revenues despite being a passed on charge to customers. On January 14, 2019, OPI started to operate its IMHPP. Below are the kWh generated from the two power plants:

| | 2020 | 2019 | Percentage of Increase |
|-------|----------------|----------------|------------------------|
| CDPP | 50,147,580 kWh | 42,109,956 kWh | 19.09% |
| IMHPP | 41,814,962 kWh | 24,670,084 kWh | 69.50% |

Water service revenues decreased by ₱845,963 or 0.31% in 2020. The decrease is attributable to lower billed volume in commercial service areas. Total subscribers base stood at 18,142 in Calapan City and 4,795 in Tabuk City.

The COVID-19 pandemic materially affects the Group's rental and technical revenues (as shown in the table below) since some of the clients' businesses were temporarily closed.

| | 2020 | 2019 | Percentage of Decrease |
|--------------------|-------------------|------------|---------------------------|
| Rental revenues | 29,288,327 | 70,231,015 | 58.30% |
| Technical services | 6,419,056 | 16,800,152 | 61.79% |

Cost of services increased by 9% or ₱59,359,945 for the year 2020.

This was due to increase in fuel costs from power operations and additional outside services incurred from water operations. In September 2019, CWWC entered into a service agreement with an entity with common stockholders for the operations and maintenance of its water system facilities for a period of three years.

General and administrative expenses decreased by 3% or ₱3,925,438 for the year 2020.

Much of the decrease is attributable to lower salaries and employee benefits as a result of the retrenchment of employees due to the economic effect of COVID-19 pandemic.

Fair value gain on investment properties decreased by 24% or ₱26,362,466 in 2020.

This is due to lesser changes of the net increase in fair value of the appraised investment properties of the Group.

Finance costs decreased by 6% or ₱7,086,054 in 2020.

Lesser finance costs are due to loan payments made during the year and lesser short-term loan availments.

Net other charges decreased by 47% or ₱1,927,594 in 2020.

The decrease of net other charges is mainly due to recognition of share in net losses of associates and lower bank charges related to loan availments.

Income tax expense decreased by 51% or ₱37,511,665 in 2020.

This is mainly due to deferred income tax effect of NOLCO and fair value gain on investment properties.

Other comprehensive income increased by 376% or ₱19,173,592 in 2020.

The increase of other comprehensive income is due to appraisal increase on property, plant and equipment and remeasurement gain on retirement benefits.

2019 compared with 2018

The consolidated net income after tax for the year ended December 31, 2019 decreased by ₱294,084,792 or 77% compared to ₱382,697,054 reported in 2018. The significant decrease is mainly due to the net effect of fair value gain on investment properties, finance costs and gain on sale of investment in H2O in 2018.

Revenues increased by 26% in 2019.

Power sales pertain to the electricity generation activity of OPI. OPI supplies electricity to Oriental Mindoro Electric Cooperative (ORMECO) and operates a bunker fuel fired power plant (CDPP) in Calapan City and the Inabasan mini hydro power plant (IMHPP) in the Municipality of San Teodoro, Oriental Mindoro. Power sales increased by 42.09% from ₱460,998,621 to ₱655,027,002 for the year ended 2019 against 2018 due to higher fuel prices and additional revenues generated from IMHPP. Fuel cost reimbursements form part of OPI's revenues despite being a passed on charge to customers. Contracted energy from the CDPP in 2019 was at 42,109,956 kilowatt hours (kWh) as against 40,641,384 kWh for the year 2018. On January 14, 2019, OPI started to operate its IMHPP. The IMHPP delivered 24,670,084 kWh in 2019.

Water service revenues increased by ₱31,956,696 or 13.34% in 2019. The increase is attributable to additional number of subscribers and production volume in service areas. Total subscribers base stood at 17,125 in Calapan City and 4,332 in Tabuk City.

Rental revenues decreased by 3.22% or ₱2,336,052 as a result of end of term contracts.

Technical services decreased by ₱13,248,860 or 44.09% from ₱30,049,012 in 2018 to ₱16,800,152 in 2019. Contract with a client ceased effective July 1, 2018.

Other revenue pertains to sale of plumbing materials which decreased by 100% or ₱24,812.

Cost of services increased by 22% or ₱121,526,472 for the year 2019.

This was due to increase in OPI's fuel expenses brought about by higher fuel prices, additional costs incurred related to IMHPP operations and CWWC's lease expenses for some of its well sites.

General and administrative expenses increased by 12% or ₱16,819,234 for the year 2019.

Much of the increase is attributable to higher salaries and employee benefits and additional operational expenses incurred by IMHPP in 2019. Salaries and employee benefits increased due to additional manpower hired during the year as well as increase in employees' salary rates.

Fair value gain on investment properties increased by 100% or ₱112,167,466 in 2019.

This is due to recognition of net increase in fair value of appraised investment properties of the Group.

Finance costs increased by 662% or ₱105,023,906 in 2019.

Higher finance costs are due to loan availments during the year and OPI also started to report its interest expense on its IMHPP loans which is previously capitalized as part of Constructions in Progress under Property, Plant and Equipment account.

Gain on sale of investment in a subsidiary decreased by 100% or ₱322,806,463 in 2019.

This account pertains to the resulting gain on the sale of investment in H2O amounting to ₱285,478,683 and deconsolidation of MAWI amounting to ₱37,327,780 in 2018.

Net other charges increased by 334% or ₱5,899,084 in 2019.

The increase of net other charges is mainly due to recognition of share in net losses of associates and additional bank charges related to loan availments.

Income tax expense increased by 152% or ₱44,552,452 in 2019.

This is mainly due to deferred income tax effect of fair value gain on investment properties.

Other comprehensive income decreased by 168% or ₱12,607,775 in 2019.

The decrease of other comprehensive income is due to remeasurement of actuarial gain in 2018 amounting to or ₱10,865,735.

2018 compared with 2017

The consolidated net income after tax for the year ended December 31, 2018 increased by ₱296,175,663 or 342% compared to ₱86,521,391 reported in 2017. The significant increase is mainly due to the gain on sale of equity investment in H2O amounting to ₱285,478,683.

Revenues increased by 21% in 2018.

Power sales pertain to the electricity generation activity of OPI. OPI supplies electricity to ORMECO and operates a power plant in Calapan City using bunker fuel. Power sales increased by 42.40% from ₱323,735,044 to ₱460,998,621 for the year ended 2018 against 2017 due to higher fuel prices. Fuel cost reimbursements form part of OPI's revenues despite being a passed on charge to customers. Contracted energy in 2018 was at 40,641,384 kilowatt hours (kWh) as against 37,297,512 kWh for the year 2017.

Water service revenues increased by ₱4,262,247 or 1.81% in 2018. Although MAWI's revenue for the year 2018 is excluded in the consolidation as CWWC sold its investment in MAWI in November 2018, water service revenues continue to increase due to the increasing number of subscribers in

the cities of Calapan and Tabuk. Total subscribers base stood at 15,859 in Calapan City and 3,949 in Tabuk City.

Rental revenues increased by 12.54% or ₱8,085,364 as a result of rental rate escalation charged to clients starting first quarter of 2018.

Technical services decreased by ₱11,906,745 or 28.38% from ₱41,955,757 in 2017 to ₱30,049,012 in 2018. Contract with a client ceased effective July 1, 2018.

Other revenue pertains to sale of plumbing materials which increased by 44.63% or ₱7,657.

Cost of services increased by 36% or ₱148,199,512 for the year 2018.

This was due to increase in OPI's fuel expenses brought about by higher fuel prices, increase in repairs and maintenance, utilities and salaries and employee benefits. Increase in repairs and maintenance during the year is attributed to CWWC's higher equipment and property maintenance costs while the increase in utilities pertains mainly to CWWC's higher power consumption due to its new production wells and boosters. Salaries and employee benefits increased due to additional manpower hired during the year as well as increase in employees' pay rates.

General and administrative expenses increased by 14% or ₱17,058,418 for the year 2018.

Much of the increase is attributable to higher taxes and licenses depreciation expense, salaries and employee benefits, additional professional fees and, commission fees related to sale of H2O. Taxes and licenses increased during the year due to documentary stamp tax paid by the subsidiaries for new issuance of shares and SEC filing fees for the application of the increase in authorized capital stock. CWWC also contributed to the increase in taxes and licenses since its percentage and local franchise tax increased due to higher collected water service revenues.

Fair value gain on investment properties decreased by 100% or ₱19,260,770 in 2018.

This is due to nonrecognition of increase in fair value of investment property in 2018 since the Company did not subject its properties for appraisal valuation.

Finance costs decreased by 46% or ₱13,638,931 in 2018.

Reduction of finance costs are due to lesser loan availments and loan payments made during the year.

Gain on sale of investment in a subsidiary increased by 100% or ₱322,806,463 in 2018.

This account pertains to the resulting gain on the sale of investment in H2O amounting to ₱285,478,683 and deconsolidation of MAWI amounting to ₱37,327,780 in 2018.

Net other income decreased by 55% or ₱2,182,587 in 2018.

The decrease of net other income is mainly due to the reversal on reserve for actuarial gain in 2017.

Income tax expense decreased by 23% or ₱8,719,456 in 2018.

This is mainly due to offsetting of decrease in current and deferred income. Deferred income tax benefit mostly pertains to the tax effects of expired net operating loss carryover (NOLCO).

Other comprehensive income increased by 278% or ₱11,683,628 in 2018.

The increase of other comprehensive income is due to recognition of actuarial gain in 2018 amounting to or ₱10,865,735.

Financial Position

| (Amounts are in Thousand Pesos) Statements of Financial Position Data | AS OF | | |
|--|---------------|---------------|---------------|
| | Dec. 31, 2020 | Dec. 31, 2019 | Dec. 31, 2018 |
| Total Current Assets | P771,494 | P588,803 | P865,904 |
| Total Noncurrent Assets | 5,102,745 | 5,074,382 | 5,146,478 |
| Total Assets | 5,874,239 | 5,663,185 | 6,012,382 |
| Total Current Liabilities | 1,889,671 | 1,810,723 | 1,962,477 |
| Total Noncurrent Liabilities | 1,397,852 | 1,431,335 | 1,789,747 |
| Total Liabilities | 3,287,523 | 3,242,058 | 3,752,224 |
| Equity – Attributable to Equity Holders of Parent Co. | 1,918,526 | 1,797,362 | 1,753,016 |
| Equity – Non-controlling Interest | 668,190 | 623,765 | 507,142 |
| Total Stockholders' Equity | 2,586,716 | 2,421,127 | 2,260,158 |

| (Amounts are in Thousand Pesos) Statements of Financial Position Data | VERTICAL ANALYSIS | | | HORIZONTAL ANALYSIS | | | | | |
|--|-------------------|---------------|---------------|------------------------|-----|-------------|------|-----------|-----|
| | % to Total Assets | | | Change from Prior Year | | | | | |
| | Dec. 31, 2020 | Dec. 31, 2019 | Dec. 31, 2018 | 2020 – 2019 | % | 2019 – 2018 | % | 2018-2017 | % |
| Total Current Assets | 13% | 10% | 14% | 182,691 | 31% | -277,101 | -32% | 285,623 | 49% |
| Total Noncurrent Assets | 87% | 90% | 86% | 28,363 | 1% | -72,096 | -1% | 233,434 | 5% |
| Total Assets | 100% | 100% | 100% | 211,054 | 4% | -349,197 | -6% | 519,057 | 9% |
| Total Current Liabilities | 32% | 32% | 32% | 78,948 | 4% | -151,754 | -8% | 201,273 | 11% |
| Total Noncurrent Liabilities | 24% | 25% | 30% | -33,483 | -2% | -358,412 | -20% | 10,338 | 1% |
| Total Liabilities | 56% | 57% | 62% | 45,465 | 1% | -510,166 | -14% | 211,611 | 6% |
| Equity – Attributable to Equity Holders of Parent Co. | 33% | 32% | 29% | 121,164 | 7% | 44,346 | 3% | 359,272 | 26% |
| Equity – Non-controlling Interest | 11% | 11% | 9% | 44,425 | 7% | 116,623 | 23% | -51,825 | -9% |
| Total Stockholders' Equity | 44% | 43% | 38% | 165,589 | 7% | 160,969 | 7% | 307,447 | 16% |

2020 compared with 2019

Total assets increased by 3.73% or P211,053,784 from P5,663,185,129 as of December 31, 2019 to P5,874,238,913 as of December 31, 2020.

The biggest contributor to the increase pertains to trade and other receivables amounting to P338,792,861 as of December 31, 2020. It increased by 71.54% or P141,292,751 due to longer collection turnover from customers brought about by COVID-19 pandemic.

Cash and cash equivalents account increased by 21.87% or P29,639,637 during the year. This represents the net effect of collections received and payment of obligations as of December 31, 2020.

Inventories amounting to P21,027,234 pertain to OPI's fuel and oil. Fuel consumption is lesser than the delivered amount resulted to an increase of 26% or P4,338,612 from last year's balance of P16,688,622.

Due from related parties increased by 3.32% from P157,110,972 as of December 31, 2019 to P162,324,578 as of December 31, 2020 as advances were made to affiliates for working capital requirements.

Other current assets increased by 2.69% from ₱81,978,006 as of December 31, 2019 to ₱84,184,655 as of December 31, 2020. The increase mainly pertains to net effect of input VAT application as payment against output VAT, additional creditable withholding taxes received and advances made to suppliers.

Decrease in Financial Assets at FVOCI amounting to ₱4,504,458 pertains to the effects of reclassification of the Parent Company's investment in GVI and decrease in valuation of investments. This also resulted to the decrease in Cumulative unrealized fair value changes on Financial Assets at FVOCI amounting to ₱5,004,458 in 2020.

In December 2020, the SEC approved the increase in GVI's authorized capital stock wherein the Parent Company's ownership in GVI decreased from 100% to 18.18%. Accordingly, the Parent Company's investment in GVI was reclassified to Financial Assets at FVOCI from investment in subsidiaries, which resulted to its deconsolidation in the preparation of the Group's financial statements as at December 31, 2020.

Investment properties increased by 7.90% or ₱86,521,243 during the year. This mainly pertains to the net increase in fair value changes of the appraised properties.

Property, plant and equipment slightly decreased by 1.65% or ₱64,544,784 due to the net effect of the depreciation and ongoing development and construction of CWWC's water supply systems construction projects.

Deferred tax assets amounting to ₱33,334,029 as of December 31, 2020 increased by ₱13,293,007 or 66.33% due to tax effect of allowance for impairment losses of receivables and NOLCO during the year.

Investment in associates decreased by 100% or ₱1,609,746 due to recognition of share in net loss during the year.

Other noncurrent assets decreased by 2.01% or ₱792,733 during the year. This is mainly due to refund of deposits.

Total liabilities increased by 1.40% or ₱45,465,270 from ₱3,242,057,488 as of December 31, 2019 to ₱3,287,522,758 as of December 31, 2020.

Trade and other payables increased by 9.16% from ₱773,334,849 as of December 31, 2019 to ₱844,151,680 as of December 31, 2020. Much of this is attributed to CWWC's additional obligation to contractors in relation to its construction projects.

Loans payable decreased by 2.34% or ₱44,079,176 as of December 31, 2020. This mainly represents the net effects of the approved bank deferment of principal loan amortizations for the months of April to December and short-term loan payments made by CWWC and OPI.

Due to related parties slightly decreased by 0.37% from ₱222,118,068 as of December 31, 2019 to ₱221,299,463 as of December 31, 2020 resulted from payment of advances to affiliates.

Income tax payable has decreased by 56.85% or ₱7,024,219 from ₱12,354,823 as of December 31, 2019 to ₱5,330,604 as of December 31, 2020. This is mainly due to lower income tax due for the year.

Customers' deposits increased by 15.74% or ₱3,220,480 as of December 31, 2020 as additional water meter maintenance is collected by CWC and rental advances collected from clients.

Retirement benefits liability decreased by 12.53% or ₱6,345,955 resulted from retrenchment of employees due to economic effect of COVID-19 pandemic.

The deferred tax liabilities increased by 10.70% from ₱277,576,192 as of December 31, 2019 to ₱307,272,106 as of December 31, 2020 which mainly pertains to the tax effects of the fair value gain on investment properties during the year.

Total stockholders' equity increased by 6.84% or ₱165,588,514 from ₱2,421,127,641 as of December 31, 2019 to ₱2,586,716,155 as of December 31, 2020.

Equity attributable to equity holders of Parent Company increased by 6.74% and equity attributable to Noncontrolling interests increased by 7.12% as of December 31, 2020. Increase in Equity attributable to equity holders of Parent Company is mainly due to net income reported during the year and the effect of loss of control in GVI. Increase in equity attributable to Noncontrolling interests is the result of the net effect of share in net income and other comprehensive income.

2019 compared with 2018

Total assets decreased by 5.81% or ₱349,196,526 from ₱6,012,381,655 as of December 31, 2018 to ₱5,663,185,129 as of December 31, 2019.

The biggest contributor to the decrease pertains to due from related parties amounting to ₱157,110,972 as of December 31, 2019. It decreased by 47.34% or ₱141,211,952 which resulted from deconsolidation of JLRC and its subsidiaries.

In November 2019, the SEC approved the increase in JLRC's authorized capital stock wherein the Parent Company's ownership in JLRC decreased from 100% to 15.12%. Accordingly, the Parent Company's investment in JLRC was reclassified to Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) from investment in subsidiaries which resulted to its deconsolidation in the preparation of the Group's financial statements as at December 31, 2019.

Cash and cash equivalents account decreased by 46.72% or ₱118,833,433 during the year. This represents the net effect of loan availments made and payment of obligations as of December 31, 2019.

Trade and other receivables increased by 13.69% or ₱23,781,304 during the year due to lesser collection from customers.

Inventories amounting to ₱16,688,622 pertain to OPI's fuel and oil. Fuel consumption is greater than the delivered amount resulted to a decrease of 41.78% or ₱11,977,760 from last year's balance of ₱28,666,382.

Other current assets decreased by 26.04% from ₱110,836,436 as of December 31, 2018 to ₱81,978,006 as of December 31, 2019. The decrease mainly pertains to net effect of input VAT application as payment against output VAT and additional creditable withholding taxes received.

Increase in Financial Assets at FVOCI amounting to ₱11,991,166 pertains to the net effect of reclassification of the Parent Company's investment in JLRC and decrease in valuation of investments. This also resulted to the decrease in Cumulative unrealized fair value changes on Financial Assets at FVOCI amounting to ₱508,834 in 2019.

Investment in associates decreased by 93.67% from ₱25,423,129 as of December 31, 2018 to ₱1,609,746 as of December 31, 2019 which is due to deconsolidation of JLRC and recognition of share in net losses during the year.

Investment properties decreased by 8.19% or ₱97,689,195 during the year. This pertains to the net effect of fair value changes of the appraised properties and deconsolidation of JLRC.

Property, plant and equipment slightly increased by 0.36% or ₱13,824,659 due to the additional capital expenditures for the construction of OPI's 10MW Hydro Electric Power Plant and ongoing

development and construction of CWWC's water supply systems construction projects. Capital expenditure for JLRC's Jolly Waves Waterpark & Resort construction project was eliminated due to deconsolidation.

Deferred tax assets amounting to ₱20,041,022 as of December 31, 2019 increased by ₱4,268,340 or 27.06% due to tax effect of NOLCO and additional retirement expense accrued during the year.

Other noncurrent assets increased by 96.29% or ₱19,322,158 during the year. This is mainly due to additional reserve fund required by loans from a local bank.

Total liabilities decreased by 13.60% or ₱510,166,232 from ₱3,752,223,720 as of December 31, 2018 to ₱3,242,057,488 as of December 31, 2019.

Trade and other payables decreased by 19.10% from ₱955,893,171 as of December 31, 2018 to ₱773,334,849 as of December 31, 2019. Much of this is attributed to conversion of OPI's and payments of CWWC's additional obligation to contractors in relation to its construction projects and exclusion of JLRC's payables due to deconsolidation.

Loans payable decreased by 11.65% or ₱248,594,600 as of December 31, 2019. This mainly represents the net effects of additional releases from the loan facility with local banks intended for the construction of Inabasan Mini Hydro Power Plant, short-term loan drawings made by CWWC and OPI for its working capital requirements and exclusion of JLRC's loans payable related to Jolly Waves Waterpark & Resort construction project as a result of deconsolidation.

Due to related parties decreased by 33.92% from ₱336,110,311 as of December 31, 2018 to ₱222,118,068 as of December 31, 2019 which is mainly due to elimination of advances received by JLRC to finance its construction project .

Income tax payable has increased by 4.96% or ₱584,314 from ₱11,770,509 as of December 31, 2018 to ₱12,354,823 as of December 31, 2019.

Customers' deposits increased by 15.03% or ₱2,672,787 as of December 31, 2019 as additional water meter maintenance is collected by CWC and rental advances paid by clients.

For the year 2019, the Group's retirement benefits liability increased by 13.37% or ₱5,973,709 which represents additional provisions made during the year .

The deferred tax liabilities increased by 10.22% from ₱251,828,069 as of December 31, 2018 to ₱277,576,192 as of December 31, 2019 which mainly pertains to the tax effects of the fair value gain on investment properties during the year.

Total stockholders' equity increased by 7.12% or ₱160,969,706 from ₱2,260,157,935 as of December 31, 2018 to ₱2,421,127,641 as of December 31, 2019.

Equity attributable to equity holders of Parent Company increased by 2.53% and equity attributable to Noncontrolling interests increased by 23% as of December 31, 2019. Increase in Equity attributable to equity holders of Parent Company is mainly due to net income reported during the year and effect of loss of control in JLRC. Increase in equity attributable to Noncontrolling interests is the result of the net effect of contributions received during the year and non-monetary changes due to deconsolidation.

2018 compared with 2017

Total assets increased by 9.45% or ₱519,056,827 from ₱5,493,324,828 as of December 31, 2017 to ₱6,012,381,655 as of December 31, 2018.

The biggest contributor to the increase came from property, plant and equipment account with carrying value of ₱3,889,795,708 as of December 31, 2018. It increased by 8.73% or ₱312,235,889 due to the additional capital expenditures for the construction of OPI's 10MW Hydro Electric Power Plant, ongoing development and construction of CWWC's water supply systems and JLRC's Jolly Waves Waterpark & Resort construction project.

Cash and cash equivalents account increased by 7.34% or ₱17,402,451 during the year. This represents the net effect of proceeds received from sale of investment in H2O, loan availments made and payment of obligations as of December 31, 2018.

Receivables increased by 17.31% or ₱27,070,566 during the year due to lesser collection from customers.

Due from related parties increased by 416.93% from ₱57,710,249 as of December 31, 2017 to ₱298,322,924 as of December 31, 2018 as advances were made to affiliates for working capital requirements.

Inventories amounting to ₱28,666,382 pertain mostly to OPI's fuel and oil. Fuel consumption is lesser than the delivered amount resulted to an increase of 37.61% or ₱7,835,383 from last year's balance of ₱20,830,999.

Other current assets increased by 16.44% from ₱86,835,984 as of December 31, 2017 to ₱101,112,021 as of December 31, 2018. The increase mainly pertains to input VAT incurred and additional creditable withholding taxes received.

On December 21, 2017, Parent Company and its subsidiaries and related parties (the "Sellers") executed the Memorandum of Agreement with Udenna Development Corp. (collectively the "Parties"), for the sale of 150,824,890 shares representing 62.01% of the issued and outstanding capital stock of H2O, inclusive of the 36.73% held by the Parent Company. As a result of this transaction, H2O's assets and liabilities were presented separately as "current assets held for sale" and "current liabilities held for sale" in the consolidated statements of financial position as of December 31, 2017. On June 1, 2018, a Deed of Absolute Sale was executed. Due to the closing of sale, current assets and liabilities held for sale are adjusted as of December 31, 2018.

Increase in Equity investment at Fair Value through Other Comprehensive Income (FVOCI) amounting to ₱2,824,777 as of December 31, 2018 which pertains to reclassification of Available for sale investments accounts. These investments amounted to ₱3,084,307 as of December 31, 2017. Decrease in valuation amounted to ₱259,530 which also resulted to the decrease in Revaluation reserves on Equity investment at FVOCI.

During the second quarter, OHC assigned its investment in shares of stocks to a related party. As a result, investment in associates decreased by 50.77% from ₱51,641,134 as of December 31, 2017 to ₱25,423,129 as of December 31, 2018.

Investment property increased by 0.16% or ₱1,906,146 during the year. This pertains mainly to additional acquisition cost of a condominium unit purchased in 2017.

Deferred tax assets amounting to ₱15,772,682 as of December 31, 2018 decreased by ₱9,743,715 or 38.19% due to tax effect of lower retirement expense accrued during the year.

Other noncurrent assets decreased by 68.91% or ₱44,486,892 during the year. This is mainly due to the reversal of goodwill pertaining to H2O sale.

Total liabilities increased by 5.98% or ₱211,610,588 from ₱3,540,613,132 as of December 31, 2017 to ₱3,752,223,720 as of December 31, 2018.

Accounts payable and other current liabilities increased by 3.83% from ₱914,257,237 as of December 31, 2017 to ₱949,317,369 as of December 31, 2018. Much of this is attributed to OPI's, CWWC's and JLRC's additional obligation to contractors in relation to its construction projects.

Loans payable increased by 8.41% or ₱165,494,813 as of December 31, 2018. This mainly represents additional releases from the loan facility with local banks intended for the construction of Inabasan Mini Hydro Power Plant and Jolly Waves Waterpark & Resort and short-term loan drawings made by CWWC and OPI.

Due to related parties increased by 23.88% from ₱271,316,132 as of December 31, 2017 to ₱336,110,311 as of December 31, 2018 mainly due to additional advances received by JLRC to finance its construction project.

Income tax payable has decreased by 35.09% or ₱6,364,262 as the related current income tax expense also decreased.

For the year 2018, the Group's retirement benefit obligation decreased by 10.70% or ₱5,353,273 which represents increase in actuarial gain. Increase in actuarial gain also increases the Reserve on actuarial gain.

The deferred tax liabilities decreased by 0.35% from ₱252,719,728 as of December 31, 2017 to ₱251,828,069 as of December 31, 2018 which mainly pertains to the tax effects of the depreciation of the fair value adjustment in investment property and property, plant and equipment.

Customers' deposits decreased by 19.56% or ₱5,923,239 as of December 31, 2018 as it is used as payment to contractor for water meter maintenance of CWWC.

On August 8, 2018, the Parent Company's Board of Directors, after negotiating with Elgeete Holdings Inc., agreed to reverse the deposit for future stock subscription amounting to ₱35,000,000 back to accounts payable, which was also settled by the former to the latter during the last quarter of the year. As a result, deposit for future stock subscription decreased by 100% or ₱35,000,000 as of December 31, 2018.

Total stockholders' equity increased by 15.74% or ₱307,446,239 from ₱1,952,711,696 as of December 31, 2017 to ₱2,260,157,935 as of December 31, 2018.

Equity attributable to equity holders of Parent Company increased by 25.76% while equity attributable to Noncontrolling interests decreased by 9.28% as of December 31, 2018. Increase in Equity attributable to equity holders of Parent Company is mainly due to higher net income reported during the year. Decrease in equity attributable to Noncontrolling interests is the net result of the H2O sale and the increase of percentage of ownership of minority interest in OPI.

Financial Risk

Please refer to Notes 27 and 28 to the Consolidated Financial Statements for the description, classification and measurements applied for financial instruments and the financial risk management objectives and policies of the Group.

Key Performance Indicators

| | | DECEMBER | | | |
|---|-------------|--|---------------|---------------|---------------|
| | | 2020 | 2019 | 2018 | |
| PROFITABILITY | | | | | |
| Return on Total Assets | ROA= | NI+{(interest exp x (1- tax rate))} | 230,929,774 | 173,233,520 | 393,801,578 |
| | | Ave. Total Assets | 5,768,712,021 | 5,837,783,392 | 5,752,853,242 |
| | | | 0.0400 | 0.0297 | 0.0685 |
| It measures efficiency of the Company in using its assets to generate net income. | | | | | |
| Return on Equity | ROE= | Annual Net Income | 151,268,753 | 88,612,262 | 382,697,054 |
| | | Ave. Stockholders' Equity | 2,503,921,898 | 2,340,642,788 | 1,882,176,691 |
| | | | 0.0604 | 0.0379 | 0.2033 |
| It is a measure of profitability of stockholders' investments. It shows net income as percentage of shareholder equity. | | | | | |
| Water Revenue per Subscriber | WRS= | Water Revenue | 270,635,942 | 271,481,905 | 239,525,209 |
| | | Ave. No. of Water Subscribers | 22,937 | 21,457 | 19,808 |
| | | | 11,799 | 12,652 | 12,092 |
| Measures how well service and facilities improvements have influence consumer's usage | | | | | |
| FINANCIAL LEVERAGE | | | | | |
| Debt Ratio | Debt Ratio= | Total Liabilities | 3,287,522,758 | 3,242,057,488 | 3,752,223,720 |
| | | Total Assets | 5,874,238,913 | 5,663,185,129 | 6,012,381,655 |
| | | | 0.5597 | 0.5725 | 0.6241 |
| It is a solvency ratio and it measures the portion of the assets of a business which are financed through debt. | | | | | |
| (Forward) | | | | | |

(Forward)

(Carryforward)

| | | DECEMBER | | | |
|--|-----------------|----------------------|---------------|---------------|---------------|
| | | 2020 | 2019 | 2018 | |
| Debt to Equity Ratio | Debt to Equity= | Total Liabilities | 3,287,522,758 | 3,242,057,488 | 3,752,223,720 |
| | | Shareholder's Equity | 2,586,716,155 | 2,421,127,641 | 2,260,157,935 |
| It measures the degree to which the assets of the business are financed by the debts and the shareholders' equity of a business. | | 1.2709 | 1.3391 | 1.6602 | |
| MARKET VALUATION | | | | | |
| Price to Book Ratio | PB ratio= | Market value/share | 5.20 | 6.65 | 6.78 |
| | | Book value/share | 6.82 | 6.38 | 6.23 |
| Relates the Company's stock to its book value per share | | 0.7625 | 1.0423 | 1.0883 | |

The reason for the decrease in the Group's profitability is discussed in the results of operations. From the point of view of its water business, which the Group considers to be its major growth driver, water revenues has shown steady improvement, more so beginning 2010 as increased water rates took effect, and is expected to improve even further in the succeeding years as the Company already has in line the addition of new wells and expansion of its coverage area and identification of new target markets.

Following the positive developments in the local stock market, activity in the Company's stock has picked up recently and the prices have steady to reflect trends in the market.

Liquidity and Solvency

The Company's cash balance increased from end-2019 of ₱135,525,427 to ₱165,165,064 as of December 31, 2020.

Meanwhile, liability to equity ratios decreased from 1.34:1.00 to 1.27:1.00 as of end-2020. Ratio was maintained at this very low level.

Item 8. Financial Statements

Please refer to the attached consolidated financial statements audited by Reyes Tacandong & Co.

Item 9. Information on Independent Accountant and Other Related Matters

The current external auditor of the Company and its Subsidiaries is Reyes Tacandong & Company (RT&Co.). Mr. Wilson P. Teo is the engagement partner for the Group.

Pursuant to SEC Memorandum Circular No. 8, Series of 2003, where it states that changes should be made in assignment of External Auditor or rotation of the engagement partner every five (5) years and that, a two-year cooling off period in the re-engagement of the same signing partner shall be observed.

There have been no disagreements between the Company and RT&Co. over the length of their relationship with regard to any matter involving accounting principles or practices, financial statement disclosures, and auditing scope and procedures.

RT&Co. has neither shareholding in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. RT&Co. will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants, or rights thereto). The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

In connection with the audit of the Company's financial statements, the Audit Committee had, among other activities, (a) evaluated significant issues reported by the external auditor in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company; (b) ensured that no other work is provided by the external auditor that would impair its independence and conflict with its function as independent accountants; and (c) ensured the compliance of the Company with acceptable auditing and accounting standards and regulations.

The Company paid RT&Co. an aggregate fees of ₱1,745,000 in 2020 and ₱1,790,000 in 2019. The services are those normally provided by the external auditor in connection with statutory and regulatory filings or engagements.

There had been no consulting or tax engagements with RT&Co.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 10. Directors and Executive Officers of the Issuer

Listed below are the Directors and Senior Officers of the Company as of December 31, 2020 with their qualifications and credentials:

| Name | Positions Held | Company/Organization |
|--|--|--|
| JOLLY L. TING 75, Filipino Bachelor of Science in Business Administration, University of the East | Present: <ul style="list-style-type: none"> ○ Chairman (since March 21, 2011) ○ Chairman (since July 9, 2010) ○ Founder, Chairman, CEO (since April 3, 1999) ○ Chairman (since April 26, 2002) ○ Chairman (since April 26, 2002) ○ Chairman (since May 19, 2009) ○ Chairman (since July 19, 1992) ○ Chairman (since April 7, 1990) ○ Chairman (since 1997) ○ Member (since 1978) Previous: <ul style="list-style-type: none"> ○ Chairman, CEO (April 2010 to May 2018) ○ President (January 2009 to April 2010) ○ President (1991-1992) ○ Director, Treasurer (1994-1997) ○ Chairman (2002-2011) | Ormin Power, Inc. Ormin Holdings Corporation Jolliville Holdings Corporation Jolliville Group Management, Inc. Ormina Realty & Development Corp. Servwell BPO International Inc. Jolliville Leisure and Resort Corporation Jollideal Marketing Corporation Calapan Waterworks Corporation Philippine H2O Ventures Corp. Philippine H2O Ventures Corp. Rotary Club University District, Manila Rotary Club University District, Manila Uptrend Concepts Management Corp. |
| NANETTE T. ONGCARRANCEJA 47, Filipino Fine Arts Advertising Studies, College of the Holy Spirit Advanced Courses, Columbia College Vancouver Community College Kwantlen University | Present: <ul style="list-style-type: none"> ○ Director (since April 19, 1999) ○ President, Director (since October 26, 2000) ○ Vice President (since April 5, 2008) ○ Director (since November 6, 2000) ○ Director (since August 17, 1999) ○ Director (since November 9, 2000) ○ President (since July 9, 2010) | Jolliville Holdings Corporation Jolliville Holdings Corporation Jolliville Group Management, Inc. Jollideal Marketing Corporation Jollideal Marketing Corporation Ormin Holdings Corporation Ormin Holdings Corporation |

| | | |
|---|---|---|
| | <ul style="list-style-type: none"> ○ Secretary, Treasurer (since January 6, 2005) <p>Previous:</p> <ul style="list-style-type: none"> ○ President (Sept. 2004 – May 2018) ○ Secretary, Director (January 2009 – April 2010) ○ Vice President (July 2001 - September 2004) ○ Secretary, Treasurer (April 1999 – July 2001) ○ Asst. Secretary (March – April 1999) ○ Treasurer (November 6, 2000 – April 4, 2008) ○ Treasurer (August 2010) ○ Chairman (January 2013) | <p>Vitanutrition Incorporated</p> <p>Philippine H2O Ventures Corp.</p> <p>Calapan Ventures, Inc.</p> <p>Jolliville Holdings Corporation</p> <p>Jolliville Holdings Corporation</p> <p>Jolliville Holdings Corporation</p> <p>Jollideal Marketing Corporation</p> <p>Ormin Power, Inc.</p> <p>Rural Bank of Roxas (Or. Min.) Inc.</p> |
| <p>ORTRUD T. YAO 43, Filipino Honors, Bachelor of Commerce, Major in Finance, University of British Columbia</p> | <p>Present:</p> <ul style="list-style-type: none"> ○ Asst. Secretary, Treasurer, CFO (since July 20, 2001) ○ Secretary, Treasurer, Director (since September 28, 2005) ○ Secretary, Treasurer (since July 9, 2010) ○ Director (since June 9, 2006) ○ Secretary, Director (since January 12, 2004) ○ President, Director (since March 30, 1999) ○ President, Director (since March 30, 1999) ○ Secretary, Director (since March 26, 1999) ○ Vice-President for Finance, Secretary (since August 2010) ○ President (since October 2012) ○ President, Director (since January 6, 2005) <p>Previous:</p> <ul style="list-style-type: none"> ○ Director, Treasurer, CFO (January 2009 – May 2018) ○ Secretary (April 2010 – May 2018) ○ Chief Compliance Officer (2001 – 2017) | <p>Jolliville Holdings Corporation</p> <p>Calapan Waterworks Corporation</p> <p>Ormin Holdings Corporation</p> <p>Ormin Holdings Corporation</p> <p>Kenly Resources, Inc.</p> <p>Oltru Holdings Corp.</p> <p>Oltru Holdings Corp.</p> <p>A-net Resources Corp.</p> <p>Ormin Power, Inc.</p> <p>Rural Bank of Roxas (Or. Min.) Inc.</p> <p>Vitanutrition Incorporated</p> <p>Philippine H2O Ventures Corp.</p> <p>Philippine H2O Ventures Corp.</p> <p>Jolliville Holdings Corporation</p> |

| | | |
|--|--|---|
| | <ul style="list-style-type: none"> ○ President (June 9, 2006 – July 8, 2010) | Ormin Holdings Corporation |
| <p>MELODY T. LANCASTER 49, Filipino Bachelor of Science in Management Engineering, Ateneo de Manila University</p> <p>Computer Systems Technology British Columbia Institute of Technology</p> <p>Certified Project Management, Professional Project Management Institute</p> | <p>Present:</p> <ul style="list-style-type: none"> ○ Senior Vice-President, Chief Compliance Officer (since June 14, 2017) ○ Secretary (since June 18, 2014) ○ Vice-President (since February 7, 2014) ○ Director (since March 29, 2010) ○ Director (since 2009) ○ Vice-President (since March 30, 2007) ○ Director (since March 26, 1999) ○ Management Consultant (since 2004) ○ Director (since March 2002) ○ President <p>Previous:</p> <ul style="list-style-type: none"> ○ Vice-President (July 2, 2014 – May 31, 2018) ○ Vice President (June 25, 2014 – June 13, 2017) ○ Treasurer (1986 - 1999) | <p>Jolliville Holdings Corporation</p> <p>Menakeo Construction Inc.</p> <p>Melan Properties Corp.</p> <p>Kenly Resources, Inc.</p> <p>Febra Resources Corp.</p> <p>Elgeete Holdings, Inc.</p> <p>A-net Resources Corp.</p> <p>RBS Citizens Bank of Rhode Island</p> <p>Oltru Holdings Corp.</p> <p>Fortress Industries Ltd. (Canada)</p> <p>Philippine H2O Ventures Corp.</p> <p>Jolliville Holdings Corporation</p> <p>Jolliville Realty and Development, Inc.</p> |
| <p>RODOLFO L. SEE 79, Filipino Bachelor of Science in Business Administration, Far Eastern University</p> | <p>Present:</p> <ul style="list-style-type: none"> ○ Director (since August 18, 2004) ○ Chairman, President (since 1980) ○ Chairman, President (since 1974) ○ Owner (since 1982) <p>Previous:</p> <ul style="list-style-type: none"> ○ Director (January 2009 – May 2018) | <p>Jolliville Holdings Corporation</p> <p>Gold Prize Food Manufacturing Corp.</p> <p>Gold Medal Food Manufacturing Corp.</p> <p>International Food Snack Corp. (Exporter of locally produced dried fruit products)</p> <p>Philippine H2O Ventures Corp.</p> |
| <p>DEXTER E. QUINTANA 69, Filipino Masters in Business Administration, Graduate School of Business, University of the Philippines</p> | <p>Present:</p> <ul style="list-style-type: none"> ○ Member (since 2015) ○ Member (since 2014) ○ President, Director (since 2015) ○ Director (since 2012) ○ Chairman, Board of Trustees (since 2011) | <p>Management Association of the Phil. Regional Ambassador Club of Manila Makati Sports Club</p> <p>Eagle Ridge Hotel Corporation</p> <p>Bamboo Network of the Philippines</p> |

| | | |
|--|---|--|
| | <ul style="list-style-type: none"> o President (since 2008) o Independent Director (since 2008) o Member (since 2004) o Member (since 2000) o Member / Past President (since 1987) o Life Member / Past Director (since 1987) | <p>Strategic Partners Alliance Inc. Jolliville Holdings Corporation</p> <p>Palms Country Club Club Punta Fuego Rotary Club University District, Market Central Financial Executives Institute of the Phil.</p> |
| <p>SERGIO ORTIZ-LUIS JR. 78, Filipino Bachelor of Science in Business Administration Master of Business Administration (Candidate) De La Salle University</p> <p>PhD Humanities hc Central Luzon State University</p> <p>PhD Business Technology hc Eulogio “Amang” Rodriguez Institute of Science and Technology</p> | <p>Present:</p> <ul style="list-style-type: none"> o Director (since 2018) o Chairman of the Board (since 2018) o Chairman of the Board (since 2017) o Independent Director (since 2017) o Vice Chairman / Director (since 2016) o Director (since 2015) o President (since 2015) o Trustee / Treasurer (since 2015) o Chairman (since 2015) o Past Director (2014 – 2018) o Independent Director (since 2014) o Director / Past President (since 2013) o Honorary Chairman / Treasurer (since 2013) o Director (since 2012) o Director (since 2012) o Director (since 2012) o Chairman of the Board (since 2009) o Vice Chairman (since 2008) o Director (since 2008) o Honorary Chairman (since 2008) o Director (since 2008) o Director (since 2008) o Director (since 2008) o Director (since 2000) o Director (since 1997) o Founding Director (since 1995) o President (since 1991) | <p>Drug Abuse Resistance Education (DARE) Philippines Country Garden Agri-Tourism Dev't. Inc. Manila Waterfront City</p> <p>SPC Power Corporation</p> <p>VC Securities Corp.</p> <p>LikeCash Asia & The Pacific Corporation Asia Pacific Chinese Media Inc. Human Resources Development Foundation National Center for Mediation Philippine H2O Ventures Corp.</p> <p>Jolliville Holdings Corporation</p> <p>Philippine Foundation Inc. (Team Phil.)</p> <p>Philippine Chamber of Commerce & Industry Philippine Estate Corporation BA Securities International Chamber of Commerce of the Phil. Philippine International Airways</p> <p>Alliance Global, Inc.</p> <p>Waterfront Philippines, Inc. Integrated Concepts & Solutions Inc.</p> <p>The Wellex Group Acesite Hotel Philippines Inc. Forum Pacific, Inc. (FPI, Philippines) Lasaltech Academy Manila Exposition Complex, Inc. (World Trade Ctr.) GSI (Formerly Philippine Article Numbering Council) Philippine Exporters Confederation Inc.</p> |

| | | |
|--|---|--|
| | <ul style="list-style-type: none"> ○ Honorary Chairman / Past President (since 1991) ○ Member (since 1989) ○ Member / Past President (since 1988) ○ Director (since 1981) | Employers Confederation of the Philippines Philippine Jaycee Senate Rotary Club of Green Meadows Rural Bank of Baguio |
|--|---|--|

The Company's success and growth depends in no small measure to the continued service of its Founder, Chairman and Chief Executive Officer, Mr. Jolly Lim Ting. His vision and strategic plans have allowed the Company and the Group to grow to where it is now. While Mr. Ting continues to provide the strategic direction to the Group, he has put to work in the business his children as well as some professional managers to add depth to his management team.

Ms. Ortrud T. Yao, Ms. Nanette T. Ongcarranceja, and Ms. Melody T. Lancaster are siblings and they are all children of Mr. Jolly L. Ting. There are no other family relationships involving directors and executive officers.

None of the members of the Board is involved in any legal proceeding, pending or otherwise, for the past 5 years and up to the date of this report.

Item 11. Executive Compensation

Compensation of directors and executive officers are carried in the books of parent company and operating subsidiaries.

- a. Standard Arrangements. All the executive officers receive a fixed monthly remuneration and year-end bonus while the other directors, including the two (2) independent directors, receive a per diem of ₱8,000 per board/committee meeting.
- b. Other Arrangements. The Company has no other arrangement with regard to the remuneration of its existing directors and officers aside from the compensation received as above stated.

SUMMARY COMPENSATION TABLE

Annual Compensation
(in PHP)

| (a) | (b) | (c) | (d) | (e) |
|---|-------|------------|-----------|---------|
| Name and Principal Position | Year | Salary | Bonus | Others |
| A Jolly L. Ting, Chairman & Chief Executive Officer | | | | |
| B Nanette T. Ongcarranceja, President/Chief Operating Officer | | | | |
| Ortrud T. Yao, Treasurer/Asst. Corp. Sec./Chief Finance Officer | | | | |
| Melody T. Lancaster, Vice President | 2021* | 10,468,570 | 811,882 | 68,541 |
| | 2020 | 9,970,067 | 773,221 | 64,325 |
| | 2019 | 9,495,302 | 736,401 | 61,262 |
| | 2018 | 9,043,145 | 701,334 | 58,344 |
| All other officers and directors as a group | | | | |
| E unnamed | 2021* | 8,435,872 | 3,124,205 | 204,308 |
| | 2020 | 8,034,164 | 2,975,434 | 194,579 |
| | 2019 | 7,651,585 | 2,833,747 | 185,313 |
| | 2018 | 7,287,224 | 2,698,807 | 176,488 |

**estimated amounts*

During the last and ensuing year, there are no:

1. Employment contracts between the Company and the named directors and senior officers;
2. Compensatory Plan or Arrangement;
3. Outstanding Warrants or Options held by directors and officers or the prices of such adjusted or amended; and
4. Amounts paid for committee participation or special assignments.

Under the Company's By-Laws, the officers of the Corporation shall hold office for one year and until their successors are chosen and qualified in their stead. Any officer elected or appointed by the majority of the Board of Directors may be removed by the affirmative vote of the Board of Directors.

Item 12. Security Ownership of Certain Record and Beneficial Owners

The following table presents the record/beneficial owners who in person or as group own more than five percent (5%) of the issued and outstanding capital stock of the Company as of December 31, 2020.

| <i>Title of Class</i> | <i>Name and Address of Record and relationship with Issuer</i> | <i>Beneficial Owner and relationship with record owner</i> | <i>Citizenship</i> | <i>Number of Shares</i> | <i>Percent of Record Owner</i> |
|-----------------------|---|--|--------------------|-------------------------|--------------------------------|
| Common | Elgeete Holdings, Inc. (4/F 20 Lansbergh Place, 170 Tomas Morato Ave., cor. Sgt. Castor St., Quezon City) | Ting Family | Filipino | 125,783,791 | 44.68 |
| Common | PCD Nominee Corporation – Fil. (6764 Ayala Avenue, Legazpi Village, Makati City) | none | Filipino | 60,083,698 | 21.344 |
| Common | Myron Ventures, Corp. | none | Filipino | 18,000,000 | 6.39 |

Elgeete Holdings, Inc. is a private holding company, substantially owned and controlled by members of the Ting Family. Mr. Jolly L. Ting, the single largest stockholder among the Ting Family in this Company, exercises the voting power over the shares.

PCD Nominee Corporation is a wholly owned subsidiary of the Philippine Central Depository, Inc., a private company organized to implement an automated book entry system of handling securities transactions in the Philippines.

Myron Ventures Corp. is a domestic corporation duly registered with the SEC.

Item 13. Security Ownership of Management

The shares owned of record or beneficially by the directors and each of the named executive officers previously named are as follows:

| <i>Title of Class</i> | <i>Name of Beneficial Owner</i> | <i>Amount and Nature of Beneficial Ownership</i> | <i>Citizenship</i> | <i>Percent of Class</i> |
|-----------------------|---------------------------------|--|--------------------|-------------------------|
| Common | Jolly L. Ting | 959,999 (direct) | Filipino | 0.34 |
| Common | Jolly L. Ting | 21,280,175 (indirect) | Filipino | 7.56 |
| Common | Rodolfo L. See | 5,994,000 (direct) | Filipino | 2.13 |
| Common | Nanette T. Ongcarranceja | 500,001 (direct) | Filipino | 0.18 |
| Common | Nanette T. Ongcarranceja | 9,366,278 (indirect) | Filipino | 3.33 |
| Common | Melody T. Lancaster | 1 (direct) | Filipino | 0.00 |
| Common | Melody T. Lancaster | 9,181,491 (indirect) | Filipino | 3.26 |
| Common | Ortrud T. Yao | 1,000,001 (direct) | Filipino | 0.36 |
| Common | Ortrud T. Yao | 9,181,491 (indirect) | Filipino | 3.26 |
| Common | Dexter E. Quintana | 854,001 (direct) | Filipino | 0.30 |
| Common | Sergio R. Ortiz-Luis Jr. | 1,000 (direct) | Filipino | - |

As of December 31, 2020, directors and officers as a group hold a total of 58,318,438 shares equivalent to 20.72% of Jollville Holdings Corporation's issued and outstanding capital stock.

Item 14. Certain Relationships and Related Transactions

The Company, in the regular course of trade or business, enters into transactions with affiliates/related companies principally consisting of management fees, leasing agreements and cash advances. Generally, management and leasing arrangements are renewed on an annual basis and are based on terms similar to those offered to non-related parties.

The Group has the following transaction with related parties:

- a. Unsecured and non-interest bearing cash advances made to stockholders and affiliated for working capital purposes which are payable on demand and usually settled in cash; and
- b. Unsecured and noninterest bearing cash advances from stockholders and affiliates for working capital purposes which are payable on demand and usually settled in cash.

For the past two years, there are no other transactions or proposed transactions being undertaken or to be undertaken by the Company in which any director or executive officer, or any member of their immediate family was or will be involved or had or will have a direct or indirect material interest.

There are no transactions with parties that, although not under the definition of a "related party" but with whom the Registrant or its related parties have a relationship, that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent, parties on an arm's length basis.

There are no other relationships or transactions during the last two years or proposed transactions with related parties except for those cited above.

For other details on related party transactions, see Note 21 of the attached audited financial statements of the Company for the year ended December 31, 2020.

Item 15. Acquisition/Disposition of Property

CWWC sold 3,696,000 shares of MAWI to Baliville Ventures Corp. for ₱1.00 per share or ₱3.696 million on November 19, 2019. After the sale, CWWC holds 47.52% of the outstanding capital stock of MAWI.

On September 2019, JOH's subsidiary JLRC applied for a ₱280 million increase in capitalization with the SEC and the latter approved its application on November 4, 2019. JOH did not subscribe to additional shares of JLRC and retained its existing shareholdings of 124,695 shares at ₱100 par value. After the approval by the SEC of JLRC's application for the increase in authorized capital stock, JLRC ceased to be a subsidiary of the Company.

On September 24, 2020, GVI applied for a ₱9 million increase in capitalization with the SEC. JOH did not subscribe to additional shares of GVI and retained its existing shareholdings of 499,995 shares at ₱1.00 par value. After the approval by the SEC of GVI's application for the increase in authorized capital stock, JOH owns 18.18% of GVI and the latter's financials are no longer included in the Company's consolidated financial statements.

PART IV – CORPORATE GOVERNANCE

Item 16. The Board of Directors and Management of Jolliville Holdings Corporation (the “Company” or the “Corporation”) commit themselves to the principles and best practices contained in the Company’s manual on corporate governance.

The Company believes that compliance with the principles of good corporate governance begins with the Board of Directors. It shall be the Board’s responsibility to foster the long-term success of the Company and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which must be exercised in the best interest of the Corporation, its shareholders and other stakeholders. The Board conducts itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

Among the Board’s duties are to fix a process of selection to ensure a competent directors and officers who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies, to determine the Company’s purposes, its vision and mission, and strategies to carry out its objectives, ensures compliance with all relevant laws, regulations and codes of best business practices, adopt a system of internal checks and balances, identify key risk areas and key performance indicators and monitor these factors with due diligence. It is also the Board’s duties to formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions, to properly discharge Board functions by meeting regularly, constitute an audit, nomination, compensation and remuneration and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities

The Company also recognized code of business conduct and ethics to express the Corporation’s commitment to full compliance of its existing business interests, shareholdings, personal activities, or relationships that may directly or indirectly conflict with the Corporation’s customers, suppliers, competitors, and other third parties, to promote honest and ethical conduct and handling of apparent conflicts of interest between personal professional relationships, and to help foster a culture of honesty and accountability.

There has not been any deviation from the company’s Manual of Corporate Governance.

The Company plans to continue adopting the SEC’s and other reputable organization’s recommendations for improved corporate governance.

PART V - EXHIBITS AND SCHEDULES

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

(a) Exhibits

The required information has already been discussed in Part I, Item I of this Report.

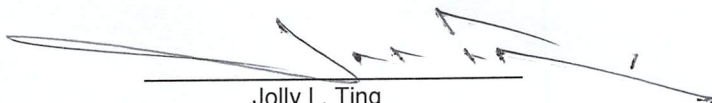
(b) Reports on SEC Form 17-C

| <i>Date</i> | <i>Excerpts</i> |
|--------------------|---|
| March 16, 2020 | Risks and impact of the Corona Virus Disease 2019 (COVID-19) Pandemic on the Company's Business Operations |
| June 9, 2020 | Clarificatory Statement on news article published by Manila Standard Business dated June 9, 2020 entitled "Jolly Ting shuts down Pegasus, Heartbeat, Air Force One" |
| June 9, 2020 | Amended Clarificatory Statement on news article published by Manila Standard Business dated June 9, 2020 entitled "Jolly Ting shuts down Pegasus, Heartbeat, Air Force One" and "Virus casualties: Night club chain to fade out lights, Corregidor ferry service to stop" |
| July 1, 2020 | Notice of Annual Stockholders' Meeting of Jollville Holdings Corporation for the year 2020 |
| August 20, 2020 | Results of the 2020 Annual Stockholders' Meeting |
| August 20, 2020 | Results of the 2020 Organizational Meeting |
| September 11, 2020 | Certificate of Attendance on Corporate Governance Training – Atty. Respicio |
| September 24, 2020 | Cessation of Granville Ventures Inc. as a subsidiary of JOH |
| September 28, 2020 | Reply to Exchange's Query on additional information related to JOH's disclosure dated Sept. 24, 2020 with regard to the Cessation of GVI as a subsidiary of JOH |
| September 29, 2020 | Certificates of Attendance on Corporate Governance Training – JLT, NTO, MTL, OTY, RLS, and SROL |
| December 23, 2020 | Cessation of Granville Ventures Inc. as a Subsidiary of JOH |

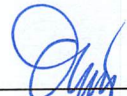
SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in Quezon City on 25 MAR 2021


By:



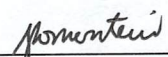
Jolly L. Ting
Chairman



Ortrud T. Yao
Chief Finance Officer



Nanette T. Ongcarranceja
President

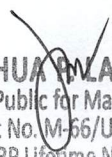


Princess O. Montecir
Principal Accounting Officer

SUBSCRIBED AND SWORN to before me this 25 MAR 2021 day of MAR, 2021 **MAKATI CITY** affiant(s) exhibiting to me their Residence Certificates, as follows:

| NAMES | RES. CERT. NO. | DATE OF ISSUE | PLACE OF ISSUE |
|--------------------------|----------------|---------------|----------------|
| Jolly L. Ting | 06492941 | 02-15-2021 | Quezon City |
| Nanette T. Ongcarranceja | 06492944 | 02-15-2021 | Quezon City |
| Ortrud T. Yao | 06492929 | 02-15-2021 | Quezon City |
| Princess O. Montecir | 06492932 | 02-15-2021 | Quezon City |

Doc No. 406 :
Page No. 82 :
Book No. 13 :
Series of 2021


JOSHUA M. LAPUZ
Notary Public for Makati City
Appointment No. M-66/Until 12-31-21
Roll No. 45790/IBP Lifetime No. 04897/7-3-03
PTR-O.R. No. 8531012/01-04-2021/Makati City
MCLE No. VI-0016565/1-14-19
G/F, Fedman Suites, 199 Salcedo St.
Legaspi Village, 1229 Makati City

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 3 4 8 0 0

COMPANY NAME

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| J | O | L | L | I | V | I | L | L | E | | H | O | L | D | I | N | G | S | | C | O | R | P | O | R | A | T | I | O | N | | A | N | D |
| S | U | B | S | I | D | I | A | R | I | E | S | | | | | | | | | | | | | | | | | | | | | | | |
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PRINCIPAL OFFICE (No./Street/Barangay/City/Town/Province)

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| a | s | | M | o | r | a | t | o | | A | v | e | . | | c | o | r | . | | S | c | o | u | t | | C | a | s | t | o | r | | S | t | . |
| , | | Q | u | e | z | o | n | | C | i | t | y | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Form Type

A C F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address

info@joh.ph

Company's Telephone Number/s

(02) 8-373-3038

Mobile Number

0966-854-4344

No. of Stockholders

29

Annual Meeting (Month / Day)

Month of June

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Ortrud T. Yao

Email Address

ortrud_ting@joh.ph

Telephone Number/s

(02) 8 -373 - 3038

Mobile Number

0966-854-4344

CONTACT PERSON'S ADDRESS

4/F 20 Lansbergh Place Bldg., 170 Tomas Morato Ave. cor. Scout Castor St., Quezon City

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

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



INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
4/F 20 Lansbergh Place Bldg.
170 Tomas Morato Ave. cor. Scout Castor St.
Quezon City

Opinion

We have audited the accompanying consolidated financial statements of JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to the audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Consolidation Process

The Group's consolidated financial statements comprise the financial statements of Jolliville Holdings Corporation (JOH) and its subsidiaries. The Group's consolidation process is significant to the audit because of the complexity of the process which involves identifying and eliminating several related party transactions and balances to properly reflect the consolidated financial position, consolidated financial performance and consolidated cash flows in accordance with PFRS. Furthermore, in 2020, there is a decrease in JOH's ownership interest in Granville Ventures Inc. (GVI) from 100% to 18.18% resulting to deconsolidation of GVI's accounts (see Note 1).



Our audit procedures included, among others, understanding of the Group's consolidation process, identifying intercompany transactions, reviewing the reconciliation of related party balances, and ensuring the completeness and appropriateness of the elimination entries. We also verified documents supporting the dilution of ownership in a subsidiary, examined accounting entries made to reflect the transaction in the consolidated financial statements and checked statutory corporate records to corroborate the remaining ownership interest in the subsidiary. Moreover, we performed analytical review procedures of the consolidated balances and evaluated the adequacy of the disclosures in the Group's consolidated financial statements.

Valuation of Investment Properties Measured at Fair Value and Property, Plant and Equipment Carried at Revalued Amount

The fair values of the Group's investment properties measured at fair value and property, plant and equipment carried at revalued amount aggregated ₱4,370.9 million, comprising 74% of the Group's consolidated assets as at December 31, 2020. The fair value gain on investment properties recognized in the consolidated statement of comprehensive income amounted to ₱85.8 million for the year ended December 31, 2020. The appraisal increase on property, plant and equipment recognized under other comprehensive income amounted to ₱14.4 million, net of tax, for the year ended December 31, 2020. The Group engaged the services of an independent firm of appraisers to determine the appraised values of these assets.

We considered the valuation of these nonfinancial assets measured at fair value as a key audit matter because of its significance and the determination of the fair values and selection of appropriate valuation methodology thereof, involve significant judgment and estimation. Our audit procedures included, among others, understanding of the valuation process of the these nonfinancial assets measured at fair value, evaluating the appraisal reports prepared by the independent firm of appraisers that support the fair values of these nonfinancial assets measured at fair value, and reviewing the calculation of the fair value adjustments. We also evaluated the professional qualifications and objectivity of the independent firm of appraisers. Moreover, we reviewed the adequacy of the disclosures of these nonfinancial assets measured at fair value discussed in Note 11 to the consolidated financial statements, including the fair value adjustments.

Other Matter

The consolidated financial statements of the Group as at and for the year ended December 31, 2018 were audited by another auditor, whose report dated April 11, 2019 expressed an unmodified opinion on those statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditors' report.

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

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



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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, these could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Wilson P. Teo.

REYES TACANDONG & Co.

WILSON P. TEO

Partner

CPA Certificate No. 92765

Tax Identification No. 191-520-944-000

BOA Accreditation No. 4782; Valid until August 15, 2021

SEC Accreditation No. 92765-SEC Group A

Issued January 28, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-014-2020

Valid until January 1, 2023

PTR No. 8534283

Issued January 5, 2021, Makati City

March 25, 2021

Makati City, Metro Manila



JOLLIVILLE HOLDINGS CORPORATION

The Securities and Exchange Commission
Secretarial Building, PICC Complex
Roxas Boulevard, Pasig City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Jolliville Holdings Corporation and Subsidiaries** (collectively referred to as "the Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein for the years ended December 31, 2020, 2019 and 2018 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

Reyes Tacandong & Co., and Constantino & Partners (formerly Constantino Guadalquivier & Co.), the independent auditors appointed by the stockholders, have audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.



JOLLY L. TING

Chairman
CTC No. 06492941
Issued on 02-15-2021 at Quezon City



NANETTE T. ONGCARRANCEJA

President
CTC No. 06492944
Issued on 02-15-2021 at Quezon City



ORTRUD T. YAO

Treasurer
CTC No. 06492929
Issued on 02-15-2021 at Quezon City

Signed this 25th day of March 2021.

SUBSCRIBED AND SWORN to before me this 25 MAR 2021 day of March, 2021 in the city of MAKATI CITY, Philippines. Affiant exhibiting to their Community Tax Number as above stated.

Doc No. 365;
Page No. 77;
Book No. 13;
Series of 2021

JOSHUA M. LAPUZ
Notary Public for Makati City
Appointment No. M-66/Until 12-31-21
Roll No. 45790/IBP Lifetime No. 04897/7-3-03
PTR-O.R. No. 8531012/01-04-2021/Makati City
MCLE No. VI-0016565/1-14-19
G/F, Fedman Suites, 199 Salcedo St.
Legaspi Village, 1229 Makati City

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | | December 31 | |
|---|------|-----------------------|----------------|
| | Note | 2020 | 2019 |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 5 | ₱165,165,064 | ₱135,525,427 |
| Trade and other receivables | 6 | 338,792,861 | 197,500,110 |
| Due from related parties | 21 | 162,324,578 | 157,110,972 |
| Inventories | 7 | 21,027,234 | 16,688,622 |
| Other current assets | 8 | 84,184,655 | 81,978,006 |
| Total Current Assets | | 771,494,392 | 588,803,137 |
| Noncurrent Assets | | | |
| Financial assets at fair value through other comprehensive income (FVOCI) | 9 | 10,311,485 | 14,815,943 |
| Investment properties | 11 | 1,181,426,422 | 1,094,905,179 |
| Property, plant and equipment | 12 | 3,839,075,583 | 3,903,620,367 |
| Deferred tax assets | 25 | 33,334,029 | 20,041,022 |
| Investments in associates | 10 | – | 1,609,746 |
| Other noncurrent assets | 13 | 38,597,002 | 39,389,735 |
| Total Noncurrent Assets | | 5,102,744,521 | 5,074,381,992 |
| | | ₱5,874,238,913 | ₱5,663,185,129 |
| LIABILITIES AND EQUITY | | | |
| Current Liabilities | | | |
| Trade and other payables | 14 | ₱844,151,680 | ₱773,334,849 |
| Short-term loans | 15 | 611,726,198 | 623,650,000 |
| Current portion of long-term loans | 15 | 207,163,069 | 179,265,030 |
| Due to related parties | 21 | 221,299,463 | 222,118,068 |
| Income tax payable | | 5,330,604 | 12,354,823 |
| Total Current Liabilities | | 1,889,671,014 | 1,810,722,770 |
| Noncurrent Liabilities | | | |
| Noncurrent portion of long-term loans | 15 | 1,022,607,426 | 1,082,660,839 |
| Customers' deposits | 23 | 23,674,699 | 20,454,219 |
| Retirement benefits liability | 22 | 44,297,513 | 50,643,468 |
| Deferred tax liabilities | 25 | 307,272,106 | 277,576,192 |
| Total Noncurrent Liabilities | | 1,397,851,744 | 1,431,334,718 |
| Total Liabilities | | 3,287,522,758 | 3,242,057,488 |

(Forward)

| | | December 31 | |
|--|------|-----------------------|-----------------------|
| | Note | 2020 | 2019 |
| Equity | | | |
| Attributable to Equity Holders of Parent Company | | | |
| Capital stock | 16 | ₱281,500,000 | ₱281,500,000 |
| Additional paid-in capital | | 812,108 | 812,108 |
| Retained earnings | | 1,398,593,536 | 1,292,664,970 |
| Other comprehensive income | | 237,620,539 | 222,385,184 |
| Equity Attributable to Equity Holders of the Parent Company | | | |
| | | 1,918,526,183 | 1,797,362,262 |
| Non-controlling Interests | 16 | 668,189,972 | 623,765,379 |
| Total Equity | | 2,586,716,155 | 2,421,127,641 |
| | | ₱5,874,238,913 | ₱5,663,185,129 |

See accompanying Notes to Consolidated Financial Statements.

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(With Comparative Figures for 2018)

| | | Years Ended December 31 | | |
|---|------|-------------------------|----------------|---------------|
| | Note | 2020 | 2019 | 2018 |
| REVENUE | 17 | ₱1,111,468,225 | ₱1,013,540,074 | ₱803,164,721 |
| DIRECT COSTS | 18 | (740,555,201) | (681,195,256) | (559,668,784) |
| GROSS INCOME | | 370,913,024 | 332,344,818 | 243,495,937 |
| GENERAL AND ADMINISTRATIVE EXPENSES | 19 | (153,041,505) | (156,966,943) | (140,147,709) |
| FINANCE COSTS | 15 | (113,801,458) | (120,887,512) | (15,863,606) |
| FAIR VALUE GAIN ON INVESTMENT PROPERTIES | 11 | 85,805,000 | 112,167,466 | — |
| GAIN ON SALE OF A SUBSIDIARY | 4 | — | — | 322,806,463 |
| OTHER INCOME (CHARGES) - Net | 20 | (2,207,893) | (4,135,487) | 1,763,597 |
| INCOME BEFORE INCOME TAX | | 187,667,168 | 162,522,342 | 412,054,682 |
| PROVISION FOR (BENEFIT FROM) INCOME TAX | 25 | | | |
| Current | | 28,170,018 | 30,918,976 | 32,387,898 |
| Deferred | | 8,228,397 | 42,991,104 | (3,030,270) |
| | | 36,398,415 | 73,910,080 | 29,357,628 |
| NET INCOME | | 151,268,753 | 88,612,262 | 382,697,054 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | | |
| Appraisal increase on property, plant and equipment, net of tax | 12 | 14,406,722 | — | — |
| Remeasurement gain on retirement benefits, net of tax | 22 | 9,258,890 | — | 7,606,015 |
| Loss on equity investments at FVOCI | 9 | (5,004,458) | (508,834) | (259,530) |
| Depreciation on appraisal increase in property, plant and equipment, net of tax | 12 | (4,591,758) | (4,595,362) | (4,648,407) |
| Others | | — | — | 4,805,501 |
| | | 14,069,396 | (5,104,196) | 7,503,579 |
| TOTAL COMPREHENSIVE INCOME | | ₱165,338,149 | ₱83,508,066 | ₱390,200,633 |

| Years Ended December 31 | | | | |
|---|------|---------------------|-------------|--------------|
| | Note | 2020 | 2019 | 2018 |
| NET INCOME (LOSS) ATTRIBUTABLE TO: | | | | |
| Equity holders of the Parent Company | | ₱105,678,201 | ₱92,739,920 | ₱378,044,937 |
| Non-controlling interests | | 45,590,552 | (4,127,658) | 4,652,117 |
| | | ₱151,268,753 | ₱88,612,262 | ₱382,697,054 |
| TOTAL COMPREHENSIVE INCOME (LOSS) | | | | |
| ATTRIBUTABLE TO: | | | | |
| Equity holders of the Parent Company | | ₱120,913,556 | ₱88,073,582 | ₱384,411,823 |
| Non-controlling interests | | 44,424,593 | (4,565,516) | 5,788,810 |
| | | ₱165,338,149 | ₱83,508,066 | ₱390,200,633 |
| BASIC/DILUTED EARNINGS PER SHARE | | | | |
| ATTRIBUTABLE TO EQUITY HOLDERS | | | | |
| OF THE PARENT COMPANY | 24 | ₱0.3754 | ₱0.3294 | ₱1.3430 |

See accompanying Notes to Consolidated Financial Statements.

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(With Comparative Figures for 2018)

| | | Years Ended December 31 | | |
|--|------|-------------------------|---------------|---------------|
| | Note | 2020 | 2019 | 2018 |
| CAPITAL STOCK | | | | |
| Balance at beginning and end of year | 16 | ₱281,500,000 | ₱281,500,000 | ₱281,500,000 |
| ADDITIONAL PAID-IN CAPITAL | | | | |
| Balance at beginning and end of year | | 812,108 | 812,108 | 812,108 |
| RETAINED EARNINGS | | | | |
| <i>Appropriated</i> | | | | |
| Balance at beginning of year | | 185,862,750 | 185,862,750 | — |
| Appropriation for property dividends | 16 | — | — | 185,862,750 |
| Balance at end of year | | 185,862,750 | 185,862,750 | 185,862,750 |
| <i>Unappropriated</i> | | | | |
| Balance at beginning of year | | 1,106,802,220 | 1,036,985,228 | 874,979,242 |
| Net income | | 105,678,201 | 92,739,920 | 378,044,937 |
| Effect of loss of control | 4 | 250,365 | (22,922,928) | (30,176,201) |
| Appropriation for property dividends | 16 | — | — | (185,862,750) |
| Balance at end of year | | 1,212,730,786 | 1,106,802,220 | 1,036,985,228 |
| | | 1,398,593,536 | 1,292,664,970 | 1,222,847,978 |
| OTHER COMPREHENSIVE INCOME | | | | |
| <i>Revaluation Surplus - Net</i> | | | | |
| Balance at beginning of year | 12 | 221,441,052 | 246,402,556 | 241,680,858 |
| Appraisal increase | | 14,406,722 | — | — |
| Depreciation of revaluation surplus - net of deferred tax | | (4,153,900) | (4,157,504) | (4,211,096) |
| Effect of loss of control over a subsidiary | 4 | — | (20,804,000) | 8,932,794 |
| Balance at end of year | | 231,693,874 | 221,441,052 | 246,402,556 |
| <i>Cumulative Unrealized Fair Value Changes on Financial Assets at FVOCI</i> | | | | |
| Balance at beginning of year | 9 | 316,106 | 824,940 | 885,393 |
| Fair value loss | | (5,004,458) | (508,834) | (259,205) |
| Effect of loss of control over a subsidiary | 4 | — | — | 198,752 |
| Balance at end of year | | (4,688,352) | 316,106 | 824,940 |

(Forward)

| Years Ended December 31 | | | | |
|--|------|-----------------------|----------------|----------------|
| | Note | 2020 | 2019 | 2018 |
| <i>Cumulative Remeasurement Gain (Loss) on Retirement Benefits Liability - Net</i> | | | | |
| Balance at beginning of year | | ₱628,026 | ₱628,026 | (₱5,416,277) |
| Actuarial gain | 22 | 9,986,991 | — | 7,510,870 |
| Effect of loss of control over a subsidiary | 4 | — | — | (1,466,567) |
| Balance at end of year | | 10,615,017 | 628,026 | 628,026 |
| | | 237,620,539 | 222,385,184 | 247,855,522 |
| TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY | | | | |
| | | 1,918,526,183 | 1,797,362,262 | 1,753,015,608 |
| NON-CONTROLLING INTERESTS | | | | |
| | 16 | | | |
| Balance at beginning of year | | 623,765,379 | 507,142,327 | 558,909,788 |
| Share in total comprehensive income (loss) | | 44,424,593 | (4,565,516) | 5,788,810 |
| Increase in non-controlling interests | | — | 193,961,000 | 240,318,679 |
| Non-monetary changes in non-controlling interests | | — | (72,772,432) | (297,874,950) |
| Balance at end of year | | 668,189,972 | 623,765,379 | 507,142,327 |
| | | ₱2,586,716,155 | ₱2,421,127,641 | ₱2,260,157,935 |

See accompanying Notes to Consolidated Financial Statements.

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(With Comparative Figures for 2018)

| | | Years Ended December 31 | | |
|--|------|--------------------------------|---------------|---------------|
| | Note | 2020 | 2019 | 2018 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Income before income tax | | ₱187,667,168 | ₱162,522,342 | ₱412,054,682 |
| Adjustments for: | | | | |
| Depreciation and amortization | 12 | 152,302,931 | 148,739,757 | 66,996,615 |
| Finance costs | 15 | 113,801,458 | 120,887,512 | 15,863,606 |
| Fair value gain on investment properties | 11 | (85,805,000) | (112,167,466) | – |
| Retirement benefits expense | 22 | 6,881,031 | 5,973,709 | 5,512,462 |
| Provision for impairment loss on trade receivables | 6 | 6,133,779 | – | 558,762 |
| Share in net losses of associates | 10 | 1,609,746 | 3,190,254 | 55,005 |
| Interest income | 20 | (831,964) | (797,802) | (1,205,901) |
| Loss (gain) on sale of transportation equipment | 12 | 428,131 | (500,000) | (99,802) |
| Net unrealized foreign exchange loss (gain) | 20 | 5,383 | 3,743 | (10,324) |
| Gain on sale of a subsidiary | 4 | – | – | (322,806,463) |
| Operating income before working capital changes | | 382,192,663 | 327,852,049 | 176,918,642 |
| Decrease (increase) in: | | | | |
| Trade and other receivables | | (147,426,530) | (23,781,304) | (32,145,860) |
| Inventories | | (4,338,612) | 11,977,760 | (7,835,383) |
| Other current and noncurrent assets | | (1,418,184) | (9,958,537) | (21,909,076) |
| Increase (decrease) in: | | | | |
| Trade and other payables | | 70,828,031 | 108,836,585 | 143,592,388 |
| Customers' deposits | | 3,220,480 | 2,672,787 | (3,448,029) |
| Net cash generated from operations | | 303,057,848 | 417,599,340 | 255,172,682 |
| Income tax paid | | (35,194,237) | (37,677,637) | (43,301,025) |
| Interest received | | 831,964 | 797,802 | 1,205,901 |
| Net cash flows from operating activities | | 268,695,575 | 380,719,505 | 213,077,558 |

(Forward)

| | | Years Ended December 31 | | |
|---|------|-------------------------|----------------------|---------------------|
| | Note | 2020 | 2019 | 2018 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Additions to: | | | | |
| Property, plant and equipment | 12 | (P74,364,900) | (P346,601,671) | (P622,611,887) |
| Investment properties | 11 | (820,000) | – | (1,906,146) |
| Advances to related parties | 21 | (17,517,951) | (29,730,434) | (233,170,693) |
| Collections from related parties | 21 | 12,138,295 | 15,245,262 | 21,418,060 |
| Proceeds from sale of: | | | | |
| Transportation equipment | 12 | 200,000 | 500,000 | 2,497,480 |
| A subsidiary, net of cash of the subsidiary | 4 | – | – | 619,092,132 |
| Investments in associates | | – | – | 10,236,746 |
| Acquisition of additional interest in a subsidiary from a third party | | – | – | (511,562,537) |
| Decrease in deposit for future sale of shares of stocks | 4 | – | – | (20,000,000) |
| Net cash flows used in investing activities | | (80,364,556) | (360,586,843) | (736,006,845) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Payments of: | | | | |
| Loans | 26 | (105,229,200) | (257,153,489) | (164,297,905) |
| Interest | 26 | (68,700,034) | (120,887,512) | (111,172,073) |
| Advances from related parties | 21 | (1,324,347) | (5,954,926) | (22,309,109) |
| Proceeds from loan availments | 26 | 16,048,600 | 243,170,000 | 545,678,534 |
| Cash advances from related parties | 21 | 518,982 | 22,200,459 | 87,103,288 |
| Contributions from non-controlling interests | | – | 11,100,000 | 240,318,679 |
| Refund of deposit for future stock subscription | 4 | – | – | (35,000,000) |
| Net cash flows used in financing activities | | (158,685,999) | (107,525,468) | 540,321,414 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | | | | |
| | | (5,383) | (3,743) | 10,324 |
| CASH OF DECONSOLIDATED SUBSIDIARY | 4 | – | (31,436,884) | – |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | 29,639,637 | (118,833,433) | 17,402,451 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | 135,525,427 | 254,358,860 | 236,956,409 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 5 | P165,165,064 | P135,525,427 | P254,358,860 |

| | | Years Ended December 31 | | |
|---|------|-------------------------|--------------|--------------|
| | Note | 2020 | 2019 | 2018 |
| SUPPLEMENTARY NONCASH INFORMATION | | | | |
| Reclassification of investments in subsidiaries to: | | | | |
| Financial assets at FVOCI | 4 | ₱500,000 | ₱12,500,000 | ₱– |
| Investment in associate | | – | – | 4,800,000 |
| Changes in non-controlling interests | | – | 72,772,432 | 297,177,525 |
| Borrowing costs capitalized to construction in progress | 15 | – | – | 95,308,467 |
| COMPONENTS OF CASH AND CASH EQUIVALENTS | | | | |
| | 5 | | | |
| Cash on hand | | ₱301,000 | ₱315,000 | ₱265,000 |
| Cash in banks | | 153,065,315 | 123,676,364 | 236,808,997 |
| Cash equivalents | | 11,798,749 | 11,534,063 | 17,284,863 |
| | | ₱165,165,064 | ₱135,525,427 | ₱254,358,860 |

See accompanying Notes to Consolidated Financial Statements.

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(With Comparative Information for 2018)

1. Corporate Information and Status of Operations

General Information

Jolliville Holdings Corporation (the “Parent Company”) was incorporated and registered with the Securities and Exchange Commission (SEC) on September 3, 1986 primarily to acquire, invest in, hold, sell, exchange and generally deal in with securities of every kind and description (without in any way acting as investment house, or securities dealer or broker), and to purchase, lease or otherwise acquire lands or interest in lands, and to build, construct or erect thereon buildings, factories, or other structures. The Parent Company is listed with the Philippine Stock Exchange (PSE).

On June 17, 2002, the Parent Company issued 281,500,000 shares at ₱1.09 per share in its initial public offering (see Note 16).

The registered address of the Parent Company is 4/F 20 Lansbergh Place Bldg. 170 Tomas Morato Ave. cor. Scout Castor St., Quezon City.

Subsidiaries

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries (collectively, the “Group”) as at December 31, 2020 and 2019:

| Subsidiaries | Percentage of Ownership | | | | | |
|---|-------------------------|----------|--------|----------|--------|----------|
| | 2020 | | 2019 | | 2018 | |
| | Direct | Indirect | Direct | Indirect | Direct | Indirect |
| Ormina Realty & Development Corp. (ORDC) | 100.00 | – | 100.00 | – | 100.00 | |
| Jolliville Group Management, Inc. (JGMI) | 100.00 | – | 100.00 | – | 100.00 | |
| Servwell BPO International (Servwell) | 100.00 | – | 100.00 | – | 100.00 | |
| Jollideal Marketing Corporation (JMC) | 100.00 | – | 100.00 | – | 100.00 | |
| Ormin Holdings Corporation (OHC) and Subsidiaries: | 100.00 | – | 100.00 | – | 100.00 | |
| OTY Development Corp. (OTY) | – | 100.00 | | 100.00 | | 100.00 |
| Melan Properties Corp. (MPC) | – | 100.00 | | 100.00 | | 100.00 |
| KGT Ventures, Inc. (KGT) | – | 100.00 | | 100.00 | | 100.00 |
| NGTO Resources Corp. (NGTO) | – | 100.00 | | 100.00 | | 100.00 |
| Ibayo Island Resort Corp. (IIRC) | – | 100.00 | | 100.00 | | 100.00 |
| 2Big Philippines Inc. (2BIG) (formerly Tubig Pilipinas Corp.) and Subsidiaries: | 88.50 | 11.50 | 88.50 | 11.50 | 88.50 | 11.50 |
| Calapan Waterworks Corporation (CWWC) | – | 99.75 | | 99.75 | | 99.75 |
| Nation Water Corporation (NWC)* | | | | | | |
| Group’s ownership through 2BIG | – | 34.99 | – | 34.99 | | 34.99 |
| Group’s ownership through CWWC | – | 39.89 | – | 39.89 | | 39.75 |
| Tubig Bohol Corporation* (TBC)** | – | 49.87 | – | 49.87 | | 49.87 |
| Greater Rosario Water, Inc. (GRWI)* | – | 99.75 | – | 99.75 | | 99.75 |
| Philippine Hydro Electric Ventures, Inc. (PHEVI) | 100.00 | – | 100.00 | – | 100.00 | |
| Ormin Power, Inc. (OPI) | – | 59.95 | – | 59.95 | | 59.97 |
| Granville Ventures Inc. (GVI)*** | – | – | 100.00 | – | 100.0 | |
| Jolliville Leisure and Resort Corporation (JLRC) and Subsidiaries:*** | – | – | – | | 100.00 | |
| Buyayao Island Resort Corporation (BIRC) | – | – | | – | | 50.99 |
| Sapulville Enterprises Corp. (SAEC) | – | – | | – | | 75.00 |
| Sapul Ventures Corp. (SVC) | – | – | | – | | 75.00 |

* Pre-operating companies

** Although the Group's equity interest in TBC is less than 50%, TBC is considered as a subsidiary because the Group's voting power over TBC is sufficient to provide the practical ability to direct and control.

***With remaining ownership interest of 18.18% and 15.12% in GVI and JLRC, respectively, reclassified to "Financial assets at FVOCI" (see Note 4).

The principal place of business and nature of business activities of the subsidiaries are as follows:

| Subsidiary | Nature of Business | Principal Place of Business |
|------------|---------------------|--------------------------------|
| ORDC | Leasing | Quezon City |
| JGMI | Management services | Quezon City |
| Servwell | Technical services | Quezon City |
| JMC | Holdings | Calapan City, Oriental Mindoro |
| OHC | Holdings | Quezon City |
| OTY | Realty | Quezon City |
| MPC | Realty | Quezon City |
| NGTO | Realty | Quezon City |
| IIRC | Realty | Quezon City |
| 2BIG | Water utility | Quezon City |
| CWWC | Water utility | Calapan City, Oriental Mindoro |
| TBC | Water utility | Quezon City |
| GRWI | Water utility | Quezon City |
| PHEVI | Power generation | Quezon City |
| OPI | Power generation | Calapan City, Oriental Mindoro |
| GVI | Realty | Quezon City |

GVI. On September 24, 2020, GVI's Board of Directors (BOD) and stockholders approved the increase in GVI's authorized capital stock (ACS) as approved by the SEC on December 15, 2020. The Parent Company waived its right to subscribe to additional GVI shares resulting to a decrease in ownership interest in GVI from 100.00% in 2019 to 18.18% in 2020. Accordingly, the carrying amount of the Parent Company's investment in GVI as at September 24, 2020 was reclassified to "Financial assets at fair value through other comprehensive income (FVOCI)" (see Note 9). Moreover, the Parent Company's loss of control in GVI resulted to the deconsolidation of the accounts of GVI in the preparation of the Group's consolidated financial statements as at December 31, 2020 (see Note 4).

Jolliville Leisure & Resort Corporation (JLRC). On September 25, 2019, JLRC's BOD and stockholders approved the increase in JLRC's ACS as approved by the SEC on November 4, 2019. The Parent Company waived its right to subscribe to additional JLRC shares. As a result, the Parent Company's ownership interest in JLRC decreased from 100.00% in 2018 to 15.12% in 2019. Accordingly, the carrying amount of the Parent Company's investment in JLRC was reclassified to "Financial assets at FVOCI" (see Note 9). Moreover, the Parent Company's loss of control in JLRC resulted to the deconsolidation of the accounts of JLRC in the preparation of the Group's consolidated financial statements as at December 31, 2019 (see Note 4).

Approval of the Consolidated Financial Statements

The consolidated financial statements as at and for the years ended December 31, 2020 and 2019 (with comparative figures for 2018) were approved and authorized for issuance by the BOD on March 25, 2021.

2. Summary of Significant Accounting and Reporting Policies

The significant accounting policies used in the preparation of consolidated financial statements are consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation and Statement of Compliance

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

Bases of Measurement

The consolidated financial statements of the Group are presented in Philippine Peso (Peso), the Group's functional currency. All values are rounded to the nearest Peso, except when otherwise indicated.

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at FVOCI, investment properties and land and improvements, buildings and improvements, and power plant facilities classified as part of "Property, plant and equipment", which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and the fair value of the consideration received in exchange for incurring a liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

Further information about the assumptions made in measuring fair values is included in the following notes to consolidated financial statements:

- Note 3 - Significant Judgments, Estimates, and Assumptions
- Note 9 - Financial Assets at FVOCI

- Note 11 - Investment Properties
- Note 12 - Property, Plant and Equipment
- Note 28 - Fair Value of Financial Assets and Liabilities

Adoption of Amended PFRSs

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRSs.

Effective January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include new concepts affecting measurement, presentation and disclosure and derecognition; improved definitions and guidance-in particular the definition of an asset and a liability; and clarifications in important areas, such as the roles of stewardship, prudence, measurement uncertainty and substance over form in financial reporting.
- Amendments to PFRS 3, *Business Combinations - Definition of a Business* – This amendment provides an improved definition of a “business” which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, ‘an integrated set of activities and assets’ must include, at a minimum, ‘an input and a substantive process that together significantly contribute to the ability to create an output’. The clarification is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of “material” and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is “material” if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Effective June 1, 2020 -

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

The adoption of the foregoing amended PFRSs did not have any material effect on the consolidated financial statements of the Group. Additional disclosures were included in the financial statements, as applicable.

Amended PFRSs Issued But Not Yet Effective

Relevant amended PFRSs, which are not yet effective as at December 31, 2020 and have not been applied in preparing the consolidated financial statements, are summarized below.

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

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendment included an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or IFRIC 21, *Levies*, instead of the Conceptual Framework. The requirement would ensure that the liabilities recognized in a business combination would remain the same as those recognized applying the current requirements in PFRS 3. The amendment also added an explicit statement that contingent assets acquired in a business combination should not be recognized by an acquirer. The amendments should be applied prospectively.
- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applies the amendment.
- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.
- Annual Improvements to PFRS 2018 to 2020 Cycle:
 - Amendments to PFRS 9, *Financial Instruments - Fees in the '10 percent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity includes when it applies the '10 percent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendments apply to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.

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

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

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

Effective for annual periods beginning on or after January 1, 2025 -

Deferred effectivity -

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

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

Basis of Consolidation

Subsidiaries. Subsidiaries are entities in which the Group has control. The Group controls a subsidiary if it is exposed or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Control is generally accompanied by a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are substantive are considered when assessing whether the Group controls an entity. The Group re-assesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control and continue to be consolidated until the date when such control ceases. The results of operations of the subsidiaries acquired or disposed of are included in the consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

The financial statements of the subsidiaries are prepared using the same reporting period of the Parent Company. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated in full.

A change in the ownership interest of a subsidiary, without a change in control, is accounted for as an equity transaction. Upon the loss of control, the Group derecognizes the assets (including goodwill) and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Gain or loss arising from the loss of control is recognized in profit or loss. If the Group retains an interest in the previous subsidiary, then such interest is measured at fair value at the date control is lost. Subsequently, it is accounted for as an equity-accounted investee or as financial assets at FVOCI depending on the level of interest retained.

Non-controlling Interests. Non-controlling interests represent the portion of profit or loss and net assets not held by the Group, presented within equity in the consolidated statements of financial position, separately from equity attributable to equity holders of the Parent Company.

Business Combination and Goodwill

Acquisitions of businesses are accounted for using the acquisition method. The acquisition cost is measured as the sum of the considerations transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

When the business combination is achieved in stages, any previously held non-controlling interests is re-measured at the date of obtaining control and a gain or loss is recognized in profit or loss.

If the initial accounting for a business combination is incomplete as at the reporting date in which the combination occurs, the Group reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group retrospectively adjusts the provisional amounts and recognizes additional assets or liabilities to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period ends at the date the Group receives the information about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable, but should not exceed one year from the acquisition date.

Goodwill, which arose from the acquisitions of controlling shares in its subsidiaries, is initially measured at the acquisition date as the sum of the fair value of consideration transferred; the recognized amount of any non-controlling interests in the acquiree; and, if the business combination is achieved in stages, the fair value of existing equity interest in the acquiree less the fair value of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the bargain purchase gain is recognized directly in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the entity's cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the entity are assigned to those units or groups of units. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes.

Where goodwill has been allocated to a cash-generating unit or group of cash generating units and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation in determining the gain or loss on disposal. Goodwill disposed in this circumstance is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Financial Assets and Liabilities

Recognition and Measurement

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

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

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

Classification

The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at FVOCI. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group's business model and its contractual cash flow characteristics.

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

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

- Deliver cash or another financial asset to another entity;

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

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

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

As at December 31, 2020 and 2019, the Group's cash and cash equivalents, trade and other receivables, due from related parties, deposits (presented as part of "Other current assets") and other noncurrent assets are classified under this category.

Financial Assets at FVOCI. For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Group may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in other comprehensive income and presented in the equity section of the statement of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As at December 31, 2020 and 2019, the Group designated its investment in mutual fund and investments in unquoted shares as financial assets at FVOCI.

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

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

As at December 31, 2020 and 2019, the Group's trade and other payables (excluding statutory payable), loans payable, due to related parties and customers' deposits are classified under this category.

Reclassification

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

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income (OCI).

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized OCI is removed from equity and adjusted against the fair value of the financial asset. The financial asset is measured at the reclassification day as if it had always been measured at amortized cost.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed of. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

Impairment

The Group records an allowance for expected credit loss (ECL) based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Group has applied the simplified approach and has calculated ECL based on the lifetime expected credit losses. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt instruments measured at amortized cost, the Group has applied the general approach and the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition

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

- the right to receive cash flows from the asset has expired;
- the Group retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Offsetting

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

Inventories

Inventories are initially measured at cost. Subsequently, inventories are stated at the lower of cost and net realizable value (NRV).

Inventories are determined using weighted average method and include expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. The NRV of the inventories is the current replacement cost. In determining the NRV, the Group considers any adjustment necessary for obsolescence.

At each reporting date, inventories are assessed for impairment. If inventories are impaired, the carrying amount is reduced to its NRV. The impairment loss is recognized immediately in profit or loss. The amount of any reversal of any write-down of inventories arising from an increase in NRV, shall be recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

When inventories are consumed, the carrying amount is recognized as an expense in the period when the related revenue is recognized.

Investments in Associates

The Group's investments in associates are accounted for using the equity method. An associate is an entity in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Under the equity method, the investments in associates are carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share in net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the share of the results of operations of the associates. Where there has been a change recognized directly in the equity of an associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associate.

The Group discontinues applying the equity method when their investments in associates are reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the associates. When the associates subsequently report net income, the Group will resume applying the equity method but only after its share in that net income equals the share in net losses not recognized during the period the equity method was suspended.

The share in net losses of the associates is shown as “Share in net losses of associates” under “Other Income (Charges) - Net” in the consolidated statements of comprehensive income.

The financial statements of the associates are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over an associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

Investment Properties

Investment properties are properties held either to earn rent income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in fair value of investment properties are included in profit or loss in the year in which these arise.

The fair value of investment property is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value specifically excludes an estimated price inflated or deflated by special terms or circumstances such as typical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale. The fair value of investment property should reflect market conditions at the end of the reporting year.

An investment property is derecognized when either this has been disposed of or when the investment property is permanently withdrawn from use and no further economic benefit is expected from its disposal. Gain or loss arising from the disposal is calculated as the difference between any disposal proceeds and the carrying amount of the related asset, and is recognized in profit or loss.

Transfers are made to investment property when, and only when, there is change in use, evidenced by cessation of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

Property, Plant and Equipment

Property, plant and equipment, except land improvements, buildings and improvements, and power plant facilities and equipment, are stated at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to operations in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance,

the expenditures are capitalized as an additional cost of property, plant and equipment. The cost of replacing a component of an item of property, plant and equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

When significant parts of an item of property, plant and equipment have different useful lives, those are accounted for by separating items (major components) and depreciated separately.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

The Group's land improvements, buildings and improvements, and power plant facilities and equipment are stated at revalued amounts based on the valuation of an independent appraiser. Any increase in the value of property, plant and equipment at revalued amounts is recognized under "Revaluation surplus" account in the other comprehensive income section of the consolidated statements of changes in equity, unless and only to the extent it reverses a revaluation decrease of the same asset previously recognized as an expense, in which case it is recognized as income. Any decrease is first offset against an increase on earlier valuation in respect of the same class of property and is thereafter recognized as an expense.

Upon the disposal of a revalued property, the relevant portion of the revaluation surplus realized in respect of previous valuation is released directly from the revaluation surplus to retained earnings.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the property, plant and equipment:

| Asset Type | Number of Years |
|---|---|
| Leasehold improvements | 20 or term of lease, whichever is shorter |
| Furniture and fixtures | 5 to 10 |
| Water utilities and distribution system | 5 to 40 |
| Transportation equipment | 5 to 8 |
| Land improvements | 5 to 20 |
| Building and improvements | 10 to 40 |
| Power plant facilities and equipment | 3 to 40 |

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Construction-in-progress included in the property, plant and equipment, is stated at cost. This includes cost of construction, equipment and other direct costs. Construction-in-progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Fully depreciated assets are retained in the accounts until these are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation, amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

Other Assets

Input Value-added Tax (VAT). Revenue, expenses and assets are generally recognized net of the amount of VAT, except for receivables and payables. The amount of VAT recoverable from taxation authority is presented as “Input VAT” under “Other current assets” in the consolidated statements of financial position.

Deferred Input VAT. Deferred input VAT on capital goods is classified as current assets if it is expected to be claimed against output VAT over no more than 12 months after the reporting date. Otherwise these are classified as noncurrent assets.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar months does not exceed ₱1.0 million, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

In accordance with the Revenue Regulations (RR) No. 16-2005, input VAT on purchases or imports of the Group of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful life of capital goods, whichever is shorter.

Creditable Withholding Taxes (CWTs). CWTs represent the amounts withheld by the Group’s customers in relation to its income. CWTs can be carried forward to the succeeding year when in excess of income tax payable and utilized as payment for income taxes provided that these are properly supported with certificates of creditable tax withheld at source. CWTs are stated at face amount less any impairment in value.

Advances to Suppliers. Advances to suppliers are amounts paid in advance for the purchase of goods and services. These are carried at the amount of cash paid and are recognized to the corresponding asset or expense account when the goods or services for which the advances were made are received.

Prepayments. Prepayments are expenses paid in advance and recorded as assets before these are utilized. These are apportioned over the period covered by the payment and recognized in profit or loss when incurred. Prepayments that are expected to be realized over no more than 12 months after the reporting date are classified as current assets. Otherwise these are classified as noncurrent assets.

Advances to Officers and Employees. Advances to officers and employees pertain to advances made by the Group to fund for working capital expenditures. These are subject to liquidation and are measured at transaction price less impairment in value, if any. These are charged to appropriate asset or expense account upon liquidation.

Impairment of Nonfinancial Assets

The carrying amounts of nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists and when the carrying amounts exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of the fair value less cost to sell or value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm’s-length transaction less the cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present

value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization for property and equipment, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization charges for property and equipment are adjusted in future years to allocate the asset's revised carrying amount, on a systematic basis over its remaining useful life.

The Group assesses goodwill for impairment annually and when circumstances indicate that the carrying amount may be impaired. Impairment is determined for goodwill with indefinite useful lives by assessing the recoverable amount of the cash-generating units, to which the goodwill and other intangible assets with indefinite useful lives relates.

Where the recoverable amount of the cash-generating units is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to these intangible assets cannot be reversed in future periods.

Equity

Capital Stock and Additional Paid-in Capital. Capital stock is measured at par value for all shares issued and paid. Excess of proceeds or fair value of the consideration received over par value is recognized as additional paid-in capital.

Retained Earnings. Retained earnings pertain to cumulative balance of the Group's results of operations, net of any dividend declaration.

Other Comprehensive Income. Other comprehensive income pertains to the revaluation surplus, cumulative unrealized fair value changes on financial assets at FVOCI, and cumulative remeasurement gain (loss) on retirement benefits liability, net of deferred tax.

Revaluation surplus resulted from an increase in an asset's carrying amount as a result of an appraisal. A revaluation increase is recognized in other comprehensive income and accumulated in equity, net of deferred income tax liability, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of these assets is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus relating to a previous revaluation of that asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Cumulative unrealized fair value changes on financial assets at FVOCI pertains to the accumulated fair value adjustments of the Group's financial assets at FVOCI. This is recognized in equity and is not reclassified to profit or loss in subsequent periods.

Cumulative remeasurement gain (loss) on retirement benefits liability pertains to the accumulated actuarial gains and losses on the Group's retirement benefits liability arising from experience adjustments and changes in financial assumptions. Remeasurements of retirement benefits liability, and the corresponding deferred tax component, are recognized immediately in other comprehensive income and are included in equity. These are not reclassified to profit or loss in subsequent periods.

Income Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transactions will flow to the Group and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts and returns. The Group has concluded that it is the principal in all of its revenue arrangements.

Revenue from Contract with Customers. Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The following specific recognition criteria must also be met before revenue is recognized.

- *Power Sales.* Revenue is recognized upon delivery of generated electricity.
- *Water Service Revenue.* Water service revenue is recognized upon supply and distribution of water to the customers and when the related water services are rendered.
- *Technical Services.* Revenue is recognized when the performance of contractually agreed services has been rendered.

Income from Other Sources. Revenue from other sources is recognized as follows:

- *Rental Income.* Rental income is recognized on a straight-line basis over the lease term.
- *Interest Income.* Interest income is recognized as it accrues on a time proportion basis using the effective interest method.
- *Other Income.* Other income is recognized when earned.

Contract Balances

Receivables. A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract Assets. A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays a consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

As at December 31, 2020 and 2019, the Group does not have outstanding contract assets.

Contract Liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays a consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made by the customer or when the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract. Contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced and payments in excess of revenue recognized based on percentage of completion.

As at December 31, 2020 and 2019, the Group does not have outstanding contract liabilities.

Cost to Obtain a Contract. The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. Otherwise, these are treated as expense.

Contract Fulfillment Asset. Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group first considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15. If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of these criteria requires the application of judgment, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

As at December 31, 2020 and 2019, the Group does not have contract fulfillment assets.

Cost and Expense Recognition

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Direct Costs. Direct costs are recognized as expense when the related services are rendered.

General and Administrative Expenses. General and administrative expenses constitute costs of administering the business and are charged to profit or loss in the period when these are incurred.

Other Charges. Expenses from other sources are expensed as incurred.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in PFRS 16.

As a Lessee

At the commencement date of the lease, the Group recognizes a right-of-use (ROU) asset and a lease liability, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value assets (low-value assets), in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

As a Lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term on the same basis as rental income. Rental income is recognized on a straight-line basis over the lease term. Contingent rents are recognized as revenue in the period in which these are earned.

Retirement Benefits

The retirement benefit costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. The calculation of defined benefit liability is performed by a qualified actuary.

The Group recognizes current service costs, past service costs and interest expense on the retirement benefits liability in profit or loss. Interest expense is calculated by applying the discount rate to the retirement benefits liability at the beginning of the year, taking into account any changes in the defined liability during the period as a result of benefit payments.

Remeasurements of the retirement benefits liability, which pertains to actuarial gains and losses, are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The retirement benefits liability is stated at present value determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement benefits liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

Borrowing Costs

Borrowing costs directly attributable to the construction of building are capitalized as part of the cost of the project. Capitalization of borrowing costs commences when activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization ceases when substantially all the activities necessary to prepare the asset for its intended use are complete. Borrowing costs consist of interest and other financing costs that the Group incurs in connection with the borrowing of funds. All other borrowing costs are expensed as incurred.

Income Taxes

Current Tax. Current tax liabilities for the current and prior years are measured at the amounts expected to be paid to the taxation authority. The tax rate and laws used to compute the amount are those that are enacted or substantively enacted as at financial reporting date.

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

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

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates and tax laws that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that has been enacted or substantively enacted by the reporting date.

Offsetting. Current tax assets and current tax liabilities are offset, or deferred tax assets and deferred tax liabilities are offset if, and only if, an enforceable right exists to set off the amounts and it can be demonstrated without undue cost or effort that the Group plans either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Related Party Relationships and Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals who, owning directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

Related party transactions consist of transfers of resources, services or obligations between the Group and its related parties, regardless of whether a price is charged.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on legal form.

Related party transactions are considered material and/or significant if (i) these transactions amount to 10% or higher of the Group's total assets or, (ii) there are several transactions or a series of transactions over a 12-month period with the same related party amounting to 10% or higher of the Group's total assets. Details of transactions entered into by the Group with related parties are reviewed by BOD in accordance with the Group's related party transactions policy.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase due to the passage of time is recognized as interest expense.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The estimates of outcome and financial effect are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting period.

Contingencies

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

Events after the Reporting Date

Post year-end events that provide additional information about the Group's financial position as at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

Earnings Per Share (EPS)

The Group presents basic and diluted EPS data for its common shares.

Basic EPS is calculated by dividing the net income attributable to common shareholders of the Parent Company by the weighted average number of common shares issued and outstanding during the year.

Diluted EPS is computed by adjusting the weighted average number of common shares outstanding, adjusted for the effects of any potentially dilutive, convertible securities.

The Parent Company has no potentially dilutive, convertible securities.

Operating Segments

For management purposes, the Group is organized into five major operating businesses which comprise the bases on which the Group reports its primary segment information. Financial information on business segments is presented in Note 29. The Group has no geographical segments as all the companies primarily operate only in the Philippines.

Segment revenue, expenses and performance include transfers between business segments. The transfers are accounted for at competitive market prices charged to unaffiliated customers for similar products and services. The measurement policies the Group used for segment reporting are the same as those used in the consolidated financial statements. There have been no changes from prior periods in the measurement methods used to determine profit and loss. No asymmetrical allocations have been applied between segments.

Inter-segment assets, liabilities, revenue, expenses and results are eliminated in the consolidated financial statements.

3. Significant Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments and estimates used in the consolidated financial statements are based on management's evaluation of relevant facts and circumstances as at the reporting date.

While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates. In particular, the Coronavirus Disease 2019 (COVID-19) pandemic and the resulting adverse effects to the global economic conditions, as well as to the Group's operations, may impact future estimates including, but not limited to, the allowance for expected credit losses, inventory valuation, fair value measurements, asset impairment charges, deferred tax assets valuation, actuarial losses on retirement benefit plans and discount rate assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimate is revised if the change affects only that period or in the period of the revision and future periods if the change affects both current and future periods.

The following are the significant judgments and estimates made by the Group:

Determining Control over an Investee Company. Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group controls an entity if and only if the Group has all of the following:

- Power over the entity;
- Exposure, or rights, to variable returns from its involvement with the entity; and,
- The ability to use its power over the entity to affect the amount of the Group's returns.

The Group regularly reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. The Parent Company determined that it exercises control on all of its subsidiaries as it has all the elements of control listed above.

The Parent Company's indirect ownership interest in TBC through CWWC represents 49.87% as at December 31, 2020 and 2019. TBC is considered as a subsidiary because the Parent Company's voting power over TBC is sufficient to provide the practical ability to direct and control TBC.

Classifying Lease Commitments - Group as a Lessor. The Group entered into an operating lease agreement to various lessees for the lease of its properties such as its land, commercial area condominium units and parking spaces with third parties. The Group has determined based on evaluation of the terms and conditions of the arrangements that it retains all the significant risks and rewards of ownership of the properties subject to lease, thus, the leases are accounted for as operating leases.

Rental income is disclosed in Note 17.

Classifying Lease Commitments - Group as a Lessee. The Group has operating lease agreements for its office spaces, water facilities and a parcel land. The Group has determined that the risks and benefits of ownership related to the leased properties are retained by the lessor. Accordingly, the lease is accounted for as an operating lease.

Rental expense is disclosed in Notes 18 and 19.

Determining the ROU Asset and Lease Liability. The Group leases its office spaces and water facilities for a period of one year and a parcel of land where the Diesel Power Plant is located for a period of 15 years. The previously mentioned leases were subject to renewal on an annual basis upon mutual consent between the parties.

The Group elected not to recognize ROU asset and lease liability for these lease agreements due to its short-term nature and the management has assessed that the resulting ROU asset and lease liability of the long-term lease are not material to the consolidated financial statements taken as a whole. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Rental expense is disclosed in Notes 18 and 19.

Classifying a Property. The Group determines whether a property is classified as investment property or property, plant and equipment:

- Investment properties consist of properties which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services and are expected to be used for more than one period. These are properties which are owner-occupied and are substantially for use of the Group or in the operations.

Properties classified as investment properties and property, plant and equipment are disclosed in Notes 11 and 12, respectively.

Determining the Reportable Operating Segments. The Group has determined that it has reportable segments based on the following thresholds:

- Its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments.
- The absolute amount of its reported profit or loss is 10% or more, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss.
- Its assets are 10% or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if management believes that information about the segment would be useful to users of the consolidated financial statements.

Assessing the ECL on Trade and Other Receivables. The Group is applying the simplified approach in the computation of ECL initially uses a provision matrix based on historical default rates for trade and other receivables. The provision matrix specifies provision rates depending on the number of days that a trade and other receivables are past due. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer segment to reflect the effects of current and forecasted economic conditions.

The Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience. The determination of the relationship between historical default rates and forecasted economic conditions is a significant estimate. Accordingly, the provision for ECL on trade and other receivables is sensitive to changes in assumptions about forecasted economic conditions.

The Group has assessed that the ECL on trade receivables is not material because substantial amount of the receivables was subsequently collected. Historically, customer balances are substantially collected within one year while none of the remaining balances is written off or credit impaired as at reporting date.

The carrying amount and recognized ECL on trade and other receivables is disclosed in Note 6.

Assessing the ECL on Other Financial Assets at Amortized Cost. The Group determines the allowance for ECL using the general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL. The information about the ECL of other financial assets at amortized cost is disclosed in Note 27.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and,
- Actual or expected significant adverse changes in the operating results of the borrower

The Group also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

No provision for ECL was recognized on the Group's cash and cash equivalents, due from related parties, deposits (presented as part of "Other current assets") and other noncurrent assets (excluding deferred input VAT and goodwill) because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and entities with good credit standing and relatively low risk of defaults.

The carrying amounts of these financial assets at amortized cost are disclosed in Notes 5, 8, 13 and 21.

Estimating the Fair Value of Investment Properties, Land and Improvements, Building and Improvements, and Power Plant Facilities and Equipment. The fair value of investment properties, land improvements, building and improvements and plant facilities and equipment is derived from the current market prices of comparable properties, with adjustments to reflect any changes in economic conditions since the date of those transactions. The fair value is determined based on the approaches and assumptions disclosed in Notes 11 and 12.

The carrying amounts of the Group's investment properties, land improvements, building and improvements and power plant facilities and equipment are disclosed in Notes 11 and 12.

Estimating the NRV of Inventories. The Group determines the NRV of inventories annually in accordance with the accounting policy stated in Note 2. In determining the NRV, the Group considers the current replacement cost. The Group writes down the carrying amount of the inventories when the NRV becomes lower than the carrying amount.

No provision for impairment loss was recognized on inventories in 2020, 2019 (and 2018). The amount of inventories carried at the lower of cost and NRV is disclosed in Note 7.

Assessing the Fair Value of Financial Assets at FVOCI. The Group establishes the fair value of financial assets recorded in in the consolidated statement of financial position including an investment in a mutual fund or in structure similar to a mutual fund based on the published fair value of units per share. If prices are not readily determinable or if liquidating the positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market conditions, assuming an orderly liquidation over a reasonable period of time. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

The carrying amount of financial assets at FVOCI is disclosed in Note 9.

Estimating the Useful Lives of Property and Equipment. The useful lives of the Group's property and equipment are estimated based on the period over which the assets are expected to be available for use. The estimation of the useful lives of property and equipment is also based on a collective assessment of industry practices, internal technical valuation and experience with similar assets. The estimated useful life is reviewed and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, or legal or other limitations on the use of the assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in these factors and circumstances.

There were no changes in the estimated useful lives of property and equipment in 2020 and 2019. The carrying amount of property and equipment are disclosed in Note 12 to the consolidated financial statements.

Assessing the Impairment of Nonfinancial Assets. An impairment review is performed when certain impairment indicators are present. Determining the value in use of investments in subsidiaries and associates, property and equipment, and other current assets requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. The preparation of estimated future cash flows involves significant judgment and estimations. While the Group believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future impairment charges. Any resulting impairment loss could have a material adverse impact on the Group's financial position and performance.

No impairment loss was recognized for nonfinancial assets in 2020, 2019 (and 2018).

The carrying amounts of the Group's nonfinancial assets are disclosed in Notes 7, 8, 10, 12 and 13 to the consolidated financial statements.

Determining the Retirement Benefits Liability. The determination of the obligation and costs of retirement benefits is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 22 to the consolidated financial statements and include, among others, discount rates and salary increase rates.

Information relating to the retirement benefits liability are disclosed in Note 22.

Evaluating the Legal Contingencies. The Group provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle said obligations. An estimate of the provision is based on known information at the end of reporting year, net of any estimated amount that may be reimbursed to the Group. The amount of provision is being re-assessed at least on an annual basis to consider new relevant information.

On February 9, 2010, OPI entered into a PSA with Oriental Mindoro Electric Cooperative, Inc. (ORMECO) wherein OPI agreed to supply the power needs of ORMECO for a period of 15 years, subject to renewal for another 15 years upon mutual agreement of the parties and to construct, operate and maintain the Modular Bunker Fuel-Fired Power Plant on a Build-Own-Operate (BOO) basis (see Note 23).

In 2011, National Power Corporation (NPC), ORMECO and OPI have signed the subsidy agreement which governs the availment by OPI of the Missionary Electrification Subsidy (ME Subsidy) as a New Power Provider (NPP) in the province of Mindoro. The agreement shall take effect from the time of execution until expiration of the PSA or termination of the Subsidy Agreement, as provided under Section 8 of the Subsidy Agreement, whichever comes earlier (see Note 23).

On June 8, 2020, OPI received an Order from the Energy Regulatory Commission (ERC) approving the final rates for calculating its electricity fee. The ERC directed OPI and ORMECO to file refund and recovery schemes based on the approved rates. OPI complied and filed the same to the ERC within the 30-day prescribed period. Subsequently, National Power Corporation (NPC) filed a Motion and Manifestation with the ERC for clarifications on matters including but not limited to indexation of fees and recovery period while ORMECO filed its Compliance Ad Cautelam with Notice of Entry of Appearance providing for its own computation, adjustment and proposals for refund schemes.

As of March 25, 2021, the ERC has not commented on, clarified nor approved the proposed refund and recovery scheme. The management believes that since the amount to be refunded and/or recovered depends on several variables that are yet to be clarified and confirmed by the ERC, accordingly, no asset or liability has been recognized as at December 31, 2020.

The Group is also involved in various claims that are normal, incidental or related to its activities. Detailed information is not disclosed so as not to prejudice the outcome of these claims.

No provision was recognized in 2020, 2019 (and 2018). Details of these claims are disclosed in Note 30.

Assessing the Recognition of Deferred Tax Assets. The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax asset is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Group's future expectations on revenue and expenses.

Information relating to the deferred tax assets is disclosed in Note 25.

4. Loss of Control over Certain Subsidiaries and Deconsolidation

Loss of Control. On September 24, 2020, the Parent Company waived its right to subscribe to additional GVI shares resulting to a decrease in ownership interest in GVI from 100% in 2019 to 18.18% in 2020 (see Note 1). Accordingly, the carrying amount of the Parent Company's investment in GVI amounting to ₱500,000 was reclassified to "Financial assets at fair value through other comprehensive income (FVOCI)" (see Note 9).

On November 4, 2019, the Parent Company waived its right to subscribe to additional JLRC shares, which decreased the Parent Company's ownership interest in JLRC from 100% in 2018 to 15.12% in 2019 (see Note 1). Accordingly, the carrying amount of the Parent Company's investment in JLRC amounting to ₱12.5 million was reclassified to "Financial assets at FVOCI" (see Note 9).

In November 2018, CWWC sold 3,696,000 shares of Metro Agoo Water Inc. (MAWI) out of the 8,496,000 shares it held at ₱1.00 a share thereby reducing CWWC's ownership interest in MAWI from 84.12% to 47.52%. The decrease in ownership interest resulted in the reclassification of the carrying amount of CWWC's investment in MAWI amounting to ₱4.8 million to "Investments in associates" (see Note 10).

Sale of Philippine H2O Ventures Corp. (H2O). In December 2017, the Parent Company, certain subsidiaries and related parties (the "Sellers") executed a Memorandum of Agreement (MOA) with Udenna Development Corp. (UDEVCO) for the sale of 150,824,890 common shares representing 62.01% of the issued and outstanding capital stock of H2O, inclusive of the 36.73% held by the Parent Company. The Parent Company received ₱20.0 million from UDEVCO as deposit for the future sale of H2O's shares. In 2018, H2O refunded the deposit for future stock subscriptions previously paid by the Parent Company amounting to ₱35.0 million.

In February 2018, a Sale and Purchase Agreement (SPA) was executed by the parties pursuant to the MOA. Under the SPA, the Sellers agreed to sell and UDEVCO agreed to buy the shares based on an agreed purchase price, subject to the fulfilment by the parties of the conditions precedent such as the spin-off of H2O's shares in CWWC and UDEVCO's obligation to obtain from SEC an order of

exemptive relief allowing it to launch, implement and consummate a tender offer for all the issued and outstanding capital stock of H2O to persons other than the Sellers. On April 4, 2018, H2O's stockholders approved the sale of CWWC shares to 2BIG for a total consideration of ₱442 million, which was paid in full on June 1, 2018.

On June 1, 2018, a Deed of Absolute Sale was executed by the parties. Total consideration received amounted to ₱641.5 million or ₱4.30 per share. The sale resulted in a gain amounting to ₱322.8 million, presented as "Gain on sale of a subsidiary" in the 2018 consolidated statement of comprehensive income. For cash flows, the proceeds was net of cash balance of the subsidiary amounting to ₱22.4 million.

The loss of control in GVI in 2020, in JLRC in 2019 and in MAWI in 2018, and the sale of H2O in 2018 resulted in the deconsolidation of the net assets of these subsidiaries as at December 31, 2020, 2019 (and 2018) as summarized below:

| | Note | 2020 | 2019 | 2018 |
|-------------------------------|------|-----------------|---------------|---------------|
| Cash and cash equivalents | | ₱— | ₱31,436,884 | ₱22,385,058 |
| Trade and other receivables | | — | — | 79,137,443 |
| Due from related parties | 21 | 166,050 | 155,697,124 | 45,433,360 |
| Other current assets | | 4,268 | 28,206,062 | 32,138,970 |
| Investments in associates | 10 | — | 20,623,129 | — |
| Investment properties | 11 | 103,757 | 209,856,661 | — |
| Property, plant and equipment | 12 | — | 177,472,453 | 329,649,590 |
| Goodwill | | — | 143,467 | 39,447,573 |
| Deferred tax assets | | — | 662,541 | 9,246,505 |
| Other noncurrent assets | | — | — | 44,090,343 |
| Trade and other payables | | (11,200) | (108,533,907) | (62,781,644) |
| Due to related parties | 21 | (13,240) | (130,237,776) | — |
| Long-term loans: | 26 | | | |
| Current portion | | — | (2,175,926) | (4,381,757) |
| Noncurrent portion | | — | (232,435,185) | (211,504,059) |
| Customers' deposits | | — | (12,643,467) | (2,475,210) |
| Deferred tax liabilities | | — | (21,572,700) | — |
| | | ₱249,635 | ₱116,499,360 | ₱320,386,172 |

5. Cash and Cash Equivalents

This account consists of:

| | 2020 | 2019 |
|------------------|---------------------|--------------|
| Cash on hand | ₱301,000 | ₱315,000 |
| Cash in banks | 153,065,315 | 123,676,364 |
| Cash equivalents | 11,798,749 | 11,534,063 |
| | ₱165,165,064 | ₱135,525,427 |

Cash in banks earn interest at the prevailing bank deposit rates.

Cash equivalents are short-term deposits made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at 0.63% to 2.63% per annum.

Interest income from cash in banks and cash equivalents is disclosed in Note 20.

6. Trade and Other Receivables

This account consists of:

| | 2020 | 2019 |
|---|---------------------|--------------|
| Trade | ₱329,208,041 | ₱182,722,002 |
| Receivable from local government unit (LGU) | 10,149,193 | 10,149,193 |
| Others | 8,483,056 | 7,542,565 |
| | 347,840,290 | 200,413,760 |
| Less allowance for impairment losses | 9,047,429 | 2,913,650 |
| | ₱338,792,861 | ₱197,500,110 |

Trade receivables are noninterest-bearing and due within 30 to 90 days. Trade receivables amounting to ₱153.9 million and ₱46.6 million as at December 31, 2020 and 2019, respectively, were used to secure a loan from a local bank (see Note 15).

Receivable from LGU pertains to installation and rehabilitation of water facilities in Tabuk. These are unsecured, noninterest-bearing and shall be collected from the government at the end of the term (see Note 23).

Movements in the allowance for ECL are as follows:

| | Note | 2020 | 2019 |
|------------------------------|------|-------------------|------------|
| Balance at beginning of year | | ₱2,913,650 | ₱2,913,650 |
| Provision for impairment | 19 | 6,133,779 | – |
| | | ₱9,047,429 | ₱2,913,650 |

7. Inventories

This account consists of:

| | Note | 2020 | 2019 |
|----------------------|------|--------------------|-------------|
| At cost: | | | |
| Fuel | | ₱16,840,067 | ₱12,501,455 |
| Maintenance supplies | 23 | 4,187,167 | 4,187,167 |
| | | ₱21,027,234 | ₱16,688,622 |

Costs of inventories charged to operations are disclosed in Note 18.

8. Other Current Assets

This account consists of:

| | 2020 | 2019 |
|------------------------------------|--------------------|-------------|
| Input VAT | ₱42,335,406 | ₱45,690,901 |
| CWTs | 33,427,571 | 31,583,743 |
| Advances to suppliers | 3,801,943 | 213,789 |
| Prepayments | 2,947,761 | 3,569,097 |
| Advances to officers and employees | 512,281 | 780,336 |
| Deposits | 18,000 | 18,000 |
| Others | 1,141,693 | 122,140 |
| | ₱84,184,655 | ₱81,978,006 |

Input VAT pertaining to the excess of actual input VAT over standard input VAT related to sales to government is presented as “Unrecoverable input VAT” under “Direct costs” in the consolidated statements of comprehensive income.

Others mainly pertain to DOE reserve fund.

9. Financial Assets at FVOCI

This account pertains to investment in mutual fund managed by an insurance company and investment in shares of stocks of JLRC and GVI.

The mutual fund seeks to achieve an optimal level of income in the medium-term together with long-term capital growth through investments in fixed income securities and money market instruments and shares listed in the PSE. Although the amount can be withdrawn anytime, the management intends to hold the fund on a long-term basis.

GVI’s and JLRC’s increase in ACS was approved by the SEC on December 15, 2020 and November 4, 2019, respectively. The Parent Company waived its pre-emptive rights to subscribe to the increase, which resulted in the loss of control in GVI and JLRC. Consequently, the Parent Company’s investments in GVI and JLRC amounting to ₱500,000 and ₱12.5 million, respectively, were reclassified to financial assets at FVOCI (see Note 4).

Movements in this account are as follows:

| | 2020 | 2019 |
|---|--------------------|-------------|
| Cost | | |
| Balance at beginning of year | ₱14,500,000 | ₱2,000,000 |
| Reclassification | 500,000 | 12,500,000 |
| Balance at end of year | 15,000,000 | 14,500,000 |
| Cumulative Unrealized Fair Value Changes | | |
| Balance at beginning of year | 315,943 | 824,777 |
| Fair value changes | (5,004,458) | (508,834) |
| Balance at end of year | (4,688,515) | 315,943 |
| Carrying Amount | ₱10,311,485 | ₱14,815,943 |

The fair value of the investment in mutual fund was determined using the published fair value of units per share which falls under Level 1 of the fair value hierarchy.

The fair value of investments in shares of stock of JLRC and GVI is determined using the net asset method (Level 3).

Significant increase (decrease) in the net asset value would result in a significantly lower (higher) fair value measurement.

10. Investments in Associates

Movements of the Group's investments in associates are as follows:

| | Note | 2020 | 2019 |
|---|------|--------------------|--------------|
| Cost | | | |
| Balance at beginning of year | | ₱4,800,000 | ₱26,687,111 |
| Derecognition | 4 | — | (21,887,111) |
| | | 4,800,000 | 4,800,000 |
| Cumulative Share in Net Earnings (Losses): | | | |
| Balance at beginning of year | | (3,190,254) | (1,263,982) |
| Share in net losses during the year | 20 | (1,609,746) | (3,190,254) |
| Derecognition | 4 | — | 1,263,982 |
| Balance at end of year | | (4,800,000) | (3,190,254) |
| Carrying Amount | | ₱— | ₱1,609,746 |

In 2019, carrying amount of the investments in associates through JLRC was derecognized resulting from the deconsolidation of JLRC accounts (see Note 4).

The carrying amount of investments in associates pertains to the Group's investment in MAWI, representing 47.52%-ownership interest as at December 31, 2020 and 2019.

Unrecognized share in net losses of associates amounted to ₱1.5 million as at December 31, 2020.

The summarized financial information of the associates are as follows:

| | 2020 | 2019 |
|--------------------------|--------------------|-------------|
| Current assets | ₱26,937,596 | ₱28,579,710 |
| Noncurrent assets | 373,081,896 | 388,121,446 |
| Current liabilities | 124,007,362 | 131,759,217 |
| Noncurrent liabilities | 206,656,216 | 208,980,625 |
| Equity | 69,355,914 | 75,961,314 |
| Revenue | 53,027,425 | 43,724,447 |
| Total comprehensive loss | (6,605,400) | (4,888,046) |

The Group's associates are engaged in various activities such as real estate, water supply services, agricultural operations, health club, entertainment, trading, power generation and development of power plants.

11. Investment Properties

Movements in this account are as follows:

| | | 2020 | | |
|---------------------------------|------|---------------------|------------------------------|-----------------------|
| | | | Buildings and Condominium | |
| | Note | Land | Units | Total |
| Cost | | | | |
| Balance at beginning of year | | ₱191,681,362 | ₱215,704,990 | ₱407,386,352 |
| Acquisitions | | 820,000 | — | 820,000 |
| Effect of loss of control | 4 | (103,757) | — | (103,757) |
| Balance at end of year | | 192,397,605 | 215,704,990 | 408,102,595 |
| Fair Value Changes | | | | |
| Balance at beginning of year | | 572,510,641 | 115,008,186 | 687,518,827 |
| Fair value gain during the year | | 55,996,000 | 29,809,000 | 85,805,000 |
| Balance at end of year | | 628,506,641 | 144,817,186 | 773,323,827 |
| Carrying Amount | | ₱820,904,246 | ₱360,522,176 | ₱1,181,426,422 |

| | | 2019 | | |
|---------------------------------|------|---------------------|------------------------------|-----------------------|
| | | | Buildings and Condominium | |
| | Note | Land | Units | Total |
| Cost | | | | |
| Balance at beginning of year | | ₱359,349,023 | ₱215,704,990 | ₱575,054,013 |
| Effect of loss of control | 4 | (167,667,661) | — | (167,667,661) |
| Balance at end of year | | 191,681,362 | 215,704,990 | 407,386,352 |
| Fair Value Changes | | | | |
| Balance at beginning of year | | 560,117,641 | 57,422,720 | 617,540,361 |
| Fair value gain during the year | | 54,582,000 | 57,585,466 | 112,167,466 |
| Effect of loss of control | 4 | (42,189,000) | — | (42,189,000) |
| Balance at end of year | | 572,510,641 | 115,008,186 | 687,518,827 |
| Carrying Amount | | ₱764,192,003 | ₱330,713,176 | ₱1,094,905,179 |

The Group's investment properties are appraised by an independent firm of appraisers with the latest appraisal reports dated December 31, 2020. The fair values were estimated using the following approaches and assumptions:

Land. Fair value is categorized under Level 2 using the comparable market approach that reflects the recent transaction prices for similar properties in nearby locations. The most significant input into this valuation approach is the price per square meter; hence, the higher the price per square meter, the higher the fair value.

Buildings and Condominium Units. The fair value of the condominium units is categorized under Level 2 hierarchy. Sales comparison approach was used in arriving at the value of the subject condominium units wherein the appraised value was based on sales and listings of comparable condominium units. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity or at different floor levels of the same building. Comparison would be premised on factors such as location, size and physical attributes, selling terms, facilities offered and time element. The fair value of buildings is categorized under Level 3

using the cost approach wherein the appraised value was based on the cost of constructing an equivalent new structure less depreciation adjustments. Significant increase (decrease) in the estimated construction costs and any adjustments would result in a significantly lower (higher) fair value.

As at December 31, 2018, investment properties with fair value aggregating ₱2.6 million are used as collateral to secure the loan obtained by JLRC from a local bank (see Note 15). In 2019, the said investment properties were derecognized from the total investment properties as a result of the loss of control in JLRC (see Note 4).

The Group reclassified company-occupied properties to investment properties carried at fair value. Revaluation surplus recognized aggregated to ₱106.8 million as at December 31, 2020 and 2019 (₱125.2 million as at December 31, 2018) (see Note 12).

Rental income generated from investment properties is disclosed in Note 17.

Related direct costs and expenses incurred are as follows:

| | 2020 | 2019 | 2018 |
|--|-------------------|------------|------------|
| Income generating (charged to direct costs): | | | |
| Association dues | ₱1,520,313 | ₱1,568,587 | ₱283,779 |
| Real property tax | 1,392,640 | 1,379,955 | 1,453,143 |
| Utilities | 662,224 | 377,556 | 108,471 |
| Insurance | 280,511 | 264,236 | 124,548 |
| Non-income generating (charged to general and administrative expenses) - | | | |
| Real property tax | 547,849 | 574,272 | 633,916 |
| | ₱4,403,537 | ₱4,164,606 | ₱2,603,857 |

12. Property, Plant and Equipment

This account consists of:

| | 2020 | 2019 |
|--------------------|-----------------------|----------------|
| At revalued amount | ₱3,189,477,534 | ₱3,262,486,771 |
| At cost | 649,598,049 | 641,133,596 |
| | ₱3,839,075,583 | ₱3,903,620,367 |

Movements of property, plant and equipment at revalued amounts are as follows:

| | 2020 | | | | Total |
|---------------------------------|-----------------------|---------------------------|--------------------------------------|--|-----------------------|
| | Land and Improvements | Building and Improvements | Power Plant Facilities and Equipment | | |
| Cost | | | | | |
| Balance at beginning of year | ₱66,142,797 | ₱151,792,948 | ₱3,274,862,648 | | ₱3,492,798,393 |
| Appraisal increase | — | 20,581,032 | — | | 20,581,032 |
| Additions | — | — | 4,018,031 | | 4,018,031 |
| Balance at end of year | 66,142,797 | 172,373,980 | 3,278,880,679 | | 3,517,397,456 |
| Accumulated Depreciation | | | | | |
| Balance at beginning of year | 1,050,912 | 32,563,186 | 196,697,524 | | 230,311,622 |
| Depreciation | 135,594 | 8,622,406 | 88,850,300 | | 97,608,300 |
| Balance at end of year | 1,186,506 | 41,185,592 | 285,547,824 | | 327,919,922 |
| Carrying Amount | ₱64,956,291 | ₱131,188,388 | ₱2,993,332,855 | | ₱3,189,477,534 |

| | 2019 | | | | Total |
|---------------------------------|-----------------------|---------------------------|--------------------------------------|--------------------------|-----------------------|
| | Land and Improvements | Building and Improvements | Power Plant Facilities and Equipment | Construction-in-progress | |
| Cost | | | | | |
| Balance at beginning of year | ₱66,142,797 | ₱151,792,948 | ₱466,235,906 | ₱2,548,645,068 | ₱3,232,816,719 |
| Additions | — | — | 2,734,082 | 257,247,592 | 259,981,674 |
| Reclassification | — | — | 2,805,892,660 | (2,805,892,660) | — |
| Balance at end of year | 66,142,797 | 151,792,948 | 3,274,862,648 | — | 3,492,798,393 |
| Accumulated Depreciation | | | | | |
| Balance at beginning of year | 743,899 | 23,628,502 | 109,100,355 | — | 133,472,756 |
| Depreciation | 307,013 | 8,934,684 | 87,597,169 | — | 96,838,866 |
| Balance at end of year | 1,050,912 | 32,563,186 | 196,697,524 | — | 230,311,622 |
| Carrying Amount | ₱65,091,885 | ₱119,229,762 | ₱3,078,165,124 | ₱— | ₱3,262,486,771 |

Land and improvements, building and improvements and power plant facilities and equipment were revalued by an SEC-accredited independent firm of appraisers. The latest appraisal for building was conducted in 2020. The latest appraisal reports for land improvements, building improvements and power plant facilities and equipment were made in 2017. The valuation is based on the fair market values using the sales comparison approach by identifying sales and listings of comparable properties registered in the vicinity. Appraisal increase was credited to revaluation surplus, net of deferred tax account, in the consolidated statements of changes in equity, under other comprehensive income. The management believes that there are no significant differences between the fair value and the carrying amount of property, plant and equipment as at December 31, 2020 and 2019.

Had the land and improvements, building and improvements and power plant facilities and equipment been carried under the cost model, their carrying amounts would have been as follows:

| 2020 | | | | |
|--------------------------|----------------------------------|--------------------------------------|---|-----------------------|
| | Land and Improvements | Building and Improvements | Power Plant Facilities and Equipment | Total |
| Cost | ₱41,300,969 | ₱81,157,248 | ₱3,239,835,009 | ₱3,362,293,226 |
| Accumulated Depreciation | (511,413) | (21,672,960) | (279,300,516) | (301,484,889) |
| Carrying Amount | ₱40,789,556 | ₱59,484,288 | ₱2,960,534,493 | ₱3,060,808,337 |

| 2019 | | | | |
|--------------------------|----------------------------------|--------------------------------------|---|-----------------------|
| | Land and Improvements | Building and Improvements | Power Plant Facilities and Equipment | Total |
| Cost | ₱41,300,969 | ₱81,157,248 | ₱3,235,816,978 | ₱3,358,275,195 |
| Accumulated Depreciation | (511,413) | (17,912,787) | (192,012,043) | (210,436,243) |
| Carrying Amount | ₱40,789,556 | ₱63,244,461 | ₱3,043,804,935 | ₱3,147,838,952 |

Movements of property and equipment at cost are as follows:

| | 2020 | | | | | |
|--|---------------------------|---------------------------|---|-----------------------------|------------------------------|---------------------|
| | Leasehold Improvements | Furniture and Fixtures | Water Utilities and Distribution System | Transportation Equipment | Construction-in- Progress | Total |
| Cost | | | | | | |
| Balance at beginning of year | ₱24,288,917 | ₱391,619,040 | ₱658,818,120 | ₱78,730,223 | ₱98,207,538 | ₱1,251,663,838 |
| Additions | – | 2,743,200 | 5,355,723 | 1,494,958 | 60,752,988 | 70,346,869 |
| Disposals | – | – | – | (1,267,857) | – | (1,267,857) |
| Balance at end of year | 24,288,917 | 394,362,240 | 664,173,843 | 78,957,324 | 158,960,526 | 1,320,742,850 |
| Accumulated Depreciation and Amortization | | | | | | |
| Balance at beginning of year | 5,739,488 | 344,235,828 | 208,683,524 | 51,871,402 | – | 610,530,242 |
| Depreciation and amortization | 735,404 | 16,824,691 | 33,379,817 | 10,314,373 | – | 61,254,285 |
| Disposals | – | – | – | (639,726) | – | (639,726) |
| Balance at end of year | 6,474,892 | 361,060,519 | 242,063,341 | 61,546,049 | – | 671,144,801 |
| Carrying Amount | ₱17,814,025 | ₱33,301,721 | ₱422,110,502 | ₱17,411,275 | ₱158,960,526 | ₱649,598,049 |

| | | 2019 | | | | | |
|--|------|---------------------------|---------------------------|---|-----------------------------|------------------------------|----------------|
| | Note | Leasehold Improvements | Furniture and Fixtures | Water Utilities and Distribution System | Transportation Equipment | Construction-in- Progress | Total |
| Cost | | | | | | | |
| Balance at beginning of year | | ₱24,288,917 | ₱363,344,304 | ₱648,208,535 | ₱75,108,003 | ₱233,967,444 | ₱1,344,917,203 |
| Additions | | — | 32,910,356 | 10,609,585 | 5,879,249 | 37,220,807 | 86,619,997 |
| Disposals | | — | — | — | (2,196,429) | — | (2,196,429) |
| Effect of loss of control | 4 | — | (4,635,620) | — | (60,600) | (172,980,713) | (177,676,933) |
| Balance at end of year | | 24,288,917 | 391,619,040 | 658,818,120 | 78,730,223 | 98,207,538 | 1,251,663,838 |
| Accumulated Depreciation and Amortization | | | | | | | |
| Balance at beginning of year | | 5,004,084 | 331,302,312 | 174,647,004 | 43,512,058 | — | 554,465,458 |
| Depreciation and amortization | | 735,404 | 13,101,636 | 34,036,520 | 10,592,133 | — | 58,465,693 |
| Disposals | | — | — | — | (2,196,429) | — | (2,196,429) |
| Effect of loss of control | 4 | — | (168,120) | — | (36,360) | — | (204,480) |
| Balance at end of year | | 5,739,488 | 344,235,828 | 208,683,524 | 51,871,402 | — | 610,530,242 |
| Carrying Amount | | ₱18,549,429 | ₱47,383,212 | ₱450,134,596 | ₱26,858,821 | ₱98,207,538 | ₱641,133,596 |

The cost of fully depreciated property, plant and equipment still used in the Group's operations amounted to ₱871.58 million and ₱857.9 million as at December 31, 2020 and 2019, respectively.

The Group sold transportation equipment with details as follows:

| | Note | 2020 | 2019 | 2018 |
|------------------------------|------|-------------------|----------|------------|
| Proceeds received from sale | | ₱200,000 | ₱500,000 | ₱2,497,480 |
| Carrying value of asset sold | | 628,131 | – | 2,397,678 |
| Gain (loss) on sale | 20 | (₱428,131) | ₱500,000 | ₱99,802 |

The construction of the Group's facilities, except for Phase 2 of the waterworks system which is self-financed project, was significantly completed in 2018. No borrowing costs were capitalized in 2020 and 2019 (₱95.3 million in 2018) (see Note 15). Cumulative borrowing costs capitalized amounted to ₱272.8 million as at December 31, 2020 and 2019.

Property, plant and equipment with carrying amount of ₱2,785.8 million and ₱2,776.7 million as at December 31, 2020 and 2019, respectively, are pledged as securities for bank loans obtained by the Group (see Note 15). There are neither contractual commitments to purchase property, plant and equipment nor restriction in title and use of such assets.

Depreciation and amortization are summarized as follows:

| | Note | 2020 | 2019 | 2018 |
|--|------|---------------------|--------------|-------------|
| Depreciation and amortization on property, plant and equipment carried at: | | | | |
| Revalued amount | | ₱97,608,300 | ₱96,838,866 | ₱25,745,407 |
| Cost | | 61,254,285 | 58,465,693 | 47,891,790 |
| | | ₱158,862,585 | ₱155,304,559 | ₱73,637,197 |
| Charged to operations: | | | | |
| Direct costs | 18 | ₱133,150,130 | ₱126,799,159 | ₱47,726,358 |
| General and administrative expenses | 19 | 19,152,801 | 21,940,598 | 19,270,257 |
| | | 152,302,931 | 148,739,757 | 66,996,615 |
| Depreciation on appraisal increase charged to other comprehensive income | | 6,559,654 | 6,564,802 | 6,640,582 |
| | | ₱158,862,585 | ₱155,304,559 | ₱73,637,197 |

Details of revaluation surplus recognized in other comprehensive income are as follows:

| | Note | 2020 | 2019 | 2018 |
|-------------------------------|------|---------------------|--------------|--------------|
| Investment properties | 11 | ₱106,793,233 | ₱106,793,233 | ₱125,189,935 |
| Property, plant and equipment | | 124,900,641 | 114,647,819 | 121,212,621 |
| | | ₱231,693,874 | ₱221,441,052 | ₱246,402,556 |

13. Other Noncurrent Assets

This account consists of:

| | Note | 2020 | 2019 |
|--------------------------------------|------|--------------------|-------------|
| Reserve fund | 15 | ₱25,623,954 | ₱25,623,954 |
| Special bank deposits | 23 | 9,000,000 | 9,000,000 |
| Utilities and other deposits | | 6,622,689 | 7,415,422 |
| | | 41,246,643 | 42,039,376 |
| Less allowance for impairment losses | | 2,649,641 | 2,649,641 |
| | | ₱38,597,002 | ₱39,389,735 |

Reserve fund pertains to a hold-out requirement of the local bank creditor of the Group as security for its long-term loans payable.

Special bank deposits pertain to performance security in the form of a bank guarantee in relation to the lease agreement of CWWC with the LGU of Tabuk.

Utilities and other deposits pertain to rental deposits which will be refunded upon termination of the related lease contract.

14. Trade and Other Payables

This account consists of:

| | Note | 2020 | 2019 |
|--------------------|------|---------------------|--------------|
| Trade: | | | |
| Related parties | 21 | ₱309,422,210 | ₱298,534,517 |
| Third parties | | 174,654,310 | 155,322,327 |
| Retention payable: | 23 | | |
| Related parties | 21 | 234,392,233 | 228,571,706 |
| Third parties | | 15,124,396 | 16,459,046 |
| Accrued expenses: | | | |
| Third parties | | 73,432,312 | 50,851,793 |
| Related parties | 21 | 8,467,121 | — |
| Statutory payable | | 18,123,407 | 13,249,495 |
| Security deposits | 23 | 8,859,968 | 8,772,330 |
| Others | | 1,675,723 | 1,573,635 |
| | | ₱844,151,680 | ₱773,334,849 |

Trade payables are noninterest-bearing and are generally settled within 15 to 30 days.

Retention payable pertains to the construction projects and will be paid one year after completion.

Accrued expenses include accrual for rental, interest, and other expenses which are generally paid in the subsequent month.

Statutory payable includes amounts payable to government agencies such as SSS, PhilHealth and HDMF payables for employees' contributions, loans and withholding taxes. These are normally settled in the following month.

Security deposits are refundable deposits made by customers for the lease of the Group's properties and to be returned at the end or termination of the contract.

15. Loans Payable

Details of this account are as follows:

| | Interest Rate | 2020 | 2019 |
|--------------------|---------------|-----------------------|----------------|
| Short-term loans | 3.1% - 7.0% | ₱611,726,198 | ₱623,650,000 |
| Long-term loans: | 6.0% - 14.0% | | |
| Current portion | | 207,163,069 | 179,265,030 |
| Noncurrent portion | | 1,022,607,426 | 1,082,660,839 |
| | | ₱1,841,496,693 | ₱1,885,575,869 |

Short-term Loans

Short-term loans are unsecured loans with maturity of thirty (30) to one-hundred eighty (180) days from avilment date with monthly interest payments, subject to renewal and re-pricing. Short-term loans are availed from local banks and for working capital purposes.

Long-term Loans

Long-term loans were obtained from local banks and are summarized as follows:

| Term | Interest Rate | Maturity | 2020 | 2019 |
|-------------|---------------|------------|-----------------------|----------------|
| 10-12 years | 6.0% - 7.8% | Up to 2026 | ₱1,207,911,454 | ₱1,235,132,849 |
| 15 years | 6.0% - 6.2% | Up to 2022 | 19,589,190 | 24,041,279 |
| 5 years | 9.2% - 14.0% | Up to 2024 | 2,269,851 | 2,751,741 |
| | | | ₱1,229,770,495 | ₱1,261,925,869 |

Part of the 10-year loans requires the Group to maintain debt to equity ratio of 65:35, current ratio of 1.02:1, and debt-service coverage ratio of 1.0:1. These covenants shall be effective after two years from the date of commercial operation of the power plant. The power plant was completed and started commercial operation on January 14, 2019.

As at December 31, 2020 and 2019, the Group is in compliance with all of the requirements of the loan agreements.

In 2020, the bank has approved the deferment of principal and interest amortizations due in April to December 2020 for various long-term loans aggregating ₱124.6 million. The deferred principal amortizations are to be paid monthly and quarterly, on a straight-line basis, over the remaining loan terms.

The carrying amounts of the assets used as collateral for the long-term loans are as follows:

| Asset Type | Note | 2020 | 2019 |
|-------------------------------|------|-----------------------|----------------|
| Property, plant and equipment | 12 | ₱2,785,802,766 | ₱2,776,671,132 |
| Trade receivables | 6 | 153,863,660 | 46,625,260 |
| Reserve fund | 13 | 25,623,954 | 25,623,954 |
| | | ₱2,965,290,380 | ₱2,848,920,346 |

The schedule of maturity of the loans payable is as follows:

| | 2020 | 2019 |
|---|-----------------------|----------------|
| Within one year | ₱818,889,267 | ₱802,915,031 |
| Beyond one year but not later than five years | 781,982,316 | 710,365,131 |
| Later than five years | 240,625,110 | 372,295,707 |
| | ₱1,841,496,693 | ₱1,885,575,869 |

Borrowing Costs

Interest expense incurred is recognized in the consolidated financial statements as follows:

| | Note | 2020 | 2019 | 2018 |
|---|------|---------------------|--------------|--------------|
| Charged to profit or loss | | ₱113,801,458 | ₱120,887,512 | ₱15,863,606 |
| Capitalized to construction in-progress | 12 | — | — | 95,308,467 |
| | | ₱113,801,458 | ₱120,887,512 | ₱111,172,073 |

16. Equity

Capital Stock

Details of the Parent Company's common shares with par value of ₱1.00 per share as at December 31, 2020 and 2019 are as follows:

| | Shares | Amount |
|--------------------------------------|---------------|----------------|
| Authorized | | |
| Balance at beginning and end of year | 1,000,000,000 | ₱1,000,000,000 |
| Issued and Outstanding | | |
| Balance at beginning and end of year | 281,500,000 | ₱281,500,000 |

On June 17, 2002, the Parent Company issued 281,500,000 shares at ₱1.09 per share in its initial public offering.

The Parent Company has 29 and 32 stockholders as at December 31, 2020 and 2019, respectively, including the PCD Nominee Corporation.

Property Dividends

In December 2018, the Parent Company' BOD approved the appropriation of ₱185.9 million of its retained earnings as at December 31, 2018 for property dividends.

The BOD, in its special meeting held on January 4, 2019, approved the declaration of 66.03% property dividends comprising of 42,225,000 common shares of 2BIG carried at ₱2.59 per share and 76,500,000 common shares of PHEVI carried at ₱1.00 per share, or for a total amount of ₱185.9 million. The amount per share is computed based on the interim financial statements of both subsidiaries as at and for the period ended September 30, 2018. The stockholders are entitled to receive 27 shares of PHEVI and 15 shares of 2BIG for every 100 Parent Company shares held by the stockholders. Fractional shares shall be converted into cash and be released at the same time as the property dividend.

As at December 31, 2020, the declaration of property dividends is still pending approval by the SEC.

Non-controlling Interests

The Group's non-controlling interests represent ownership of non-controlling interests shareholders in the following subsidiaries as at December 31, 2020, 2019 (and 2018):

| | 2020 | | 2019 | | 2018 | |
|------|----------------|--------|----------------|--------|----------------|--------|
| | Parent Company | NCI | Parent Company | NCI | Parent Company | NCI |
| OPI | 59.95% | 40.05% | 59.95% | 40.05% | 59.95% | 40.05% |
| NWC | 74.88% | 25.12% | 74.88% | 25.12% | 74.88% | 25.12% |
| TBC | 49.87% | 50.13% | 49.87% | 50.13% | 49.87% | 50.13% |
| BIRC | — | — | — | — | 50.99% | 49.01% |
| SAEC | — | — | — | — | 75.00% | 25.00% |
| SVC | — | — | — | — | 75.00% | 25.00% |

Non-controlling interests amounted to ₱668.2 million and ₱623.8 million as at December 31, 2020 and 2019, respectively. Increase in non-controlling interests amounted to ₱194.0 million in 2019 (₱240.3 million in 2018),

The net income (loss) allocated to non-controlling interests amounted to ₱45.6 million and (₱4.1 million) in 2020 and 2019, respectively (₱4.7 million of net income in 2018).

Financial Information of Subsidiaries

The summarized financial information of subsidiaries with significant non-controlling interests are as follows:

| | 2020 | | |
|-----------------------------------|---------------|------------|----------|
| | OPI | NWC | TBC |
| Total Current Assets | ₱407,211,513 | ₱2,427,942 | ₱584,736 |
| Total Noncurrent Assets | 3,037,004,314 | — | — |
| Total Current Liabilities | 1,308,151,796 | — | — |
| Total Noncurrent Liabilities | 985,854,634 | — | — |
| Total Equity | 1,150,209,397 | 2,427,942 | 584,736 |
| Revenue | 805,168,650 | — | — |
| Net Income (Loss) | 113,707,768 | (4,321) | (8,609) |
| Total Comprehensive Income (Loss) | 110,796,508 | (4,321) | (8,609) |

| | 2019 | | |
|------------------------------|---------------|------------|----------|
| | OPI | NWC | TBC |
| Total Current Assets | ₱226,674,215 | ₱2,432,263 | ₱593,345 |
| Total Noncurrent Assets | 3,122,039,583 | — | — |
| Total Current Liabilities | 1,281,447,681 | — | — |
| Total Noncurrent Liabilities | 1,027,853,228 | — | — |
| Total Equity | 1,039,412,889 | 2,432,263 | 593,345 |
| Revenue | 655,064,002 | — | — |
| Net Loss | (10,589,166) | (67,737) | (7,875) |
| Total Comprehensive Loss | (11,682,445) | (67,737) | (7,875) |

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit standing and stable capital ratios in order to support its business and maximize shareholder value. The Group maintains its current capital structure and will make adjustments, if necessary, in order to generate a reasonable level of returns to stockholders over the long term. No changes were made in the objectives, policies or processes during the year.

The Group considers the equity presented in the consolidated statements of financial position as its core capital.

For the purpose of the Group's capital management, capital includes issued capital and retained earnings. The primary objective of the Group's capital management is to maximize the shareholder value.

The Group manages its capital structure and makes adjustments when there are changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using debt-to-equity ratio, which is total debt divided by total equity.

The debt-to-equity ratio of the Group is as follows:

| | 2020 | 2019 |
|--------------------------|-----------------------|----------------|
| Debt | ₱3,287,522,758 | ₱3,242,057,488 |
| Equity | 2,586,716,155 | 2,421,127,641 |
| Net debt-to-equity ratio | 1.27:1 | 1.34:1 |

Pursuant to the PSE's rules on minimum public ownership, at least 10% of the issued and outstanding shares of a listed company must be owned and held by the public. The public ownership is 34.24% as at December 31, 2020 and 2019.

The Group is not subject to externally imposed capital requirements but is required to maintain specific ratios as disclosed in Note 15.

17. Revenue

This account consists of:

| | Note | 2020 | 2019 | 2018 |
|---------------------|------|-----------------------|----------------|--------------|
| At a point in time: | | | | |
| Power sales | | ₱805,124,900 | ₱655,027,002 | ₱460,998,621 |
| Water services | | 270,635,942 | 271,481,905 | 239,525,209 |
| Technical services | | 6,419,056 | 16,800,152 | 30,049,012 |
| Rental income | 11 | 29,288,327 | 70,231,015 | 72,567,067 |
| Others | | – | – | 24,812 |
| | | ₱1,111,468,225 | ₱1,013,540,074 | ₱803,164,721 |

18. Direct Costs

This account consists of:

| | Note | 2020 | 2019 | 2018 |
|--------------------------------|------|---------------------|--------------|--------------|
| Fuel cost | 7 | ₱386,618,576 | ₱366,923,010 | ₱348,201,332 |
| Depreciation and amortization | 12 | 133,150,130 | 126,799,159 | 47,726,358 |
| Outside services | | 87,609,134 | 32,768,233 | 31,342,170 |
| Salaries and employee benefits | | 38,062,601 | 44,128,415 | 46,207,684 |
| Utilities | | 28,999,667 | 28,146,784 | 27,773,235 |
| Repairs and maintenance | | 23,329,008 | 42,073,957 | 28,139,160 |
| Rental | 23 | 15,709,997 | 15,355,007 | 9,141,823 |
| Unrecoverable input VAT | | 8,551,355 | 6,083,486 | 9,814,950 |
| Insurance | | 8,323,954 | 8,146,513 | 1,187,782 |
| Supplies | | 2,340,014 | 1,232,651 | 1,751,450 |
| Taxes and licenses | | 1,392,640 | 1,379,955 | 1,453,143 |
| Transportation and travel | | 760,833 | 1,675,723 | 1,341,816 |
| Others | | 5,707,292 | 6,482,363 | 5,587,881 |
| | | ₱740,555,201 | ₱681,195,256 | ₱559,668,784 |

19. General and Administrative Expenses

This account consists of:

| | Note | 2020 | 2019 | 2018 |
|---------------------------------|------|--------------------|-------------|-------------|
| Salaries and employee benefits | | ₱45,554,305 | ₱50,049,934 | ₱34,579,864 |
| Depreciation and amortization | 12 | 19,152,801 | 21,940,598 | 19,270,257 |
| Taxes and licenses | | 18,748,408 | 16,889,746 | 23,770,721 |
| Transportation and travel | | 14,928,899 | 13,853,768 | 9,601,327 |
| Repairs and maintenance | | 6,616,134 | 4,380,150 | 5,322,937 |
| Provision for impairment losses | 6 | 6,133,779 | – | 558,762 |
| Utilities | | 5,585,621 | 6,556,388 | 6,302,984 |
| Professional services | | 5,395,933 | 5,548,727 | 8,753,120 |
| Trainings and seminars | | 4,878,278 | 5,518,971 | 5,474,825 |

(Forward)

| | Note | 2020 | 2019 | 2018 |
|----------------------------------|------|---------------------|--------------|--------------|
| Retirement benefits | | ₱4,114,263 | ₱5,973,709 | ₱5,512,462 |
| Representation and entertainment | | 3,654,692 | 4,347,336 | 4,525,352 |
| Donation | | 2,707,852 | 4,806,229 | 1,082,122 |
| Office supplies | | 1,835,879 | 2,093,944 | 2,116,598 |
| Outside services | | 1,750,734 | 1,525,189 | 1,481,114 |
| Insurance | | 1,688,599 | 1,647,178 | 1,347,867 |
| Rental | 23 | 1,652,527 | 1,983,030 | 2,104,443 |
| Association dues | | 1,339,651 | 3,090,568 | 3,478,920 |
| Computer software | | 1,249,233 | 1,999,360 | 1,345,672 |
| Energy Regulations (ER)1-94 fund | 23 | 956,103 | 667,800 | 406,414 |
| Advertising | | 202,799 | 514,204 | 524,936 |
| Others | | 4,895,015 | 3,580,114 | 2,587,012 |
| | | ₱153,041,505 | ₱156,966,943 | ₱140,147,709 |

Others include parking and toll fees and other miscellaneous expenses.

20. Other Income (Charges)

This account consists of:

| | Note | 2020 | 2019 | 2018 |
|---|------|---------------------|--------------|------------|
| Bank charges | | (₱1,645,785) | (₱2,453,227) | (₱475,625) |
| Share in net losses of associates | 10 | (1,609,746) | (3,190,254) | (55,005) |
| Interest income | 5 | 831,964 | 797,802 | 1,205,901 |
| Gain (loss) on sale of transportation equipment | 12 | (428,131) | 500,000 | 99,802 |
| Net unrealized foreign exchange gain (loss) | | (5,383) | (3,743) | 10,324 |
| Others | | 649,188 | 213,935 | 978,200 |
| | | (₱2,207,893) | (₱4,135,487) | ₱1,763,597 |

Other income mainly pertains to sale of scrap materials in 2020 and 2019. Other income in 2018 mainly pertains to deposit from UDEVCO for the sale of H2O shares not refunded upon consummation of the sale.

21. Related Party Transactions

The Group's transactions with its related parties are summarized below:

| Related Party | Nature | Note | Amount of Transaction | | Outstanding Balance | |
|--------------------------|---------------------------|------|-----------------------|---------------|---------------------|--------------|
| | | | 2020 | 2019 | 2020 | 2019 |
| Due from Related Parties | | | | | | |
| Under common management | Cash advances | | ₱17,508,351 | ₱19,781,291 | | |
| | Collections | | (7,138,295) | (4,476,279) | | |
| | Effect of loss of control | 4 | (166,050) | (148,805,758) | ₱116,414,978 | ₱106,210,972 |
| Associates | Collections | | (5,000,000) | — | | |
| | Cash advances | | 9,600 | — | 45,909,600 | 50,900,000 |
| Stockholders | Collections | | — | (10,768,983) | | |
| | Cash advances | | — | 9,949,143 | | |
| | Effect of loss of control | 4 | — | (6,891,366) | — | — |
| | | | | | ₱162,324,578 | ₱157,110,972 |

| Related Party | Nature | Note | Amount of Transaction | | Outstanding Balance | |
|-------------------------------|---------------------------------|------|---|-------------------------------|---------------------|--------------|
| | | | 2020 | 2019 | 2020 | 2019 |
| Trade Payables | | 14 | | | | |
| Under common management | Construction Payments | | ₱33,537,085 (22,649,392) | ₱228,349,942 (276,884,496) | ₱309,422,210 | ₱298,534,517 |
| Retention Payable | | 14 | | | | |
| Under common management | Construction | | ₱5,820,527 | ₱12,263,160 | ₱234,392,233 | ₱228,571,706 |
| Accrued Expenses | | 14 | | | | |
| Under common management | Operations and maintenance fees | | ₱42,881,956 | ₱10,628,091 | | |
| | Construction | | 18,847,652 | — | | |
| | Payments | | (53,262,487) | (10,628,091) | ₱8,467,121 | ₱— |
| Due to Related Parties | | | | | | |
| Stockholders | Cash advances | | ₱77,319 | ₱17,000,000 | | |
| | Effect of loss of control | 4 | — | (120,699,834) | | |
| | Payments | | — | (3,383,413) | ₱159,467,311 | ₱159,389,992 |
| Under common management | Effect of loss of control | 4 | (13,240) | (9,537,942) | | |
| | Cash advances | | 441,663 | 5,200,459 | | |
| | Payments | | (1,324,347) | (2,571,513) | 61,832,152 | 62,728,076 |
| | | | | | ₱221,299,463 | ₱222,118,068 |

Due from Related Parties. The Group has advances for working capital requirements. These receivables are unsecured, noninterest-bearing and collectible in cash upon demand.

Due to Related Parties. Amounts due to related parties are mainly attributable to advances from stockholders for investment purposes. These payables are unsecured, noninterest-bearing and payable in cash upon demand.

Intercompany transactions eliminated in consolidation pertain to due to/from related parties, intercompany revenue and dividend income. Total due to/from related parties eliminated amounted to ₱116.5 million and ₱141.3 million as at December 31, 2020 and 2019, respectively. Intercompany revenue eliminated amounted to ₱48.1 million and ₱35.1 million in 2020 and 2019, respectively (₱35.4 million in 2018). Dividend income of the Parent Company amounted to ₱212.0 million in 2019 (₱10.0 million in 2018).

Compensation of Key Management Personnel

Compensation of key management personnel, consisting of short-term salaries and government-mandated benefits, amounted to ₱38.3 million and ₱20.7 million in 2020 and 2019, respectively (₱19.7 million in 2018).

22. Retirement Benefits Liability

The Group operates a non-contributory retirement plan covering all qualified employees. The benefit shall be payable to employees who retire from service who are at least 60 years old and with at least five years of continuous service. Under the current plan, the employees are entitled to retirement benefits of 85% of the final monthly salary at retirement date for employees who have rendered at least five years of service by the time of retirement.

The most recent actuarial valuation reports were dated March 23, 2021. The present value of the defined benefit obligation and the related current service cost and past service cost were measured using the projected unit credit method.

The plan was not funded as at December 31, 2020 and 2019.

Retirement benefits expense recognized in the consolidated statements of comprehensive income in respect of this defined benefit plan is included as part of "Direct costs" and "General and administrative expenses":

| | 2020 | 2019 | 2018 |
|----------------------|-------------------|------------|------------|
| Service cost: | | | |
| Current service cost | ₱3,538,562 | ₱3,525,899 | ₱2,993,920 |
| Interest cost | 3,342,469 | 2,447,810 | 2,518,542 |
| | ₱6,881,031 | ₱5,973,709 | ₱5,512,462 |

Movements in the present value of defined benefit obligation are as follows:

| | 2020 | 2019 |
|---|---------------------|-------------|
| Balance at beginning of year | ₱50,643,468 | ₱44,669,759 |
| Current service cost | 3,538,562 | 3,525,899 |
| Interest cost | 3,342,469 | 2,447,810 |
| Actuarial gain recognized in other comprehensive income | (13,226,986) | — |
| Balance at end of year | ₱44,297,513 | ₱50,643,468 |

The principal assumptions used for the purposes of the actuarial valuations were as follows:

| | 2020 | 2019 |
|-----------------------------------|--------------|-------|
| Discount rate | 3.96% | 6.60% |
| Expected rate of salary increases | 5.00% | 5.00% |

The schedule of expected future benefit payments of the Group as at December 31, 2020 is as follows:

| Years | Expected Benefit Payment |
|--------------------------|--------------------------|
| Within one to five years | ₱14,005,141 |
| Within six to 10 years | 15,801,568 |
| Within 11 to 15 years | 40,528,383 |
| Beyond 15 years | 79,266,660 |

The sensitivity analysis on the defined benefits obligations follow:

| | Change in assumption | 2020 | 2019 |
|----------------------|----------------------|--------------|--------------|
| Discount rate | +0.5% | (P2,135,400) | (P1,600,823) |
| | -0.5% | 2,308,502 | 1,724,889 |
| Salary increase rate | +0.5% | 2,267,771 | 1,654,161 |
| | -0.5% | (2,119,761) | (1,457,795) |

Remeasurement Gain (Loss)

The cumulative remeasurement gain (loss) on retirement benefits liability recognized in other comprehensive income follows:

| | 2020 | | |
|------------------------------|-------------------------------|--------------|------------|
| | Cumulative Remeasurement Gain | Deferred Tax | Net |
| Balance at beginning of year | P1,033,101 | P309,930 | P723,171 |
| Actuarial gain | 13,226,986 | 3,968,096 | 9,258,890 |
| Balance at end of year | P14,260,087 | P4,278,026 | P9,982,061 |

| | 2018 | | |
|------------------------------|-------------------------------|--------------|--------------|
| | Cumulative Remeasurement Loss | Deferred Tax | Net |
| Balance at beginning of year | (P7,737,539) | (P2,321,262) | (P5,416,277) |
| Actuarial gain | 10,865,736 | 3,259,721 | 7,606,015 |
| Change in ownership | (2,095,096) | (628,529) | (1,466,567) |
| Balance at end of year | P1,033,101 | P309,930 | P723,171 |

No remeasurement gain (loss) was recognized in 2019.

The average duration of the benefit obligation is 11 years and 13 years as at December 31, 2020 and 2019, respectively.

23. Significant Contracts and Commitments

Lease of Water Facilities

In 2006, CWWC entered into a lease agreement with the LGU of Tabuk, in the province of Kalinga. Under the Agreement, CWWC will manage, operate and maintain the water facilities developed and owned by the LGU within a defined service area for 15 years from the day the facilities are turned over by the LGU. CWWC initially paid for the installation and rehabilitation of water facilities in Tabuk in behalf of the LGU. The related receivable from the LGU is disclosed in Note 6. CWWC shall make lease payments to the LGU based on agreed amounts.

In 2010, the lease term was extended for another 10 years.

Relevant information of the lease agreement are as follows:

- Monthly supervision fee of ₱5.00 per service connection subject to adjustment. Supervision and regulatory fees amounted to ₱273,425 and ₱245,900 in 2020 and 2019, respectively (₱230,375 in 2018);
- Annual lease fee ranging from ₱1.4 million to ₱8.8 million during the lease period. The related rental expense amounted to ₱8.8 million in 2020, 2019 (and 2018); and
- Performance security through a bank guarantee valid for 12 months, renewable annually. Special bank deposit amounted to ₱9.0 million as at December 31, 2020 and 2019 (see Note 13).

The related water revenue from operating the water facilities in Tabuk amounted to ₱25.7 million and ₱22.6 million in 2020 and 2019, respectively (₱30.0 million in 2018).

Related rental expense amounted to ₱8.8 million in 2020, 2019 (and 2018). Accrued rental expense amounted to ₱48.8 million and ₱39.8 million as at December 31, 2020 and 2019, respectively, and is presented as part of "Accrued expenses" under "Trade and other payables" in the consolidated statements of financial position.

Customers' Deposits

CWWC requires its new customers to pay a deposit which shall be returned to the customer upon termination of the service connection. Customers' deposits amounted to ₱23.7 million and ₱20.5 million as at December 31, 2020 and 2019, respectively.

Construction Agreements for Waterworks System

In 2017, CWWC entered into a contract with an entity under common management for Phase 2 of the 2014 waterworks system development and expansion plan (the "Project") in Calapan City. The total contract price of the Project amounted to ₱152.1 million. In 2020, the contract price for Phase 2 was amended to ₱227.0 million. Actual construction costs incurred as at amounted to ₱204.6 million and ₱122.6 million as at December 31, 2020 and 2019, respectively (₱85.4 million as at December 31, 2018).

Total capitalized borrowing costs related to the construction of the Project amounted to ₱21.7 million as at December 31, 2020 and 2019.

Related retention payable amounted to ₱37.4 million and ₱31.6 million as at December 31, 2020 and 2019, respectively.

Service Agreement

In September 2019, CWWC entered into a service agreement with an entity under common management for the operations and maintenance of its water system facilities for a period of three years.

Operations and maintenance fees amounted to ₱42.9 million and ₱10.6 million in 2020 and 2019, respectively (see Note 21). These are recorded as part of "Outside services" under "Direct costs" in the statements of comprehensive income.

Power Supply Agreement (PSA)

Modular Bunker Fuel-Fired Power Plant. On February 9, 2010, OPI entered into a PSA with Oriental Mindoro Electric Cooperative, Inc. (ORMECO) wherein OPI agreed to supply the power needs of ORMECO for a period of 15 years, subject to renewal for another 15 years upon mutual agreement of the parties, and to construct, operate and maintain the needed power generation plant on a Build-Own-Operate (BOO) basis. This agreement includes responsibilities of both parties on the construction, testing and operation of the power plant which will also be owned by OPI.

OPI agreed to supply ORMECO more or less 3,800,000 kWh of energy per month or a maximum of 8MW Power at any given time during the cooperation period for which electricity and other fees shall be paid by ORMECO on a monthly basis. ORMECO agreed to buy such electricity up to the plant's production capacity.

On June 8, 2020, OPI received ERC's Order dated September 3, 2019 partially granting OPI's Motion for Reconsideration and Supplementary Motion for Consideration and pronounced the basic tariff rate, net of fuel, of ₱2.2959 (pre-maximization) using the contracted energy of 3,800,000 kWh/month and ₱ 2.1522 (post-maximization) using the contracted energy of 4,939,200 kWh/month.

In the said Order, ERC also directed OPI and ORMECO to file recovery and refund schemes based on the final rates approved. OPI filed its Manifestation with the ERC recognizing the above-mentioned rates on June 23, 2020 and also filed its Notice of Compliance on July 8, 2020, detailing the recovery and refund scheme.

As of March 25, 2021, the ERC has not commented on, clarified nor approved the proposed refund and recovery scheme (see Note 30).

Inabasan Mini-Hydroelectric Power Plant. On July 18, 2012, OPI entered into a PSA with ORMECO wherein OPI agreed to supply the power needs of ORMECO for a period of 25 years, subject to extension upon mutual agreement of the parties, and to construct, operate and maintain Inabasan Mini-Hydroelectric Power Plant Project to be located at the Municipality of San Teodoro, Oriental Mindoro. This agreement includes responsibilities of both parties on the construction, testing and operation of the power facility which will also be owned by OPI.

OPI agreed to supply ORMECO a minimum of 4,083,000 kWh up to the maximum of 4,320,000 kWh of energy per month at any given time during the cooperation period for which the generation rate shall be paid by ORMECO on a monthly basis.

Power sales generated from the power plants attributable to ORMECO aggregated ₱537.8 million and ₱376.6 million in 2020 and 2019, respectively.

Subsidy Agreement between the National Power Corporation (NPC), ORMECO and OPI

In 2011 and 2019, NPC, ORMECO and OPI have signed the subsidy agreement which governs the availment by OPI of the Missionary Electrification Subsidy (ME Subsidy) as a New Power Provider (NPP) in the province of Mindoro. The agreement shall take effect from the time of execution until expiration of the PSA or termination of the Subsidy Agreement, as provided under Section 8 of the Subsidy Agreement, whichever comes earlier.

The ME Subsidy shall be computed as the difference between the True Cost of Generation Rate (TCGR) computed under the PSA and the Socially Acceptable Generation Rate (SAGR) paid by ORMECO. The amount of the ME Subsidy shall be taken from the Universal Charge-Missionary Electrification (UC-ME) fund being maintained by NPC.

Power sales to NPC amounted to ₱218.1 million and ₱249.4 million in 2020 and 2019, respectively (₱228.3 million in 2018).

Cash Incentive Entitlement

Under ERC Resolution No. 7, Series of 2014, OPI, being an RE Developer registered with the Department of Energy (DOE) operating in Oriental Mindoro (a missionary area identified under the Missionary Electrification Development Plan [MEDP]) shall be entitled to cash generation-based incentive from the UC-ME to the extent of the amount approved by the ERC for the purpose determined in accordance with the requirements and procedures under the amended guidelines issued pursuant to ERC Resolution No. 21, Series of 2011, subject to the availability of funds.

OPI, when availing the cash incentive, shall submit to PSALM its duly accomplished UC-ME Cash Incentive Claim form (CICF) together with other supporting documents. To date, the rate of P1.1789/kWh shall be the Cash Incentive due to RE Developer applied to the net generation (net of station use) based on the energy delivered by generation company to the DUs, consistent with Section 5, Article III of ERC Resolution No.7, Series of 2014.

OPI's cash incentive amounted to ₱49.3 million and ₱29.1 million in 2020 and 2019, respectively, and included under the "Power sales" as part of "Revenue" in the consolidated statements of comprehensive income.

Hydropower Service Contract

On March 25, 2010, OPI entered into a Hydropower Service Contract with the Department of Energy (DOE) pursuant to Section 2, Article XII of the 1987 Constitution and Republic Act No. 9513, otherwise known as the Renewable Energy Act of 2008. OPI was appointed and constituted by the DOE as the exclusive party to explore, develop and utilize the hydropower resources within Inabasan River in the Municipality of San Teodoro, Oriental Mindoro. OPI may pursue any additional investment or new investment within the Inabasan River and shall provide the services, technology, equipment, and financing. Technical and financial risk under the contract shall be assumed by OPI in case no hydropower resource in quantities of electricity is determined during the pre-development stage.

The Inabasan Mini-Hydroelectric Power Plant was commissioned on January 14, 2019. The Contract states that OPI, as a re-developer, shall remit the government share, which shall be equal to one percent of the gross income of the re-developer within 60 days following the end of each calendar quarter. The payment of government share, shall accrue from the time and only when the resource is utilized commercially.

The government share remitted by OPI is disclosed in Note 19.

MOA for Financial Benefits

OPI's 8 MW Modular Bunker Fuel-Fired Power Plant and 10MW Inabasan Mini-Hydroelectric Power Plant. OPI entered into a MOA with the Department of Energy for the granting of financial benefits to the host communities of the energy-generation company and/or energy resources for its 8 MW Modular Bunker Fuel-Fired Power Plant and 10 MW Inabasan Hydroelectric Power Plant. Under the said MOA, OPI shall provide financial benefits equivalent to one centavo per kilowatt-hour (₱0.01/kWh) of the total electricity sales of the generation facility to the region, province, city or municipality and barangay that host the generation facility. The computation of financial benefits shall commence upon the start of the commercial operation of the power plant facilities.

The amount of ER1-94 fund payments is disclosed in Note 19.

Fuel Supply and Management Agreement (FSMA)

Pursuant to the PSA, OPI also entered into a FSMA with ORMECO. OPI shall own the storage tanks and dispensing pumps that will be installed at the power plant and all the structures, fixtures and equipment used in connection with the supply of fuel and lube oil. The FSMA has the same duration as that of the PSA unless otherwise agreed by both parties.

Construction Agreements for 10MW Hydro Electric Power Plant

In 2014, OPI entered into various contracts with contractors for the civil works, electro mechanical works and supply of mechanical hydraulic and electrical equipment.

In March 2016, OPI and a local contractor entered into a Rehabilitation and Restoration Work Contract for the necessary rehabilitation and reconstruction of civil works of the 10MW Hydro Electric Power Plant damaged by Typhoon Nona.

Construction-in-progress amounted to ₱2.5 billion as at December 31, 2018. This amount was reclassified fully and additional costs incurred in 2019 as part of power plant facilities and equipment in 2019 upon the completion of the construction.

Related retention payable amounted to ₱212.1 million and ₱213.5 million as at December 31, 2020 and 2019, respectively.

Power Generation Project and Operation and Maintenance Agreement

On July 26, 2017, OPI entered into a Power Generation Project and Operation and Maintenance Agreement (the "Agreement") with a local service provider for the operation, maintenance and management services for OPI's Modular Bunker Fuel-Fired Power Plant for a period of four years and may be renewed upon agreement of the parties. It also includes the hiring of contractors for repair services; sourcing and procuring of the required maintenance parts and other specific duties required by the Agreement. As compensation to the local service provider, OPI shall pay the (i) foreign operation and maintenance (O&M) fee amounting to ₱1.6 million, VAT inclusive per month and (ii) local O&M fee amounting to ₱0.32, VAT inclusive for every kWh generated and dispatched per month, subject to inflation factor.

Total service fees incurred by OPI amounted to ₱34.2 million and ₱29.5 million in 2020 and 2019, respectively (₱29.2 million in 2018) presented as part of "Outside services" under "Direct Costs" account in the consolidated statements of comprehensive income.

As part of the Agreement, OPI's generators' spare parts' custody and management were transferred to the local service provider and will be returned to OPI upon the termination of the Agreement.

Other Lease Agreements

Group as a Lessor. The Group leased its various investment properties and certain furniture, furnishings and equipment under operating lease with various lessees. The lease shall be for a period of one year and renewable upon mutual agreement of the parties.

Rental income recognized in the consolidated statements of comprehensive income is disclosed in Note 17.

The amount of security deposits is disclosed in Note 14.

Group as a Lessee. The Group leases several office spaces for a period of one year, renewable upon mutual agreement of the parties.

In 2019, CWWC entered into a renewable lease agreement for properties where wells and boosters are located for a period of one year. The related rental expense amounted to ₱6.9 million and ₱6.5 million in 2020 and 2019, respectively.

The Group also leased a parcel of land owned by ORMECO for OPI's Modular Bunker C Diesel Power Plant's site. The term of the lease is for 15 years with an annual rental of ₱10,000 and may be renewed for another 15 years under terms and conditions mutually agreed upon by the parties.

Total rental expense, including the rental on water facilities, is charged as follows:

| | Note | 2020 | 2019 | 2018 |
|-------------------------------------|------|--------------------|-------------|-------------|
| Direct costs | 18 | ₱15,709,997 | ₱15,355,007 | ₱9,141,823 |
| General and administrative expenses | 19 | 1,652,527 | 1,983,030 | 2,104,443 |
| | | ₱17,362,524 | ₱17,338,037 | ₱11,246,266 |

24. Earnings Per Share (EPS)

The calculation of the basic and diluted income per share is based on the following data:

| | 2020 | 2019 | 2018 |
|---|---------------------|-------------|--------------|
| Net income attributable to Parent Company | ₱105,678,201 | ₱92,739,920 | ₱378,044,937 |
| Weighted average number of ordinary shares issued and outstanding | 281,500,000 | 281,500,000 | 281,500,000 |
| | ₱0.3754 | ₱0.3294 | ₱1.3430 |

In 2020, 2019 (and 2018), the Group has no dilutive or potential dilutive shares.

25. Income Taxes

Components of provision for income tax are as follows:

| | 2020 | 2019 | 2018 |
|------------------------------|--------------------|-------------|-------------|
| Profit or loss: | | | |
| Current | ₱28,170,018 | ₱30,918,976 | ₱32,387,898 |
| Deferred | 8,228,397 | 42,991,104 | (3,030,270) |
| | 36,398,415 | 73,910,080 | 29,357,628 |
| Other comprehensive income - | | | |
| Deferred | 8,174,510 | (1,969,441) | 1,267,546 |
| | ₱44,572,925 | ₱71,940,639 | ₱30,625,174 |

The components of the Group's deferred tax assets and deferred tax liabilities as at December 31, 2020 and 2019 are as follows:

| | 2020 | 2019 |
|--|---------------------|--------------|
| Deferred tax assets: | | |
| Recognized deferred tax assets for NOLCO | ₱15,147,912 | ₱2,013,817 |
| Retirement benefits liability | 13,220,127 | 15,193,041 |
| Allowance for impairment losses of receivables | 2,714,229 | 874,095 |
| Excess MCIT over RCIT | 1,415,028 | 1,123,828 |
| Allowance for impairment losses on deposits | 794,892 | 794,892 |
| Prepaid rental | 40,226 | 40,226 |
| Unrealized foreign exchange loss | 1,615 | 1,123 |
| | ₱33,334,029 | ₱20,041,022 |
| Deferred tax liabilities: | | |
| <i>Recognized through profit or loss:</i> | | |
| Fair value adjustments on investment properties | ₱204,398,172 | ₱178,656,672 |
| Capitalized borrowing costs | 3,764,212 | 4,016,212 |
| <i>Recognized through other comprehensive income -</i> | | |
| Revaluation surplus | 99,109,722 | 94,903,308 |
| | ₱307,272,106 | ₱277,576,192 |

As mandated by Section 4 of Republic Act No. 11494 or the "Bayanihan to Recover as One Act" and as implemented under Revenue Regulations No. 25-2020, the net operating loss of a business enterprise incurred for the taxable years 2020 and 2021 can be carried over as a deduction from taxable income for the next five consecutive taxable years following the year of such loss.

The details of the Group's NOLCO are as follows:

| Year | Amount | Expired | Effect of Loss of Control (see Note 4) | Balance | Expiry Year |
|------|--------------------|-------------------|--|--------------------|-------------|
| 2020 | ₱44,680,231 | ₱— | ₱— | ₱44,680,231 | 2025 |
| 2019 | 6,790,695 | — | (36,380) | 6,754,315 | 2022 |
| 2018 | 7,195,881 | — | (17,392) | 7,178,489 | 2021 |
| 2017 | 456,535 | (433,287) | (23,248) | — | 2020 |
| | ₱59,123,342 | (₱433,287) | (₱77,020) | ₱58,613,035 | |

Deferred tax asset pertaining to NOLCO of subsidiaries amounting to ₱2.4 million and ₱2.3 million as at December 31, 2020 and 2019, respectively (₱5.8 million as at December 31, 2018) was not recognized since management believes that there may be no sufficient future taxable profit against which the deferred tax asset can be utilized within the period allowed by the tax regulations.

Details of the Group's MCIT, which can be claimed as credit against future income tax liability, are as follows:

| Year | Amount | Applied | Balance | Expiry Year |
|------|-------------------|-------------------|-------------------|-------------|
| 2020 | ₱410,158 | ₱— | ₱410,158 | 2023 |
| 2019 | 1,123,828 | (118,958) | 1,004,870 | 2022 |
| | ₱1,533,986 | (₱118,958) | ₱1,415,028 | |

The reconciliation of provision for income tax computed at the statutory income tax rate and the effective income tax rate follows:

| | 2020 | 2019 | 2018 |
|---|---------------------|-------------|--------------|
| At statutory income tax rate | ₱56,300,150 | ₱48,756,703 | ₱123,616,405 |
| Effect of consolidation | 6,369,312 | — | — |
| Change in unrecognized deferred tax assets | 96,909 | (3,516,295) | 1,919,655 |
| Tax effects of: | | | |
| Net loss (income) under income tax holiday | (27,616,166) | 8,458,333 | — |
| Nondeductible expenses | 884,890 | 19,270,136 | 994,564 |
| Equity share in net loss of associates | 482,924 | 957,076 | 16,502 |
| Interest income already subjected to a final tax | (249,589) | (239,341) | (361,770) |
| Expired NOLCO | 129,985 | 223,468 | 14,211 |
| Gain on sale of investment subjected to final tax | — | — | (96,841,939) |
| At effective income tax rate | ₱36,398,415 | ₱73,910,080 | ₱29,357,628 |

On November 26, 2020, the Corporate Recovery and Tax Incentives for Enterprises ("CREATE") Bill was approved by the Senate of the Philippines (the "Senate"). Under the CREATE Bill, domestic corporations will be subject to 25% or 20% RCIT depending on the amount of total assets or total amount of taxable income. In addition, MCIT shall be computed at 1% of gross income for a period of three years, effective from July 1, 2020 to June 30, 2023. On February 3, 2021, the Senate and the House of Representatives ratified the bill through a bicameral conference. As at March 25, 2021, the CREATE Bill is pending approval of the President of the Philippines.

26. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including cash and noncash changes:

| | Loans Payable | Due to Related Parties | Accrued Interest |
|--|-----------------------|------------------------|------------------|
| Balance as at December 31, 2018 | ₱2,134,170,469 | ₱336,110,311 | ₱– |
| Cash charges: | | | |
| Payments | (257,153,489) | (5,954,926) | (120,887,512) |
| Availments | 243,170,000 | – | – |
| Advances | – | 22,200,459 | – |
| Effect of loss of control | (234,611,111) | (130,237,776) | – |
| Interest expense | – | – | 120,887,512 |
| Balance as at December 31, 2019 | 1,885,575,869 | 222,118,068 | – |
| Cash charges: | | | |
| Advances | (105,229,200) | 518,982 | – |
| Availments | 16,048,600 | – | – |
| Payments | – | (1,324,347) | (68,700,034) |
| Capitalized accrued interest | 45,101,424 | – | (45,101,424) |
| Effect of loss of control | – | (13,240) | – |
| Interest expense | – | – | 113,801,458 |
| Balance as at December 31, 2020 | ₱1,841,496,693 | ₱221,299,463 | ₱– |

27. Financial Risk Management Objectives and Policies

The Group's financial assets comprise mainly of cash and cash equivalents, trade and other receivables, due from related parties, deposits (presented as part of "Other current assets"), financial assets at FVOCI and other noncurrent assets. The Group's principal financial liabilities include trade and other payables (excluding statutory payable), loans payable, due to related parties and customers' deposits. The main purpose of these financial liabilities is to finance the Group's operations.

The Group is exposed to interest rate risk, credit risk, and liquidity risk. The Group's management oversees the management of these risks. The Group's BOD and management review and approve the policies for managing each of the risks, which are summarized below.

Interest Rate Risk

Interest rate risk refers to the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The primary source of the Group's interest rate risk relates to debt instruments such as bank loans. The interest rates on these liabilities are disclosed in Note 15.

The Group's exposure to changes in interest rates relates primarily to long-term loans. These loans are obtained at fixed rate and do not expose the Group to cash flow interest rate risk.

Credit Risk

Credit risk is the risk when a counterparty fails to fulfill its obligations to the Group. Counterparties such as banks and customers who pay on or before due date have minimum risk exposure because default in settling its obligations is remote.

The table below shows the gross maximum exposure of the Group to credit risk before taking into consideration collateral and other credit enhancements:

| | 2020 | 2019 |
|-----------------------------|---------------------|--------------|
| Cash and cash equivalents | ₱165,165,064 | ₱135,525,427 |
| Trade and other receivables | 347,840,290 | 200,413,760 |
| Due from related parties | 162,324,578 | 157,110,972 |
| Deposits | 18,000 | 18,000 |
| Other noncurrent assets | 41,246,643 | 42,039,376 |
| | ₱716,594,575 | ₱535,107,535 |

Risk Management. Credit risk is managed on a group basis. The Group deals only with reputable banks and customer to limit this risk. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by management.

Sales to customers are required to be settled in cash, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

| | 2020 | | | |
|-----------------------------|-------------------------------|---------------------|--------------------|---------------------|
| | Neither Past Due Nor Impaired | | | |
| | High Grade | Standard Grade | Substandard Grade | Total |
| Cash and cash equivalents | ₱165,165,064 | ₱— | ₱— | ₱165,165,064 |
| Trade and other receivables | | | | |
| Trade | — | 320,160,612 | 9,047,429 | 329,208,041 |
| Nontrade | — | 18,632,249 | — | 18,632,249 |
| Due from related parties | — | 162,324,578 | — | 162,324,578 |
| Deposits | — | 18,000 | — | 18,000 |
| Other noncurrent assets | — | 38,597,002 | 2,649,641 | 41,246,643 |
| Total | ₱165,165,064 | ₱539,732,441 | ₱11,697,070 | ₱716,594,575 |

| | 2019 | | | |
|-----------------------------|-------------------------------|----------------|-------------------|--------------|
| | Neither Past Due Nor Impaired | | | |
| | High Grade | Standard Grade | Substandard Grade | Total |
| Cash and cash equivalents | ₱135,525,427 | ₱— | ₱— | ₱135,525,427 |
| Trade and other receivables | | | | |
| Trade | — | 179,808,352 | 2,913,650 | 182,722,002 |
| Nontrade | — | 17,691,758 | — | 17,691,758 |
| Due from related parties | — | 157,110,972 | — | 157,110,972 |
| Deposits | — | 18,000 | — | 18,000 |
| Other noncurrent assets | — | 39,389,735 | 2,649,641 | 42,039,376 |
| Total | ₱135,525,427 | ₱394,018,817 | ₱5,563,291 | ₱535,107,535 |

The credit quality of such financial assets at amortized cost is managed by the Group using the internal credit quality ratings as follows:

- *High Grade.* Pertains to counterparty who is not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions and companies. Credit quality was determined based on the credit standing of the counterparty.
- *Standard Grade.* Other financial assets not belonging to high-grade financial assets are included in this category.
- *Substandard Grade.* Substandard grade financial assets are those which have the probability of impairment based on historical trend.

Impairment. While cash and cash equivalents is subject to the impairment requirements of PFRS 9, the assessed impairment loss is not material. The Group limits its exposure to credit risk by investing its cash and cash equivalents only with banks that have good credit standing and reputation in the local and international banking industry. These instruments are graded in the top category by an acceptable credit rating agency and, therefore, are considered to be low credit risk investments.

For trade and other receivables, impairment analysis is performed at each reporting date using lifetime expected credit loss allowance to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade and other receivables are written-off if past due for more than 360 days and are not subject to enforcement activity.

Using the expected credit loss allowance, the credit risk exposure on the Group's trade and other receivables is disclosed in Note 6.

Liquidity Risk

Liquidity risk refers to the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's objective of managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2020 and 2019 based on undiscounted cash flows:

| | 2020 | | | Total |
|---------------------------|----------------------------|--|--------------------------|----------------|
| | Payable Within One Year | Payable Within One to Five Years | Later than Five Years | |
| Trade and other payables* | ₱826,028,273 | ₱— | ₱— | ₱826,028,273 |
| Loans payable | 818,889,267 | 781,982,316 | 240,625,110 | 1,841,496,693 |
| Due to related parties | 221,299,463 | — | — | 221,299,463 |
| Customers' deposits | — | — | 23,674,699 | 23,674,699 |
| Future interest on loans | 23,674,699 | 271,233,877 | 4,439,137 | 299,347,713 |
| | ₱1,889,891,702 | ₱1,053,216,193 | ₱268,738,946 | ₱3,211,846,841 |

*Excluding statutory payable.

| | 2019 | | | Total |
|---------------------------|----------------------------|--|--------------------------|----------------|
| | Payable Within One Year | Payable Within One to Five Years | Later than Five Years | |
| Trade and other payables* | ₱760,085,354 | ₱— | ₱— | ₱760,085,354 |
| Loans payable | 802,915,031 | 710,365,131 | 372,295,707 | 1,885,575,869 |
| Due to related parties | 222,118,068 | — | — | 222,118,068 |
| Customers' deposits | — | — | 20,454,219 | 20,454,219 |
| Future interest on loans | 68,786,287 | 176,345,122 | 20,627,752 | 265,759,161 |
| | ₱1,853,904,740 | ₱886,710,253 | ₱413,377,678 | ₱3,153,992,671 |

*Excluding statutory payable.

28. Fair Value of Financial Assets and Liabilities

The table below presents the carrying amounts and fair value of the Group's financial assets and financial liabilities as at December 31, 2020 and 2019.

| | 2020 | | 2019 | |
|-------------------------------------|--------------------|--------------|--------------------|--------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial Assets | | | | |
| Financial Assets at FVOCI: | | | | |
| Investment in unquoted shares | ₱6,866,761 | ₱6,866,761 | ₱11,573,547 | ₱11,573,547 |
| Investment in a mutual fund | 3,444,724 | 3,444,724 | 3,242,396 | 3,242,396 |
| Financial Assets at Amortized Cost: | | | | |
| Cash and cash equivalents | 165,165,064 | 165,165,064 | 135,525,427 | 135,525,427 |
| Trade and other receivables | 338,792,861 | 338,792,861 | 197,500,110 | 197,500,110 |
| Due from related parties | 162,324,578 | 162,324,578 | 157,110,972 | 157,110,972 |
| Deposits | 18,000 | 18,000 | 18,000 | 18,000 |
| Other noncurrent assets | 38,597,002 | 38,597,002 | 39,389,735 | 39,389,735 |
| | ₱715,208,990 | ₱715,208,990 | ₱544,360,187 | ₱544,360,187 |

| | 2020 | | 2019 | |
|------------------------------|-----------------------|-----------------------|-----------------|----------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial Liabilities | | | | |
| Financial Liabilities | | | | |
| at amortized cost: | | | | |
| Trade and other payables* | ₱826,028,273 | ₱826,028,273 | ₱760,085,354 | ₱760,085,354 |
| Loans payable | 1,841,496,693 | 1,814,937,041 | 1,885,575,869 | 1,725,367,457 |
| Due to related parties | 221,299,463 | 221,299,463 | 222,118,068 | 222,118,068 |
| Customers' deposits | 23,674,699 | 23,674,699 | 20,454,219 | 20,454,219 |
| | ₱2,912,499,128 | ₱2,885,939,476 | ₱2,888,233,510 | ₱2,728,025,098 |

* Excluding statutory payable

The Group has determined that carrying amounts of cash and cash equivalents, trade and other receivables, due from related parties, deposits, trade and other payables (excluding statutory payable), due to related parties and customers' deposits approximate their fair values because these are mostly short term in nature.

The fair value of the investment in mutual fund was determined using the published fair value of units per share which falls under Level 1 of the fair value hierarchy.

The fair value of financial asset at FVOCI is determined using the net asset method (Level 3).

Significant increase (decrease) in the net asset value would result in a significantly lower (higher) fair value measurement.

The fair values of the loans payable and reserve fund are determined based on the discounted cash flow analysis using effective interest rates for similar types of instruments. There were no significant unobservable inputs identified and no relationship was established between the unobservable inputs and the fair values of the other noncurrent assets and loans payable. These financial instruments are classified under Level 3 of the fair value hierarchy groups of the financial statements.

The fair value hierarchy groups the financial assets and liabilities into Levels 1 to 3 based on the degree to which the fair value is observable. There were no transfers among levels in 2020 and 2019.

29. Operating Segment Information

Financial information about reportable segments follows (in thousands):

| | December 31, 2020 | | | | | |
|---------------------------------|---------------------|---------------------|--------------------|----------------------|-------------------|-----------------------|
| | Power Sales | Water Utilities | Rentals | Technical Services | Others | Total |
| Segment revenue | ₱805,124,900 | ₱270,635,942 | ₱35,743,470 | ₱48,093,786 | ₱- | ₱1,159,598,098 |
| Inter-segment revenue | - | - | 7,002,643 | 41,127,230 | - | 48,129,873 |
| Net revenue | ₱805,124,900 | ₱270,635,942 | ₱28,740,827 | ₱6,966,556 | ₱- | ₱1,111,468,225 |
| Segment results: | | | | | | |
| Income (loss) before income tax | ₱124,082,633 | ₱53,241,177 | ₱45,839,429 | (₱35,159,305) | (₱336,766) | ₱187,667,168 |
| Provision for income tax | 9,255,222 | 10,200,714 | 15,559,833 | 1,382,646 | - | 36,398,415 |
| Net income | ₱114,827,411 | ₱43,040,463 | ₱30,279,596 | (₱36,541,951) | (₱336,766) | ₱151,268,753 |

| December 31, 2020 | | | | | | |
|---|-----------------------|---------------------|-----------------------|--------------------|---------------------|-----------------------|
| | Power Sales | Water Utilities | Rentals | Technical Services | Others | Total |
| Total assets | ₱3,444,471,360 | ₱904,094,139 | ₱1,243,277,954 | ₱93,836,735 | ₱188,558,725 | ₱5,874,238,913 |
| Total liabilities | ₱2,290,470,715 | ₱391,271,868 | ₱487,224,246 | ₱60,260,862 | ₱58,295,067 | ₱3,287,522,758 |
| Additions to - Property and equipment | ₱5,381,699 | ₱67,271,659 | ₱1,711,542 | ₱— | ₱— | ₱74,364,900 |
| Other information: Depreciation and amortization | ₱91,492,036 | ₱43,610,881 | ₱22,105,162 | ₱1,654,506 | ₱— | ₱158,862,585 |
| December 31, 2019 | | | | | | |
| | Power Sales | Water Utilities | Rentals | Technical Services | Others | Total |
| Segment revenue | ₱655,027,002 | ₱271,481,905 | ₱290,709,038 | ₱43,398,738 | ₱22,507,661 | ₱1,283,124,344 |
| Inter-segment revenue | — | — | 221,025,523 | 26,051,086 | 22,507,661 | 269,584,270 |
| Net revenue | ₱655,027,002 | ₱271,481,905 | ₱69,683,515 | ₱17,347,652 | ₱— | ₱1,013,540,074 |
| Segment results: | | | | | | |
| Income (loss) before income tax | (₱1,936,362) | ₱78,205,344 | ₱111,866,542 | (₱29,282,599) | ₱3,669,417 | ₱162,522,342 |
| Provision for (benefit from) income tax | 7,533,161 | 17,749,595 | 34,013,603 | (2,229,075) | 20,362,573 | 77,429,857 |
| Net income | (₱9,469,523) | ₱60,455,749 | ₱77,852,939 | (₱27,053,524) | (₱16,693,156) | ₱85,092,485 |
| Total assets | ₱3,348,969,331 | ₱887,816,623 | ₱1,079,270,236 | ₱100,847,406 | ₱246,281,533 | ₱5,663,185,129 |
| Total liabilities | ₱2,305,266,145 | ₱378,667,872 | ₱423,072,426 | ₱57,396,416 | ₱81,174,406 | ₱3,245,577,265 |
| Additions to - Property and equipment | ₱262,023,579 | ₱50,621,599 | ₱32,698,457 | ₱1,258,036 | ₱— | ₱346,601,671 |
| Other information: Depreciation and amortization | ₱88,868,077 | ₱44,349,287 | ₱13,909,852 | ₱1,612,541 | ₱— | ₱148,739,757 |
| December 31, 2018 | | | | | | |
| | Power Sales | Water Utilities | Rentals | Technical Services | Others | Total |
| Segment revenue | ₱460,998,621 | ₱250,093,097 | ₱79,229,537 | ₱56,581,333 | ₱24,812 | ₱846,927,400 |
| Inter-segment revenue | — | 10,567,888 | 6,662,470 | 26,532,321 | — | 43,762,679 |
| Net revenue | ₱460,998,621 | ₱239,525,209 | ₱72,567,067 | ₱30,049,012 | ₱24,812 | ₱803,164,721 |
| Segment results: | | | | | | |
| Income before income tax | ₱17,981,131 | ₱68,221,955 | ₱83,674,208 | (₱12,556,174) | ₱254,733,562 | ₱412,054,682 |
| Provision for (benefit from) income tax | 4,725,692 | 18,430,931 | 3,980,474 | 2,821,554 | (601,023) | 29,357,628 |
| Net income (loss) | ₱13,255,439 | ₱49,791,024 | ₱79,693,734 | (₱15,377,728) | ₱255,334,585 | ₱382,697,054 |
| Total assets | ₱3,193,430,204 | ₱851,431,299 | ₱764,616,862 | ₱65,456,346 | ₱1,137,446,944 | ₱6,012,381,655 |
| Total liabilities | ₱2,350,865,995 | ₱430,907,719 | ₱213,226,586 | ₱41,209,683 | ₱716,013,737 | ₱3,752,223,720 |
| Additions to: | | | | | | |
| Investment properties | ₱— | ₱— | ₱1,375,807 | ₱— | ₱530,339 | ₱1,906,146 |
| Property and equipment | 419,127,614 | 149,395,506 | 16,055,975 | 1,859,841 | 131,481,418 | 717,920,354 |
| | ₱419,127,614 | ₱149,395,506 | ₱17,431,782 | ₱1,859,841 | ₱132,011,757 | ₱719,826,500 |
| Other information: Depreciation and amortization | ₱18,759,054 | ₱34,926,465 | ₱11,790,970 | ₱1,451,967 | ₱68,159 | ₱66,996,615 |

Major Customer

Other than ORMECO and NPC, the Group does not have any other single external customer from which sales revenue generated amounted to 10% or more of the total revenues of the Group.

30. Contingencies

The Group is a party to certain lawsuits or claims arising from the ordinary course of business. The Group's management and legal counsel believes that the eventual liabilities under these lawsuit or claims, if any, will not have a material effect on the consolidated financial statements, and thus, no provision has been made for these contingent liabilities.

Details of pending cases are as follows:

- a. Parent Company vs. Philippine British Assurance Co., Inc.
 - Civil Case No. 04405, Regional Trial Court, National Capital Judicial Region, Branch 143, Makati City

In 2004, the Parent Company filed a Complaint [With Application For The Issuance of A Writ of Preliminary Attachment] (the Complaint) with the Regional Trial Court (RTC) of Makati City. The Complaint sought the recovery of the Parent Company's outstanding insurance claims against defendant Philippine British Assurance Co., Inc. (PBAC) amounting to at least ₱34.9 million, exclusive of interest. In addition, the Parent Company prayed for the payment of ₱2.0 million by way of exemplary damages and ₱1.0 million as attorney's fees and litigation expenses.

In 2016, the Parent Company received a copy of the Decision dated December 7, 2016, where the trial court rendered judgement in favor of the Parent Company and against PBAC. In the said Decision, PBAC was ordered to pay the Parent Company the following:

1. ₱20.0 million under the Policy HOFO1FD-FL-S001737 for the damage to the machineries, equipment and other facilities usual to the Parent Company's business including building improvements and betterments thereon, plus interest of 12% per annum from November 21, 2001 until fully paid;
2. ₱10.0 million under Policy HOFO1FD-FI-S001738 for office furniture, fixtures, fittings and other equipment usual to the Parent Company's business including building improvements and betterments thereon, plus 12% per annum from November 21, 2001 until fully paid; and
3. Costs of suit.

In 2017, the Parent Company received a copy of defendant PBAC's Notice of Appeal on the ground that the Decision are supposedly not in accord with the facts established by evidence on record and are contrary to law. The Parent Company then received a copy of the Court's Order giving due course to the Notice of Appeal and directing the transmittal of the records of the case to the Court of Appeals for proper disposition.

- C.A. G.R. No. 109088, Court of Appeals, Manila

In 2017, plaintiff-appellee the Parent Company received a letter from the Court of Appeals, which noted a deficiency in the original records of the case transmitted by the trial court to the Court of Appeals, specifically, the unsigned Transcript of Stenographic Notes and directing the Clerk of the Court of the trial court to cure said defect within ten (10) days from notice.

In 2018, plaintiff-appellee the Parent Company received a copy of the Notice to File Brief issued by the Honorable Court, requiring defendant-appellant PBAC to file its Appellant's Brief within forty-five (45) days from notice and giving plaintiff-appellee the Parent Company the same period from receipt thereof within which to file the Parent Company's Brief. Likewise, defendant-appellant PBAC was given twenty (20) days from receipt of plaintiff-appellee the Parent Company's Brief within which to file its Reply Brief.

In 2019, plaintiff-appellee the Parent Company filed its Appellee's Brief, in response to the defendant-appellant PBAC brief, through counsel with the Court of Appeals, 7th Division through registered mail. The Parent Company then received copies of PBAC's "Motion for Leave to Amend and to Admit Amended Appellant's Brief" which the Parent Company opposed maintaining that (a) the Motion for Leave is an afterthought on the part of PBAC and (b) PBAC has ample time to cure the defects of the Appellant's Brief.

In 2020, the Parent Company received the decision issued by the Court of Appeals, which favorably dismissed the appeal of defendant-appellant PBAC and affirmed the trial court's *Decision* dated December 7, 2016 but reduced the interest rate from twelve percent (12%) to six percent (6%) per annum reckoned from 21 November 2001. The defendant-appellant PBAC filed a Motion for Reconsideration of the decision on November 30, 2020. The Parent Company filed its comment/ opposition on the Motion for Reconsideration filed by the appellant on December 15, 2020.

b. Parent Company vs. Jerry Lee

- Civil Case No. 188289-CV, MTC Br. 7, Manila

The Parent Company filed a complaint for unlawful detainer against Mr. Jerry Lee. After trial, the RTC, Br. 7 rendered a Decision dated December 11, 2014, ordering Mr. Jerry Lee to vacate the premises and pay the Parent Company the following:

1. Unpaid rent of ₱636,650 plus 6% legal interest from March 11, 2014 until finality of the Decision;
2. ₱20,000 as attorney's fees;
3. The amount of ₱50,000 as exemplary damages; and
4. Cost of suit.

The Decision became final since Mr. Jerry Lee did not file an appeal after fifteen (15) days. Mr. Jerry Lee was ejected from the leased property. Unfortunately, the monetary award has yet to be enforced since the sheriff cannot locate any property of Mr. Jerry Lee that could be garnished or levied.

- PEOPLE OF THE PHILIPPINES, Petitioners, versus JERRY LEE a. k. a. JUSTIE LEE, HON. YOLANDA M. LEONARDO, in her capacity as Presiding Judge of the METROPOLITAN TRIAL COURT, BRANCH 9, MANILA, R-MNL-17-04583-SC (Crim Case No. 15-017750-54-CR)

For: Certiorari under Rule 55

This is a criminal case filed by the Parent Company against Mr. Jerry Lee for five (5) counts of violation of B.P 22 in the total amount of ₱455,750.

The trial for this case is still on going as at December 31, 2020.

c. Legal Cases involving OPI:

Approval of Power Generation Rate by the Energy Regulation Commission (ERC)

On June 21, 2016, the ERC issued its Decision approving the PSA between ORMECO and OPI for the Modular Bunker Fuel-Fired Power Plant in Calapan City subject to the condition that the approved rates shall be ₱2.0931/kWh (pre-maximization) and ₱1.9686/kWh (post-maximization) as opposed to the PSA generation rate of ₱2.95/kWh.

On October 17, 2016, OPI filed an Omnibus Motion for Partial Reconsideration and for the issuance of a Status Quo Order to the ERC (Omnibus Motion). In its Omnibus Motion, OPI requested that the ERC should reconsider to (1) include the pre-operating expenses, contingency, permits/licenses and other development costs in ERC's computation of the total project cost as a component of the capacity fee and (2) use the historical average of the actual delivered energy instead of the contracted energy of 3,800,000 kWh/month and 4,939,200 kWh/month in fixing the billing determinants. In the Omnibus Motion, OPI prayed for the issuance of a Status Quo Order enjoining the ORMECO and National Power Corporation to observe the status prevailing prior to the issuance of the Decision dated June 21, 2016.

In response, the ERC issued a Status Quo Ante Order on June 6, 2017 deferring the implementation of the approved generation rates for a period of no more than six (6) months or until the issues raised in OPI's Motions have been resolved. The ERC has extended the Status Quo Order until September 5, 2019 to review further the case in view of the discrepancies of the rate components prescribed under the PSA and the presented in the Omnibus Motion.

In response, the ERC issued a Status Quo Ante Order on June 6, 2017 deferring the implementation of the approved generation rates for a period of no more than six (6) months or until the issues raised in OPI's Motions have been resolved. The ERC has extended the Status Quo Order dated June 6, 2017 until the date upon which OPI received the Order of the ERC resolving the OPI's Omnibus Motion.

On June 8, 2020, OPI received ERC's Order dated September 3, 2019 partially granting OPI's Motion for Reconsideration and Supplementary Motion for Consideration and pronounced the basic tariff rate, net of fuel, of ₱2.2959 (pre-maximization) using the contracted energy of 3,800,000 kWh/month and ₱2.1522 (post-maximization) using the contracted energy of 4,939,200 kWh/month.

In the said Order, ERC also directed OPI and ORMECO to file recovery and refund schemes based on the final rates approved. OPI filed its Manifestation with the ERC recognizing the above-mentioned rates on June 23, 2020 and also filed its Notice of Compliance on July 8, 2020, detailing the recovery and refund scheme.

As of March 25, 2021, the ERC has not commented on, clarified nor approved the proposed refund and recovery scheme (see Note 23).

The amount to be refunded and/or recovered depends on several variables including but not limited to, indexation and recovery period that are yet to be clarified and confirmed by the ERC for implementation by OPI, ORMECO and NPC. Accordingly, neither asset nor liability was recognized as at December 31, 2020.

d. Legal Cases involving CWWC:

- Water use conflicts

In 2013, local executives of several barangays of Calapan City, Oriental Mindoro filed a case with National Water Resources Board (NWRB) opposing CWWC's water permit application. NWRB dismissed the case in favor of CWWC in the same year due to lack of merit. In 2014, CWWC filed a Motion to Dismiss with Motion for Execution. As at December 31, 2020, CWWC is still waiting for resolution to the motion filed.

In 2015, CWWC filed cases with the NWRB opposing DMCI Power Corporation, CLC Ice Plant, Inc. and BSK Trucking's water permit application. The cases filed are still pending NWRB's decision as at December 31, 2020.

- Civil Case No. CV-11-6397, entitled "Calapan Waterworks Corporation represented by Engr. Menardo Rivera, petitioner, versus SPS. Edilberto C. Ilano and Rhoda C. Ilano, doing business under the name, Villa Agatha Subdivision, respondents", filed with the Regional Trial Court (RTC) Oriental Mindoro, Branch 39

The case involves an action for recovery of possession and ownership of the encroached area with damages against spouses, covering land area of 8,409 square meters.

On June 8, 2012 the RTC rendered a decision in favor of CWWC. The parties are still considering the possibility of swapping or exchanging the parcel of land owned by the Ilanos which was encroached by the water pipes of CWWC located in Sta. Isabel, Calapan City with the land subject of Civil Case No. CV-11- 6397 adverted to above.

e. Legal Case involving JGMI -

- Jolliville Group Management, Inc. and Show Syndicate Corporation, Plaintiff-Appellee versus FELICITO GARCIA, doing business under the name and style FOXCHIT SOFTWARE SOLUTIONS, Defendant-Appellant CA G.R.CV No.97772

The amount involved is more or less ₱0.5 million. JGMI had won the case both in the RTC and CA. It is now pending with the Supreme Court. The expectation is high of winning the said case with the Supreme Court because of the doctrine of res judicata.

31. Other Matter

In 2020, the country experienced the coronavirus (COVID-19) pandemic crisis resulting in a slowdown in the Philippine economy because of mandated lockdowns all over the country. This has materially affected the technical and leasing activities of the Group since some clients' businesses are affected by the COVID-19 situation and some have decided to close temporarily. While the clients pay technical services and rent on a monthly basis under a yearly contract, their capacity to pay was compromised by the economic downturn resulting from the COVID-19 pandemic. On the other hand, management has assessed that the global pandemic did not have any significant impact on the Group's power generation and water services.

As at March 25, 2021, it is not practicable to estimate the potential impact of the prevailing after the reporting date. Management believes that the Group can continue as a going concern given its strong financial condition and its ability to obtain short-term and long-term funding.



INDEPENDENT AUDITORS REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
4/F 20 Lansbergh Place Bldg.
170 Tomas Morato Ave. cor. Scout Castor St.
Quezon City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES (the "Group") as at and for the years ended December 31, 2020 and 2019 and have issued our report thereon dated March 25, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at and for the years ended December 31, 2020 and 2019 and no material exceptions were noted.

REYES TACANDONG & Co.

WILSON P. TEO

Partner

CPA Certificate No. 92765

Tax Identification No. 191-520-944-000

BOA Accreditation No. 4782; Valid until August 15, 2021

SEC Accreditation No. 92765-SEC Group A

Issued January 28, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-014-2020

Valid until January 1, 2023

PTR No. 8534283

Issued January 5, 2021, Makati City

March 25, 2021
Makati City, Metro Manila

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2020

Below is a schedule showing financial soundness indicators of the Group as at and for the years ended 2020, 2019 (and 2018).

| | 2020 | 2019 | 2018 |
|--|----------------------|---------------|---------------|
| CURRENT/LIQUIDITY RATIO | | | |
| Current assets | ₱771,494,392 | ₱588,803,137 | ₱865,903,408 |
| Current liabilities | 1,889,671,014 | 1,810,722,770 | 1,962,477,047 |
| Current Ratio | 0.41 | 0.33 | 0.44 |
| QUICK RATIO | | | |
| Current assets - inventory | 750,467,158 | 572,114,515 | 837,237,026 |
| Current liabilities | 1,889,671,014 | 1,810,722,770 | 1,962,477,047 |
| Quick Ratio | 0.40 | 0.32 | 0.43 |
| SOLVENCY RATIO | | | |
| Net income before depreciation and amortization | 303,571,684 | 237,352,019 | 449,693,669 |
| Total liabilities | 3,287,522,758 | 3,242,057,488 | 3,752,223,720 |
| Solvency Ratio | 0.09 | 0.07 | 0.12 |
| INTEREST COVERAGE RATIO | | | |
| Earnings before interest and taxes | 301,468,626 | 283,409,854 | 427,918,288 |
| Interest charges | 113,801,458 | 120,887,512 | 15,863,606 |
| Interest Coverage Ratio | 2.65 | 2.34 | 26.97 |
| DEBT-TO-EQUITY RATIO | | | |
| Total liabilities | 3,287,522,758 | 3,242,057,488 | 3,752,223,720 |
| Total equity | 2,586,716,155 | 2,421,127,641 | 2,260,157,935 |
| Debt-to-Equity Ratio | 1.27 | 1.34 | 1.66 |
| ASSET-TO-EQUITY RATIO | | | |
| Total assets | 5,874,238,913 | 5,663,185,129 | 6,012,381,655 |
| Total equity | 2,586,716,155 | 2,421,127,641 | 2,260,157,935 |
| Asset-to-Equity Ratio | 2.27 | 2.34 | 2.66 |
| PROFITABILITY RATIO | | | |
| Net income (loss) attributable to equity holders of the Parent Company | 105,678,201 | 92,739,920 | 378,044,937 |
| Average equity | 2,503,921,898 | 2,340,642,788 | 2,106,434,816 |
| Return on Equity | 4.22% | 3.96% | 17.95% |
| Net income (loss) attributable to equity holders of the Parent Company | 105,678,201 | 92,739,920 | 378,044,937 |
| Average total assets | 5,768,712,021 | 5,837,783,392 | 5,752,853,242 |
| Return on Assets | 1.83% | 1.59% | 6.57% |
| Net income (loss) attributable to equity holders of the Parent Company | 105,678,201 | 92,739,920 | 378,044,937 |
| Revenue | 1,111,468,225 | 1,013,540,074 | 803,164,721 |
| Net Profit Margin | 9.51% | 9.15% | 47.07% |

| | 2020 | 2019 | 2018 |
|-----------------------------|----------------------|---------------|--------------|
| Gross profit | ₱370,913,024 | ₱332,344,818 | ₱243,495,937 |
| Revenue | 1,111,468,225 | 1,013,540,074 | 803,164,721 |
| Gross Profit Margin | 33.37% | 32.79% | 30.32% |
| PRICE/EARNINGS RATIO | | | |
| Price per share | 5.20 | 6.65 | 6.78 |
| Earnings per common share | 0.38 | 0.33 | 1.34 |
| Price/earnings Ratio | 13.68 | 20.15 | 5.06 |



REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
4/F 20 Lansbergh Place Bldg.
170 Tomas Morato Ave. cor. Scout Castor St.
Quezon City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES (the "Group") as at and for the years ended December 31, 2020 and 2019 and have issued our report thereon dated March 25, 2021.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Group's management. These supplementary schedules include the following:

- Reconciliation of Retained Earnings Available for Dividend Declaration as at December 31, 2020
- Supplementary Schedules as Required by Part II of the Revised Securities Regulation Code Rule 68, as at December 31, 2020
- Conglomerate Map as at December 31, 2020

These schedules are presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic consolidated financial statements. The information in these supplementary schedules have been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

REYES TACANDONG & Co.



WILSON P. TEO
Partner

CPA Certificate No. 92765
Tax Identification No. 191-520-944-000
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Issued January 28, 2020
Valid for Financial Periods 2019 to 2023
BIR Accreditation No. 08-005144-014-2020
Valid until January 1, 2023
PTR No. 8534283
Issued January 5, 2021, Makati City

March 25, 2021
Makati City, Metro Manila

JOLLIVILLE HOLDINGS CORPORATION

SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS

AVAILABLE FOR DIVIDEND DECLARATION

December 31, 2020

| | |
|---|---------------|
| Unappropriated retained earnings at beginning of year as shown in the separate financial statements | ₱700,187,703 |
| Less: | |
| Cumulative fair value changes on investment property, net of tax | (216,596,122) |
| Revaluation surplus, net of tax | (86,825,053) |
| Deferred tax assets at the beginning of year | (2,981,669) |
| Total unappropriated retained earnings, as adjusted at beginning of year | 393,784,859 |
| Net income during the year closed to retained earnings | 42,022,116 |
| Less: | |
| Fair value change of investment property resulting to gain, net of tax | (49,735,700) |
| Movement in deferred tax assets | (4,027,646) |
| Total unappropriated retained earnings available for dividend declaration at end of year | ₱382,043,629 |

Reconciliation:

| | |
|---|---------------|
| Unappropriated retained earnings at end of year as shown in the separate financial statements | ₱742,209,819 |
| Add - | |
| Deferred tax liability at end of year | 151,352,947 |
| Less: | |
| Cumulative fair value changes on investment properties | (380,474,032) |
| Revaluation surplus | (124,035,790) |
| Deferred tax assets at end of year | (7,009,315) |
| Total unappropriated retained earnings available for dividend declaration at end of year | ₱382,043,629 |

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES AS REQUIRED BY PART II of SRC RULE 68 AS AMENDED
DECEMBER 31, 2020

| <u>Schedule</u> | <u>Description</u> | <u>Page</u> |
|-----------------|---|-------------|
| A | Marketable Securities - (Current Marketable Equity Securities and Other Short-Term Cash Investments) | <u>1</u> |
| B | Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties) | <u>N/A</u> |
| C | Amounts Receivable from Related Parties which are Eliminated During the Consolidation of the Financial Statements | <u>2</u> |
| D | Noncurrent Marketable Securities, Other Long-Term Investments in Stock and Other Investments | <u>3</u> |
| E | Indebtedness of Unconsolidated Subsidiaries and Affiliates | <u>N/A</u> |
| F | Intangible Assets - Other Assets | <u>4</u> |
| G | Long-Term Debt | <u>5</u> |
| H | Indebtedness to Affiliates and Related Parties (Long-Term Loans from Related Companies) | <u>N/A</u> |
| I | Guarantees of Securities of Other Issuers | <u>N/A</u> |
| J | Capital Stock | <u>6</u> |

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

**Schedule A - Marketable Securities –
(Current Marketable Equity Securities and Other Short-Term Cash Investments)
DECEMBER 31, 2020**

**Name of issuing entity & association
of each issue**

Number of shares

Amount shown on the balance sheet

| |
|-----------------------|
| NOT APPLICABLE |
|-----------------------|

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

Schedule C

**Amounts Receivable from Related Parties which are Eliminated
During the Consolidation of the Financial Statements
DECEMBER 31, 2020**

| Name of Related Parties | Balance at Beginning of Year | Balance at End of Year |
|---|-------------------------------------|-------------------------------|
| Philippine Hydro Electric Ventures Inc. and a subsidiary | ₱53,845,763 | ₱53,438,455 |
| 2Big Philippines Inc. and subsidiaries | 34,125,450 | 14,125,000 |
| Servwell BPO International Inc. | 14,211,008 | 13,211,008 |
| Ormina Realty & Development Corp. | 15,723,358 | 15,724,358 |
| Jollideal Marketing Corporation | 10,209,347 | 10,224,316 |
| Jolliville Group Management Inc. | 9,256,457 | 6,757,457 |
| Ormin Holdings Corporation and subsidiaries | 3,834,910 | 3,046,325 |
| Jolliville Holdings Corporation | 123,016 | 17,295 |
| | ₱141,329,309 | ₱116,544,214 |

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

Schedule D

Noncurrent Marketable Securities, Other Long-Term Investments in Stock and Other Investments

DECEMBER 31, 2020

| Name of issuing entity and the description of investment | Number of shares or principal amount of securities | Amount in pesos | Equity in net losses of investee for the period | Excess of equity in net loss over cost | Others | Other Number of shares or principal amount of securities | Amount in pesos* | Dividends received from investment not accounted by equity method |
|--|--|-----------------|---|--|--------|--|------------------|---|
| Metro Agoo Waterworks Inc. (Investment in Associate) | 4,800,000 | ₱4,800,000 | ₱1,609,746 | ₱— | — | — | ₱— | — |
| Investment in Mutual Fund (Financial Asset at FVOCI) | 2,000,000 | 2,000,000 | 202,328 | 3,444,724 | — | — | 3,444,724 | — |
| Jolliville Leisure & Resort Corporation (Financial Asset at FVOCI) | 12,500,000 | 12,500,000 | 5,206,786 | 6,366,761 | — | — | 6,366,761 | — |
| Granville Ventures Inc. (Financial Asset at FVOCI) | 500,000 | 500,000 | — | 500,000 | — | — | 500,000 | — |

*Amount shown is part of Investment in Unquoted Shares account in the Consolidated Statements of Financial Position.

- 4 -

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

Schedule F
Intangible Assets - Other Assets
DECEMBER 31, 2020

| <i>Description</i> | <i>Beginning balance</i> | <i>Deductions</i> | | | <i>Ending balance</i> |
|-----------------------|--------------------------|------------------------------|--|--|-----------------------|
| | | <i>Additions at cost</i> | <i>Charged to cost and expense</i> | <i>Other changes, additions (deductions)</i> | |
| | | | | | |
| NOT APPLICABLE | | | | | |

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

Schedule G
Long-Term Debt
DECEMBER 31, 2020

| Title of Issue and Type of Obligation | Amount Authorized by Indenture | Amount Shown as Current | Amount Shown as Long-Term | Total Outstanding Loans Payable | Interest Rate | Number of Monthly Installment |
|--|-----------------------------------|----------------------------|------------------------------|------------------------------------|---------------|----------------------------------|
| Ormin Power Inc. | | | | | | |
| Bank loan (DBP) | ₱1,260,734,413 | ₱148,999,640 | ₱928,620,935.00 | ₱1,077,620,575 | 6.00%-6.50% | 105 – 114 |
| Bank loan (DBP) | 220,396,793 | 21,896,044 | – | 21,896,044 | 5.75%-6.85% | 114 |
| Bank loan (DBP) | 90,571,200 | 10,869,567 | 38,949,281 | 49,818,848 | 5.75% - 7.80% | 114 |
| Bank loan (MBTC) | 3,246,400 | 586,989 | – | 586,989 | 9.35% | 60 |
| Bank loan (MBTC) | 1,200,000 | 218,886 | 765,988 | 984,874 | 9.18% | 60 |
| Bank loan (RCBC) | 722,400 | 153,351 | 544,637 | 697,988 | 14.02% | 36 |
| Calapan Waterworks Corporation | | | | | | |
| Bank loan (DBP) | 137,000,000 | 9,794,594 | 9,794,595 | 19,589,190 | 6.25% | 156 |
| Bank loan (DBP) | 118,250,000 | 14,643,997 | 43,931,990 | 58,575,987 | 6.00% - 6.50% | 26 – 40 |
| | ₱1,832,121,206 | ₱207,163,068 | ₱1,022,607,426 | ₱1,229,770,495 | | |

Note: The terms, interest rate, collaterals and other relevant information are shown in Note 15 of the Consolidated Financial Statements.

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

Schedule J - Capital Stock
DECEMBER 31, 2020

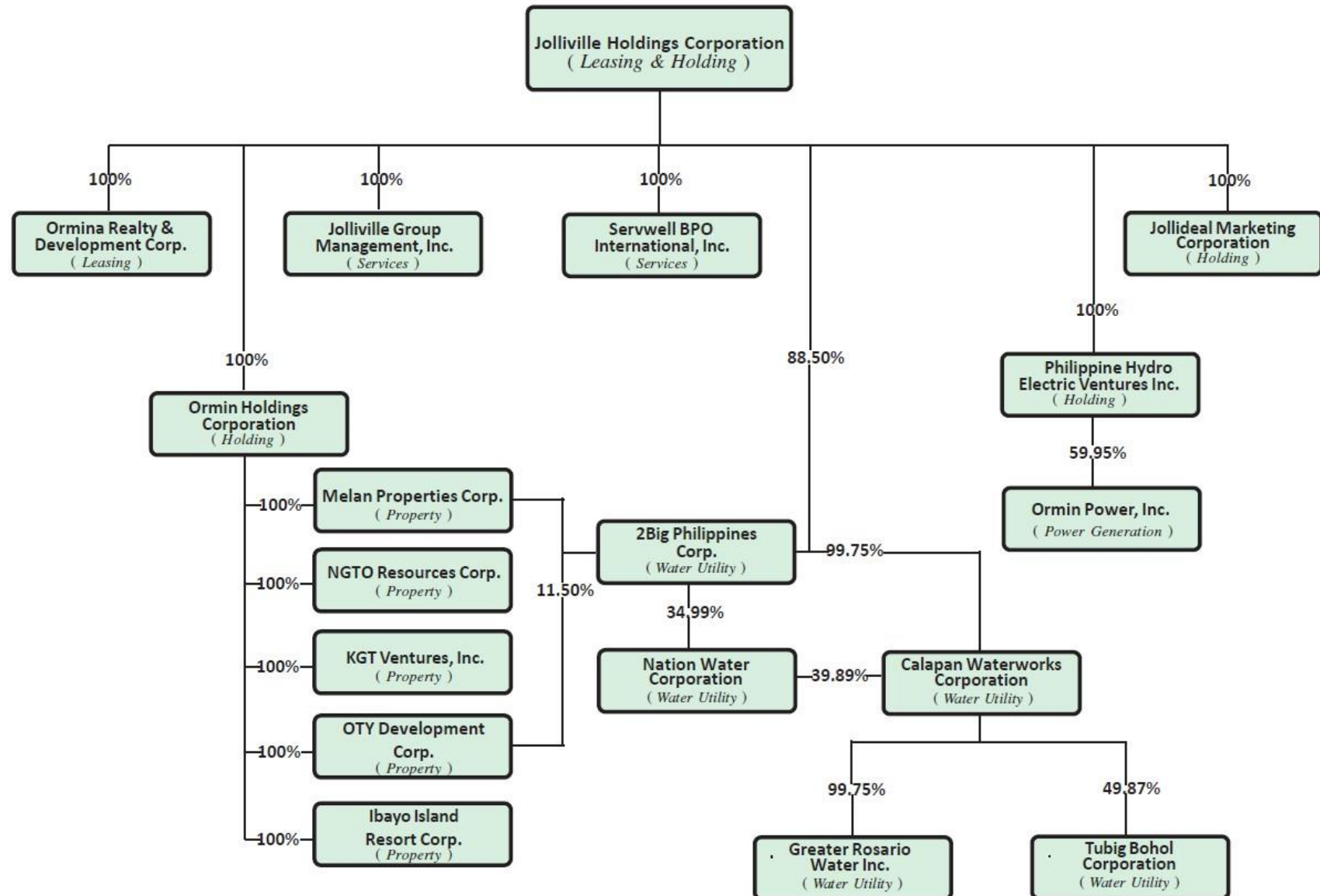
| <i>Title of issue</i> | <i>Number of shares authorized</i> | <i>Number of shares issued and outstanding as shown under the related statement of financial position caption</i> | <i>Number of shares reserved for options, warrants, conversion and other rights</i> | <i>Deductions</i> | | |
|-----------------------|------------------------------------|---|---|------------------------|---|---------------|
| | | | | <i>Related parties</i> | <i>Directors, officers and employees*</i> | <i>Others</i> |
| Common Stock | 1,000,000,000 | 281,500,000 | – | 138,569,752 | 9,434,005 | 133,496,243 |

**includes indirectly held but beneficially owned shares*

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

CONGLOMERATE MAP

DECEMBER 31, 2020



2020
SUSTAINABILITY
REPORT

Annex A: Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

Contextual Information

| Company Details | |
|--|---|
| Name of Organization | Jolliville Holdings Corporation |
| Location of Headquarters | <i>Principal Place of Business:</i> 4 th Floor 20 Lansbergh Place Bldg., 170 Tomas Morato Ave., cor. Scout Castor St., Quezon City |
| Location of Operations | <p>I. Holding II. Leasing III. General Management Services IV. Business Process Outsourcing Services</p> <p>Location of Operations of I-IV is at 4th Floor 20 Lansbergh Place, 170 Tomas Morato Avenue, Quezon City</p> <p>V. Water Utility A. Strong Republic, Nautical Hi-way, Bayanan 1, Calapan City, Oriental Mindoro B. Czare Building, Provincial Road, Magsaysay, Tabuk City, Kalinga</p> <p>VI. Energy and Power A. 9.6 MW Diesel Power Plant Barangay Sta. Isabel, Calapan City, Oriental Mindoro B. 10 MW Mini-Hydro Power Facility Municipality of San Teodoro, Oriental Mindoro</p> |
| Report Boundary: Legal entities (e.g. subsidiaries) included in this report* | <p>This report involves the business operations of the Group:</p> <ol style="list-style-type: none"> 1. Parent Company Jolliville Holdings Corporation 2. Subsidiaries <ol style="list-style-type: none"> a. Ormina Realty & Development Corp. b. Jolliville Group Management Inc. c. Servwell BPO International Inc. d. Calapan Waterworks Corporation e. Ormin Power Inc. |
| Business Model, including Primary Activities, Brands, Products, and Services | The Parent Company operates as a Holding company while subsidiaries focus on real properties business, general management and business process outsourcing, and water and energy utility businesses. |
| Reporting Period | December 31, 2020 |
| Highest Ranking Person responsible for this report. | Ortrud T. Yao, Chief Finance Officer |

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.

Materiality is set taking into consideration the sources of the Group revenues as well as its total assets whichever is lower. Materiality is set at 10% of the Group revenues.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

| Disclosure | Amount | Units |
|---|---------------|-------|
| Direct economic value generated (revenue) | 1,111,468,225 | PhP |
| Direct economic value distributed: | | |
| a. Operating Costs | 104,779,348 | PhP |
| b. Employee wages | 83,616,906 | PhP |
| c. Payments to suppliers, other operating costs | 702,492,600 | PhP |
| d. Dividends given to stockholders and interest payments to loan providers. | 113,801,458 | PhP |
| e. Taxes given to government | 28,170,018 | PhP |
| f. Investments to community (e.g. donations, CSR) | 2,707,852 | PhP |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which Stakeholders are affected? | Management Approach |
|---|---|---|
| Group's net income for the year ended December 31, 2020 has significant increase which is mainly due to profitable outcome of power operations and lesser finance costs. However, the COVID-19 pandemic materially affects the Group's rental and technical revenues since some of the clients' businesses were temporarily closed. | Stockholders and Government | Constant monitoring of weather condition at Inabasan River. Exploring several options to utilize the Company's assets. |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| Climate condition | Shareholders, Employees, and Government | Maximize other sources of revenues |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
| New service areas for CWWC | Shareholders, Employees, and Government | Management is constantly conducting research and study on the new service areas to be developed. |

Climate-related risks and opportunities

| Governance | Strategy | Risk Management | Metrics and Targets |
|--|---|--|---|
| <i>Disclose the Organization's governance around climate-related risks and opportunities</i> | <i>Disclose the Actual and potential impacts of climate-related risks and opportunities on the organization's business strategy, and financial planning where such information is material</i> | <i>Disclose How the organization identifies, assesses, and manages climate-related risks</i> | <i>Disclose the Metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material</i> |
| Recommended Disclosures | | | |
| a) The BOD through its Board Risk Oversight Committee (BROC) oversees the climate-related risks and opportunities. It ensures that a special meeting or regular meeting is held and that these risks and opportunities are being discussed. | a) The climate-related issues relevant to the Company are the erratic climate conditions and weather disturbances that may affect the operations of the company's water utility and Inabasan power facility. | a) The Company identifies key risk areas and monitor this factors with due diligence, including the establishment of a sound enterprise risk management framework to monitor, assess, and manage climate-related risks. Regular assessments are in place to check if assets are in good working condition. Operations group does preventive maintenance regularly and measures are taken in order to protect assets from irregular weather patterns. | a) The BROC and the management evaluate the climate-related risks and opportunities by determining their impact in the business operations of the Company. |
| b) BROC shall be responsible in the assessments of climate-related risks. | b) The impact of climate-related risks and opportunities on the organization's business, strategy, and financial planning are reduction in revenue, impairment of assets, or increase in capital expenditures for possible rehabilitation of the Company's facilities. | b) The Company manages its climate-related risks and opportunities in the same manner as provided above. | b) JOH shall aim to incorporate the climate-related risks and opportunities on its enterprise risk management system in order to establish the targets in managing the unpredictability of climate-related risks and opportunities and performance against targets and minimize potential adverse impact on its operating performance and financial condition. |
| | c) The Company has experienced difficulties in the past yet shown resilience over the risks brought about by weather disturbances such as typhoon, flooding, and even during summer time. The capacity of the Company to overcome the | c) While climate-related risks have not yet been included in the Company's risk management system, the Company practices identification and evaluation of the climate-related risks and opportunities. | |

| | | | |
|--|---|--|--|
| | climate-related risks and opportunities needs further improvement in order to develop strategies. | | |
|--|---|--|--|

Procurement Practices

Proportion of spending local suppliers

| Disclosure | Quantity | Units |
|--|-----------------|--------------|
| Percentage of procurement budget used for significant locations of operations that is spent on local suppliers | 98 | % |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which Stakeholders are affected? | Management Approach |
|---|---|--|
| <p>The procurement practices occur in the business operations of the Company within which it maintains a good business relationship with its suppliers.</p> <p>The Company's procurement involves locally based suppliers which is advantageous to the Company as it:</p> <ol style="list-style-type: none"> 1. offers flexibility on changes in the materials as it is quickly being adjusted and delivered; 2. ensures all the products and materials meet the required specifications since the suppliers can visit the plant; and 3. it requires minimal logistics cost. | Employees, Suppliers, and Government | <ol style="list-style-type: none"> 1. Optimum level of inventory is properly observed 2. Plant visit and testing are regularly conducted 3. Ensures that reorder point is properly established and followed |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| Closed supplier and employee connections can lead to issues with ethical supplier selection. | Employees and Suppliers | To set series of levels of approval and signatories |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |

| | | |
|---|-------------------------------------|---|
| A good procurement practices bring growth to local economy. | Employees, Suppliers and Government | Management approach is mentioned above in the same manner as provided |
|---|-------------------------------------|---|

Anti-corruption

Training on Anti-corruption Policies and Procedures

| Disclosure | Quantity | Units |
|--|-----------------|--------------|
| Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to | 100 | % |
| Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to | 0 | % |
| Percentage of directors and management that have received anti-corruption training | 0 | % |
| Percentage of Employees that have received anti-corruption training | 0 | % |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|--|---|--|
| JOH has imposed a Conflict of Interest guidelines wherein everyone is duty bound, under the penalty of perjury, to disclose fully their existing business interests, personal activities or relationships that may directly or indirectly conflict with the performance of their intended duties and responsibilities. The Board determines whether each person's business interests, personal activities or relationships result in conflict with the duties and responsibilities in the Company. All employees shall conduct fair business transactions with the Company and ensure that his personal interests do not conflict with the interests of the Company. | Since JOH focuses on prohibition of conflict of interest, the stakeholders affected so far are the Employees and Suppliers. | The Company shall establish a comprehensive policy and procedure on anti-corruption and disseminate the same to the company's directors, officers, employees, and key consultants (collectively, the "Personnel"). |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| The risks identified are loss of assets, loss of sales or customers, higher costs due to corruption, and reputational risk. | Stakeholders affected are the Company, Employees, Suppliers, and the Government. | If in any case the corruption occurs, the Company set forth a policy in resolving the issue internally as much as possible and in the lowest possible level using procedure that addresses and respects the needs, interests and rights of the parties involved. |

| What are the Opportunity/ies identified? | Which stakeholders are affected? | Management Approach |
|--|---|--|
| The Company's business operations will be more profitable once anti-corruption policies and procedures are communicated to the personnel and trainings are provided as the Company shall not incur losses for paying any possible fines and penalties on account of corrupt practices. | Company, Employees, Shareholders, Suppliers, and the Government | JOH shall continue to update and cascade to the personnel its policies and procedures particularly on good governance. |

Incidents of Corruption

| Disclosure | Quantity | Units |
|--|----------|-------|
| Number of incidents in which directors were removed or disciplined for corruption | 0 | # |
| Number of incidents in which employees were dismissed or disciplined for corruption | 0 | # |
| Number of incidents when contracts with business partners were terminated due to incidents of corruption | 0 | # |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which Stakeholders are affected? | Management Approach |
|---|----------------------------------|---------------------|
| Not material | | |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| Not material | | |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
| Not material | | |

ENVIRONMENT

Resource Management

Energy consumption within the organization:

| Disclosure | Quantity | Units |
|--|-----------|-------|
| Energy consumption (renewable sources) | - | GJ |
| Energy consumption (SFO) | - | GJ |
| Energy consumption (gasoline) | - | GJ |
| Energy consumption (LPG) | - | GJ |
| Energy consumption (diesel) | - | GJ |
| Energy consumption (electricity) | 2,967,029 | kWh |

Reduction of energy consumption

| Disclosure | Quantity | Units |
|----------------------------------|----------|-------|
| Energy consumption (gasoline) | - | GJ |
| Energy consumption (LPG) | - | GJ |
| Energy consumption (diesel) | - | GJ |
| Energy consumption (electricity) | - | GJ |
| Energy consumption (gasoline) | - | kWh |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| Uninterrupted supply of energy in the business units is needed as it supports the project requirements and quality of service that they provide. Other energy consumption in the BUs is also attributed to shipment of materials and supplies, transportation of managers and employees to and from the BUs for periodic monitoring of the business operations, back-up supports and other related services. These activities cause to increase the cost of the company's energy and resources and decrease the net income. | Company, Employees, Shareholders, Community, and Government | <ul style="list-style-type: none"> During break hours, employees are accustomed to switching off the lights in their respective work places or offices. Proper use and regular preventive maintenance of electrical and fuel devices, vehicles, and other equipment. An installation of cost saving devices on existing equipment and vehicles |
| What are the Risk/s Identified? | | |
| The risk identified is discussed in the same manner as provided above. | | |

| | | |
|--|--|--|
| What are the Opportunity/ies Identified? | | |
| Once the energy consumption within the organization is reduced, there shall be reduction of operating expenses and improvement in the company's financial condition. | | |

Water consumption within the organization

| Disclosure | Quantity | Units |
|---------------------------|-----------------|--------------|
| Water withdrawal | - | Cubic meters |
| Water consumption | 353 | Cubic meters |
| Water recycled and reused | - | Cubic meters |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|--|---|----------------------------|
| Water consumption of the group is not material. | | |
| What are the Risk/s Identified? | | |
| Not material | | |
| What are the Opportunity/ies Identified? | | |
| Not material | | |

Materials used by the organization

| Disclosure | Quantity | Units |
|---|-----------------|--------------|
| Materials used by weight or volume | | |
| • Renewable | 0 | Kg/liters |
| • Non-renewable | 0 | % |
| Percentage of recycled input materials used to manufacture the organization's primary products and services | 0 | |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|--|---|----------------------------|
| Not material to the Company since it is not engaged in products manufacturing. | | |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| Not material | | |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
| Not material | | |

Ecosystem and biodiversity (whether in upland/watershed or coastal/marine)

| Disclosure | Quantity | Units |
|---|-----------------|--------------|
| Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | 0 | |
| Habitats protected or restored | 0 | ha |
| IUCN Red List species and national conservation list species with habitats in areas affected by operations | 0 | |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|--|---|----------------------------|
| Not material | | |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| Not material | | |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
| Not material | | |

Environmental impact management

Air Emissions

GHG

| Disclosure | Quantity | Units |
|---|----------|------------------------------|
| Direct (Scope 1) GHG Emissions | 0 | <u>Tonnes</u> <u>Co2e</u> |
| Energy indirect (Scope 2) GHG Emissions | 0 | <u>Tonnes</u> <u>Co2e</u> |
| Emissions of ozone-depleting substances (ODS) | 0 | <u>Tonnes</u> <u>Co2e</u> |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|----------------------------------|---------------------|
| Not material | | |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| Not material | | |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
| Not material | | |

Air pollutants

| Disclosure | Quantity | Units |
|--------------------------------------|----------|-------|
| NO _x | 0 | kg |
| SO _x | 0 | kg |
| Persistent organic pollutants (POPs) | 0 | kg |
| Volatile organic compounds (VOCs) | 0 | kg |
| Hazardous air pollutants (HAPs) | 0 | kg |
| Particulate matter (PM) | 0 | kg |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|----------------------------------|---------------------|
| Not material | | |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| Not material | | |

| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
|--|----------------------------------|---------------------|
| Not material | | |

Solid and Hazardous Wastes

Solid Waste

| Disclosure | Quantity | Units |
|-----------------------------|----------|-------|
| Total solid waste generated | 112.5 | Kg |
| Reusable | 51 | Kg |
| Recyclable | 26 | Kg |
| Composted | 15.5 | Kg |
| Incinerated | 0 | Kg |
| Residuals/Landfilled | 20 | Kg |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|--|--|---|
| Cleanliness and reduction of pollution that will affect health and other ecological factors. The organization's involvement is direct such that cleaning of surroundings is done everyday. | Employees, Communities, and Government | The Company practices proper waste management like imposition of segregation of waste and disposal. It ensures that all wastes are being recycled and reused and only small amount is being disposed. Business units have designated Pollution Control Officers. |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| Solid wastes can cause clogging of canals and irrigation. They can create water pollution and unwanted toxic substances that are threats to human's health and the environment. | Employees, Communities, and Government | This is discussed in the same manner as provided above. |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
| Scraps such as other recyclable materials can be used again and/or can be sold. This will lessen the Companies waste disposal. | Employees, Communities, and Government | This is discussed in the same manner as provided above. |

Hazardous Waste

| Disclosure | Quantity | Units |
|---|----------|-------|
| Total weight of hazardous waste generated | 2 / 0.5 | T / L |
| Total weight if hazardous waste transported | 2 / 0.5 | T / L |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|--|--------------------------------------|--|
| Hazardous waste mismanagement causes negative impacts not only to human but also to environment. It causes pollution contamination, or even leachate. | Employees, Community, and Government | <ul style="list-style-type: none"> •Regular transport and treatment through treating facility •To minimize the generation of hazardous waste •Proper labelling and storage. •Designated Pollution Control Officer. |
| What are the Risk/s Identified? | Which stakeholders are affected? | |
| Potential risks such as fires, explosions, spills, exposure of toxic chemicals, and reactions pose threats to employees and other people around the area. Injuries and unfortunately even deaths, can result from mishandling hazardous waste. | Employees, Community, and Government | |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
| There are no significant opportunities Identified. | Employees, Community, and Government | Discussed in the same manner as provided above. |

Effluents

| Disclosure | Quantity | Units |
|----------------------------------|----------|----------------|
| Total volume of water discharges | 65 | m ³ |
| Percent of wastewater recycled | 80 | Rate |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| Environmental conditions arising from inadequate or non-existing wastewater management pose significant threats to employees' health, well-being, and economic activity. | Employees, Shareholders, Customers, Community | <ul style="list-style-type: none"> •Wastewater management and sustainable development •Continuous practice of water recycling |
| What are the Risk/s Identified? | | |
| Wastewater may contain number of pollutants and contaminants that can cause health and environmental problems and can cause economic or financial impacts, <i>i.e.</i> , increased treatment costs to make water usable for certain purposes. | | |
| What are the Opportunity/ies Identified? | | |
| Treated wastewater reuse will attribute to additional revenue and less costs. | | |

Environmental compliance

Non-compliance with Environmental Laws and Regulations

| Disclosure | Quantity | Units |
|--|----------|-------|
| Total amount of monetary fines for non-compliance with environmental laws and/or regulations | - | PHP |
| No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations | - | |
| No. of cases resolved through dispute resolution mechanism | - | |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|----------------------------------|---------------------|
| Not material. | | |
| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
| No risks identified | | |
| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
| No opportunities identified. | | |

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

| Disclosure | Quantity | Units |
|--|------------------------|-------|
| Total number of employees ¹⁸ | 201 | # |
| a. Number of female employees | 89 | # |
| b. Number of male employees | 112 | # |
| Attrition rate | 32% | Rate |
| Ratio of lowest paid employee against minimum wage | No available ratio yet | Ratio |

Employee benefits

| List of benefits | Y/N | % of female employees who availed for the year | % of male employees who availed for the year |
|--|-----|--|--|
| SSS | Y | 28% | 16% |
| PhilHealth | Y | 2% | 0.0% |
| Pag-ibig | Y | 27% | 23% |
| Parental leaves | Y | 6% | 4% |
| Vacation Leaves | Y | 16% | 4% |
| Sick Leaves | Y | 20% | 4% |
| Medical Benefits (aside from Philhealth) | Y | 29% | 5% |
| Housing assistance (aside from Pag-ibig) | N | | |
| Retirement fund (aside from SSS) | N | | |
| Further education support | N | | |
| Company stock options | N | | |
| Telecommuting | N | | |
| Flexible-working hours | N | | |
| (Others) | | | |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|--|--|
| The Company believes that the employees are valuable assets and instruments to the realization of the company's goals and success. It also understands that a contented and motivated employee has a higher probability of making significant contributions to the organization. | JOH values its employees and recognizes the importance of providing them appropriate benefits. It abides by the labor standards laws and all government mandated contributions are being paid on time. JOH provides training programs and seminars to employees that could further improve and enhance their personality and knowledge in their respective fields. The company also provides a "Jolly Workplace Fellowship Program" that includes spiritual and social bonds and monthly celebration of employees' birthday. |

| What are the Risk/s Identified? | Management Approach |
|---|---|
| Low quality of hires and higher attrition rate may lead to project delays and overworked employees which could cause higher occupational injuries and illnesses. The Company also identifies demotivation and demoralization as factors for employees' incompetencies and dishonesty. | <p>The hiring process and Company's motivation aspect is very much an indicator of how well the entire process works within the Company.</p> <p>The Company will continue to seek further enhancement in its current system to become more efficient.</p> |
| What are the Opportunity/ies Identified? | |
| Lower attrition and lower risks possibilities will be experienced if the employees are given the proper treatment and benefits that they need. | |

Employee Training and Development

| Disclosure | Quantity | Units |
|--|----------|----------------|
| Total training hours provided to employees | | |
| a. Female Employees | 264 | Hours |
| b. Male Employees | 396 | Hours |
| Average Training hours provided to employees | | |
| c. Female Employees | 8 | hours/employee |
| d. Male Employees | 8 | hours/employee |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| <p>Training is one of the most important means of learning and skill development for employees.</p> <p>The Company held a fusion and professional skills lab workshop this year wherein employees have learned to assess and recognize their knowledge and skills and also their strength and weaknesses. This also helped employees to develop interpersonal dynamics.</p> | <p>JOH maintains policy and data relating to sponsored training programs and seminars to employees.</p> <p>The Company is set to have Employee Sustainability Minor Programs that is set for the year 2020.</p> |
| What are the Risk/s Identified? | |
| No risks identified. | |
| What are the Opportunity/ies Identified? | |
| <p>Improved employee performance</p> <p>Employees' competitiveness is developed</p> <p>Redundancy is not visible to an organization</p> | |

Labor - Management Relations

| Disclosure | Quantity | Units |
|---|----------|-------|
| % of Employees covered with collective Bargaining agreements | 0 | % |
| Number of consultations conducted with employees concerning employee-related policies | 0 | # |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|--|
| JOH contributes to the growth of the employment rate in the country and empowerment of its employees. | Constant communication with every employee is being sustained. |
| What are the Risk/s Identified? | |
| Not material | |
| What are the Opportunity/ies Identified? | |
| Not material | |

Diversity and Equal Opportunity

| Disclosure | Quantity | Units |
|--|----------|-------|
| % of female workers in the workforce | 0 | % |
| % of male workers in the workforce | 0 | % |
| Numbers of employees from indigenous communities and/or vulnerable sector* | 0 | # |

*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|--|---------------------|
| To provide on the next reporting period. | |
| What are the Risk/s Identified? | Management Approach |
| To provide on the next reporting period. | |
| What are the Opportunity/ies Identified? | Management Approach |
| To provide on the next reporting period. | |

Workplace Conditions, Labor Standards, and Human Rights

Occupational health and Safety

| <u>Disclosure</u> | <u>Quantity</u> | <u>Units</u> |
|--------------------------------|---|---------------------|
| Sale Man-Hours | To provide on the next reporting period | Man-hours |
| No. of work-related injuries | 0 | # |
| No. of work related fatalities | 0 | # |
| No. of work related ill-health | 0 | # |
| No. of safety drills | 5 | # |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|--|---|
| <p>The Company aims to provide quality and timely health and welfare services to its employees in order to avoid interruption on their jobs and to prevent conditions (physical, mental or social) that will preclude them from giving their full attention to their work.</p> | <p>JOH continuously seeks opportunities and means to improve the implementation of the safety measures that will benefit not only the Company but also the employees.</p> |
| What are the Risk/s Identified? | |
| <p>Failure to maintain a healthy and safe working environment may hamper the Company's business operations and will lead to delays in deliveries of service caused by accidents or illnesses.</p> | |
| What are the Opportunity/ies Identified? | |
| <p>There will be no injuries, accidents, and illnesses if a healthy working environment is in place.</p> | |

Labor Laws and Human Rights

| <u>Disclosure</u> | <u>Quantity</u> | <u>Units</u> |
|---|------------------------|---------------------|
| No. of legal actions or employee grievances involving forced or child labor | 0 | # |

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

| Topic | Y/N | If Yes, cite reference in the company policy |
|--------------|------------|---|
| Forced Labor | N | |
| Child Labor | N | |
| Human rights | N | |

| | |
|---|---|
| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
| <p>While JOH doesn't hire minors and do not allow forced labor, this topic is not material to the Company.</p> <p>The Company has no formal policy on human rights.</p> | <p>The Company shall establish a formal policy on human rights and incorporate the same with its existing policies.</p> |
| What are the Risk/s Identified? | |
| <p>Not material</p> | |
| What are the Opportunity/ies Identified? | |
| <p>Not material</p> | |

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link the policy:
The Company has no supplier accreditation policy.

Do you consider the following sustainability topics when accrediting suppliers?

| Topic | Y/N | If Yes, cite reference in the supplier policy |
|---------------------------|-----|--|
| Environmental performance | Y | The Company has not yet established a supplier policy. |
| Forced Labor | Y | |
| Child Labor | Y | |
| Human rights | Y | |
| Bribery and corruption | Y | |

| | |
|--|---|
| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
| <p>The Company has not yet established a supplier accreditation policy. This will be discussed on the next reporting period.</p> | <p>JOH shall establish supplier accreditation policy.</p> |
| What are the Risk/s Identified? | |
| <p>Not material</p> | |
| What are the Opportunity/ies Identified? | |
| <p>Not material</p> | |

Relationship with Community

Significant Impacts on Local Communities

| Operations with significant (Positive or negative) Impacts on local communities (exclude CSR projects; this has to be business operations) | Locations | Vulnerable groups (if applicable)* | Does the particular operation have impacts on indigenous people (Y/N)? | Collective or individual rights that have been identified that or particular concern for the community | Mitigating measure (if negative) or enhancement measures (if positive) |
|--|---|---|---|---|--|
| <p>The Company maintains a harmonious relationship with our local host communities through many environmental, health, and awareness programs that we participate in.</p> <p>Water utilities business can provide supply of water to land and crops in case the rivers run dry or any other channels are not functional.</p> | <ul style="list-style-type: none"> • Calapan Or. Mindoro • Tabuk City, Kalinga • Agoo, La Union • NCR | Farmers | N | No Collective or individual rights have been identified | The Company is continuously conducting research, study, and survey on the other areas in Calapan and Tabuk Cities that can be developed and be a target of possible expansion. |

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and prior informed Consent (FPIC) undergoing consultations and Certification preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: _____

| Certificates | Quantity | Units |
|----------------------------------|-----------------|--------------|
| FPIC process is still undergoing | - | # |
| CP secured | - | # |

| What are the Risk/s Identified? | Management Approach |
|--|---------------------|
| Not material | |
| What are the Opportunity/ies Identified? | Management Approach |
| Not material | |

Customer Management

Customer satisfaction

| Disclosure | Score | Did a third party conduct the customer satisfaction study (Y/N)? |
|-----------------------------------|---------------------|--|
| Formal structure is not available | No record available | |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|--|--|
| Customer satisfaction contributes to building a long term partnership with the customers. | JOH aims to improve and strengthen the implementation of best practices in addressing customer satisfaction. |
| What are the Risk/s Identified? | |
| Customer's dissatisfaction may lead to financial loss if it is not properly addressed | |
| What are the Opportunity/ies Identified? | |
| While the services being provided meet the customer expectation, it shall give positive impact to lifetime partnership with customer and profitability to the Company. | |

Health and Safety

| Disclosure | Quantity | Units |
|--|----------|-------|
| No. of substantiated complaints on product or service health and safety* | 0 | |
| No. of complaints addressed | 0 | |

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|--|
| There were no substantiated complaints from customers that went through the organization's formal communication channels and grievance mechanism as well as complaints that were lodged to and acted upon by government agencies. | A regular bacteriological and chemical/physical test is being done to ensure that all of CWWC's water sources conform to the Philippine National Standards for Drinking Water (PNSDW). |
| What are the Risk/s Identified? | |
| Not material as the Company has no substantiated complaints. | |
| What are the Opportunity/ies Identified? | |
| Not material | |

Marketing and Labeling

| Disclosure | Quantity | Units |
|---|----------|-------|
| No. of substantiated complaints on marketing and labelling* | 1 | # |
| No. of complaints addressed | 1 | # |

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by the government agencies.*

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|--|--|
| The Parent Company vs Jollibee Foods Corporation: Jollibee filed with the Philippine Intellectual Property Office's Bureau of Legal Affairs its Notice of Opposition opposing the registration of the mark "Jolliville Holdings Corporation & Logo." The case took a series of trials and the Parent Company finally received the decision from the Office of the Director General which granted JOH's appeal/s and reversed the finding of confusing similarity made by the Bureau of Legal Affairs. | JOH hired the service of a legal counsel to defend the case. |
| What are the Risk/s Identified? | |
| Exposure to legal fees | |

| What are the Opportunity/ies Identified? | Management Approach |
|--|---------------------|
| Not material | |

Customer Privacy

| Disclosure | Quantity | Units |
|--|----------|-------|
| No. of substantiated complaints on customer privacy* | 0 | |
| No. of complaints addressed | 0 | |
| No. of Customers, users and account holders whose information is used for secondary purposes | 0 | |

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by the government agencies.*

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|--|--|
| There was no complaint nor reported any violation of customer's privacy. JOH is confident that customer's full trust and confidence on the Company is maintained. | <p>The Company is in strict adherence of the Data Protection Act otherwise known as the "Data Privacy Act of 2012" protecting the fundamental human right of privacy and of communication while ensuring free flow of information to promote innovation and growth.</p> <p>JOH ensures at all times the confidentiality of any personal information gathered from its customers.</p> |
| What are the Risk/s Identified? | |
| <ul style="list-style-type: none"> •Loss of Customer •The Company, employees or officers may face civil, administrative or criminal liabilities. | |
| What are the Opportunity/ies Identified? | |
| Protection of customer's data or sensitive information will allow the Company to have a stronger business ties with its customers. | |

Data Security

| Disclosure | Quantity | Units |
|--|----------|-------|
| No. of data breaches, including leaks, thefts and losses of data | None | |

| | |
|--|----------------------------|
| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
| Not material to JOH due to absence of substantiated complaint or reported violation of customer's privacy. | |
| What are the Risk/s Identified? | Management Approach |
| Not material | |
| What are the Opportunity/ies Identified? | Management Approach |
| Not material | |

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

| Key Products and Services | Societal Value/ Contribution to UN SDGs | Potential negative impact of Contribution | Management Approach to negative impact |
|---|--|---|--|
| <u>Services 1</u> Holding Leasing General Management Services Business Process Outsourcing Services | <ul style="list-style-type: none"> •Job opportunities •Providing business venues to potential businesses •Trainings that could further develop employees' knowledge and skills •Transparency | Conflict of Interest over a particular transaction | The Company ensures its commitment to full compliance, along with its subsidiaries and affiliates, and its Personnel, of their business interests, shareholdings, personal activities, or relationships that may directly or indirectly conflict with the performance of their intended duties and responsibilities. It's the Company's practice to promote fair dealing with the Corporation's customers, suppliers, competitors and other third parties. |
| <u>Services 2</u> Water Utility | <ul style="list-style-type: none"> •Job opportunities •Potable water •Availability and access to water services is fundamental to fighting the COVID-19 and preserving the health and well-being of the residents of Calapan City Oriental Mindoro and Tabuk City Kalinga | <p>A child's health shall be at stake due to preventable water and sanitation-related diarrheal diseases</p> <p>Shortfall in the supply of clean water considerably be the reason the residents could acquire the virus by not washing their hands.</p> | <p>A regular bacteriological and chemical/physical test is being done to ensure that all of CWWC's water sources conform to the Philippine National Standards for Drinking Water (PNSDW).</p> <p>The Company is equipped with functional wells and reservoirs to ensure continuous operation and non-stop supply of water</p> |

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|---------------------------------------|--|--|---|
| <u>Services 3</u> Energy and Power | <ul style="list-style-type: none"> •Job opportunities •Helps community of Calapan City and San Teodoro to have access to electricity | Lack of access to energy may hamper efforts to contain COVID-19 across the provinces of Calapan and San Teodoro and nearby town. | The Company shall broaden its strategy to increase reliable, uninterrupted, and sufficient energy production to help sustain economic recovery. |

**None/Not Applicable is not an acceptable answer. For holdings companies, the services and products of its subsidiaries may be disclosed.*