

LFM Properties Corporation
formerly Alfaro Land Holdings Corporation
(incorporated in the Republic of the Philippines)

3rd FLOOR, LIBERTY BUILDING
835 A. ARNAIZ AVENUE
MAKATI CITY, METRO MANILA
TELEPHONE NUMBER: (632) 8893-7790/(632) 8893-7792

Distribution of 10,350,000,000 Common Shares of the Capital Stock of LFM Properties Corporation,
as Property Dividend to the Stockholders of Liberty Flour Mills, Inc. as of record date December 18, 2020

and

Listing By Way of Introduction of 25,000,000,000 Common Shares
of the Capital Stock of LFM Properties Corporation on
the Small, Medium and Emerging Board of The Philippine Stock Exchange, Inc.
with an Initial Listing Price of ₱0.107 per Common Share

**ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION
CONTAINED HEREIN IS TRUE AND CURRENT.**

This Final Prospectus is dated as of October 5, 2022

This Final Prospectus is for information purposes only and shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale or purchase of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

LFM PROPERTIES CORPORATION

3rd Floor, Liberty Building
835 A. Arnaiz Avenue
Makati City, Metro Manila
Philippines
Telephone Number: (+632) 8893-7790/(+632) 8893-7792
Website: <https://lfmproperty.com>

This Prospectus relates to the Common Shares of the capital stock ("**Common Shares**") of **LFM Properties Corporation** ("**Company**" or "**LPC**" or "**Issuer**"), a corporation organized under the laws of the Republic of the Philippines, in connection with the following:

- 1st: distribution by Liberty Flour Mills, Inc. ("**LFM**"), a corporation existing under Philippines laws that has been listed with The Philippine Stock Exchange, Inc. ("**PSE**") since January 24, 1966¹ and the parent company of LPC, of 10,350,000,000 LPC Common Shares as property dividend to all holders on record of LFM common shares as of record date December 18, 2020; and,
- 2nd: the registration with the Philippines Securities and Exchange Commission ("**SEC**") and the Listing By Way of Introduction on the Small, Medium and Emerging Board of the PSE ("**SME Board**") of the 25,000,000,000 LPC Common Shares representing one hundred percent (100%) of LPC's issued and outstanding capital stock ("**Listing**").

LPC is a real estate company incorporated with the SEC on December 18, 1995 under its original name, Alfaro Land Holdings Corporation, and was given the SEC Registration Number/Company Reg. No. ASO95-012561. It changed its corporate name to its current name, LFM Properties Corporation, on November 12, 1996, which was approved by the SEC on 9 January 1997.

On October 4, 2005, the SEC approved the Articles and Plan of Merger executed on April 28, 2005 by and between LPC, the surviving corporation, and the following as absorbed corporations, namely: LFM Land Corporation and Valero Land Corporation. In the said Merger, the entire assets and liabilities of LFM Land Corporation and Valero Land Corporation were transferred to and absorbed by LPC.

The Company's primary purpose as stated in its Articles of Incorporation (as amended) includes, among others, the following: (a) to deal and engage in the real estate business in all its aspects; (b) to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent, or otherwise deal in and dispose all kinds of real estate projects; (c) to acquire, purchase, hold, manage, develop, and sell land with or without buildings or improvements; (d) to erect, construct, alter, manage, operate, lease, buildings and tenements; and, (e) to engage in real estate consultation and management.

The Company's principal executive office is located at 3rd Floor, Liberty Building, 835 A. Arnaiz Avenue, Makati City, Metro Manila, Philippines and its office telephone numbers are (+632) 8893-7790 and (+632) 8893-7792.

The Company is not a holder of a secondary license issued by the SEC. The Company does not have a subsidiary nor affiliate company.

Capital Stock; Features of Common Shares; Dividends

THE COMPANY AND ITS STOCKHOLDERS WILL NOT BE OFFERING COMMON SHARES NOR PREFERRED SHARES TO THE PUBLIC FOR SUBSCRIPTION NOR SALE IN CONNECTION WITH THE PROPERTY DIVIDEND DISTRIBUTION AND THE LISTING.

As of the date of this Prospectus and even after the Property Dividend Distribution (as defined below) and Listing:

- the Company has an authorized capital stock of Four Hundred Million Pesos (₱400,000,000.00) comprised of the following: Thirty Billion (30,000,000,000) Common Shares with a par value of ₱0.01 per Common Share; and One Million (1,000,000) non-voting, non-convertible Preferred Shares with a par value of ₱100.00 per Preferred Share ("**Preferred Shares**");

¹ Page 5, 2020 Annual Report of LFM

- the Company has a subscribed, paid-up, and Outstanding Capital Stock of Two Hundred Fifty Million Pesos (₱250,000,000.00) comprising of Twenty-Five Billion (25,000,000,000) Common Shares and Zero (0) Preferred Shares;
- there are no Common Shares held as Treasury Shares; and,
- there are no existing plans nor transactions involving the issuance of Preferred Shares.

The Revised Corporation Code of the Philippines ("**Revised Corporation Code**") defines the term "Outstanding Capital Stock" as "total shares of stock issued under binding subscription contracts to subscribers or stockholders, whether fully or partially paid, except treasury shares" and the term "**Treasury Shares**" as " shares of stock which have been issued and fully paid for, but subsequently reacquired by the issuing corporation through purchase, redemption, donation, or some other lawful means".

All the Common Shares of the Company are unclassified and have identical rights and privileges.

Preferred Shares may be issued by the Company from time to time, in one or more series, and with such features, including dividend rate, price, amount of participation, and other terms, conditions and restrictions as may be determined by the Company's Board of Directors ("**BOD**").

The Company's stockholders, including those that may own Common Shares and/or Preferred Shares in the future, do not have the pre-emptive right to:

- any issue or disposition of shares of the Company's capital stock, whether out of the number of shares authorized under the Company's Articles of Incorporation (as amended), or by any amendment thereof, or out of the shares of the capital stock of the corporation acquired by it; and,
- acquire, purchase, or subscribe to any obligation which the Company may issue or sell, which are convertible into or exchangeable for shares of the Company's capital stock, or to which shall be attached any warrant or any instrument that shall confer upon the holder of such obligation, warrant, or instrument the right to subscribe to, or acquire or purchase from the Company, any shares of the Company's capital stock.

Since the Company owns private land located in the Philippines, foreign shareholdings in the Company cannot exceed forty percent (40%) of the Company's issued and outstanding capital stock pursuant to Article XII, Section 7 of the Constitution in relation to Chapter 5 of the Commonwealth Act No. 141. As such, the issuance or transfer of its Common Shares and/or Preferred Shares to persons other than those considered as Philippine Nationals under the law shall not be allowed, and cannot be recorded in the books of the Company, if such issuance or transfer would result in the Company ceasing to be a Philippine National for purposes of complying with the applicable nationality requirements. In any event that the foreign ownership exceeds 40% of the Company's outstanding capital stock, the Company's non-Philippine National stockholders may be required to divest his/her/its ownership in the Company.

The Company's BOD is authorized to declare dividends, provided that the Company has sufficient unrestricted retained earnings and all requirements of the law and regulations are complied with. A cash dividend declaration does not require any further approval from the shareholders and SEC. A property dividend declaration does not require further approval from the shareholders but needs to be approved by the SEC. A stock dividend declaration requires the further approval of shareholders, given through a general or special stockholders' meeting, holding or representing not less than 2/3 of the Company's Outstanding Capital Stock and does not require SEC approval.

On March 25, 2021, the Board of Directors of the Company approved and adopted a policy declaring dividends, in favor of its stockholders, equivalent to at least twenty (20%) of the Company's net income after tax for the relevant year. Under the Facility Agreement notarized on February 18, 2021 between the Company and BDO Unibank, Inc. ("**BDO**") covering a ₱600,000,000.00 term loan, the Company undertook that if it is in default under the said agreement, it will not declare or pay dividends to its stockholders or partners (other than dividends payable solely in shares of the Company's capital stock), unless BDO gives it written consent. As of the date of this Prospectus, the Company is not in default under the said agreement.

LFM's Property Dividend Declaration

On November 25, 2020, the Board of Directors of LFM approved the declaration of property dividend covering 10,350,000,000 LPC Common Shares owned by LFM in favor of holders of LFM common shares as of record date December 18, 2020 at the ratio of sixty-nine (69) LPC Common Shares for every one (1) LFM common share ("**Property Dividend Declaration**").

As of the date of this Prospectus:

- On February 17, 2021, LFM filed with the SEC an application for the approval of the Property Dividend Declaration;
- Based on information given by LFM, 10,350,000,000 LPC Common Shares shall be distributed to the holders of LFM common shares as of December 18, 2020 (the above-mentioned 10,350,000,000 LPC Common Shares shall be referred to as "Dividend Shares");
- On August 19, 2021, the SEC issued the Certificate of Filing the Notice of Property Dividend Declaration in favor of LFM, which declared property dividends consisting of 10,350,000,000 shares of its subsidiary, LPC in favor of LFM's 441 stockholders of record as of 18 December 2020; and
- The payment date of the property dividend declaration of LFM is June 15, 2022.

The Bureau of Internal Revenue ("BIR") assessed documentary stamp tax and final tax on LFM's declaration of property dividends. LFM advanced the payment for the assessed taxes on 3 September 2021 and on 14 September 2021 respectively. As of the date of this Prospectus, the BIR had issued eCARs for the 358 out of the 441 stockholders, in five (5) out of six (6) batches, on the following dates: 28 December 2021, 25 January 2022, 27 January 2022, 12 April 2022 and 26 May 2022. The eCARs for the 83 stockholders remain unissued to date due to the non-recognition by the BIR's system of the stockholders' tax identification numbers.

The BIR also issued a Certification dated 21 April 2022, certifying that it has approved LFM's application for the issuance of eCARs on its declaration of property dividends on account of LFM's payment of the taxes. This Certification was issued upon LFM's request, in light of the remaining eCARs unissued as of that date. Hence, for the 83 stockholders who have not been issued the eCAR, the BIR shall manually issue the CARs.

The payment date of the Property Dividend Distribution of LFM is June 15, 2022. The Company has caused the transfer of the Dividend Shares in the books of the Company in favor of the appropriate entitled LFM stockholders on June 15, 2022.

LFM as Parent Company

Prior to the Property Dividend Distribution, LFM was the legal and beneficial owner of one hundred percent (100%) of the Company's Outstanding Capital Stock. LFM owns 24,999,999,993 LPC Common Shares and the remaining seven (7) Common Shares in the Company's Outstanding Capital Stock are owned by the directors of the Company.

After the Property Dividend Distribution, the Company shall continue to be a subsidiary of LFM and, based on information concerning the Property Dividend Distribution given by LFM:

- LFM's shareholdings in the Company shall decrease to 58.60% of the Company's Outstanding Capital Stock; and,
- Parity Values Inc., a corporation incorporated under Philippine laws that holds 40.35% of LFM's Outstanding Capital Stock as of December 18, 2020, shall become a stockholder of the Company to 16.70% of the Company's Outstanding Capital Stock.

Registration Statement and Application for Listing; Initial Listing Price

THE COMPANY AND ITS STOCKHOLDERS WILL NOT BE OFFERING COMMON SHARES NOR PREFERRED SHARES TO THE PUBLIC FOR SUBSCRIPTION NOR SALE IN CONNECTION WITH THE PROPERTY DIVIDEND DISTRIBUTION AND THE LISTING.

- There will be no change in the Company's Outstanding Capital Stock. It shall remain at Two Hundred Fifty Million Pesos (₱250,000,000.00) comprising of Twenty-Five Billion (25,000,000,000) Common Shares and Zero (0) Preferred Shares;
- No proceed is raised and no proceed can be used, in connection with the Property Dividend Distribution and Listing.
- There is no underwriter for the Property Dividend Distribution and Listing and as such, there are no underwriter's fees.

On June 4, 2021, the Company filed with the SEC a registration statement covering: (a) the application for the approval of the Property Dividend Declaration which was filed by LFM with the SEC on February 17, 2021; and (ii) the application for the SEC Registration and the Listing of the Common Shares. Thereafter, the Company shall file the Application for Listing of the Common Shares with the PSE.

Based on information concerning the Property Dividend Distribution given by LFM, the Property Dividend Distribution will increase the number of the Company's stockholders from 8 to 449. Out of the said 449 stockholders, 381 will hold at least 1 board lot or 10,000 LPC Common Shares. This will also allow the Company to apply for the Listing pursuant to Article III, Part G, Section 1(b) of the Consolidated Listing and Disclosure Rules of the PSE, also known as the Amended Listing by Way of Introduction Rules of the PSE².

The Company believes that the price of the Common Shares is of such amount, and the Common Shares would be so widely held, that their adequate marketability when listed can be assumed. There will be no underwriter for, and no proceeds from, the Property Dividend Distribution and Listing. Nonetheless, the indicative reference opening price ("**Initial Listing Price**") of the Common Shares upon Listing shall be at ₱0.107 per Common Share based on the Valuation and Fairness Opinion Report dated May 25, 2021 and issued by R.G. Manabat & Co., a member firm of the KPMG global organization, an independent advisor. For clarity and as a statement in favor of the PSE, the Company highlights that the Initial Listing Price was determined by the Company through the aforementioned Valuation and Fairness Opinion Report.

Even if no offering of Common Shares or Preferred Shares to the public for subscription or sale is made in this Prospectus, all investors who may subsequently invest in or engage in transactions involving the Common Shares:

- must carefully consider the risks associated with an investment in the Common Shares, including without limitation the risks stated in this Prospectus;
- must rely on his/her/its own examination of the Company and the Common Shares, including without limitation, his/her/its own determination of the suitability of any such investment with particular reference to his/her/its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment;
- consult his/her/its own counsel, accountant, and other advisors as to legal, tax, business, financial, and related aspects of any investment involving the Common Shares. Each person should be aware that it may be required to bear the financial risks of any investment or transaction in the future involving the Common Shares for an indefinite period of time; and
- must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers, sells, or resells the Common Shares and must obtain any consents, approvals or permissions required for the purchase, offer, sale or resale by it of the Common Shares under the laws, rules and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales, or resales.

² The Amended Rules on Listing by Way of Introduction that took effect on March 24, 2011 became Article III, Part G of the Consolidated Listing and Disclosure Rules of the PSE.

For a more detailed discussion on the risks in investing on the Common Shares in the future, please refer to the section entitled "Risk Factors" of this Prospectus, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with any investment in the Common Shares in the future.

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ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED THEREIN IS TRUE AND CURRENT.

THE COMPANY DOES NOT MAKE AND DOES NOT INTEND TO MAKE ANY OFFER TO BUY ANY FORM OF SECURITIES BY VIRTUE OF THIS PROSPECTUS, THE AFOREMENTIONED REGISTRATION STATEMENT, AND LISTING. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY.

LFM PROPERTIES CORPORATION

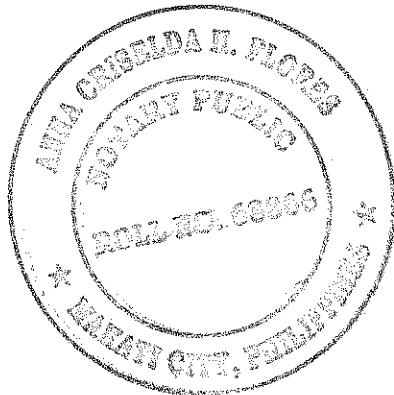
By:

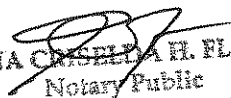

JOSE S. JALANDONI
President

Republic of the Philippines)
MAKATI CITY) S.S.

SUBSCRIBED AND SWORN to before me this 2nd day of November 2022, in the City of Makati, Philippines, affiant exhibiting to me his Passport No. P5320104B issued on July 15, 2020 at DFA Manila and expiring on July 14, 2030.

Doc. No. 406
Page No. 89
Book No. III
Series of 2022.




ANNA CRISSELDA H. FLORES
Notary Public
Until December 31, 2022
Roll of Attorney's No. 68866
P.T.R No. 8652321; 01-03-2022; Makati City
I.B.P No. 174032; 01-03-2022; Makati City
MCLE Compliance No. VII-0016424; 04-26-2022
Notarial Commission No. M-190
5F Montepino Bldg., 135 Amoroso St.
Legaspi Village, Makati City

NOTICE TO THE PUBLIC / POTENTIAL INVESTORS

Information in this Prospectus

• In General

Unless otherwise indicated, all information in this Prospectus is as of the date of this Prospectus. Neither the delivery and/or availability of this Prospectus, either in printed or electronic form shall, under any circumstance, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company since the date hereof.

The information contained in this Prospectus relating to the Company and its operations has been supplied by the Company, unless otherwise stated herein and subject to declarations stated in this Prospectus. The Company confirms that, as of the date of this Prospectus and subject to the declarations stated herein: (a) this Prospectus contains all information with respect to the Company which is material in the context of the Property Dividend Distribution and Listing; (b) the statements contained in this Prospectus relating to the Company are in every material respect true and accurate and not misleading; (c) there are no other facts in relation to the Company or the Common Shares which would make any statement in this Prospectus misleading in any material respect; and (d) reasonable inquiries have been made by the Company to ascertain facts, information, and statements in this Prospectus, especially those provided by its advisors and consultants or which is otherwise publicly available for inclusion in this Prospectus. The Company, however, has not independently verified any such publicly available information, data, or analysis.

Taking into account the foregoing discussions, the Company has exercised the required due diligence in verifying that all material information in this Prospectus, including the amendments and supplements thereto, are true and correct in material respects and that no material information was omitted, which was necessary in order to make the statements contained in said documents not misleading as of the date thereof.

BDO Capital & Investment Corporation, Financial Advisor to the Company for the Property Dividend Distribution and Listing, confirms to the PSE that: (i) it has exercised due diligence to ascertain that all material information and representations contained in this Prospectus, including amendments or supplements thereto, are true and correct, in material respects; and, (ii) to the best of its knowledge, no material information was omitted, which was necessary in order to make the material statements contained in this Prospectus not misleading as of the date thereof.

• Market Data

Market data and certain industry forecasts used throughout this Prospectus were obtained from market research, publicly available information, and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, industry forecasts and market research, while believed to be reliable, have not been independently verified, and the Company does not make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

• Forward-looking statements and use of estimates

This Prospectus contains forward-looking statements and forward-looking financial information that are, by their nature, subject to significant risks and uncertainties. In particular, in light of the ongoing Coronavirus Disease 2019 or a novel coronavirus SARS-CoV-2 ("COVID-19") pandemic and associated uncertainties in the global financial markets and their contagion effect on the economy, any forward-looking statements and forward-looking financial information contained in this Prospectus must be considered with significant caution and reservation.

These forward-looking statements as contained in this Prospectus include, without limitation, the statements involving the following:

- Company's expectations and projections for future operating performance and business prospects;
- known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any future results;
- performance or achievements expressed or implied by forward-looking statements;
- the Company's overall future business, financial condition, and results of operations, including, but not limited to, its financial position or cash flow;

- the Company's goals for or estimates of its future operational performance or results; and,
- changes in the Company's regulatory environment including, but not limited to, policies, decisions, and determinations of governmental or regulatory authorities.

Such forward-looking statements and forward-looking financial information are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future.

The words "aim," "anticipate," "believe," "consider," "continue," "estimate," "expect," "going forward," "intend," "ought to," "plan," "potential," "predict," "project," "propose," "seek," "may," "might," "can," "could," "will," "would," "shall," "should," "is/are likely to," the negative form of these words, and other similar words also identify forward-looking statements.

All statements, other than statements of historical facts, included in this Prospectus are forward-looking statements.

Statements in the Prospectus as to the opinions, beliefs, and intentions of the Company accurately reflect in all material respects the opinions, beliefs, and intentions of its management as to such matters as of the date of this Prospectus, although the Company gives no assurance that such opinions or beliefs will prove to be correct or that such intentions will not change.

Important factors that can cause some or all of the assumptions not to occur or cause actual results, performance or achievements to differ materially from those in the forward-looking statements and forward-looking financial information include, among other things:

- any amendment of relevant laws and regulations;
- the enactment of a new law or regulation;
- any unforeseen changes that result in reduced occupancy or rental rates for the Company's properties;
- any fluctuations in the competitive landscape in the Philippine property market;
- any substantial change in the quality and/or financial capabilities of the Company's tenants;
- any changes to available interest rates, inflation rates, and the value of the Peso against the United States dollar and other currencies;
- any material changes to any planned renovations or improvements to the Company's properties, resulting from market demands, financial conditions, and legal requirements, among others;
- the condition of and changes to the Philippines, Asian, or global economies;
- the general political, social, and economic conditions in the Philippines;
- any changes in government regulations, including tax laws, or licensing in the Philippines;
- competition in the property investment and development industries in the Philippines; and,
- matters disclosed under "Risk Factors", and elsewhere in this Prospectus

The Company expressly disclaims any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement and/or forward-looking financial information contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions, assumptions, or circumstances on which any statement is based.

All subsequent written and/or oral forward-looking statements attributable to the Company or persons acting on behalf of the Company are expressly qualified in their entirety by the above cautionary statements.

- *Presentation of Financial Information*

The Company's financial statements stated in this Prospectus are reported in Philippine Pesos ("Pesos") and are prepared based on the Company's policies, which are in accordance with the Philippine Financial Reporting Standards ("PFRS") issued by the Financial Reporting Standards Council of the Philippines.

The financial information included in this Prospectus has been derived from the Company's financial statements. Unless otherwise indicated, financial information relating to the Company in this Prospectus is stated in accordance with PFRS. Figures in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same item of information may vary, and figures which are totals may not be an arithmetic aggregate of their components.

The Company's fiscal year begins on January 1 and ends on December 31 of each year. Sycip Gorres Velayo & Co. ("SGV"), a member firm of Ernst & Young Global Limited, has audited the Company's financial statements as of and for the six months ended June 30, 2022 and years ended December 31, 2021, 2020 and 2019, in accordance with Philippine Standards on Auditing ("PSA").

For more information, please refer to the copy of the Company's audited financial statements for the six months ended June 30, 2022 and for the years ended December 31, 2021, December 31, 2020 and December 31, 2019 attached as Annexes "A-1" to "A-2", respectively, of this Prospectus.

- *Other matters*

No person has been or is authorized to give any information or to make any representation concerning the Company, LFM, Property Dividend Declaration, and/or the Common Shares, which is not contained in this Prospectus and any information or representation not so contained herein must not be relied upon as having been authorized by the Company.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to purchase any securities nor an offer to sell or the solicitation of an offer to purchase such securities by any person in any circumstances in which such offer or solicitation is unlawful.

The distribution of this Prospectus in certain jurisdictions may be restricted by the laws of the said jurisdiction. The Company requires persons into whose possession this Prospectus comes to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer of, or an invitation to purchase, any of security in any jurisdiction in which such would be unlawful.

The contents of this Prospectus are not investment, legal, or tax advice. No representation or warranty, express or implied, is made by the Company regarding the legality of an investment or transaction in the future involving Common Shares under any legal, investment, or similar laws or regulations.

The Company has an **Investor Relations Office** that will implement the Company's Investor Relations Program to ensure that information affecting the Company are communicated effectively to its stockholders. Ms. Evangeline Guanzon will head the Company's Investor Relations Office. Any query or communication to the Company's Investor Relations Office can be made through the following contact details:

LFM PROPERTIES CORPORATION - INVESTOR RELATIONS OFFICE
3rd Floor, Liberty Building, 835 A. Arnaiz Avenue, Makati City, Metro Manila, Philippines
Telephone Number: (632) 8893 7790/ 8893 7792
E-mail: lfmproperties@gmail.com
Attention: Ms. Evangeline Guanzon

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GLOSSARY OF TERMS

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. In addition, certain terms are defined in the body of this Prospectus.

Active Lease Contracts	As of July 31, 2022, forty-three (43) lease contracts that are in effect/active between the Company and its tenants for the LPC Properties
Active Tenants	thirty-nine (39) lessees/tenants in the LPC Properties, as of July 31, 2022
AMLA	Anti-Money Laundering Act
AMLC	Anti-Money Laundering Council
AFP	Armed Forces of the Philippines
Articles of Incorporation	The Articles of Incorporation of the Company, as amended, as of the date of this Prospectus. The latest amended Articles of Incorporation was approved by the SEC on September 19, 2016.
BGC	Bonifacio Global City
BIR	Bureau of Internal Revenue of the Philippines
BDO	BDO Unibank, Inc.
BOD or Board or Board of Directors	Board of Directors
BSP	Bangko Sentral ng Pilipinas, the Philippine Central Bank
Business Day	A day (except Saturdays, Sundays and holidays) on which banks in Metro Manila, Philippines are open for business
CALABARZON	Cavite Laguna Batangas Rizal and Quezon
CBD	central business district
CCS	Central Clearing and Central Settlement system of the SCCP
Condominium Units in Pacific Plaza	two (2) residential condominium units (Units 31A and 31B) at Pacific Plaza Condominium owned by LPC and located at 6741 Ayala Avenue and Apartment Ridge Road, Brgy. Urdaneta Village, Makati City, Metro Manila that are currently being leased
Company	LPC (as defined below)
Common Shares	Common Shares of the Company with a par value of ₱0.01 per share
Competition Act	Philippine Competition Act (Republic Act No. 10667)
COVID-19	Coronavirus Disease 2019 or a novel coronavirus SARS-CoV-2

CREATE	Comprehensive Tax Reform program, Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act
DAR	Department of Agrarian Reform
Data Privacy Act	Data Privacy Act of 2012 (R.A. No. 10173)
DENR	Department of Environment and Natural Resources
Dividend Distribution	The dividend distribution approved by the BOD of LFM effectively distributing 10,350,000,000 LPC Common Shares to LFM Common Shareholders as of record date December 18, 2020 at the ratio of sixty-nine (69) LPC Common Shares for every one (1) LFM common share
Dividend Shares	10,350,000,000 LPC Common Shares, covered by the Property Dividend Declaration, that shall be distributed to the holders of LFM common shares as of December 18, 2020
DOLE	Department of Labor and Employment
DOLE Order No. 174-17	Department Order No. 174-17 issued by DOLE
DST	Documentary Stamp Tax
ECQ	Enhanced Community Quarantine
EBIT	The Company's measure of performance based on Earnings Before Interest and Income Taxes. This is computed by adding the interest expense, provision for income taxes and other non-operating losses and deducting interest income and other non-operating gains to net income.
EBITDA	The Company's measure of performance based on Earnings Before Interest, Income Taxes, Depreciation and Amortization. This is computed by adding the interest expense, provision for income taxes, depreciation and amortization, and other non-operating losses and deducting interest income and other non-operating gains to net income.
ECC	Environmental Compliance Certificate
IS	Environmental Impact Statement
EMB	Environmental Management Bureau of the DENR
EMF	Environmental Monitoring Fund
ETF	Exchange Traded Funds
Foreign Investments Act	Foreign Investments Act of 1991 as amended
GCC	General Community Quarantine
GDP	Gross Domestic Product
GLA	Gross Leasable Area in square meters
Government	Government of the Republic of the Philippines

HDMF	Home Development Mutual Fund
IATF-EFD	Inter-Agency Task Force on Emerging Infectious Diseases
IEE	Initial Environmental Examination
Initial Listing Price	₱0.107, the initial listing price per share of the Common Shares of LPC with the PSE as supported by the Valuation and Fairness Opinion Report dated May 25, 2021 issued by R.G. Manabat & Co.
Issuer	LPC (as defined below)
LFM	Liberty Flour Mills, Inc., a corporation listed with the PSE on January 24, 1966 ³ and with the trading symbol LFM
Listing	The listing by way of introduction of 25,000,000,000 Common Shares of LPC on the SME Board of the PSE, representing 100% of LPC's issued and outstanding capital stock.
Listing Date	The date of listing of the Company's Common Shares on the PSE. As of the date of this Prospectus, the estimated Listing Date is not yet determined.
LGU or LGUs	local government units
LPC	LFM Properties Corporation
LPC Properties or Properties	Properties owned by LPC namely: Liberty Plaza Building, Liberty Center Building, Ortigas Vacant Commercial Land and the Pacific Plaza Condominium Units
Manual	The Company's Manual of Corporate Governance
Material RPT	material related party transaction under SEC Memorandum Circular No. 10, Series of 2019 dated April 27, 2019 or the Rules for Material Related Party Transactions for Publicly-Listed Companies
MECQ	Modified Enhanced Community Quarantine
MPO	Minimum Public Ownership
MPO Rule	Guidelines on MPO Requirement for Initial and Backdoor Listing under PSE Memorandum CN-No. 2020-0076 dated August 3, 2020
NAIA	Ninoy Aquino International Airport
NCR Plus	entire Metro Manila and the provinces of Laguna, Cavite, Rizal, and Bulacan
NHIP	National Health Insurance Program
NLEY	North Luzon Expressway
Ortigas Vacant Commercial Land	The vacant commercial land owned by LPC and located at Lot 5 Block 1 Ortigas Ave. corner F. Ortigas Jr. and Sapphire Roads, Ortigas Center, Brgy. San Antonio, Pasig City, Metro Manila

Outstanding Capital Stock	Total shares of stock issued under binding subscription contracts to subscribers or stockholders, whether fully or partially paid, except Treasury Shares
PVI	Parity Values, Inc., corporation incorporated under Philippine laws that holds 40.35% of LFM's Outstanding Capital Stock as of December 18, 2020
PAS	Philippine Accounting Standards
PCC	Philippine Competition Commission
PEZA	Philippine Economic Zone Authority
PFRS	Philippine Financial Reporting Standards
₱, Peso, Pesos	Philippine Pesos, the lawful currency of the Republic of the Philippines
PCD Nominee	PCD Nominee Corporation, a corporation wholly-owned by the PDTC
PDTC	Philippine Depository & Trust Corp.
Preferred Shares	Non-voting, non-convertible Preferred Shares of the Company with a par value of ₱100.00 per share
Philippines	Republic of the Philippines
Prospectus	This Prospectus together with all its annexes, appendices, and amendments, if any
Property Dividend Declaration	The property dividend declaration approved by the BOD of LFM on November 25, 2020 distributing 10,350,000,000 LPC Common Shares to holders of LFM common shareholders as of record date December 18, 2020 at the ratio of sixty-nine (69) LPC Common Shares for every one (1) LFM common share
PSE	The Philippine Stock Exchange, Inc.
Property Dividend Distribution	Distribution of the Property Dividend Declaration
R.A. 11521	Republic Act No. 11521, the law amending and strengthening the Anti-Money Laundering Act (Republic Act No. 9160)
R.G. Manabat & Co.	The Company's independent advisor for the Valuation and Fairness Opinion Report. It is a member firm of the KPMG global organization.
RCBC	Rizal Commercial Banking Corporation
RD	Register of Deeds
Revised Corporation Code	Republic Act No. 911232 or the Revised Corporation Code of the Philippines which took effect on February 23, 2019
SCCP	Securities Clearing Corporation of the Philippines
SEC	Securities and Exchange Commission of the Philippines
SGV	Sycip Gorres Velayo & Co., a member firm of Ernst & Young Global Limited
SLEX	South Luzon Expressway
SME Board	Small, Medium and Emerging Board of the PSE
SRC	Republic Act No. 8799 or the Securities Regulation Code
SSS	Social Security System

Stock and Transfer Agent	Stock and Transfer Services, Inc.
Stock Transfer Agreement	The Stock Transfer Agreement executed between the Company and the Stock and Transfer Agent
STT	Stock Transaction Tax
Tax Code	Tax Reform Act of 1997, as amended, and its implementing rules and regulations
Trading Participants	An entity authorized by the PSE to own and operate to trading right, pursuant to the PSE's by-laws and applicable rules
TRAIN	Tax Reform for Acceleration and Inclusion
Treasury Shares	Shares of stock which have been issued and fully paid for, but subsequently reacquired by the issuing corporation through purchase, redemption, donation, or some other lawful means
UNCLOS	United Nations Convention on Laws of the Sea
WPS	West Philippine Sea

EXECUTIVE SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information presented in this Prospectus, including the Company's audited financial statements and notes thereto appearing elsewhere in this Prospectus. Because it is a summary, it does not contain all of the information that a prospective investor that will invest on Common Shares in the future should consider before investing. Prospective investors should read the entire Prospectus carefully, including the section entitled "Risk Factors" and audited financial statements and the related notes to those statements included in this Prospectus.

OVERVIEW OF THE COMPANY

LFM Properties Corporation ("**Company**" or "**LPC**") is a real estate company incorporated with the Philippine Securities and Exchange Commission ("**SEC**") on December 18, 1995 under its original name, Alfaro Land Holdings Corporation, and was given the SEC Registration Number/Company Reg. No. ASO95-012561. It changed its corporate name to its current name, LFM Properties Corporation, on November 12, 1996, which was approved by the SEC on January 9, 1997.

On October 4, 2005, the SEC approved the Articles and Plan of Merger executed on April 28, 2005 by and between LPC, the surviving corporation, and the following as absorbed corporations namely: LFM Land Corporation and Valero Land Corporation. In the said Merger, the entire assets and liabilities of LFM Land Corporation and Valero Land Corporation were transferred to and absorbed by LPC. Other than the aforementioned merger, the Company has not been involved in any material reclassification, merger, consolidation, purchase, or sale of significant amount of assets not in the ordinary course of business.

The Company's principal executive office is located at 3rd Floor, Liberty Building, 835 A. Arnaiz Avenue, Makati City, Metro Manila, Philippines.

The Company is not a holder of a secondary license issued by the SEC.

The Company does not have a subsidiary nor affiliate company.

The Company is not, and has not been, involved in any bankruptcy, receivership, or similar proceeding.

NATURE OF BUSINESS; LIST OF PROPERTIES

The Company currently derives all its revenues from lease rentals of real estate properties owned by the Company and located in the busy central business districts/commercial hubs in Metro Manila, namely:

- Land and Building

- **Liberty Plaza Building** is a 21-storey building with ground floor spaces, 2 levels of basement parking, 5 levels of podium parking, and 13 floor offices (without 13th floor) located at 102 H.V. Dela Costa Street corner Valero and San Agustin Streets, Calcedo Village, Makati City, Metro Manila. The ground floor is being leased as commercial spaces. Parking spaces are in basement 1 and 2 and podium 2nd to 6th floors. The 7th to 20th floors are being leased as office spaces. Gross floor area of the building is 18,056.68 square meters, more or less and Gross Leasable Area ("GLA") of the building is 8,549 square meters, more or less. It is a 'Class B' building which was completed in Year 2019. The building is not organized as a condominium development and the Company is the sole registered owner of the entire building. The building is not accredited with the Philippine Economic Zone Authority ("**PEZA**").

- **Liberty Center Building** is a 21-storey building with ground floor spaces, 3 levels of basement parking, 4 levels of podium parking, and 13 floor offices (without 13th floor) located at 104 H.V. Dela Costa Street corner L.P. Leviste and San Agustin Streets, Calcedo Village, Makati City, Metro Manila. The ground floor is being leased as commercial spaces. Parking spaces are in basement 1 to 3 and podium 2nd to 5th floor. The 6th to 19th floors are being leased as office spaces. Gross floor area of the building is 20,265.85 square meters and GLA is 8,103 square meters, more or less. It is a 'Class B' building which was completed in Year 2000. The building is not organized as a condominium development and the Company is the sole registered owner of the entire building. The building is not PEZA-accredited.

Liberty Plaza Building and Liberty Center Building are situated in adjacent properties that are zoned as Commercial (C-4) under Makati City Zoning Ordinance of 2013 under Commercial Sub-Zone (C-4A), which is the central business district ("CBD") zone primarily for high-density office and residential developments.

Makati CBD is the largest growth center in the city with hospitals, hotels, malls, and offices and it houses 40% of the top 1,000 corporations in the country. Makati CBD's real estate environment is heavy on vertical structures with pockets of medium-rise establishments for retail and commercial use. There are several upscale residential condominiums in the area, as well as some office building⁴.

As of the date of this Prospectus:

- The land and all improvements thereon where Liberty Plaza Building is situated is covered by a real estate mortgage in favor of Rizal Commercial Banking Corporation ("RCBC") covering the amount of ₱250,000,000.00, which is currently un-availed/no amount due;

Should the loan facility with RCBC be availed, the limitations on the ownership and use of the Liberty Plaza Building based on the Real Estate Mortgage between RCBC and the Company are, as follows: (a.) Company shall promptly make all repairs necessary on the mortgaged property in order to preserve the same in good condition; (b.) Company shall duly pay all lawful taxes or assessments upon the mortgaged property; (c.) company shall insure the mortgaged property against loss or damage by fire and earthquake for its full insurable value with company/ies approved by RCBC; (d.) company shall make such insurance payable to RCBC as its interest in the mortgaged property may appear; (e.) Company shall not allow the mortgaged property to be expropriated by the national, provincial, or municipal government, without applying the entire proceeds therefrom to the payment of the obligation to RCBC; (f.) Company cannot mortgage or encumber a second mortgage on the mortgaged property without the prior written consent of RCBC, nor sell the same without prior notice to RCBC; and (g.) RCBC may at anytime and upon written notice to the Company, inspect the mortgaged property in order to determine compliance with the terms of the mortgage.

- The land and all improvements thereon where Liberty Center Building is situated is covered by a real estate mortgage in favor of BDO Unibank, Inc. ("BDO") covering the amount of ₱600,000,000.00, with outstanding principal amount of ₱580,000,000.00;

Based on the Facility Agreement and Real Estate Mortgage between BDO and the Company, the limitations on the ownership and use of the Liberty Center Building are, as follows: (a.) Company cannot sell or dispose of all or substantially all of the Company's properties; (b.) no further lien shall be created on the mortgaged property and the Company cannot sell or encumber with a second mortgage the mortgage property; (c.) Company cannot demolish nor make any alteration in the mortgaged property without BDO's prior written consent; (d.) Company shall promptly pay all taxes, assessments and government charges for the mortgaged property; (e.) the property mortgaged shall be insured against loss or damage by fire, earthquake, flood and fortuitous event for the mortgaged property's full insurable value with a responsible insurance company acceptable to BDO; (f.) Company shall preserve the property mortgaged in good condition and fit for the use intended and should the said property be destroyed totally or partially by fire, earthquake, typhoon, or any other cause whatsoever, Company shall replace and/or substitute additional properties as security; and (g.) Company shall not allow any portion of the mortgaged property to be expropriated by the government or any of its instrumentalities.

In the said Facility Agreement with BDO, the Company also undertook, among others, not to undertake the following without BDO's prior consent in writing: (a.) permit any material change in the character of the Company's business; (b.) permit any material change in ownership or control of the Company's business, capital stock, or in the composition of the top level management; (c.) upon the occurrence of an event of default, declare or pay dividends, retain, retire, purchase any class of the capital stock, or make capital or asset distribution to stockholders; (d.) extend loans or advances to its directors, officers, or stockholders, except duly approved employee benefit loans; and (e.) undertake or incur capital expenditure outside of the ordinary course of business.

- The Company is not in default in any of its loans secured by the above-mentioned mortgages.
- Vacant Commercial Land

The Company owns a piece of land with an area of 2,094 square meters, more or less, located at Lot 5 Block 1 Ortigas Ave. corner F. Ortigas Jr. and Sapphire Roads, Ortigas Center, Brgy. San Antonio, Pasig City, Metro Manila ("**Ortigas Vacant Commercial Land**"). The Ortigas Vacant Commercial Land is registered under the name of the Company and covered by Transfer Certificate of Title No. PT-138927 issued on June 30, 2008 by the Register of Deeds of Pasig City. The Ortigas Vacant Commercial Land is currently being leased to a lessee who is currently using the land as a staging area for construction. Previously, the lessee used the land as parking spaces.

⁴ Valuation Report as at April 6, 2021 issued by Collier's International Philippines, Inc. for Liberty Plaza Building and Liberty Center Building

The Ortigas Vacant Commercial Land is approximately 80 meters northeast from Garnet Road, 290 meters southeast from the corner of Garnet Road and ADB Avenue, or about 575 meters southeast from the intersection of Ortigas Avenue and Epifanio Delos Santos Avenue (EDSA). The land is not PEZA-accredited.

The Ortigas Vacant Commercial Land is zoned as Commercial (C-3) under Pasig City Zoning Ordinance adopted in Year 2015. Ortigas Center is a financial and central business district located at the boundaries of Pasig, Mandaluyong, and Quezon City in the Philippines. It is Metro Manila's second most important business district after the Makati CBD⁵.

As of the date of this Prospectus, the Ortigas Vacant Commercial Land is not the subject of any mortgage or lien.

• Residential Condominium Units

The Company owns two (2) residential condominium units at Pacific Plaza Condominium located at 6741 Ayala Avenue and Apartment Ridge Road, Brgy. Urdaneta Village, Makati City, Metro Manila that are currently for lease:

- Unit 31A, 31st Floor covers an area of 285 square meters, more or less, and is owned by and registered under the name of the Company and covered by Condominium Certificate of Title No. 006-2018007477 issued on June 20, 2018 by the Register of Deeds of Makati City.
- Unit 31B, 31st Floor has an area of 285 square meters, more or less, and is owned by and registered under the name of the Company and covered by Condominium Certificate of Title No. 006-2018007476 issued on June 20, 2018 by the Register of Deeds of Makati City

(collectively as “Condominium Units in Pacific Plaza”).

The Pacific Plaza Condominium is a 43-storey residential development situated along Ayala Avenue, in the Makati Central Business District. The building has complete amenities such as a swimming pool, fitness center with spa & squash court, landscaped garden, grand lobby, round-the-clock security, and ample parking space. Glorietta shopping complex is located across the street. It was built in 1992⁶.

As of the date of this Prospectus, the Condominium Units in Pacific Plaza is not the subject of any mortgage or lien.

Based on the appraisal reports issued by Colliers International Philippines, Inc., the total market value as of December 31, 2020 of the above-mentioned real properties owned by the Company is ₱3,527,220,179.00, as summarized below.

		Market Value as of December 31, 2020
a.	Liberty Plaza Building	₱ 1,589,199,896.00
b.	Liberty Center Building	₱ 1,086,220,283.00
c.	Ortigas Vacant Commercial Land	₱ 782,800,000.00
d.	Condominium Units in Pacific Plaza	₱ 69,000,000.00
	Total	₱ 3,527,220,179.00

For more information, please refer to the section entitled “Description of Property” of this Prospectus.

In December 2021, the Company entered into a Contract to Sell for the purchase of land for a consideration of ₱214,455,000 (exclusive of VAT) payable on monthly installment basis until year 2026. Other than the said intended purchase of the commercial lot in Nuvali, the Company does not intend to acquire any other property in the next twelve (12) months.

⁵ Valuation Report as at March 31, 2021 issued by Collier's International Philippines, Inc. for the Ortigas Vacant Commercial Land

⁶ Valuation Report as at April 6, 2021 issued by Collier's International Philippines, Inc. for the Condominium Units in Pacific Plaza

FINANCIAL HIGHLIGHTS

The Company leases its above-mentioned real estate properties to third parties through operating leases. Rental income arising from operating leases on investment properties is recognized on a straight-line basis over the lease terms. Excess of rental income recognized using the straight-line basis over the rental income based on the terms of lease contract is recognized as an asset in the statements of financial position under the "accrued rent" account. Rentals collected but not yet earned are recognized as a liability in the statements of financial position under the "unearned rental income" account. Deposits on long-term leases are initially recognized at fair value and subsequently measured at amortized cost where material. Any difference between the initial fair value and the nominal amount is included as a component of rental income and recognized on a straight-line basis over the lease term.

The financial highlights of the Company for the six months ended June 30, 2022 and for the years ended December 31, 2021, December 31, 2020 and December 31, 2019, based on audited financial statements are:

	Six months ended June 30, 2022 (Audited)	Year ended December 31, 2021 (Audited)	Year ended December 31, 2020 (Audited)	Year ended December 31, 2019 (Audited)
Total Assets	₱1,267,796,738	₱1,367,816,821	₱1,109,192,922	₱ 949,686,530
Total Equity	₱455,134,905	₱484,877,657	₱361,457,674	₱248,877,299
Revenues	₱113,154,669	₱223,737,958	₱229,942,526	₱178,571,340
Net Income (Loss)	(₱14,478,722)	₱149,929,046	₱97,443,615	₱42,832,991

As of June 30, 2022, the Company provided ₱1,049,681 for expected credit losses on rent receivables.

As at June 30, 2022, there were no events identified that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

As at June 30, 2022, the Company has no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period.

As at June 30, 2022, the Company has no material commitments for capital expenditures.

As at June 30, 2022, there are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

For more information, please refer to the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Prospectus.

CAPITAL STOCK; FEATURES OF COMMON SHARES

THE COMPANY AND ITS STOCKHOLDERS WILL NOT BE OFFERING COMMON SHARES NOR PREFERRED SHARES TO THE PUBLIC FOR SUBSCRIPTION NOR SALE IN CONNECTION WITH THE PROPERTY DIVIDEND DISTRIBUTION AND THE LISTING.

As of the date of this Prospectus:

- The Company has an authorized capital stock of Four Hundred Million Pesos (₱400,000,000.00) comprised of the following: Thirty Billion (30,000,000,000) Common Shares with a par value of ₱0.01 per Common Share; and One Million (1,000,000) non-voting, non-convertible Preferred Shares with a par value of ₱100.00 per Preferred Share ("Preferred Shares");
- The Company has a subscribed, paid-up, and Outstanding Capital Stock of Two Hundred Fifty Million Pesos (₱250,000,000.00) comprising of Twenty-Five Billion (25,000,000,000) Common Shares and Zero (0) Preferred Shares;
- There are no Common Shares held as Treasury Shares; and

- There are no existing plans nor transactions involving the issuance of Preferred Shares.

All the Common Shares of the Company are unclassified and have identical rights and privileges.

Preferred Shares may be issued from time to time, in one or more series, and with such features, including dividend rate, price, amount of participation, and other terms, conditions and restrictions as may be determined by the Company's BOD.

The Company's stockholders, including those that may own Preferred Shares in the future, **do not have the pre-emptive right to:**

- (a) any issue or disposition of shares of the Company's capital stock; and
- (b) acquire, purchase, or subscribe to any obligation which the Company may issue or sell, which are convertible into or exchangeable for shares of the Company's capital stock, or to which shall be attached any warrant or any instrument that shall confer upon the holder of such obligation, warrant, or instrument the right to subscribe to, or acquire or purchase from the Company, any shares of the Company's capital stock.

Since the Company owns private land located in the Philippines, foreign shareholdings in the Company cannot exceed forty percent (40%) of the Company's issued and outstanding capital stock. This is pursuant to Article XII, Section 7 of the Constitution in relation to Chapter 5 of the Commonwealth Act No. 141. As such, the Company will be unable to allow the issuance or transfer of its Common Shares and/or Preferred Shares to persons other than those considered as Philippine Nationals under the law, and cannot record transfers in the books of the Company, if such issuance or transfer would result in the Company ceasing to be a Philippine National for purposes of complying with the applicable nationality requirements. In addition, to the extent foreign ownership exceeds 40% of the Company's outstanding capital stock, the Company's stockholders may be required to divest foreign ownership to comply with the foreign ownership restrictions.

The Company's BOD is authorized to declare dividends, provided that the Company has sufficient unrestricted retained earnings and all requirements of the law and regulations are complied with.

On March 25, 2021, the Board of Directors of the Company approved and adopted a policy declaring dividends in favor of its stockholders equivalent to at least twenty (20%) of the Company's net income after tax for the relevant year. Under the Facility Agreement notarized on February 18, 2021 between the Company and BDO Unibank, Inc. ("BDO") covering a ₱600,000,000.00 term loan, the Company undertook that if it is in default under the said agreement, it will not declare or pay dividends to its stockholders or partners (other than dividends payable solely in shares of the Company's capital stock), unless BDO gives it written consent. As of the date of this Prospectus, the Company is not in default under the said agreement.

COMPETITIVE STRENGTHS

The Company believes its main competitive strengths are the following:

Healthy Financial Position and Strong Earnings Base

The Company maintains a strong balance sheet position, with recurring revenue stream and steady cash flows providing a solid financial base and a stable source of funds for the Company for business expansion and other capital needs. The Company use cash flow from operations to pay outstanding loans. This financial strength, together with the reputation that the Company has earned over the years, provide a strong platform for the Company's business growth going forward.

Strong Track Record of Operational Efficiency

LPC has a strong track record of operational efficiency for 20 years of profitable operations. Liberty Center Building was completed in year 2000. The Company believes that it has developed a reputation for leasing out properties that are of quality and reliability. In addition, LPC was able to finish construction of both Liberty Plaza Building and Liberty Center Building within the allotted budget and time constraints.

High Quality Asset Profile

LPC believes its well managed and wholly-owned real estate assets consisting of land, buildings, and other real estate properties are of high quality based on their location and accessibility to heavily traversed thoroughfares, which can directly influence demand and economic activity, as well as command higher valuation. Occupancy rates of the Liberty Plaza Building and the Liberty Center Building were at 98% and 95%, respectively as of July 31, 2022.

Highly Experienced and Dedicated Management Team

The Company has an experienced management team with a proven ability to execute the Company's business plan and achieve results. Over the Company's history, the management team has effectively led the Company through ups and downs of the economy. The Company believes that the market experience and knowledge that these key members of management possess and the business relationships they have developed with industry players and customers have been an integral part of the Company's success in the past and will be a driving force for its success in the future.

KEY STRATEGIES

The Company intends to invest in its business and create growth for the Company through the following strategies:

Leverage its strong financial position to grow its business

The Company has a healthy track record of profitability. Its strong financial position and stable recurring cash flows from its property portfolio provide a solid financial base for the Company, and a stable source of funds for business expansion and other capital investment. Cash flows generated from its operations are able to satisfy working capital, payment for loan, and minor capital expenditure requirements. This financial strength provides a strong platform for business growth going forward.

The Company intends to maintain its current tenant base.

Expand existing landbank

The Company intends to create a development / project in the Ortigas Vacant Commercial Land within the next seven (7) years.

In order to expand its current property portfolio, the Company plans to expand its land bank in the Cavite Laguna Batangas Rizal and Quezon ("CALABARZON") and Metro Manila areas after the completion of the said development/project for the Ortigas Vacant Commercial Land.

In December 2021, the Company entered into a Contract to Sell for the purchase of land for a consideration of ₱214,455,000 (exclusive of VAT) payable on monthly installment basis until year 2026. Other than the said intended purchase of the commercial lot in Nuvali, the Company does not intend to acquire any other property in the next twelve (12) months.

Leverage synergies from affiliates

The Company will also take advantage of leveraging synergies from its parent company, LFM, which owns two (2) buildings for lease, one in Mandaluyong City and the other one in Makati City.

RISK OF INVESTING

Neither the Company nor its stockholders will be offering Common Shares or Preferred Shares to the public for subscription or sale in connection with the Dividend Distribution and the Listing. Nevertheless, investors should carefully consider the risks associated with an investment in the Common Shares. These risks include:

- risks relating to the Company and its business;
- risks relating to the Philippines; and,
- risks relating to the Common Shares.

Please refer to the section entitled "Risk Factors" of this Prospectus, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with any investment in the future involving the Common Shares.

SUMMARY OF FINANCIAL INFORMATION

The summary financial information set forth in the following tables have been derived by the Company from its financial statements which have been audited by independent auditor, *SyCip Gorres Velayo & Co.*, for the six months ended June 30, 2022 and years ended December 31, 2021, 2020 and 2019 prepared in accordance with Philippine Financial Reporting Standards. These financial data should be read together with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the financial statements and related notes included elsewhere in this Prospectus.

The Company adopted PFRS 9, *Financial Instruments*, using modified retrospective approach of adoption with the initial date of application of January 1, 2018.

The Company adopted Accounting for Common Usage Service Area (CUSA) Charges discussed in Philippine Interpretations Committee Question and Answers (PIC Q&A) No. 2018-12-H applied retrospectively with the initial date of application of January 1, 2021. Amounts presented in the statements of comprehensive income for the years ended December 31, 2020 and 2019 are based on PAS 18, *Revenue*. Please refer to Note 2 to the Company's audited interim financial statements, which are included elsewhere in the Prospectus, for the effect of the adoption of PIC Q&A 2018-12-H.

The information below is not necessarily indicative of the results of future operations and does not purport to project the results of the Company's operations or financial condition for any future period or date.

STATEMENTS OF FINANCIAL POSITION (in Philippine Pesos)

	As of June 30, 2022	As of December 31, 2021	As of December 31, 2020	As of December 31, 2019
Cash	PHP 7,799,734	PHP 46,758,816	PHP 39,672,440	PHP 19,953,992
Receivables	18,590,849	5,427,848	21,552,027	16,269,786
Financial assets at fair value through profit or loss	126,557,263	180,448,991	81,937,073	26,191,437
Accrued rent - current portion	616,451	1,202,767	4,646,857	2,313,384
Prepaid expenses and other current assets	14,193,327	5,934,271	1,329,684	22,216,740
Total Current Assets	167,757,624	239,772,693	149,138,081	86,945,339
Investment properties	835,057,967	856,158,160	706,673,730	648,517,588
Financial assets at fair value through other comprehensive income (FVOCI)	145,422,178	156,718,845	190,070,911	183,346,704
Accrued rent - net of current portion	88,032,200	77,404,488	54,399,114	27,112,503
Property and equipment	2,660,951	2,112,061	450,733	481,797
Net retirement plan asset	7,494,642	13,076,486	5,256,513	0
Other noncurrent assets	21,371,176	22,574,088	3,203,840	3,282,599
Total Noncurrent Assets	1,100,039,114	1,128,044,128	960,054,841	862,741,191
TOTAL ASSETS	1,267,796,738	1,367,816,821	1,109,192,922	949,686,530
Current portion of notes payable	136,633,053	136,655,732	580,000,000	632,900,000
Accounts payable and other current liabilities	33,033,456	35,159,581	13,467,997	10,362,839
Current portion:				
Deposits on long-term leases	13,747,283	12,725,979	10,377,345	7,427,205
Unearned rental income	9,847,599	4,654,473	4,817,905	2,422,935
Income tax payable	4,791,110	1,163,501	1,212,931	0
Total Current Liabilities	198,052,501	190,359,266	609,876,178	653,112,979
Notes payable - net of current portion	375,490,701	443,800,782	0	0
Deposit on long-term leases - net of current portion	19,437,756	18,603,788	19,974,491	22,250,613
Unearned rental income - net of current portion	7,827,165	8,355,115	9,777,271	13,292,628
Net retirement plan liability	0	0	0	5,761,953
Payable to a related party	37,730,000	37,730,000	89,730,000	0
Deferred tax liability - net	21,760,408	21,913,988	18,377,308	6,391,058
Other noncurrent liability	152,363,302	162,176,225	0	0
Total Noncurrent Liabilities	614,609,332	692,579,898	137,859,070	47,696,252
Total Liabilities	812,661,833	882,939,164	747,735,248	700,809,231
Capital Stock	250,000,000	250,000,000	250,000,000	250,000,000
Other components of equity:				
Fair value changes on financial assets at FVOCI	(108,752,837)	(97,456,170)	(64,104,104)	(70,828,311)
Accumulated remeasurement gains (losses) on defined benefit plan	9,604,162	13,571,525	6,728,522	(1,684,031)
Retained earnings	304,283,580	318,762,302	168,833,256	71,389,641
Total Equity	455,134,905	484,877,657	361,457,674	248,877,299

TOTAL LIABILITIES AND EQUITY	1,267,796,738	1,367,816,821	1,109,192,922	949,686,530
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STATEMENTS OF COMPREHENSIVE INCOME
(in Philippine Pesos)

	For the 6 months ended June 30, 2022	For the 6 months ended June 30, 2021	For the 12 months ended December 31, 2021	For the 12 months ended December 31, 2020	For the 12 months ended December 31, 2019
	PHP	PHP	PHP	PHP	PHP
RENTAL INCOME	113,154,669	114,349,226	223,737,958	229,942,526	178,571,340
DIRECT COSTS	38,000,728	38,736,107	77,700,259	106,157,570	58,984,801
GROSS PROFIT	75,153,941	75,613,119	146,037,699	123,784,956	119,606,539
OPERATING EXPENSES	10,952,820	13,603,157	25,914,768	27,112,926	30,699,436
INCOME BEFORE OTHER INCOME (CHARGES) AND INCOME TAX	64,201,121	62,009,962	120,122,931	96,672,030	88,907,103
OTHER INCOME (CHARGES)					
Fair value changes of financial assets at fair value through profit or loss	(54,005,125)	37,000,549	82,498,404	56,973,047	13,604,215
Dividend income	1,016,060	1,019,405	1,103,406	601,500	7,157,727
Interest income	23,995	18,068	77,949	264,137	181,724
Interest expense	(13,085,113)	(16,043,379)	(30,684,544)	(34,748,725)	(50,486,955)
Gain on sale of financial assets at FVTPL	0	0	0	100,685	(4,910,880)
Other income (expense)	209,236	(4,777,895)	(4,581,278)	434,599	0
	(65,840,947)	17,216,748	48,413,937	23,625,243	(34,454,169)
INCOME (LOSS) BEFORE INCOME TAX	(1,639,826)	79,226,710	168,536,868	120,297,273	54,452,934
PROVISION FOR (BENEFIT FROM) INCOME TAX					
Current	11,670,022	7,935,307	16,711,331	14,472,788	2,453,641
Deferred	1,168,874	(411,795)	1,896,491	8,360,870	9,166,302
	12,838,896	7,523,512	18,607,822	22,853,658	11,619,943
NET INCOME (LOSS)	(14,478,722)	71,703,198	149,929,046	97,443,615	42,832,991
Net fair value changes on financial assets at FVOCI	(11,296,667)	(13,986,350)	(33,352,066)	6,724,207	2,241,402
Remeasurement gain (loss) on defined benefit plans	(5,289,817)	(2,098,676)	8,483,192	12,017,933	1,171,806
Income tax effect	1,322,454	1,005,279	(1,640,189)	(3,605,380)	(351,542)
	(15,264,030)	(15,079,747)	(26,509,063)	15,136,760	3,061,666
TOTAL COMPREHENSIVE INCOME (LOSS)	(29,742,752)	56,623,451	123,419,983	112,580,375	45,894,657

STATEMENTS OF CASH FLOWS
(in Philippine Pesos)

	For the 6 months ended June 30, 2022	For the 6 months ended June 30, 2021	For the 12 months ended December 31, 2021	For the 12 months ended December 31, 2020	For the 12 months ended December 31, 2019
	PHP	PHP	PHP	PHP	PHP
Income (loss) before income tax	1,639,826	79,226,710	168,536,868	120,297,273	54,452,934
Adjustments to reconcile income before income tax to net cash flows:					
Interest expense	13,085,113	16,043,379	30,684,544	34,748,725	50,486,955
Depreciation and amortization	21,889,723	21,428,270	43,068,510	42,965,106	40,589,092
Fair value changes of financial assets at fair value through profit or loss	54,005,125	(37,000,549)	(82,498,404)	(56,973,047)	(13,604,215)
Loss on loan modification	0	4,981,822	4,981,822	0	0
Dividend income	(1,016,060)	(1,019,405)	(1,103,406)	(601,500)	(7,157,727)
Gain on sale of financial assets at FVTPL	0	0	0	(100,685)	4,910,880
Movement in net retirement plan liability	292,027	(8,311,093)	663,219	999,467	974,825
Interest income	(23,995)	(18,068)	(77,949)	(264,137)	(181,724)
Working capital changes					
Decrease (increase) in:					
Receivables	(13,163,001)	11,054,641	16,124,179	(5,282,241)	(8,147,167)
Accrued rent	(10,041,396)	(11,610,438)	(19,561,284)	(29,620,084)	(22,802,474)
Prepaid expenses and other current assets	(8,259,056)	(14,103,844)	(2,398,764)	20,887,056	9,342,274
Increase (decrease) in:					

Accounts payable and other current liabilities	(1,397,714)	655,796	(642,462)	4,073,360	(21,360,995)
Deposits on long-term leases	1,065,858	400,746	(492,032)	(826,942)	1,676,739
Unearned rental income	4,665,176	1,977,466	(1,585,588)	(1,120,387)	(8,294,844)
Net cash flows generated from operations	59,461,974	63,705,433	155,699,253	129,181,964	80,884,553
Income tax paid	(8,042,413)	(6,311,457)	(16,760,761)	(13,259,857)	(8,866,775)
Interest received	23,995	18,068	77,949	264,137	181,724
Net cash provided by operating activities	51,443,556	57,412,044	139,016,441	116,186,244	72,200,502
Additions to:					
Investment properties	0	0	(31,555,521)	(10,901,430)	(6,923,375)
Property and equipment	(1,227,679)	(6,339)	(2,152,176)	(207,227)	(560,107)
Purchase of financial assets at fair value through profit or loss	(3,685,658)	(16,013,514)	(16,013,514)	(6,947,589)	(4,069,267)
Proceeds from sale of financial assets at fair value through profit or loss	3,572,261	0	0	8,275,685	132,226,056
Dividends received	1,016,060	1,019,405	1,103,406	601,500	7,157,727
Decrease (increase) in other noncurrent assets	100,000	272,767	272,768	(172,768)	416,008
Net cash provided by (used in) investing activities	(225,016)	(14,727,681)	(48,345,037)	(9,351,829)	128,247,042
Availment of bank loans	0	0	0	0	28,000,000
Payments of:					
Payable to a related party	0	(52,000,000)	(52,000,000)	0	0
Notes payable	(68,235,294)	0	0	(52,900,000)	0
Debt issue cost	0	(4,350,000)	(4,350,000)	0	0
Interest paid	(12,751,400)	(11,700,332)	(27,235,028)	(34,215,967)	(48,987,165)
Other noncurrent liability	(9,190,928)	0	0	0	0
Net cash provided by (used in) financing activities	(90,177,622)	(68,050,332)	(83,585,028)	(87,115,967)	(186,487,165)
NET INCREASE (DECREASE) IN CASH	(38,959,082)	(25,365,969)	7,086,376	19,718,448	13,960,379
CASH AT BEGINNING OF YEAR	46,758,816	39,672,440	39,672,440	19,953,992	5,993,613
CASH AT END OF THE YEAR	7,799,734	14,306,471	46,758,816	39,672,440	19,953,992

As of June 30, 2022, the Company provided ₱1,049,681 for expected credit losses on rent receivables.

As at June 30, 2022, there were no events identified that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

As at June 30, 2022, the Company has no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period.

As at June 30, 2022, the Company has no material commitments for capital expenditures.

As at June 30, 2022, there are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

RISK FACTORS

An investment in the Common Shares involves a number of risks. Investors also deal in a range of investments, each of which may carry a different level of risk.

Investors should carefully consider the risks described below, in addition to other information contained in this Prospectus (including the Company's financial statements and notes relating thereto which are included herein), whenever making any investment decision relating to the Common Shares. In doing so, investors should consider that:

- The risk factors discussed in this section are of equal importance and are only separated into categories for easy reference;
- The Company's past performance is not an indication of its future performance;
- The occurrence of: (i) any of the events and risks discussed below; and/or (ii) any additional risks and uncertainties that are not presently known to the Company or are currently considered as immaterial, could have a material adverse effect on the Company's business, results of operations, financial condition, and prospects. Such adverse effect can cause the market price of the Common Shares to fall significantly and investors may lose all or part of their investment;
- This Prospectus contains forward-looking statements that involve risks and uncertainties. The Company adopts what it considers conservative financial and operational controls and policies to manage its business risks. The actual results may differ significantly from the results discussed in the forward-looking statements and this may be caused by several factors such as: (i) those that pertain to the business and operations of the Company; and/or (ii) those that pertain to the over-all political, economic, and business environment in general. Although the risk factors and the manner by which these risks may be managed are presented below, any investment in the Common Shares may be considered as speculative or risky; and
- This section does not purport to disclose all the risks and other significant aspects of an investment in the Common Shares. Investors should undertake independent research regarding the Company and the trading of securities before commencing any trading activity, and any investor may request all publicly available information regarding the Company and the Common Shares from the SEC and the PSE.

Investors should also seek professional advice, especially if said investor is uncertain of, or has not understood any aspect of the securities to be invested in or the nature of risks involved in holding and trading of such securities, especially in the trading of high-risk securities. Each investor should consult his/her/its own counsel, accountant, and other advisors as to legal, tax, business, financial, and related aspects of an investment in the Common Shares.

RISK FACTORS RELATING TO THE COMPANY'S BUSINESS

The Company currently derives its revenue and operating profits solely from its leasing operations.

The Company derives its revenues and profits solely from rental income from its properties, namely: Liberty Plaza Building, Liberty Center Building, Ortigas Vacant Commercial Land, and the Pacific Plaza Condominium Units (collectively as "LPC Properties" or the "Properties").

As such, the prospects for profits and income for the Company are dependent on the Company's ability to maintain current leases, attract new lessees for vacant office space/s, and enforce full and timely payment of leases.

In order to mitigate this risk, the Company plans to: (a) create a development or project in the Ortigas Vacant Commercial Land, most likely similar in nature to the Liberty Plaza Building and Liberty Center Building; (b) expand land bank in the Metro Manila and CALABARZON areas; and (c) take advantage of leveraging synergies from LFM which owns two (2) buildings for lease located in Mandaluyong City and Makati City, Metro Manila.

In December 2021, the Company entered into a Contract to Sell for the purchase of land for a consideration of ₱214,455,000 (exclusive of VAT) payable on monthly installment basis until year 2026. Other than the said intended purchase of the commercial lot in Nuvali, the Company does not intend to acquire any other property in the next twelve (12) months.

The Company is exposed to risks relating to the leasing business.

The Company derives its revenues and profits solely from the rental income from the LPC Properties. The following factors

could affect the Company's financial condition: early termination of lease contracts and/or or non-renewal of lease contracts that result to vacancies in the leasable areas, especially if such vacancies will be for a significant amount of time; delays in the payment of rent caused by many possible causes, including decline in the lessees' sales or business income; lessees seeking the protection of bankruptcy laws that could result in delays in the Company's receipt of rental payments; the Company's inability to collect rental payments; failure of the lessee to comply with the general terms of the lease; non-enforcement of rental escalation due to various reasons, including request of lessees to prevent early termination of the lease; failure of defaulted lessees to move out of the leased premises; and changes in laws and government regulations relating to real estate, including those governing usage, zoning, taxes and government charges that could lead to an increase in management expenses or unforeseen capital expenditure to ensure compliance. Any unfavorable developments with respect to the Company's lessees could have an adverse effect on the Company's business, financial condition, and results of operations.

The Company's business, financial condition, and results of operations could be adversely affected in the event a material number of leases are terminated. If these leases are prematurely terminated, then the Company stands to lose revenues until the space is leased to a new tenant. This risk is increased in regard to the sole lessee of the office spaces in Liberty Plaza Building, a lease corresponding to 46.94% of the Company's gross income. Should any of these companies exit the Philippines, close its business, significantly downsize operations, and/or experience decline in sale and business income, for instance due to the Covid-19 pandemic, the Company runs the risk of losing a significant portion of its business all at once. There can be no assurance that: (i) the Company will not suffer from substantial lease terminations; (ii) the Company will be able to keep its current roster of tenants and not suffer significant lease contract terminations which could have a material adverse effect on its financial condition and results of operations; (iii) the Company will be able to get new lessees for the areas covered by such lease terminations; and (iv) such lease terminations will not have a material adverse effect on the Company's financial condition and results of operations.

As of December 31, 2021, the company provided P1,049,681 for expected credit losses on rent receivables.

To mitigate this risk, the Company intends to maintain the current tenant base and continue to carefully screen prospective lessees and impose penalty charges in case tenants pre-terminate their lease contracts.

The Company's properties may be subject to an increase in operating and other expenses.

Certain factors can increase the Company's operating and other costs for the LPC Properties, including higher inflation rate, payroll expenses, energy costs, sub-contracted service costs, energy costs, insurance premiums, unforeseen capital expenditures, and property taxes and other statutory charges. Changes in government laws, regulations, or policies may also lead to additional costs to comply with such laws, regulations, or policies.

There can be no assurance that the Company will be able to maintain its current level of operating expenses, and any increases in such expenses may have an effect on its financial condition and results of operations.

To mitigate this risk, the Company will continue to manage its operating expenses, which in the past it was able to successfully do so, without compromising the quality of its services.

The Company may be adversely affected by the illiquidity of real estate investments.

Real estate investments, particularly investments in high value properties such as commercial land and buildings are relatively illiquid. Such illiquidity may affect the Company's ability to diversify its investment portfolio or liquidate part of its assets in response to changes in economic, real estate market, or other conditions. This could have an adverse effect on the Company's financial condition and results of operations.

The Company believes that this risk is mitigated by the LPC Properties' strategic location within the central business districts (CBDs) of Makati City and Pasig City, Metro Manila, two (2) of the major financial districts in the Philippines, which is a major consideration for tenants and locators due to their accessibility to major business establishments and thoroughfares.

The Company's business is largely affected by the general level of activity and growth in the Makati and Pasig CBDs.

All of the LPC Properties are located in the Makati and Pasig CBDs.

There can be no assurance that: (i) the Makati and Pasig CBDs will continue to be major CBDs within Metro Manila; (ii) the expected developments in said CBDs may eventually materialize; and (iii) rental rates in the CBDs will remain at their current levels.

To mitigate this risk, the Company plans to: (a) create a development or project in the Ortigas Vacant Commercial Land, most likely similar in nature to Liberty Plaza Building and Liberty Center Building; (b) expand its land bank in the Metro Manila and

CALABARZON areas; and (c) take advantage of leveraging synergies from LFM which owns two (2) buildings for lease located in Mandaluyong City and Makati City, Metro Manila.

In December 2021, the Company entered into a Contract to Sell for the purchase of land for a consideration of ₱214,455,000 (exclusive of VAT) payable on monthly installment basis until year 2026. Other than the said intended purchase of the commercial lot in Nuvali, the Company does not intend to acquire any other property in the next twelve (12) months.

Some of the LPC Properties are the subject of existing mortgages.

The land and improvements covering Liberty Plaza Building and Liberty Center Building are currently covered by mortgage in favor of RCBC and BDO, respectively. As such, there are limitations on the ownership and use of the said properties, namely:

- Should the loan facility with RCBC be availed, the limitations on the ownership and use of the Liberty Plaza Building based on the Real Estate Mortgage between RCBC and the Company are, as follows: (a.) Company shall promptly make all repairs necessary on the mortgaged property in order to preserve the same in good condition; (b.) Company shall duly pay all lawful taxes or assessments upon the mortgaged property; (c.) company shall insure the mortgaged property against loss or damage by fire and earthquake for its full insurable value with company/ies approved by RCBC; (d.) company shall make such insurance payable to RCBC as its interest in the mortgaged property may appear; (e.) Company shall not allow the mortgaged property to be expropriated by the national, provincial, or municipal government, without applying the entire proceeds therefrom to the payment of the obligation to RCBC; (f.) Company cannot mortgage or encumber a second mortgage on the mortgaged property without the prior written consent of RCBC, nor sell the same without prior notice to RCBC; and (g.) RCBC may at anytime and upon written notice to the Company, inspect the mortgaged property in order to determine compliance with the terms of the mortgage.
- Based on the Facility Agreement and Real Estate Mortgage between BDO and the Company, the limitations on the ownership and use of the Liberty Center Building are, as follows: (a.) Company cannot sell or dispose of all or substantially all of the Company's properties; (b.) no further lien shall be created on the mortgaged property and the Company cannot sell or encumber with a second mortgage the mortgage property; (c.) Company cannot demolish nor make any alteration in the mortgaged property without BDO's prior written consent; (d.) Company shall promptly pay all taxes, assessments and government charges for the mortgaged property; (e.) the property mortgaged shall be insured against loss or damage by fire, earthquake, flood and fortuitous event for the mortgaged property's full insurable value with a responsible insurance company acceptable to BDO; (f.) Company shall preserve the property mortgaged in good condition and fit for the use intended and should the said property be destroyed totally or partially by fire, earthquake, typhoon, or any other cause whatsoever, Company shall replace and/or substitute additional properties as security; and (g.) Company shall not allow any portion of the mortgaged property to be expropriated by the government or any of its instrumentalities.

In the said Facility Agreement with BDO, the Company also undertook, among others, not to undertake the following without BDO's prior consent in writing: (a.) permit any material change in the character of the Company's business; (b.) permit any material change in ownership or control of the Company's business, capital stock, or in the composition of the top level management; (c.) upon the occurrence of an event of default, declare or pay dividends, retain, retire, purchase any class of the capital stock, or make capital or asset distribution to stockholders; (d.) extend loans or advances to its directors, officers, or stockholders, except duly approved employee benefit loans; and (e.) undertake or incur capital expenditure outside of the ordinary course of business.

The Company may be unable to meet interest or principal payments in respect of the loans covered by the said mortgages and the said properties may be foreclosed by or otherwise transferred to the said creditor-banks.

In addition, if there is a breach of a material term in any of the loans secured by the above-mentioned mortgages, the Company may not be able to declare dividends and/or make any distribution to its shareholders without the prior written consent of the creditor-banks.

To mitigate this risk, the Company takes a prudent approach to its financial management and cost control, including the close monitoring of capital and cash positions and maintaining discipline in its loan commitments.

The Company may not be able to have successful real estate ventures and/or acquisitions in the future.

There can be no assurance that the Company will be able to do and/or complete its above-mentioned plans to develop the Ortigas Vacant Commercial Land, continue its land banking in Metro Manila and CALABARZON areas, and derive synergies from LFM for LFM's real estate properties for lease.

In December 2021, the Company entered into a Contract to Sell for the purchase of land for a consideration of ₱214,455,000 (exclusive of VAT) payable on monthly installment basis until year 2026. Other than the said intended purchase of the commercial lot in Nuvali, the Company does not intend to acquire any other property in the next twelve (12) months.

The Company's future growth and development are largely dependent on the availability of investment properties for development, as well as its ability to acquire and enter into agreements to buy, develop, and/or lease out suitable investment properties to expand its existing real estate portfolio. The Company's inability to acquire suitable properties at acceptable prices in preferred locations could limit its growth prospects and affect its business and results of operations.

Meanwhile, even if the Company is able to implement the above-mentioned plans and/or acquisitions: (i) the Company may be unable to successfully integrate any new developments/projects and acquired properties into its existing operational, financial and management systems, procedures, and controls; and, (ii) any such real estate ventures and/or acquisitions may substantially demand additional time and resources from the Company's management and employees.

If the Company is unable to successfully implement its future acquisition and development plans or fails to successfully integrate such plans into the Company's operations, its projected revenue growth may not materialize and may be limited to rental escalation and rental reversions (rate of new leases compared to past leases) from the LPC Properties and other ancillary income.

To mitigate this risk, the Company shall conduct thorough due diligence and engage third-party professionals to do an in-depth analysis of the potential acquisition in terms of the latter's historical financial, operational, management performance, as well as to determine synergies with the Company's current operations.

There can be no assurance that the Company's future plans and business strategies will be successfully implemented.

There is no assurance that the Company will be able to successfully implement its future plans and business strategies which are affected by both internal and external factors. In the event that such business plans and strategies are implemented, there is no assurance that this will improve the Company's profitability and/or enhance its market position.

The Company believes that it can mitigate this risk by continuously evaluating its performance and identifying the key risks to which it is exposed to, which can serve as an effective tool to adjust and re-calibrate its strategies.

The Company's plan to be a vehicle for possible future real estate ventures and opportunities may entail significant costs that could adversely affect its profitability and operations.

The Company's plans to develop the Ortigas Vacant Commercial Land, expand its land banking in Metro Manila and CALABARZON areas, and leverage on synergies from LFM properties for lease may entail significant investments that may result to higher operating costs affecting profitability. Any acquisition involves associated contingent risks and latent liabilities in integration and management of operations, systems, personnel, and business strategies and marketing efforts, and diversion of management's attention, which may only become apparent post-acquisition.

In December 2021, the Company entered into a Contract to Sell for the purchase of land for a consideration of ₱214,455,000 (exclusive of VAT) payable on monthly installment basis until year 2026. Other than the said intended purchase of the commercial lot in Nuvali, the Company does not intend to acquire any other property in the next twelve (12) months.

The Company believes that it has adequate working capital and steady recurring cash flows from its leasing business. In addition, the Company has existing credit facilities with certain banks that can be used in the event it needs financial support for its projects. Moreover, it also has a highly experienced management team with a proven ability to execute the Company's business plan and achieve results.

The Company currently conducts all its business operations in the Philippines, which makes it highly dependent on the Philippine economy and exposed to risks inherent in the Philippine property market.

The Company currently derives all of its revenue and operating profits from its real estate investments and operations in the Philippines. Even the Company's future plans are affected by the performance of the Philippine property market. There can be no assurance that the Philippine property market will do well or if it is doing well, that it will continue to do well.

The Philippine property market is highly cyclical and is affected by the following factors which could adversely affect the

Philippine economy and the Company's business performance:

- general demand and supply of properties which, depending on prevailing circumstances, may cause asset price bubbles (i.e. when there is a gross imbalance between the supply and demand in the property market causing unusual increase in asset prices followed by a drastic drop in prices when the bubble bursts);
- movements in interest rates;
- inflationary pressures;
- changes in government-related real estate policies that may have negative effects on the industry; and,
- global economic factors, including the performance of other world and regional economies, and the global economy.

In general, significant expenditures associated with investment in real estate, such as maintenance costs and debt payments cannot be correspondingly reduced if changes in the Philippine property market or the Philippine economy negatively impact the Company's profitability.

Moreover, as the demand for and prevailing prices of real estate assets are directly related to the strength of the Philippine economy and the overall levels of business activity in the Philippines, any changes in economic, political or security conditions in the Philippines could significantly affect social trends, consumer spending habits, availability of labor and materials, construction costs, consumer sentiments, and other factors. The COVID-19 pandemic has resulted in economic slowdown and negative business sentiment, which may have an adverse effect on the Philippine property market outlook in terms of demand for and prices of real estate properties and, in turn could negatively affect the results of the Company's operations.

As the Company is highly dependent on the performance of the Philippine property market, particularly in the Metropolitan Manila area, the Company's profitability could be adversely affected by reduced levels of economic growth, adverse changes in the country's political or security situation, and/or weaker performance of the country's leasing market. In addition, any decline in the value of land or real estate in the Philippines may lead to a downward revaluation of the Company's properties and may decrease the rental rates for the Properties.

To mitigate this risk, the Company will continue to monitor major industry developments and adjust company policies, as necessary that may have been affected by changes in the business environment where the Company operates in.

Significant competition in the markets in which LPC currently operates in and plans to operate in the future could have a material adverse effect on its future prospects and profitability.

The Company operates in a highly competitive industry. Albeit a high barrier to entry, the capacity of real estate projects to yield attractive returns and cash flows attracts a lot of players. The intensity of competition depends largely on the number of market players, product differentiation, market supply, and demand. The Company faces competition from other companies that offer similar products and services to customers in the Makati and Pasig CBDs.

Real estate companies with greater financial resources and more attractive landbanks compete with LPC in various aspects of its business. Competition from these companies may adversely affect LPC's ability to develop and lease out its properties, or attract and retain lessees, and continued development by its competitors could result in market saturation of office and commercial space leases.

The Company believes it will be able to compete effectively banking on its solid operational and management history, as well as its profitability track record.

Disruption to the real estate industry by Remote Working, E-Commerce and Consumer Technology

The advent of technology, particularly on remote working, electronic commerce and artificial intelligence, has significantly transformed the business environment and consumer behavior. Traditional and outsourcing firms may be rationalizing their footprint while switching to remote working in the short- to medium term. The COVID-19 pandemic has forced companies to intensify digitalization and implement "work-from-home" policies, which largely reduce the demand for maintaining large physical/office work spaces.

To mitigate this risk, the Company will continue to monitor the leases and engage with the lessees. The Company also intends to maintain its current tenant base.

COVID-19 and other public health epidemics or outbreaks of diseases could have an adverse effect on economic activity in the Philippines, and could materially and adversely affect the Company's business, financial condition, and results of operations.

As of March 31, 2022, the Philippine Department of Health reported 3,678,245 total cases of the novel coronavirus ("COVID-19") nationwide with 59,249 deaths attributed to COVID-19. The Philippines reported 327 new cases on March 31, 2022. The Philippines remains vulnerable to exposure and spread of the disease for the following reasons: (a) the considerable number of OFWs globally; (b) the impact of international travel which raises the probability of transmission; and (c) lack of the necessary infrastructure to contain the spread of the disease. In response to the COVID-19 outbreak, the Philippines has imposed community quarantine measures and travel bans on several affected countries, which may have an adverse impact to the Company's ability to operate as efficiently as before COVID-19.

On February 27, 2022, acting Presidential Spokesperson and Cabinet Secretary Karlo Nograles announced the approval of the government's coronavirus task force in placing the capital region under Alert Level 1 from March 1 until March 15. On March 1, 2022, Metro Manila, along with 38 other areas throughout the country, is placed under Alert Level 1 and the coronavirus restrictions would be downgraded to the loosest level nearly two years after the pandemic.

On March 13, 2020, the Office of the President of the Philippines issued a memorandum imposing stringent social distancing measures in the National Capital Region ("NCR" or "Metro Manila") effective March 15, 2020 to contain the spread of COVID-19. Subsequently, Presidential Proclamation No. 929 was issued on March 16, 2020, declaring a State of Calamity throughout the country for a period of six (6) months and at the same time, imposed an enhanced community quarantine ("ECQ") throughout the island of Luzon until April 12, 2020, unless earlier lifted. The ECQ was extended twice, initially up to April 30, 2020 and then until May 15, 2020 for "high-risk" areas such as NCR, Regions 3 and 4 in Luzon and Region 7 in the Visayas.

On May 12, 2020, the Philippine government announced that it will ease quarantine measures in most areas of the country, but extended lockdowns in Metro Manila and select provinces until May 31, 2020, which the government termed as "modified" enhanced community quarantine ("MECQ"). The MECQ was the most stringent of a then new three-tiered quarantine system wherein areas were placed under general community quarantine ("GCQ"), while others under a lighter "modified" general community quarantine ("MGCQ"). On June 1, 2020, Metro Manila was placed under GCQ status. On August 2, 2020, Metro Manila and the provinces of Laguna, Cavite, Rizal and Bulacan were again placed under MECQ effective August 4, 2020 until August 18, 2020. These areas were transitioned back to GCQ after this period. On October 27, 2020, it was announced that NCR would remain under GCQ until November 30, 2020 while most of the country was already under the lighter MGCQ. Metro Manila and other provinces continued to be placed under GCQ until March 2021.

As the Philippines broke its all-time high of daily COVID-19 infections for the fifth time within one week on March 26, 2021, Metro Manila and nearby provinces of Bulacan, Cavite, Laguna and Rizal ("NCR Plus") were again placed under ECQ effective March 29, 2021 until April 11, 2021 to address the exponential rise in COVID-19 cases in the country leading to hospital capacity rates reaching critical levels. The Philippine government subsequently downgraded the lockdown level in NCR Plus, and, together with the City of Santiago, Quirino, and Abra, were placed under MECQ effective April 12, 2021 until May 14, 2021. During MECQ, real estate activities limited to leasing is allowed to operate at full on-site capacity, while real estate activities outside of leasing shall be allowed to operate at 50% on-site capacity. From August 6, 2021 to August 20, 2021, NCR Plus was once again placed under ECQ. The Government downgraded Metro Manila to MECQ from August 21, 2021 to September 15, 2021. Starting September 16, 2021, the Philippine government reduced the community quarantine to either ECQ or GCQ with the latter having an alert-level system (Alert Level 1 to 4) with each alert level limiting restrictions only to identified high-risk activities. On September 16, 2021, Metro Manila was placed under GCQ with Alert Level 4. Effective October 16, 2021 to November 4, 2021, Metro Manila was placed under GCQ with Alert Level 3. With the slow down of COVID-19 cases and to further ease the allowed activities and movement, the Philippine government reduced Metro Manila's Alert Level to 2 from November 5, 2021 to January 2, 2022. With the increasing number of COVID-19 case due to the omicron variant, Metro Manila was placed under Alert Level 3 effective January 3, 2022 to January 31, 2022. For the entire month of February 2022, Metro Manila was on Alert Level 2.

On February 27, 2022, with the declining number of COVID-19 cases in the country, the Philippine government announced that it will ease restrictions in most areas, placing NCR and thirty-eight other areas under Alert Level 1 from March 1 to 15, 2022, subject to the imposition of granular lockdowns and without prejudice to minimum public health standards and health and safety protocols issued by national government agencies for specific sectors.

Since March 2020, the Company has implemented various measures to mitigate the impact of the COVID-19 pandemic including a "no face mask, no face shield, no entry" policy, installation of thermal scanning devices and alcohol-based disinfectants and foot bath in all entry points in Liberty Plaza Building and Liberty Center Building, and adherence to other health and safety protocols.

There can be no assurance that the measures currently being undertaken and to be undertaken by the Company will be

sufficient to address the risks and uncertainties that COVID-19 may pose. COVID-19 and other public health epidemics could materially and adversely affect the Company's business, financial condition, and results of operations in case of temporary closures of Liberty Plaza Building and Liberty Center Building, disruption or suspension of the Company's operations due virus infection among its or its property managers' employees and/or tenants, delays or suspension of deliveries of supplies, non-payment or delayed payment of lease rentals, and, non-renewal or downsizing of leases. Moreover, any health and safety measures to be implemented by the Company will be an added expense and may affect its profitability.

However, the Company believes that COVID-19 will have minimal effects on its business operation due to the LPC Properties' high occupancy rates supported by long-term contracts with its tenants. In addition, due to the LPC Properties' ideal location, the Company believes that any vacancy in the Properties' commercial and office spaces will most likely be easily filled up. The Company noted that for the six months ended June 30, 2022 and 2021 and for the twelve months ended December 31, 2021 and 2020, COVID-19 has minimally affected its business and operations with a reduction in rental income amounting to ₱1,596,919, ₱2,110,128, ₱5,476,437 and ₱4,091,752, respectively. For 2022, the Company plans to maintain or retain current rental of lessees that are subject for renewal of contract of lease (no imposition of escalation) for a year or two and to continue to strictly implement minimum health protocols in order to address the attendant risks that COVID-19 may bring.

See "*Description of Business— Impact of Covid-19 to the Company's Operations*" for more information on the impact of COVID-19 on the Company's operations and the health and safety measures.

The Company's business is affected by environmental laws and regulations in the Philippines which could have a material adverse effect on the Company's financial condition and operations

The Company operates a material part of its businesses in a regulated environment. The Company is subject to numerous environmental laws and regulations relating to the protection of the environment and human health and safety. These include laws and regulations governing air emissions, water and waste water discharges, odor emissions, and the management of, disposal of, and exposure to hazardous materials. The Company is compliant with government regulating agencies relative to this. Clearances and permits are secured required reports are submitted within the mandated period

In general, construction of real estate projects requires the submission to the Philippine Department of Environment and Natural Resources ("DENR") of a detailed description of the projects to enable the DENR to ascertain the environmental impact that the projects may bring. At the DENR's discretion, particularly for environmentally sensitive projects, the DENR may require a detailed Environmental Impact Assessment Study, and possibly an Environmental Compliance Certificate to certify that a project will not have significant impact or pose potential risks to the environment.

There can be no assurance that current environmental laws and regulations applicable to the Company will not materially affect the costs of operating the LPC Properties beyond the currently projected levels or require additional capital expenditures in the future. In addition, the Company cannot predict what environmental, health, or safety regulations will be amended or enacted in the future, how existing or future laws or regulations will be enforced, administered or interpreted, or how much the amount of future expenditures may be required to comply with these environmental laws or regulations or to respond to environmental claims. The introduction or inconsistent application of, or changes in laws and regulations applicable to the Company's business could have a material adverse effect on its business, financial condition, and results of operations.

In addition, delays or other possible complications in obtaining the required regulatory and environmental permits could have a material adverse effect on the Company's business, financial condition, and results of operations.

To mitigate this risk, the Company keeps itself abreast of the latest compliance requirements, as well as the latest technologies that enable it to implement and comply with existing sanitation, environment and safety laws, and other regulations at cost-efficient means. For further discussion of the regulatory and environmental matters, and applicable government approvals and permits, please refer to the sections "*Regulatory and Environmental Matters*" and "*Description of Business – Government Approvals and Permits*" of this Prospectus.

The occurrence of natural or other catastrophes, or severe weather conditions may materially disrupt the Company's operations

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, floods, droughts, volcanic eruptions, and earthquakes that could adversely affect the Company's business.

On January 12, 2020, Taal Volcano erupted causing ashfalls and earthquakes in Metro Manila, Southern Luzon, some parts of Central Luzon, and Pangasinan. The Philippine Institute of Volcanology and Seismology ("PHIVOLCS") issued Alert Level 4, where a hazardous explosive eruption may be imminent. The volcanic eruption has forced many residents within the volcano's danger zone to evacuate to safer grounds, and has resulted to suspension of classes, work, and land and air travels. Taal Volcano is located about 95 kilometers from Makati City, Metro Manila and approximately 99 kilometers away from Pasig

City, Metro Manila. On April 26, 2021, PHIVOLCS issued Alert Level 2 for Taal Volcano where sudden steam-driven or phreatic explosions, volcanic earthquakes, minor ashfall, and lethal accumulations or expulsions of volcanic gas can occur and threaten areas with and around the volcano.

On March 31, 2022, three phreatomagmatic eruptions occurred in Taal Volcano. The Philippine News Agency reported that the first eruption generated plumes 900 meters high, and the two others both generated plumes 500 meters tall. Upwelling of hot volcanic fluids in the main crater lake generated plumes 1,500 meters high. Sulfur dioxide (SO₂) emission averaged 6,405 tons on March 30 2022, according to Phivolcs. As of April 1, 2022, Alert Level 3 (magmatic unrest) is maintained over the Taal Volcano, indicating there is magmatic intrusion at the main crater that may further drive succeeding eruptions.

There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Company's operations or any assurance that the Company will be capable of dealing with or recovering from such situations. These factors, which are not within the Company's control, could potentially have significant effects on the Company's operations and properties, particularly Liberty Plaza Building and Liberty Center Building which are large and complex buildings that are susceptible to structural damage and failure. While the Company maintains insurance to cover all natural or other catastrophes of such types and in amounts and with deductibles that the Company believes are in line with general industry practices in the Philippines, there are losses for which the Company cannot obtain insurance at a reasonable cost or at all. Should an uninsured loss or a loss in excess of insured limits occur, the Company could lose all or a portion of the capital invested in such property/ies, while remaining liable for any costs or other financial obligations related to the business. Any material uninsured loss could materially and adversely affect the Company's business and financial condition.

To mitigate the risk, the Company endeavors to keep its properties in good working condition, insured to their full insurable value with financially sound and reputable insurers against loss or damage in such manner and to the same extent as customary for a business of the same character.

RISK RELATING TO THE PHILIPPINES

The Company's operations and assets are based in the Philippines, hence a slowdown in Philippine economic growth could adversely affect the Company's business

All of the Company's business operations and assets are located in the Philippines and the Company derives all of its revenues and operating profits from the Philippines. As a result, the Company's income and the results of its operations are generally influenced by the performance of the Philippine economy.

In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the Peso, and imposition of exchange controls.

Other factors that may adversely affect the Philippine economy include:

- reduced business, industrial, manufacturing or financial activity in the Philippines or elsewhere in Southeast Asia;
- scarcity of credit or other financing available to the Government, corporations or individuals in the Philippines;
- fluctuations in currency exchange rates and interest rates or prolonged periods of inflation or deflation;
- levels of employment, consumer confidence and income;
- delays in obtaining government approvals and permits;
- Government budget deficits;
- public health epidemics or outbreaks of diseases, such as outbreak of COVID-19 in the Philippines or in other countries in Southeast Asia;
- significant changes to the Government's economic, social or tax policies;
- natural disasters, including tsunamis, typhoons, earthquakes, fires, floods and similar events;
- political instability, terrorism or military conflict in the Philippines, other countries in the region or globally;
- geopolitical tensions between the Philippines and other claimant countries concerning disputed territories in the West Philippine Sea;
- a downgrade in the long-term foreign and local currency sovereign credit ratings of the Philippines or the related outlook for such ratings; and
- other regulatory, political or economic developments in or affecting the Philippines.

There can be no assurance that the Philippines will maintain strong economic fundamentals in the future. Changes in the conditions of the Philippine economy could materially and adversely affect the Company's or its lessees' business, financial condition, and results of operations.

The Company's business operations and financial condition may be adversely affected by any political instability in the Philippines

The Philippines has from time to time experienced political and military instability. The Philippine Constitution provides that "in times of national emergency, when the public interest so requires, the State may, during the emergency and under reasonable terms prescribe by it, temporarily take over or direct the operation of any privately owned public utility or business affected with public interest". In recent years, there has been political instability in the Philippines, including public and military protests arising from alleged misconduct by Government officials, impeachment proceedings against the former President and the Chief Justice of the Supreme Court of the Philippines and hearings on graft and corruption issues against various Government officials. There can be no assurance that acts of political violence will not occur in the future and any such events could negatively impact the Philippine economy. An unstable political environment may negatively affect the general economic conditions and operating environment in the Philippines, which in turn could have a material adverse effect on the business, operations, and financial condition of the Company.

In June 2016, the Philippines elected a new chief executive, President Rodrigo Duterte. Since he assumed office, President Duterte's administration has demonstrated commitment in implementing fiscal, monetary, and trade policies that are consistent with the pursuit of rapid, broad-based economic growth. Among others, the administration is embarking on progressive tax reform and an ambitious infrastructure development agenda. However, perceptions over human rights violations and geopolitical issues may affect the overall sentiment on the Philippines and the business environment.

The current administration's budget up to 2022 initially provided for a higher allocation to implement an infrastructure program which would cover both government-funded and PPP projects. However, the effects of COVID-19 led to budget realignments and fund-raising activities geared towards public health and economic recovery.

Further, on May 09, 2022, the Philippines held its national and local elections, which includes most notably the presidential elections.

No assurance can be given that the political environment in the Philippines will remain stable and any political instability in the future could have an adverse effect on the results of operations and the financial condition of the Company.

Acts of terrorism in the Philippines could lead to possible destabilization of the country which could have an adverse effect on the Company's business, financial condition, and results of operations

The Philippines has been subject to a number of terrorist attacks in the past several years. The Philippine military has been in conflict with the communist New People's Army, the Muslim separatist rebels, and the Abu Sayyaf terrorist group, reported to have links with the Al-Qaeda and ISIS terrorist networks, which has been identified as being responsible for a number of kidnapping and terrorist activities in key cities in the southern part of the Philippines.

The Armed Forces of the Philippines ("AFP") has clashed with members of several separatist groups seeking greater autonomy, including the Moro Islamic Liberation Front, Moro National Liberation Front, and New People's Army.

These continued conflicts between the Government and separatist groups could lead to further injuries or deaths by civilians and members of the AFP, which could destabilize parts of the country and adversely affect the country's economy. Any such destabilization could cause interruption to parts of the Company's business and materially and adversely affect its financial condition, results of operations, and prospects.

Territorial disputes over the West Philippine Sea may affect the Philippine economy and business environment

China's sweeping claims of sovereignty over the West Philippine Sea ("WPS") based on its so-called "nine-dash line" have antagonized competing claimants Brunei, Indonesia, Malaysia, the Philippines, Taiwan, and Vietnam. As early as the 1970s, countries began to claim islands and various zones in the WPS, such as the Spratly Islands, which possess rich natural resources and fishing areas. In addition, there is strong evidence that China has expanded its military presence in the WPS which has further increased tension in the region among claimant countries.

In 2013, Philippines filed a case before the Permanent Court of Arbitration at the Hague, Netherlands challenging China's claims in the WPS aimed at resolving the dispute under the United Nations Convention on Laws of the Sea ("UNCLOS"). The Philippines v. China (PCA case number 2013-19)⁷, also known as the South China Sea Arbitration, was an arbitration case brought by the Republic of the Philippines against the People's Republic of China on January 22, 2013, under Annex VII to

⁷ The South China Sea Arbitration (The Republic of Philippines v. The People's Republic of China), The Permanent Court of Arbitration. <https://pca-cpa.org/en/cases/7/>

the UNCLOS concerning certain issues in the WPS, including the nine-dash line introduced by the Republic of China (Taiwan) since as early as 1947.

In July 2016, the Permanent Court ruled in favor of the Philippines and concluded that China's historic rights claims over the maritime areas (as opposed to land territories and territorial waters) inside the "nine-dash line" have no lawful effect if they exceed what is entitled to under UNCLOS.

While the Philippine Government, under the Duterte administration, has taken various actions to reduce tensions in the disputed WPS, certain incidents in the WPS have further aggravated the situation.

In March 2017, Chinese ships were spotted in the Benham Rise, a protected food supply exclusive zone of the Philippines, which the Chinese Ministry of Foreign Affairs stated that the ship was just passing by. However, the ship was revealed to have been on the area for about three months.

In April 2019, international satellites and local reports revealed that Chinese ships have swarmed Philippine-controlled areas in the WPS. On June 2019, a Chinese vessel rammed a fishing boat manned by Filipino fishermen at Recto Bank, an underwater reef formation being claimed by both the Philippines and China in the portion of the WPS. Abandoned in the open sea, the Filipino fishermen were eventually rescued by a Vietnamese vessel. A remuneration package is being arranged for the fishermen after the owners of the Chinese vessel have apologized to them.

In March 2021, Philippine President Rodrigo Duterte expressed concern to China's ambassador about 200 Chinese vessels massing in the WPS. The boats were moored at the Whitsun Reef (also known as the Julian Felipe Reef) within Manila's 200-mile exclusive economic zone ("EEZ").⁸ Chinese diplomats previously said that the Julian Felipe Reef is part of its traditional fishing grounds. Said vessels were believed to be manned by Chinese militias which the Chinese government denied and claimed that they were just taking shelter from rough seas. The Philippine Government has rejected the claim and filed diplomatic protests and increased patrols amid China's refusal to remove its vessels in the country's maritime zones. While the Chinese ships dispersed after a series of protests, they remained scattered around the Philippines' EEZ. The Philippines' National Task Force for the West Philippine Sea will continue to deploy additional vessels and aircraft in the area aimed to protect the national interest in the WPS, as well as intensify operations against illegal, unreported, and unregulated fishing in the EEZ.

On March 29, 2022, the Philippines has filed a diplomatic protest over a Chinese Coast Guard vessel engaging in "close distance maneuvering" that heightened a risk of collision in the disputed South China Sea. It is the latest of more than 200 diplomatic protests that the Southeast Asian country has filed against China, which claims large swathes of the South China Sea and continues to assert its presence in the strategic waterway.

There can be no assurance that the territorial dispute between China and the Philippines and other claimant countries would be resolved or that any existing tension will continue to heighten. Any further escalation in the territorial dispute could adversely affect the Philippines and its economy, China being the Philippines' biggest trading partner and import supplier, and second largest export market in 2020⁹. Any trade restrictions imposed by the two countries as a result may affect the performance of the Philippine economy, and could adversely affect the Company's business and operations.

Philippine Credit Rating

Historically, the Philippines' sovereign debt has been rated relatively low by international credit rating agencies. Although the Philippines' long-term foreign currency-denominated debt was affirmed by both Standard & Poor's and Fitch Ratings to the investment-grade rating of BBB+/Stable and BBB (but revised outlook from Stable to Negative, respectively, and the foreign currency and local currency sovereign has been upgraded by Moody's to a rating of Baa2 and stable outlook, no assurance can be given that Standard & Poor's, Fitch Ratings or Moody's or any other international credit rating agency will not downgrade the credit ratings of the Philippine Government in the future and, therefore, Philippine companies, including the Company. Any such downgrade could have an adverse impact on the liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including the Company, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available.

⁸ Philippines, Vietnam press China over vessels massing in South China Sea, Reuters, by Neil Jerome Morales, March 25, 2021. <https://www.reuters.com/article/us-philippines-china-southchinasea-idUSKBN2BH13R>

⁹ Philippine News Agency website

Investors may face difficulties enforcing judgments against the Company

It may be difficult for investors to enforce judgments against the Company obtained outside of the Philippines. In addition, majority of the Company's directors and officers are residents of the Philippines. All of the assets of the Company are located in the Philippines. As a result, it may be difficult for investors to effect service of process upon the Company or to enforce against the Company judgments obtained in courts or arbitral tribunals outside the Philippines predicated upon the laws of jurisdictions other than the Philippines.

The Philippines is party to the United Nations Convention on Recognition and Enforcement of Foreign Arbitral Awards, but it is not party to any international treaty relating to the recognition or enforcement of foreign judgments. Nevertheless, the Philippine Rules of Civil Procedure provide that a final and conclusive judgment of a foreign court is enforceable in the Philippines through an independent action filed to enforce such judgment, and without re-trial or re-examination of the issues, except if: (i) such judgment was obtained by collusion or fraud, (ii) the foreign court rendering such judgment did not have jurisdiction, (iii) such order or judgment is contrary to good customs, public order, or public policy of the Philippines, (iv) the party against whom the enforcement is sought did not receive notice of the proceedings before the foreign court, or (v) such judgment was based upon a clear mistake of law or fact.

Overseas shareholders may be subject to restrictions on repatriation of Pesos received with respect to the Common Shares.

The Bangko Sentral ng Pilipinas ("BSP") has issued restrictions on the sale and purchase of foreign exchange within the Philippine banking system. In particular, a foreign investment must be registered with the BSP if foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings which accrue thereon is sourced from the Philippine banking system.

The Government has, in the past, instituted restrictions on the conversion of Pesos into foreign currency and the use of foreign exchange received by Philippine residents to pay foreign currency-denominated obligations. The Monetary Board of the BSP, with the approval of the President of the Philippines, has statutory authority during a foreign exchange crisis or in times of national emergency to suspend temporarily or restrict sales of foreign exchange, to require licensing of foreign exchange transactions or to require delivery of foreign exchange to BSP or its designee. Any restrictions imposed in the future pursuant to such statutory authority could adversely affect the ability of investors to repatriate foreign currency upon sale of the Common Shares or dividends or distributions relating to them.

Corporate governance and disclosure standards in the Philippines may differ from those in other countries.

Although a principal objective of Philippine securities laws and the PSE listing rules is to promote full and fair disclosure of material corporate information, there may be less publicly available information about Philippine publicly-listed companies than is regularly made available by public companies in other countries. As a result, shareholders may not have access to the same amount of information or have access to information in as timely of a manner as may be the case for companies listed in other jurisdictions.

Furthermore, although the Company complies with the requirements of the Philippine SEC with respect to corporate governance standards, these standards may differ from those applicable in other jurisdictions. For example, the Revised Corporation Code requires that corporations vested with public interest like publicly listed companies shall have independent directors constituting at least twenty percent (20%) of their Board, other jurisdictions may require more independent directors. Furthermore, corporate governance standards may be different for public companies listed on the Philippine securities markets than for securities markets in other developed countries. Rules and policies against self-dealing and regarding the preservation of shareholder interests may be less well defined and enforced in the Philippines than elsewhere, putting shareholders at a potential disadvantage. Because of this, directors of Philippine companies may be more likely to have interests that conflict with the interests of shareholders generally, which may result in them taking actions that are contrary to the interests of shareholders.

The prospects of the Company may be influenced by major political and economic developments abroad.

The growth and profitability of LPC may be influenced by major political and economic developments, which may have a negative effect on the operations and financial results of LPC.

On 21 February 2022, Russian president Vladimir Putin announced that Russia recognizes the independence of two pro-Russian breakaway regions in eastern Ukraine. On 22 February 2022, the Russian Federation Council unanimously authorized the use of military force, and the entry of Russian soldiers into both territories. On 24 February 2022, places across Ukraine, including Kyiv, the national capital, were struck with missiles. The Ukrainian Border Guard reported attacks on posts

bordering Russia and Belarus. Shortly afterwards, Russian Ground Forces entered Ukraine prompting Ukrainian President Volodymyr Zelenskyy to enact martial law and general mobilization (the "Russo-Ukrainian War"). While the Company does not expect any material impact from the ongoing Russo-Ukrainian War to its current and future businesses, ongoing tensions may affect oil and commodity prices in the near to medium term.

Any political or economic developments of a global scale could impact prices in general and disrupt supply chains, which could in turn increase the Company's costs for the construction of its future projects. The Company continuously monitors such developments abroad and will assess any direct and indirect impact that the Russo-Ukrainian War may have on its current and future businesses.

RISKS RELATED TO THE COMMON SHARES

There can be no guarantee that the Common Shares will be listed on the PSE

There can be no guarantee that Listing with the PSE will occur. Should said Listing occur, there can be no guarantee that the Listing will be perpetually maintained. If the Common Shares do not become listed with the PSE or become delisted in the future, the market of the Common Shares will be illiquid and holders of the Common Shares might not be able to trade or receive the value of the Common Shares.

There can be no guarantee that the Listing with the PSE will commence on the anticipated Listing Date. Delays in the admission and the commencement of trading in shares on the PSE have occurred in the past. Further, there can be no assurance that prior to the anticipated Listing Date, there will be no developments in relation to COVID-19 and the response of the PSE, SEC, or any other relevant government authority, the Company, or other private parties that may adversely affect the Listing.

There has been no prior market for the Common Shares, so there may be no liquidity in the market for the Common Shares and the price of the Common Shares may fall

Prior to the Listing of the Common Shares at the PSE, there has been no public market for the Common Shares in the Philippines.

Even after the Common Shares have been approved for listing on the PSE, there can be no assurance that: (a) an active trading market for the Common Shares will develop or be sustained after the Listing; (b) the Initial Listing Price will correspond to the price at which the Common Shares will trade in the Philippine public market subsequent to the Listing; and (c) the trading volume of the Common Shares will be high or will be maintained as high. The Company cannot provide assurance of effective mitigation to such risk.

There is no assurance that investors may sell the Common Shares at prices and/or at times deemed appropriate.

The market price of the Common Shares can and does fluctuate

By the nature of securities listed in an exchange, the market prices of the said securities can and do fluctuate. Securities may experience upward or downward movements, and may even lose all their values.

When the Common Shares become listed with the PSE, it would be impossible to predict: (a) whether the price of the Common Shares will rise or fall; and (b) the date and time when the price of the Common Shares will rise or fall. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. There may be a substantial difference between the buying price and the selling price of the Common Shares. Trading prices of the Common Shares will be influenced by, among other things:

- variations in the Company's operating results;
- success or failure of the Company's management team in implementing business and growth strategies;
- gain or loss of an important business relationship;
- changes in securities analysts' recommendation, perceptions, or estimates of the Company's financial performance;
- changes in conditions affecting the industry, the general economic conditions, stock market sentiments or other events or factors;
- differences between the Company's actual financial operating results and those expected by investors and analysts;
- additions or departures of key personnel;
- changes in general market conditions and broad market fluctuations;
- involvement in litigation/s; and,
- other factors, including those that are beyond the Company's control.

In addition, many of the risks described elsewhere in this Prospectus could materially and adversely affect the market price of the Common Shares.

Moreover, as a result of the global economic downturn, the global equity markets have experienced price and volume volatility that has affected the share prices of many companies. Share prices for many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. Fluctuations such as these may adversely affect the market price of the Common Shares. These fluctuations may be exaggerated if the trading volume of the Common Shares is low.

The Common Shares may not be a suitable investment for all investors

Each prospective investor in the Common Shares must determine the suitability of an investment in the Common Shares in light of his/her/its own circumstances. In particular, each prospective investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Company and its businesses, the merits and risks of investing in the Common Shares, and the information contained in this Prospectus;
- have access to and knowledge of appropriate analytical tools to evaluate, in the context of his/her/its particular financial situation, an investment in the Common Shares and the impact the Common Shares will have on his/her/its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Common Shares, including where the currency for purchasing and receiving dividends on the Common Shares is different from the potential investor's currency;
- understand and be familiar with the behavior of any relevant financial markets; and
- be able to evaluate (either alone or with the help of advisor/s) possible scenarios for economic, interest rate, and other factors that may affect his/her/its investment and the ability to bear the applicable risks.

Future sales of Common Shares in the public market could adversely affect the prevailing market price of the Common Shares and shareholders may experience dilution in their holdings.

In order to finance the Company's business and operations, and any expansion thereof, the Board will consider funding options available to the Company, which may include the issuance of new shares through: (a) issuance of Common Shares from the Company's unsubscribed authorized capital stock; (b) issuance of Preferred Shares, or a series or as many series thereof, from the Company's unsubscribed authorized capital stock; and/or (c) issuance of Common Shares and/or Preferred from an increase in the Company's authorized capital stock. The Preferred Shares may have rights, preferences, and privileges that are different from and/or more advantageous than the Common Shares. The Company may also cause the listing with the PSE of any Common Shares and/or Preferred Shares that it may issue in the future.

For any of the above-mentioned instances, the Company's shareholders do not have the pre-emptive right to: (a) any issue or disposition of shares of the Company's capital stock; and (b) acquire, purchase, or subscribe to any obligation which the Company may issue or sell, which are convertible into or exchangeable for shares of the Company's capital stock, or to which shall be attached any warrant or any instrument that shall confer upon the holder of such obligation, warrant, or instrument the right to subscribe to, or acquire or purchase from the Company, any shares of the Company's capital stock.

Moreover, the market price of the Common Shares could decline as a result of future sales of substantial amounts of the Common Shares in the public market, the issuance of new Common Shares, issuance of new Preferred Shares, listing of Preferred Shares and/or additional Common Shares, and/or the perception that such sales, transfers or issuances. This could also materially and adversely affect the prevailing market price of the Common Shares or the Company's ability to raise capital in the future at a time and at a price that the Company deems appropriate.

If additional funds are raised through the issuance of new equity or equity-linked securities by the Company, the percentage ownership of existing shareholders may be diluted. Such securities may also have rights, preferences, and privileges senior to those of the Common Shares.

The Company's Common Shares and Preferred Shares (should the same be issued subsequently) are subject to Philippine foreign ownership limitations.

The Philippine Constitution, Commonwealth Act No. 141, Foreign Investments Act of 1991 as amended ("Foreign Investments Act"), Eleventh Regular Foreign Investment Negative List (Executive Order No. 65 dated October 29, 2018), and related statutes set restrictions on foreign ownership in companies engaged in certain nationalized activities. One of these nationalized activities is ownership of private lands in the Philippines where foreign ownership in corporations is limited to a maximum of forty percent (40%) of a corporation's total issued and outstanding capital stock entitled to vote. For this purpose, the Foreign Investments Act defined the term "Philippine National" as "a citizen of the Philippines, or a domestic partnership

or association wholly owned by citizens of the Philippines, or a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines, or a corporation organized abroad and registered to do business in the Philippines under the Corporation Code, of which 100% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine national and at least 60% of the fund will accrue to the benefit of Philippine nationals.”

Since the Company owns private lands in the Philippines, the above-mentioned forty percent (40%) foreign ownership limitation applies to the Company. As of the date of this Prospectus where the Company's outstanding shares cover Common Shares with voting rights only, all such conditions for foreign shareholder ownership under prevailing laws are complied with.

If Preferred Shares that are non-voting and non-convertible are issued by the Company in the future, the requirements under SEC Memorandum Circular No. 8, Series of 2013 need to be complied with. Under said Circular, foreign ownership in the Company shall be limited to a maximum of forty percent (40%) of: (a) the Company's Outstanding Capital Stock entitled to vote in the election of BOD, thus the Common Shares only; and (b) the Company's Outstanding Capital Stock, whether or not entitled to vote in the election of BOD, thus including the Preferred Shares.

Considering the foregoing, as long as the Company owns land in the Philippines the above-mentioned requirements need to be complied with.

Accordingly, the Company cannot allow the issuance or the transfer of the Common Shares to persons or entities other than Philippine Nationals and the Company cannot record transfers in the books of the Company if such issuance or transfer would result in the Company ceasing to be a Philippine National for purposes of complying with the restrictions on foreign land ownership discussed above. This restriction may adversely affect the liquidity and market price of the Common Shares to the extent international investors are not permitted to purchase Common Shares, especially in normal secondary sale transactions.

Shareholders may be subject to limitations on minority shareholders' rights.

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

The Revised Corporation Code, however, provides for minimum minority shareholders' protection in certain instances wherein a vote by the shareholders representing at least two-thirds of the Company's outstanding capital stock is required. The Revised Corporation Code also grants shareholders an appraisal right allowing a dissenting shareholder to require the corporation to purchase his/her/its shares in certain instances. Derivative actions are rarely brought on behalf of companies in the Philippines. Accordingly, there can be no assurance that legal rights or remedies of minority shareholders will be the same, or as extensive, as those available in other jurisdictions or sufficient to protect the interests of minority shareholders.

The Company is required to maintain a minimum public ownership of 20%

In accordance with the SEC Memorandum Circular No. 13 Series of 2017 and under the PSE Amended Rule on Minimum Public Ownership, particularly the Guidelines on MPO Requirement for Initial and Backdoor Listing under PSE Memorandum CN-No. 2020-0076 dated August 3, 2020 (“MPO Rule”), the Company is required to maintain a minimum public ownership (“MPO”) of twenty percent (20%) of its total issued and outstanding shares before and after listing.

Listed companies that are not compliant with the MPO Rule will be suspended from trading for a period of not more than six months and will automatically be delisted if it remains non-compliant with the MPO Rule after the lapse of the suspension period. Suspended or delisted shares will not be traded on the PSE. In addition, the sale of shares of listed companies that do not maintain the MPO are not considered publicly listed for taxation purposes and will, therefore, be subjected to capital gains tax and documentary stamp tax if sold.

There can be no assurance that the Company will be able to pay dividends or maintain any given level of dividends

If the Company does not generate sufficient net operating profit, the Company's income, unrestricted retained earnings, and resulting ability to pay dividends will be adversely affected. Under the Revised Corporation Code, the board of directors of a corporation may declare dividends out of the corporation's unrestricted retained earnings and said dividends may be payable in cash, property, or stock to all shareholders on the basis of outstanding stock held by them.

The following factors may affect ability of the Company's BOD to declare dividends:

- level of the Company's cash earnings, return on equity and retained earnings;

- Company's financial condition at the end of the year in respect of which the dividend is to be paid and its expected financial performance;
- projected levels of capital expenditure and other investment plans;
- restrictions of payment of dividends that may be imposed by any of the Company's financing arrangements and current and prospective debt service requirements; and
- such other factors as the Company's BOD deems appropriate.

Even if the Company's BOD approved and adopted a policy of declaring dividends equivalent to at least twenty percent (20%) of the Company's net income after tax for the relevant year, no assurance can be given as to the Company's ability to make or maintain dividends. Nor is there any assurance that the level of dividends will increase over time, or that the Company will generate adequate income available for dividends to shareholders. Moreover, under the Facility Agreement between the Company and BDO, no dividends other than dividends payable solely in shares of the Company's capital stock can be issued by the Company to its stockholders, upon an occurrence of an event of default under the said agreement, unless BDO gives a prior written consent.

See "*Dividends and Dividend Policy*" of this Prospectus.

Future changes in the value of the peso against the U.S. dollar or other currencies will affect the foreign currency equivalent of the value of the Common Shares and any dividends.

Fluctuations in the exchange rate between the Peso and other currencies will affect the foreign currency equivalent of the price of the Common Shares on the PSE which is denominated in Peso. Such fluctuations will also affect the amount in foreign currency received upon conversion of cash dividends or other distributions paid in Pesos by the Company and the Peso proceeds received from any sales of the Common Shares.

RISK RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

Certain statistics in this Prospectus relating to the Philippines, the industries and markets in which the Company's businesses compete, including statistics relating to market size, are derived from various Government and private publications, in particular, those produced by industry associations and research groups. This information has not been independently verified and may not be accurate, complete, up-to date, or consistent with other information compiled within or outside the Philippines.

In relation to information related to the Company and its operations, however, the Company has exercised diligence to the effect that to the best of the Company's knowledge and belief after having taken reasonable care to ensure that such is the case, the information contained in this Prospectus relating to the Company is true and there is no material misstatement or omission of fact that would make any statement in this Prospectus misleading in any material respect.

USE OF PROCEEDS

The Company and its stockholders will not be offering Common Shares for subscription or sale in connection with the Property Dividend Distribution and the Listing.

Consequently, there will be no proceeds from the Property Dividend Distribution and the Listing.

DETERMINATION OF INITIAL LISTING PRICE

Upon Listing, the Initial Listing Price for the Common Shares will be ₱0.107 per Common Share.

For clarity and as a statement in favor of the PSE, the Company highlights that the aforementioned Initial Listing Price determined by the Company is supported by the aforementioned Valuation and Fairness Opinion Report dated May 25, 2021 prepared by *R.G. Manabat & Co.*, a firm accredited by the PSE in accordance with the PSE Guidelines for Fairness Opinions and Valuation Report.

The above-mentioned Valuation and Fairness Opinion Report of *R.G. Manabat & Co.* stated that the indicative valuation of the Company was derived using a combination of three (3) methods as follows:

- Income Approach, specifically the Discounted Cash Flow method;
- Market Approach using the price-to-book multiple and,
- Cost Approach method.

The Initial Listing Price of ₱0.107 per Common Share is within the estimated total fair value range based on the Valuation and Fairness Opinion Report issued by *R.G. Manabat & Co.* which is from ₱0.0602 per Common Share to ₱0.145 per Common Share.

DILUTION

Prior to the Property Dividend Distribution and as of date of this Prospectus, the Company has 25,000,000,000 issued and outstanding Common Shares and zero (0) issued and outstanding Preferred Shares. There will be no issuance of additional Common Shares in connection with the Property Dividend Distribution and Listing.

Based on information given by LFM, 10,350,000,000 LPC Common Shares, covered by the Property Dividend Declaration, shall be distributed to the holders of LFM common shares as of December 18, 2020. Accordingly, the distribution by LFM of 10,350,000,000 LPC Common Shares as Property Dividend to all holders of common shares of record of LFM as of December 18, 2020 will result in the dilution of LFM's ownership interest in the Company as shown below:

Name of Stockholder	Common Shares Before Property Dividend Distribution		Common Shares After Dividend Distribution	
	No. of Shares	Percentage (%)	No. of Shares	Percentage (%)
Liberty Flour Mills, Inc.	24,999,999,993	100.00%	14,649,999,993	58.60%

PLAN OF DISTRIBUTION OF THE DIVIDEND SHARES

As of the date of this Prospectus:

- On February 17, 2021, LFM filed with the SEC an application for the approval of the Property Dividend Declaration;
- Based on information given by LFM, 10,350,000,000 LPC Common Shares shall be distributed to the holders of LFM common shares as of December 18, 2020 (the above-mentioned 10,350,000,000 LPC Common Shares shall be referred to as "Dividend Shares");
- On August 19, 2021, the SEC issued the Certificate of Filing the Notice of Property Dividend Declaration in favor of LFM, which declared property dividends consisting of 10,350,000,000 shares of its subsidiary, LPC in favor of LFM's 441 stockholders of record as of 18 December 2020; and
- The payment date of the property dividend declaration of LFM is June 15, 2022.

The BIR assessed documentary stamp tax and final tax on LFM's declaration of property dividends. LFM advanced the payment for the assessed taxes on 3 September 2021 and on 14 September 2021 respectively. As of the date of this Prospectus, the BIR had issued eCARs for the 358 out of the 441 stockholders, in five (5) out of six (6) batches, on the following dates: 28 December 2021, 25 January 2022, 27 January 2022, 12 April 2022 and 26 May 2022. The eCARs for the 83 stockholders remain unissued to date due to the non-recognition by the BIR's system of the stockholders' tax identification numbers.

The BIR also issued a Certification dated 21 April 2022, certifying that it has approved LFM's application for the issuance of eCARs on its declaration of property dividends on account of LFM's payment of the taxes. This Certification was issued upon LFM's request, in light of the remaining eCARs unissued as of that date. Hence, for the 83 stockholders who have not been issued the eCAR, the BIR shall manually issue the CARs.

The payment date of the Property Dividend Distribution of LFM is June 15, 2022. The Company has caused the transfer of the Dividend Shares in the books of the Company in favor of the appropriate entitled LFM stockholders on June 15, 2022.

Apart from the Property Dividend Distribution, the Common Shares will not be offered for subscription or sale in connection with the Property Dividend Distribution and the Listing. Consequently, there will be no proceeds from the Dividend Distribution and the Listing.

INTERESTS OF NAMED EXPERTS AND INDEPENDENT COUNSELS

INDEPENDENT OPINION ON THE LEGALITY OF THE COMMON SHARES SOUGHT FOR REGISTRATION

The legality of the Common Shares sought for registration was passed upon by *Ponferrada San Juan & Fernandez Law Offices*, the independent legal counsel. *Ponferrada San Juan & Fernandez Law Offices* does not have and will not receive any direct or indirect interest in the Company or in any of the Company's securities (including options, warrants or rights thereto) pursuant to, or in connection with the Common Shares, and has not acted as promoter, underwriter, voting trustee, or as the Company's employee.

INDEPENDENT OPINION OF TAX COUNSEL WHERE TAX MATTERS ARE MATERIAL TO AN INVESTOR AND A REPRESENTATION AS TO THE TAX CONSEQUENCES SET FORTH

Certain tax matters under Philippine law relating to the Dividend Distribution and Listing were passed upon by *Puyat Jacinto and Santos Law Offices*, the independent tax counsel. *Puyat Jacinto and Santos Law Offices* does not have and will not receive any direct or indirect interest in the Company or in any of the Company's securities (including options, warrants or rights thereto) pursuant to, or in connection with the Common Shares, and has not acted as promoter, underwriter, voting trustee, or as the Company's employee.

FINANCIAL ADVISER

BDO Capital & Investment Corp. provided advice in connection with the Listing processes.

INDEPENDENT EXTERNAL AUDITOR

Sycip Gorres Velayo & Co. ("SGV" or the "Auditors") has audited the Company's financial statements as of and for the six months ended June 30, 2022 and for the calendar years ended December 31, 2021, 2020 and 2019, in accordance with Philippine Standards on Auditing. The Auditors have agreed to the inclusion of its report as shown in Annexes "A-1" to "A-2" of this Prospectus in connection with the registration of the Common Shares under the provisions of the SRC and the Listing.

The Auditors do not have and will not receive any direct or indirect interest in the Company or in any of the Company's securities (including options, warrants or rights thereto) pursuant to, or in connection with the Common Shares, and has not acted as promoter, underwriter, voting trustee, or as the Company's employee.

Audit and Audit-Related Fees

The table below sets forth the aggregate fees billed to the Company for the six months ended June 30, 2022 and each of the last three fiscal years for professional services rendered by SGV & Co., excluding fees directly related to the Listing:

	For the six months	Years Ended December 31		
	ended June 30 2022	2021	2020	2019
(a) Audit and audit-related fees	₱500,000.00	₱ 367,253.00	₱534,369.00	₱ 252,568.00
(b) Tax fees	-	-	284,978.00	-
Total	₱500,000.00	₱367,253.00	₱ 819,347.00	₱ 252,568.00

Notes:

(1) Audit and Audit-Related Fees. This category includes the audit of annual and interim financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years. The fees presented above include out-of-pocket expenses incidental to the independent auditor's work.

(2) Tax fees are professional fees in connection with the transfer pricing services and preparation of information return on transaction with related party for the calendar year ended December 31, 2020. The fees presented above include out-of-pocket expenses.

The aggregate fees accrued by SGV & Co. to the Company for June 30, 2022 audit is ₱500,000.00.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no disagreements with the Auditors of the Company on accounting and financial disclosure.

Audit Committee Approval Policies and Procedures

Under the Manual on Corporate Governance of the Company, the Audit Committee shall, among others (i) prior to commencement of the audit, discuss with the external auditor the nature, scope, and expenses of the audit, and ensure proper coordination if more than one audit firm is involved; (ii) evaluate and determine any non-audit work, if any, performed by the external auditors, including the fees therefore, and ensure that such work will not conflict with external auditors' duties as such or threaten its independence; (iii) assess the integrity and independence of the external auditor; and (iv) perform oversight functions over the external auditors.

LISTING EXPENSES

Although no proceeds will be derived from the Property Dividend Distribution and Listing, the Company will incur the following estimated expenses:

Item	Amount (in Php)
SEC Fees	
Registration Fee	1,231,250.00
Publication Fees	32,347.00
Legal Research Fee	123,125.00
PSE Fees	
Filing Fee	1,240,344.00
Legal, Accounting and Professional Fees ¹	7,390,000.00
Messengerial Fee	20,000.00
Printing of Property Dividend Certificates	26,000.00
Retainers fee for Transfer Agent	25,000.00
Miscellaneous	3,291.60
Total	10,091,357.60

Notes:

1. *Legal, Accounting and Professional Fees are broken down as follows: Auditor (P2,000,000), Legal counsels (P715,000), Financial Advisor (P3,000,000), Independent Financial Adviser (P700,000), Transfer Agent (P250,000), Escrow Agent (P225,000), Appraiser (P500,000)*

There is no separate premium paid by the Company on any policy to insure or indemnify a director, or officer against any liability that they may incur in connection with the registration of the Company's shares.

INDUSTRY OVERVIEW

The information stated in this "Industry Overview" section, including all data (actual, estimates and forecasts) and market conditions, was based on publicly available sources and was not independently verified by the Company. The Company does not give any representation as to accuracy of the information stated in this "Industry Overview" section and said information should not be relied upon in making, or refraining from making, any investment decision.

This "Industry Overview" section includes forecasts and other forward-looking statements. These forward-looking statements are necessarily based on various assumptions and estimates that are inherently subject to various risks and uncertainties relating to possible invalidity of the underlying assumptions and estimates and possible changes or development of social, economic, business, industry, market, legal, government, and regulatory circumstances and conditions and actions taken or omitted to be taken by others. Actual results and future events could differ materially from such forecasts. A prospective investor in the Common Shares should not place undue reliance on such forward-looking statements, or on the ability of any party to accurately predict future industry trends or performance. Unless otherwise indicated, certain forward-looking statements contained herein were made prior to the COVID-19 pandemic and have not been updated to account for the impact of such outbreak. There can be no assurance that such forward-looking statements would not have been materially different if the COVID-19 pandemic had been taken into account.

The Philippine Economy

The Philippines is one of the most dynamic economies in the East Asia Pacific region. The Philippine economy benefits from strong consumer demand supported by a vibrant labor market and robust remittances. Key industries, with notable performance, include the real estate, business and knowledge process outsourcing, and financial services sector. These key industries continue to serve as catalyst to a growing middle class and increased urbanization across key metropolitans in the country.

Sound economic fundamentals and a globally recognized competitive workforce reinforce growth and sustain momentum. Between fiscal years 2010-2019, the Philippine Gross Domestic Product ("GDP") average growth rate was at 6.4% (an average of 4.5% between 2000-2009).¹⁰ Despite posting a negative GDP growth of 3.9% during the 1Q 2021 in view of the prolonged effect of the pandemic, the Philippine economy managed to stage a rebound in 2Q 2021 with GDP expanding by 12.0% year-on-year as the government tried to balance the need to address the pandemic situation and the need to restore jobs and incomes among the working population by loosening mobility restrictions during the period. Positive GDP growth was likewise sustained for the succeeding quarters of the year with the economy growing at 6.9% and 7.7% year-on-year during the 3Q and 4Q of 2021, respectively. The country's GDP grew by 5.6% year-on-year in 2021, exceeding Government's adjusted target of 5.0% to 5.5% for the year. During 4Q 2021 or prior to the spread of the highly transmissible COVID-19 Omicron variant, the country saw a sharp decline in COVID-19 cases, encouraging most businesses to open at near or full capacity during the period.¹¹

The Philippine economy expanded by a better-than-expected 8.3% in the first quarter, surpassing the pre-pandemic output level as household spending surged amid the easing of coronavirus curbs. Preliminary data released by the Philippine Statistics Authority (PSA) showed gross domestic product (GDP) accelerated by 8.3% year on year in the January to March period, a turnaround from the 3.8% contraction in the same period last year. It was also faster than the revised 7.8% growth in the fourth quarter of 2021.¹²

Policy Rates

The BSP cut the overnight reverse repurchase (RRP) rate by 25 basis points (bps) to 2.00% in November 2020. At its meeting on monetary policy on May 19, 2022, the Monetary Board decided to raise the interest rate on the BSP's overnight reverse repurchase facility by 25 basis points to 2.25 percent, effective Friday, 20 May 2022. Accordingly, the interest rates on the overnight deposit and lending facilities were raised to 1.75 percent and 2.75 percent.¹³

The surge of the COVID-19 Delta and Omicron Variant in the Philippines during prompted shift to the more stringent ECQ classification in multiple occasions. NCR was then re-classified to MECQ from August 21 to September 15, 2021. The restricted mobility is expected to up inflation rate due to constraints on supplies of main food commodities and the rising global crude oil prices. BSP's policy-making Monetary Board, during its rate-setting meet in March, hiked the central bank's average inflation

¹⁰ [Philippines Overview: Development news, research, data | World Bank](#)

¹¹ [Philippine Statistics Authority | Republic of the Philippines \(psa.gov.ph\)](#)

¹² <https://www.bworldonline.com/top-stories/2022/05/13/448261/q1-gdp-surpasses-pre-pandemic-level/>

¹³ <https://www.bsp.gov.ph/>

forecast this year to 4.3 percent from 3.7 percent and the 2023 forecast to 3.6 percent from 3.3 percent. However, despite of the forecast uptick in the inflation rate, the BSP is of the view that prevailing monetary policy settings remain accommodative to help quicken the economy's transition toward a sustainable recovery. Continuing monetary policy support, together with sustained fiscal initiatives to ensure public welfare, should help mitigate strong headwinds to growth.¹⁴

Looking ahead, the BSP remains committed to deploying its full range of monetary instruments and regulatory relief measures as needed in fulfillment of its mandate to promote non-inflationary and sustainable growth over the long term.¹⁵

COVID-19 Disruption

The outbreak of COVID-19 in the second quarter of 2020 and the declaration of the Enhanced Community Quarantine have caused widespread business interruption and derailed the momentum of real economic growth demonstrated in the preceding decade. On the backdrop of Government-imposed business shutdowns and limited mobility, the resulting decrease in consumption, postponement of infrastructure project, decreased remittances, and stunted direct investments, the Philippine GDP contracted by 8.3% during the fourth quarter of 2020 and 9.5% for the full year 2020¹⁶. A recovery was seen in 2021 with the Philippine Economy having expanded by 7.7% in the last quarter of 2021 as easing mobility restrictions perked up consumer spending and business activities, bringing full-year growth to 5.6%¹⁷. The Philippine economy expanded by a better-than-expected 8.3% in the first quarter, surpassing the pre-pandemic output level as household spending surged amid the easing of coronavirus curbs. On February 27, 2022, with the declining number of COVID-19 cases in the country, the Philippine government announced that it will ease restrictions in most areas, placing NCR and thirty-eight other areas under Alert Level 1 from March 1 to 15, 2022, subject to the imposition of granular lockdowns and without prejudice to minimum public health standards and health and safety protocols issued by national government agencies for specific sectors. NCR and other areas remain in Alert Level 1 until June 15, 2022.

The full-year 2021, the industry and services sectors grew by 8.2 percent and 5.3 percent, respectively, representing a strong rebound from the contractions experienced by these sectors the previous year. The agriculture sector, however, experienced a slight decline of 0.3 percent amid the challenges the sector continued to face, including the African swine fever and super typhoons.¹⁸

On the expenditure side, private consumption grew by 4.2 percent, a stark reversal from 2020's -7.9 percent indicating a returning consumer confidence as a result of relaxed quarantine restrictions and the accelerated vaccination program, Investments recorded a robust growth of 19 percent rebounding from -34.4 percent in 2020, supported by a 37.4-percent growth in public construction as the government proceeded full-steam ahead with the implementation of the "Build, Build, Build" infrastructure program.¹⁹

The Philippines has revised its 2022 gross domestic product growth (GDP) target to 7.0%-8.0% to take into account external risks. It also slightly lowered the budget deficit target to 7.6% of GDP from 7.7%, among revisions that it said took into account the impact of Russia-Ukraine conflict, China's slowdown, and monetary policy normalisation in the United States. The government, however, kept the GDP growth target at the 6.0%-7.0% range for 2023 and 2024, as it expects the domestic economy to sustain its strong recovery in the medium term.²⁰

Infrastructure Development Tailwinds

Before the COVID-19 pandemic, the Philippines was riding on the coattails of the Duterte administration's "Build, Build, Build" program, which called for an up to ₱9 Trillion (US\$171 Billion) investment in new infrastructure projects in the country between 2017 to 2022. In the years leading up to 2019, this infrastructure boom boosted domestic consumption which was fueled by a healthy labor market²¹. Of the 75 infrastructure projects under the program, 22 are for Metro Manila and 7 of the said 22 Metro Manila projects are earmarked to go live in 2021²². For year 2021, the Government has set aside ₱109 Billion for the Transportation Department (DOTr) and about ₱667 Billion for the Department of Public Works and Highways (DPWH). For 2022, the Government has set aside ₱76 Billion for DOTr and ₱787 Billion for DPWH. According to the Department of Budget

¹⁴ Philippine News Agency website

¹⁵ Philippine News Agency website

¹⁶ (<https://psa.gov.ph/foreign-investments/technical-notes>)

¹⁷ (<https://psa.gov.ph/foreign-investments/technical-notes>)

¹⁸ <https://www.pna.gov.ph/>

¹⁹ Philippine News Agency website

²⁰ <https://www.reuters.com/article/philippines-economy-idUKL2N2XG00H>

²¹ President Duterte's "Talk to the People", April 12, 2021 (<https://pcpp.gov.ph/presidential-speech/talk-to-the-people-of-president-rodrigo-roa-duterte-coronavirus-disease-2019-covid-19-52/>)

²² *Build, Build, Build: The Real Estate Implications of Metro Manila's Infrastructure Boom*, CBRE Research, November 2019

and Management²³, these allocations will support the construction of infrastructure projects such as roads, airports, and bridges across the country beyond the current administration's term and will likely deliver positive developments to the property development sector.

Table 1 Build, Build, Build: Metro Manila Infrastructure Projects²⁴

Project		Target Completion (year)
Railways	LRT-2 East Extension	2021
	MRT-LRT Common Station	2021
	MRT Line 7	2022
	MRT Line 4	2025
	Metro Manila Subway Line 9 (a)	2026
	Makati intra-City Subway Line 5 (b)	2026
Roads	Skyway Stage 3 (c)	Completed in October 2020
	NLEX-SLEX Connector Road (d)	2022 ²⁵
	Skyway SLEX Extension (e)	2021
Bridges	Estrella-Pantaleon Bridge	2021
	BGC-Ortigas Link Bridge (f)	2021
Airports	Clark Airport Modernization	2021
	NAIA Redevelopment	2024
	The New Manila International Airport (g)	2025

- (a) Mega Manila Subway – is a 32-kilometer underground rapid transit line running north to south between the cities of Quezon, Pasig, Makati, Taguig (Bonifacio Global City ["BGC"]), Pasay, and the Ninoy Aquino International Airport ("NAIA"). The line will include 14 stations and has the capacity to carry 1.5 million commuters daily.
- (b) Makati Intra-city Subway – is an 11-kilometer underground rapid transit line which will play a key role in decongesting the Philippines' main financial center, Makati City. It will serve Rockwell Centre, Makati City Hall, Ayala Avenue, and locations on the fringes of the Makati CBD.
- (c) Skyway Stage 3 - this road will connect to the North Luzon Expressway ("NLEX") Harbor Link via the NLEX-South Luzon Expressway ("SLEX") Connector and is a critical component of the EDSA Decongestion Project. At least 55,000 vehicles are expected to be diverted from EDSA, C5 (Circumferential Road 5), and other major thoroughfares, thereby reducing the travel time between Makati to NLEX to 20 minutes and Alabang to NLEX to only 30 minutes
- (d) NLEX-SLEX Connector - the first section the NLEX Connector road, which runs from Grace Park, Caloocan City to España St., Sampaloc, Manila, will be operational in year 2021. The second section which runs from España to the Polytechnic University of the Philippines, will be completed in year 2022. This project is expected to divert at least 35,000 motorists daily from EDSA and C5. NLEX Corp. just started work on the foundation of the 3-km Sta. Mesa section, which forms part of the 8-km NLEX Connector, which is targeted for completion by the end of 2022.
- (e) Skyway SLEX Extension - this project aims to reduce traffic buildup along SLEX heading to Alabang and the Alabang viaduct. The Skyway extension will expand capacity by adding 3 lanes northbound and 2 lanes southbound.
- (f) BGC-Ortigas Link Bridge – The bridge will increase the connectivity between BGC and Ortigas Center and reduce travel time between both CBDs to 12 minutes. Both are mainstays of business process outsourcing companies. The BGC side of the bridge is home to Uptown Bonifacio, while the Ortigas side of the bridge is a low-income residential area expected to attract new commercial developments.

²³ FY 2021 General Appropriations Bill, President Rodrigo Roa Duterte Signs the P4.506 Trillion National Budget for FY 2021, December 28, 2021(<https://www.dbm.gov.ph/index.php/press-releases/list-of-press-releases>)

²⁴ Build, Build, Build Program Updates (<https://www.build.gov.ph>)

²⁵ <https://business.inquirer.net/340539/nlex-operator-starts-work-on-connector-roads-sta-mesa-section>

- (g) The New Manila International Airport – this project will be located in Bulacan, 35-km north of Metro Manila, and is intended to alleviate congestion from NAIA. Bulacan is home to a large educated workforce and the new airport is expected to attract commercial and residential developments in the area. Currently, Bulacan is home to industrial and logistics facilities. Surrounding areas between Metro Manila and Bulacan are expected to benefit.

Real Estate Sector Dislocation

The COVID-19 pandemic has caused a significant interruption to the long-run growth of the Philippines' consumer-driven economy. Colliers sees the office market finally turning a corner as it recorded a positive net take-up in Q1 2022 after seven consecutive quarters of negative absorption. Traditional and outsourcing companies continue to dominate demand as they take advantage of the rental correction and availability of new office buildings in major business districts. Companies' return-to-office mandates should also support the office absorption over the next twelve months.²⁶

On the demand side, outsourcing and traditional firms dominated take-up in Q1 2022. Collier has said that they expect a further improvement in net absorption in 2022 as firms execute return-to-office (RTO) plans. On the supply side, Colliers sees the completion of 821,900 sq. meters of new office space. Nearly 60% of the new supply is likely to come from the Ortigas CBD, Makati Fringe and Bay Area.²⁷

Vacancies²⁸

According to Colliers Q4 2021 Real Estate Market Report, Vacancy reached 15.7% in 2021, higher than the 9.1% posted in 2020. In 2022, we see vacancy rising to 18.9% due to muted pre-leasing and new office supply. This is in line with Colliers' earlier forecast of 15.6% vacancy in 2021. The rising Covid cases due to the Omicron variant will likely delay occupiers' back-to-office initiatives.

In 2021, Colliers posted the delivery of about 633,900 sq metres (6.9 million sq feet) of new office space, up 48% from the 427,900 sq metres (4.6 million sq feet) in 2020. This is lower than the previous forecast of 749,700 sq metres (8.1 million sq feet) due to document processing delays, limited manpower and muted pre-leasing. The significant amount of new office space completed in 2021 of about 633,900 sq metres (6.8 million sq feet) gives expanding occupiers a broader selection of offices to move into.

Vacancy reached 17.3% in Q1 2022 from 15.7% in Q4 2021. Colliers revises its year-end projection of an 18.2% vacancy from 18.9% due to tapered new supply.²⁹

Near-Term Recovery Conditions

Infrastructure spending, revival of domestic demand, and timely a vaccination program rollout were identified as key prerequisites to economic recovery. Should mobility restrictions continue, The World Bank forecasts Philippine GDP to expand 5.7% this year.³⁰ Similarly, Fitch Ratings affirms the Philippines' 'BBB' rating and projects GDP to expand by 6.9% in year 2022 and 7.0% in 2023³¹. The Philippines has revised its 2022 gross domestic product growth (GDP) target to 7.0%-8.0% to take into account external risks.

In year 2020, the BSP has front-loaded a flurry of rate cuts bringing down the policy rate to 2.0% while inflation trends closer to the top-end of their 2.0-4.0% inflation target. In May 2022, the BSP raised rates by 25 basis points to 2.25% to rein in inflationary concerns.

In December 2021, the Duterte Administration signed into law the Php 5.0 Trillion national budget for 2022. Disbursements for the first quarter of 2022 ended up at P1,101.2 billion, growing by P83.3 billion or 8.2 percent year-on-year. Spending for the period was mainly driven by higher allotment and capital transfers to LGUs.³²

²⁶ Colliers International Q1 2022 Property Market Report (<https://www.colliers.com/en-ph/research/colliers-quarterly-property-market-report-office-q1-2022-philippines>)

²⁷ Colliers International Q1 2022 Property Market Report (<https://www.colliers.com/en-ph/research/colliers-quarterly-property-market-report-office-q1-2022-philippines>)

²⁸ Colliers International Q4 2021 Real Estate Industry (<https://www.colliers.com/en-ph/research/colliers-quarterly-property-market-report-office-q4-2021-philippines>)

²⁹ Colliers International Q1 2022 Property Market Report (<https://www.colliers.com/en-ph/research/colliers-quarterly-property-market-report-office-q1-2022-philippines>)

³⁰ <https://www.bworldonline.com/>

³¹ <https://www.fitchratings.com/>

³² https://www.dbm.gov.ph/wp-content/uploads/DBCC/2022/NG-Disbursements_March%202022_for%20posting.pdf

On February 27, 2022, with the declining number of COVID-19 cases in the country, the Philippine government announced that it will ease restrictions in most areas, placing NCR and thirty-eight other areas under Alert Level 1 from March 1 to 15, 2022, subject to the imposition of granular lockdowns and without prejudice to minimum public health standards and health and safety protocols issued by national government agencies for specific sectors. NCR and other areas remain in Alert Level 1 until June 15, 2022.

Real Estate Opportunities³³³⁴

In 2021, Colliers posted the delivery of about 633,900 sq metres (6.9 million sq feet) of new office space, up 48% from the 427,900 sq metres (4.6 million sq feet) in 2020. This is lower than our previous forecast of 749,700 sq metres (8.1 million sq feet) due to document processing delays, limited manpower and muted pre-leasing. 422,400 sq metres (4.5 million sq feet) of office transactions were recorded, up 18% from 357,400 sq metres (3.8 million sq feet) posted in 2020. Traditional occupiers engaged in E-commerce and financial services, as well as government agencies and transport and logistics firms led take-up in 2021 followed by outsourcing companies. Among the firms that

Colliers Philippines saw an improvement in transactions in 2021 as traditional and outsourcing firms continue to drive transactions across Metro Manila. Further improvements are expected in 2022 supported by the completion of close to 900,000 sq metres (9.7 million sq feet) of new office supply. Traditional and outsourcing occupiers led office space take-up in 2021. Net absorption is projected to pick up in 2022 as occupiers execute expansion and return to office plans. Note that Colliers sees this recovery as a slow recovery starting H2 2022 supported by sustained office absorption as inquiries are likely to materialize after six to 12 months. The completion of new office space and the substantial decline in rents in Fort Bonifacio, Ortigas CBD and Bay Area should enable occupiers to consider these prime locations for their expansion and return to office plans in the next 12 months.

Similarly, as logistics firms and warehouse developers look into the construction of new warehouses and upgrading of existing assets in the next 12 to 24 months. Essentially, Colliers expects a healthy demand for warehouses sustained by an economy that is primarily household spending-driven.

Following this trend, Colliers projects vacancy to increase in 2021 due to the substantial upcoming supply in the second half. Vacancy is seen declining starting 2022 as Colliers projects the economic incentives from the CREATE law benefitting occupiers and increased investment inflows raising industrial space absorption. The sector rebound in 2022 would be on the backs of the continued attraction of traditional and some outsourcing occupiers from discounted rent.

In Q1 2022, Colliers saw 306,100 sq metres (3.3 million sq feet) of new office space coming online This is more than double the 114,300 sq metres (1.2 million sq feet) completed in Q4 2021. In 2022, Colliers expects new supply reaching 821,900 sq metres (8.8 million sq feet), 30% higher than the 633,900 sq metres (6.8 million sq feet) in 2021. Colliers believes that traditional and outsourcing firms are likely to lead office absorption in 2022. Colliers further believes office space absorption is likely to be supported by firms' return-to-office mandates.

³³ Colliers International Q4 2021 Real Estate Industry (<https://www.colliers.com/en-ph/research/colliers-quarterly-property-market-report-office-q4-2021-philippines>),

³⁴ Colliers International Q1 2022 Property Market Report (<https://www.colliers.com/en-ph/research/colliers-quarterly-property-market-report-office-q1-2022-philippines>)

DESCRIPTION OF BUSINESS

OVERVIEW AND HISTORY

The Company is a real estate company incorporated with the SEC on December 18, 1995 under its original name, Alfaro Land Holdings Corporation, and was given the SEC Registration Number/Company Reg. No. AS095-012561. It changed its corporate name to its current name, LFM Properties Corporation, on November 12, 1996, which was approved by the SEC on January 9, 1997.

On October 4, 2005, the SEC approved the Articles and Plan of Merger executed on April 28, 2005 by and between LPC, the surviving corporation, and the following as absorbed corporations: LFM Land Corporation and Valero Land Corporation. In the said Merger, the entire assets and liabilities of LFM Land Corporation and Valero Land Corporation were transferred to and absorbed by LPC. Other than the aforementioned merger, the Company has not been involved in any material reclassification, merger, consolidation, purchase, or sale of significant amount of assets not in the ordinary course of business.

The Company's principal executive office is located at 3rd Floor, Liberty Building, 835 A. Arnaiz Avenue, Makati City, Metro Manila, Philippines.

The Company is not a holder of a secondary license issued by the SEC.

The Company does not have a subsidiary nor affiliate company.

The Company is not and has not been involved in any bankruptcy, receivership, or similar proceeding.

In terms of intellectual property rights, the Company does not own, hold, or in any other way, have patents, trademarks, copyrights, licenses, franchises, concessions, and royalty agreements.

Latest Constitutive Documents

The Company's primary purpose as stated in its Articles of Incorporation (as amended), in addition to express powers of a corporation under the Revised Corporation Code, states:

"To deal and engage in the real estate business in all its aspects; to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent, or otherwise deal in and dispose of, for itself or for others, all kinds of real estate projects, involving commercial, industrial, residential, urban, or other kinds of real property, improved or unimproved; to acquire, purchase, hold, manage, develop, and sell land with or without buildings or improvements, for such consideration and in such manner or form as the corporation may determine or as the law may permit; to erect, construct, alter, manage, operate, lease, in whole or in part, buildings and tenements of the corporation or other persons; to engage in real estate consultation and management, including identifying, purchasing, conceptualizing, preparing masterplans and layouts for land and building developments, managing the properties of and advising clients, developing or executing plans, undertaking project management, and overseas construction, and, to the extent necessary to accomplish the corporation's primary purpose as set forth herein, to aid in any manner (including to issue or give guarantees) any corporation, association, or trust estate, domestic or foreign, or any firm or individual, any shares of stock in which or any bonds, debentures, notes, securities, evidences of indebtedness, contracts, or obligations of which are held by or for this corporation, directly or indirectly or through other corporations or otherwise."

The latest amendment to the Company's Articles of Incorporation was approved by the SEC on September 19, 2016. Said latest amendment included, among others, the following:

- a. The particulars of the Common Shares were revised to Thirty Billion (30,000,000,000) Common Shares with a par value of One Centavo (₱0.01) each;

Non-voting and non-convertible Preferred Shares were included. For the said Preferred Shares: (i) there are One Million Preferred Shares with a par value of One Hundred Pesos (₱100.00) each; and (ii) Preferred shares may be issued from time to time in one or more series, and with features, such as number of shares, dividend rate, price and amount of participation, as the Company's BOD may determine;

- b. Should the Company become listed with the PSE: (i) the Company is not allowed to change its primary and/or secondary purposes stated in its Articles of Incorporation (as amended) for a period of seven (7) years following the date of initial listing; and (ii) the Company shall comply with the lock-up requirement provided under the Listing Rules of the Main and

SME Boards of the Philippine Stock Exchange dated 6 June 2013;

- c. The restriction on the transfer of shares which would reduce the ownership of Filipinos to less than the percentage required by law to be owned by Filipino citizens is now indicated as based on outstanding capital stock or voting stock; and
- d. Stockholders of the Company shall have no pre-emptive right to: (i) any issue or disposition of shares of the Company's capital stock; and (ii) acquire, purchase, or subscribe to any obligation which the Company may issue or sell, which are convertible into or exchangeable for shares of the Company's capital stock, or to which shall be attached any warrant or any instrument that shall confer upon the holder of such obligation, warrant, or instrument the right to subscribe to, or acquire or purchase from the Company, any shares of the Company's capital stock

Capital Stock

As of the date of this Prospectus:

- The Company has an authorized capital stock of Four Hundred Million Pesos (₱400,000,000.00) comprised of the following: Thirty Billion (30,000,000,000) Common Shares with a par value of ₱0.01 per Common Share; and One Million (1,000,000) non-voting, non-convertible Preferred Shares with a par value of ₱100.00 per Preferred Share;
- The Company has a subscribed, paid-up, and Outstanding Capital Stock of Two Hundred Fifty Million Pesos (₱250,000,000.00) comprising of Twenty-Five Billion (25,000,000,000) Common Shares and Zero (0) Preferred Shares;
- There are no Common Shares held as Treasury Shares; and
- There are no existing plans nor transactions involving the issuance of Preferred Shares.

The Revised Corporation Code defines the term "Outstanding Capital Stock" as "total shares of stock issued under binding subscription contracts to subscribers or stockholders, whether fully or partially paid, except treasury shares" and the term "Treasury Shares" as "shares of stock which have been issued and fully paid for, but subsequently reacquired by the issuing corporation through purchase, redemption, donation, or some other lawful means".

All the Common Shares of the Company are unclassified and have identical rights and privileges. As stated above, the Company's stockholders do not have the pre-emptive right to: (a) any issue or disposition of shares of the Company's capital stock; and (b) acquire, purchase, or subscribe to any obligation which the Company may issue or sell, which are convertible into or exchangeable for shares of the Company's capital stock, or to which shall be attached any warrant or any instrument that shall confer upon the holder of such obligation, warrant, or instrument the right to subscribe to, or acquire or purchase from the Company, any shares of the Company's capital stock.

Should Preferred shares be issued in the future, it may involve one or more series and features, including dividend rate, price, amount of participation, and other terms and conditions, that may be determined by the Company's Board of Directors.

Since the Company owns private land located in the Philippines, foreign shareholdings in the Company cannot exceed forty percent (40%) of the Company's issued and outstanding capital stock. This is pursuant to Article XII, Section 7 of the Constitution in relation to Chapter 5 of the Commonwealth Act No. 141. As such, the issuance and/or transfer of the Common Shares and/or Preferred Shares to persons other than those considered as Philippine Nationals under the law shall not be allowed, and transfers in violation thereof will not be recorded in the books of the Company, if such issuance or transfer would result in the Company ceasing to be a Philippine National for purposes of complying with the applicable nationality requirements. In addition, to the extent foreign ownership exceeds 40% of the Company's outstanding capital stock, the Company's stockholders may be required to divest foreign ownership to comply with the foreign ownership restrictions.

The Company's BOD is authorized to declare dividends, provided that the Company has sufficient unrestricted retained earnings and all requirements of the law and regulations are complied with. A cash dividend declaration does not require any further approval from the shareholders and SEC. A property dividend declaration does not require further approval from the shareholders but needs to be approved by the SEC. A stock dividend declaration requires the further approval of shareholders holding or representing not less than 2/3 of the Company's Outstanding Capital Stock and does not require SEC approval. Such shareholders' approval may be given at a general or special meeting duly called for such purpose.

On March 25, 2021, the Board of Directors of the Company approved and adopted a policy declaring dividends, in favor of its stockholders equivalent to at least twenty (20%) of the Company's net income after tax for the relevant year. Under the Facility Agreement between the Company and BDO covering a ₱600,000,000.00 term loan, the Company undertook that, if it is in

default under said agreement, it will not declare or pay dividends to its stockholders of partners (other than dividends payable solely in shares of the Company's capital stock), unless BDO gives its prior written consent. As of the date of this Prospectus, the Company is not in default under the said agreement.

Parent Company; Property Dividend

On November 25, 2020, the Board of Directors of LFM approved the declaration of property dividend covering 10,350,000,000 LPC Common Shares owned by LFM in favor of holders of LFM Common Shares as of record date December 18, 2020 at the ratio of sixty-nine (69) LPC Common Shares for every one (1) LFM common share (Property Dividend Declaration).

As of the date of this Prospectus:

- On February 17, 2021, LFM filed with the SEC an application for the approval of the Property Dividend Declaration;
- Based on information given by LFM, 10,350,000,000 LPC Common Shares shall be distributed to the holders of LFM common shares as of December 18, 2020 (the above-mentioned 10,350,000,000 LPC Common Shares shall be referred to as "Dividend Shares");
- On August 19, 2021, the SEC issued the Certificate of Filing the Notice of Property Dividend Declaration in favor of LFM, which declared property dividends consisting of 10,350,000,000 shares of its subsidiary, LPC in favor of LFM's 441 stockholders of record as of 18 December 2020; and
- The payment date of the property dividend declaration of LFM is June 15, 2022.

Prior to the Property Dividend Distribution, LFM was the legal and beneficial owner of 100% of the Company's Outstanding Capital Stock. LFM owns 24,999,999,993 LPC Common Shares and the remaining seven (7) Common Shares in the Company's Outstanding Capital Stock are owned by the directors of the Company.

The BIR assessed documentary stamp tax and final tax on LFM's declaration of property dividends. LFM advanced the payment for the assessed taxes on 3 September 2021 and on 14 September 2021 respectively. As of the date of this Prospectus, the BIR had issued eCARs for the 358 out of the 441 stockholders, in five (5) out of six (6) batches, on the following dates: 28 December 2021, 25 January 2022, 27 January 2022, 12 April 2022 and 26 May 2022. The eCARs for the 83 stockholders remain unissued to date due to the non-recognition by the BIR's system of the stockholders' tax identification numbers.

The BIR also issued a Certification dated 21 April 2022, certifying that it has approved LFM's application for the issuance of eCARs on its declaration of property dividends on account of LFM's payment of the taxes. This Certification was issued upon LFM's request, in light of the remaining eCARs unissued as of that date. Hence, for the 83 stockholders who have not been issued the eCAR, the BIR shall manually issue the CARs.

The payment date of the Property Dividend Distribution of LFM is June 15, 2022. The Company has caused the transfer of the Dividend Shares in the books of the Company in favor of the appropriate entitled LFM stockholders on June 15, 2022.

After the Property Dividend Distribution, the Company shall continue to be a subsidiary of LFM. Based on the information given by LFM concerning the Property Dividend Distribution, after the Property Dividend Distribution:

- LFM's shareholdings in the Company shall decrease to 58.60% of the Company's Outstanding Capital Stock; and
- Parity Values Inc., a corporation incorporated under Philippine laws that holds 40.35% of LFM's Outstanding Capital Stock as of December 18, 2020, shall become a stockholder of the Company to 16.70% of the Company's Outstanding Capital Stock.

Below is a map showing the relationship between the Company and its parent company, LFM, prior to and after the Property Dividend Distribution.

Prior to the Dividend Distribution and as of the date of this Prospectus	After the Dividend Distribution
<p style="text-align: center;">Liberty Flour Mills, Inc. (Parent Company)</p> <p style="text-align: center;">100% ↓</p> <p style="text-align: center;">LFM Properties Corporation</p>	<p style="text-align: center;">Liberty Flour Mills, Inc. (Parent Company)</p> <p style="text-align: center;">58.60% ↓</p> <p style="text-align: center;">LFM Properties Corporation</p>

THE COMPANY'S BUSINESS

The Company currently derives all its revenues from lease rentals of real estate properties owned by the Company (the LPC Properties) and located in the busy central business districts/commercial hubs in Metro Manila.

LPC Properties

The LPC Properties consist of the following:

- Land and Building

Liberty Plaza Building is a 21-storey building with ground floor spaces, two (2) basement parking, five (5) levels of podium parking and 13 floor offices (without 13th floor) located at 102 H.V. Dela Costa Street corner Valero and San Agustin Streets, Salcedo Village, Makati City, Metro Manila. The ground floor is being utilized and leased for commercial spaces. Parking spaces are in basement 1 and 2 and podium 2 to 6th floor. The seventh to nineteenth floors are used as office spaces. Gross floor area of the building is 18,056.68 square meters and leasable area is 8,549 square meters, more or less. Completed in Year 2019, the building is not organized as a condominium development and the Company is the sole registered owner of the entire building. The building is not PEZA accredited. The land where the building is situated consists of an area of approximately 997 square meters.

Map and Pictures – Liberty Plaza Building

Figure 2: Location of the Property

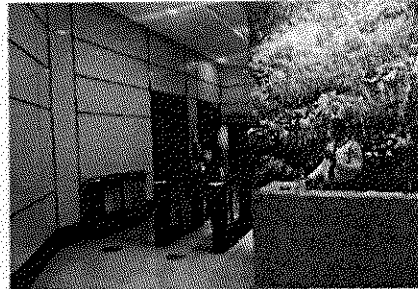


Source: Google Maps

Figure 1: Photos of the Property



Main Building Lobby



Ground Lobby



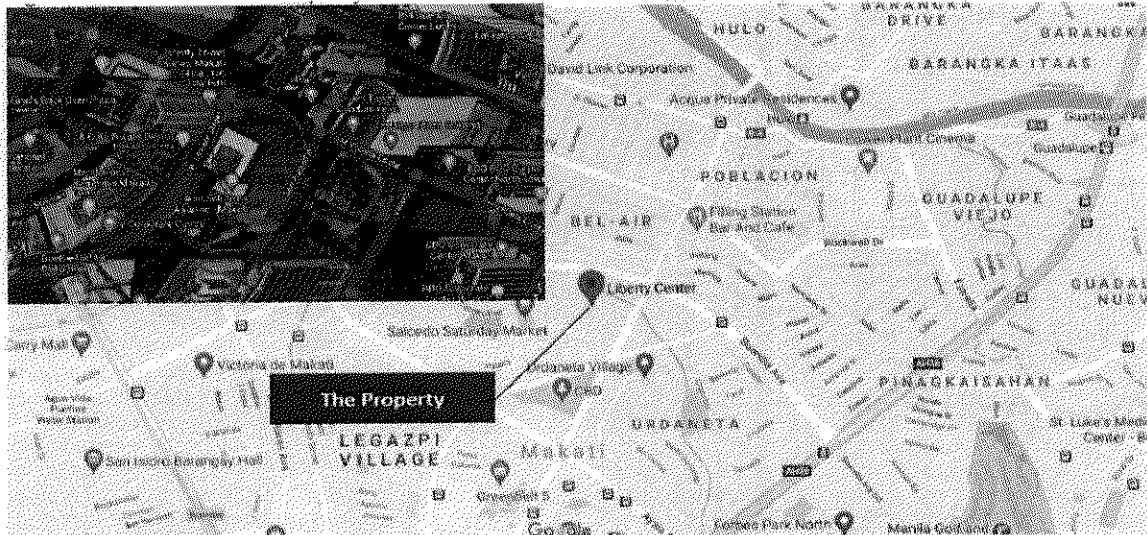
19th Floor



20th Floor

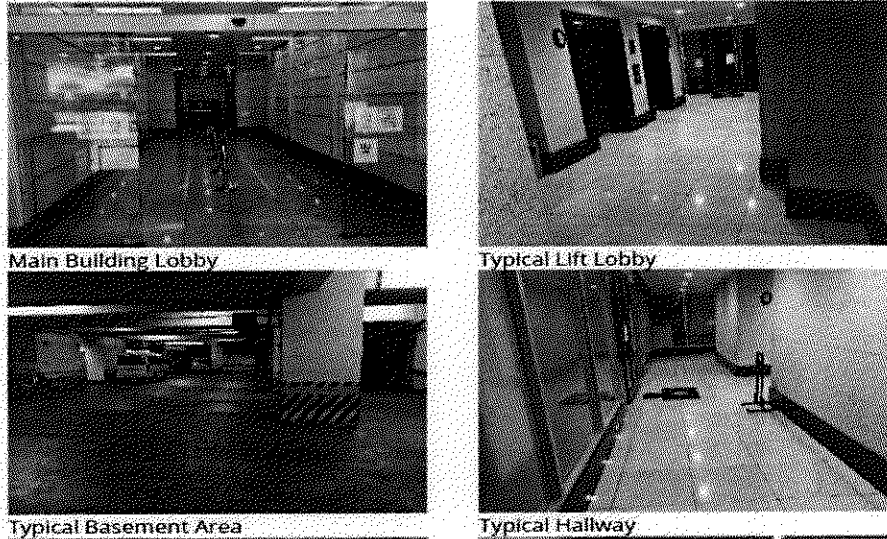
Liberty Center Building is a 21-storey building with ground floor spaces, three (3) basement parking, four (4) levels of podium parking and 13 floor offices (without 13th floor) located at 104 H.V. Dela Costa Street corner L.P Leviste and San Agustin Streets, Salcedo Village, Makati City, Metro Manila. The ground floor is being utilized and leased for commercial spaces. Parking spaces are in basement 1 to 3 and podium 2 to 5th floor. The sixth to nineteenth floors are used as office spaces. Gross floor area of the building is 20, 265.85 square meters and leasable area is 8,103 square meters, more or less. Completed in Year 2000, the building is not organized as a condominium development and the Company is the sole registered owner of the entire building. The building is not PEZA-accredited. The land where the building is situated consists of an area of approximately 1,035 square meters.

Map and Pictures – Liberty Center Building



Source: Google Maps

Figure 1: Photos of the Property



Liberty Plaza Building and Liberty Center Building are situated in adjacent properties that are zoned as Commercial (C-4) under Makati City Zoning Ordinance of 2013 under Commercial Sub-Zone (C-4A), which is the central business district ("CBD") zone primarily for high-density office and residential developments.

Makati CBD is the largest growth center in the city with hospitals, hotels, malls, and offices and it houses 40% of the top 1,000 corporations in the country such as the Philippine Long Distance Telephone Company (PLDT), Bank of the Philippine Islands (BPI), and Ayala Corporation. It is also the location of office and residential skyscrapers such as PBCOM Tower, the tallest office building in the country, Discovery Primea, G. T. International Tower, Petron Megaplaza, and the RCBC Plaza Yuchengco Tower. Makati CBD's real estate environment is heavy on vertical structures with pockets of medium-rise establishments for retail and commercial use. There are several upscale residential condominiums in the area, as well as some office buildings³⁵.

Liberty Plaza Building and Liberty Center Building are leased out to institutional/corporate clients with varying lease terms.

The Company manages the operations of the Liberty Plaza Building and Liberty Center Building, including the administration office and engagement of third-party contractors for security and janitorial/cleaning services.

Based on the Appraisal Report as at April 6, 2021 issued by Colliers International Philippines, Inc., the market value of the two (2) buildings and the land where it is situated as of December 31, 2020 are, as follows:

Building	Total Market Value
Liberty Plaza Building	₱1,589,199,896.00
Liberty Center Building	₱1,086,220,283.00

As of the date of this Prospectus:

- the land and all improvements thereon where Liberty Plaza Building is situated is covered by a real estate mortgage in favor of Rizal Commercial Banking Corporation (RCBC) covering the amount of ₱250,000,000.00 the loan facility with RCBC secured by the said mortgage is currently un-availed/no amount due;

Should the loan facility with RCBC be availed, the limitations on the ownership and use of the Liberty Plaza Building based on the Real Estate Mortgage between RCBC and the Company are, as follows: (a.) Company shall promptly make all repairs necessary on the mortgaged property in order to preserve the same in good condition; (b.) Company shall duly pay all lawful taxes or assessments upon the mortgaged property; (c.) company shall insure the mortgaged

³⁵ Valuation Report as at April 6, 2021 issued by Collier's International Philippines, Inc. for Liberty Plaza Building and Liberty Center Building

property against loss or damage by fire and earthquake for its full insurable value with company/ies approved by RCBC; (d.) company shall make such insurance payable to RCBC as its interest in the mortgaged property may appear; (e.) Company shall not allow the mortgaged property to be expropriated by the national, provincial, or municipal government, without applying the entire proceeds therefrom to the payment of the obligation to RCBC; (f.) Company cannot mortgage or encumber a second mortgage on the mortgaged property without the prior written consent of RCBC, nor sell the same without prior notice to RCBC; and (g.) RCBC may at anytime and upon written notice to the Company, inspect the mortgaged property in order to determine compliance with the terms of the mortgage.

- the land and all improvements thereon where Liberty Center Building is situated is covered by a real estate mortgage in favor of BDO Unibank, Inc. (BDO) covering the amount of ₱600,000,000.00. Said mortgage secures a term loan with BDO under a Facility Agreement notarized on February 18, 2021 covering the amount ₱600,000,000.00 payable for up to five (5) years. The purpose of the said loan is to term-out the outstanding balance of the Company's credit line with BDO. The current availment of the Company under of said term loan is ₱580,000,000.00 and the interest to be charged will either be a variable interest rate (higher of 3-month Benchmark Rate plus a margin of 1.20% divided by Applicable Premium Factor and 4.25% per annum) or a fixed interest rate (higher of 5 year Benchmark Rate plus a margin of 1.20% divided by the Applicable Premium Factor and 4.875% per annum).

Based on the Facility Agreement and Real Estate Mortgage between BDO and the Company, the limitations on the ownership and use of the Liberty Center Building are, as follows: (a.) Company cannot sell or dispose of all or substantially all of the Company's properties; (b.) no further lien shall be created on the mortgaged property and the Company cannot sell or encumber with a second mortgage the mortgage property; (c.) Company cannot demolish nor make any alteration in the mortgaged property without BDO's prior written consent; (d.) Company shall promptly pay all taxes, assessments and government charges for the mortgaged property; (e.) the property mortgaged shall be insured against loss or damage by fire, earthquake, flood and fortuitous event for the mortgaged property's full insurable value with a responsible insurance company acceptable to BDO; (f.) Company shall preserve the property mortgaged in good condition and fit for the use intended and should the said property be destroyed totally or partially by fire, earthquake, typhoon, or any other cause whatsoever, Company shall replace and/or substitute additional properties as security; and (g.) Company shall not allow any portion of the mortgaged property to be expropriated by the government or any of its instrumentalities.

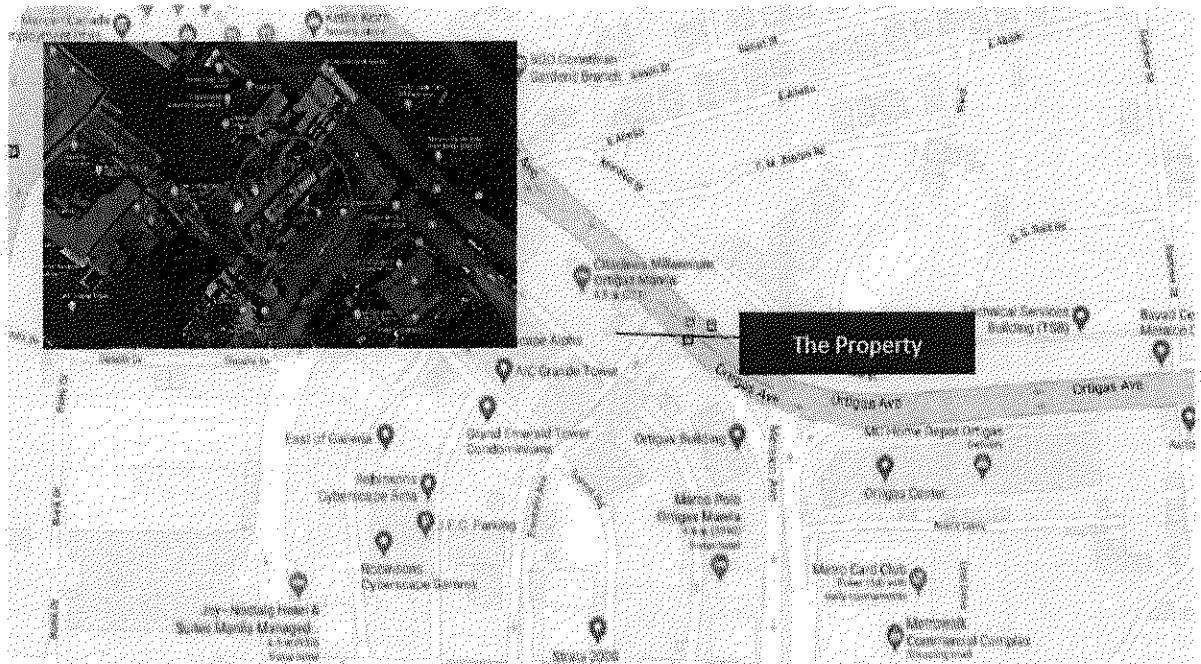
In the said Facility Agreement with BDO, the Company also undertook, among others, not to undertake the following without BDO's prior consent in writing: (a.) permit any material change in the character of the Company's business; (b.) permit any material change in ownership or control of the Company's business, capital stock, or in the composition of the top level management; (c.) upon the occurrence of an event of default, declare or pay dividends, retain, retire, purchase any class of the capital stock, or make capital or asset distribution to stockholders; (d.) extend loans or advances to its directors, officers, or stockholders, except duly approved employee benefit loans; and (e.) undertake or incur capital expenditure outside of the ordinary course of business.

- Vacant Commercial Land

The Company owns a piece of land with an area of 2,094 square meters, more or less, located at Lot 5 Block 1 Ortigas Ave. corner F. Ortigas Jr. and Sapphire Roads, Ortigas Center, Brgy. San Antonio, Pasig City, Metro Manila ("Ortigas Vacant Commercial Land"). The Ortigas Vacant Commercial Land is registered under the name of the Company and covered by Transfer Certificate of Title No. PT-138927 issued on June 30, 2008 by the Register of Deeds of Pasig City. The Ortigas Vacant Commercial Land is a vacant commercial land that is currently being leased to a lessee who is currently using the land as a staging area for construction. Previously, the lessee used the land as parking spaces.

The Ortigas Vacant Commercial Land is approximately 80 meters northeast from Garnet Road, 290 meters southeast from the corner of Garnet Road and ADB Avenue, or about 575 meters southeast from the intersection of Ortigas Avenue and Epifanio Delos Santos Avenue (EDSA). The land is not PEZA-accredited.

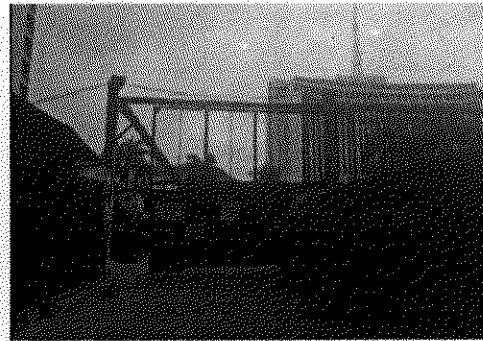
Map and Pictures – Ortigas Vacant Commercial Land



Source: Google Maps



The Property



The Ortigas Vacant Commercial Land is zoned as Commercial (C-3) under Pasig City Zoning Ordinance adopted in Year 2015. Ortigas Center is a financial and central business district located at the boundaries of Pasig, Mandaluyong, and Quezon City in the Philippines. It is Metro Manila's second most important business district after the Makati CBD. Ortigas Center is home to many shopping malls, office and condominium skyscrapers, other building complexes, nightlife bars and restaurants. These include the St. Francis Square, the Asian Development Bank compound, the Oakwood Premier serviced apartments and a Shangri-La hotel. It is also the headquarters of San Miguel Corporation, Jollibee Foods Corporation, the

Philippine branch of HSBC, and Robinsons Galleria. Also present in the area are Philippine offices of prominent engineering firms such as Parsons Brinckerhoff, Sinclair Knight Merz, and WSP Group. It also home to the Banco de Oro main office owned by mall taipan Henry Sy, Sr. SM Megamall, the third largest mall in the world and the largest in the country, is also in the Center along EDSA, as is The Medical City, one of the three hospitals in the country accredited by the Joint Commission on International Accreditation³⁶.

Based on the Appraisal Report as at March 31, 2021 issued by Colliers International Philippines, Inc., the market value of the Ortigas Vacant Commercial Land as of December 31, 2020 is ₱782,800,000.00.

As of the date of this Prospectus, the Ortigas Vacant Commercial Land is not the subject of any mortgage or lien.

• Condominium Units

The Company owns two (2) residential condominium units at Pacific Plaza Condominium located at 6741 Ayala Avenue and Apartment Ridge Road, Brgy. Urdaneta Village, Makati City, Metro Manila that are currently for lease:

Unit 31A, 31st Floor covers an area of 285 square meters, more or less, and is owned by and registered under the name of the Company and covered by Condominium Certificate of Title No. 006-2018007477 issued on June 20, 2018 by the Register of Deeds of Makati City.

Unit 31B, 31st Floor has an area of 285 square meters, more or less, and is owned by and registered under the name of the Company and covered by Condominium Certificate of Title No. 006-2018007476 issued on June 20, 2018 by the Register of Deeds of Makati City

(collectively as “Pacific Plaza Condominium Units”).

The Pacific Plaza Condominium Units are two (2) bedroom residential units in Pacific Plaza Condominium that are leased out in a non-furnished condition to tenants, consisting of ceramic tiles and laminated wood finish on concrete slab, painted plastered cement walls, and drop ceilings. The units were provided with installations and fixtures, as well as, electrical, plumbing and fire-fighting services.

The Pacific Plaza Condominium is a 43-storey residential development situated along Ayala Avenue, in the Makati CBD. The building has complete amenities such as a swimming pool, fitness center with spa & squash court, landscaped garden, grand lobby, round-the-clock security, and ample parking space. Glorietta shopping complex is located across the street. It was built in 1992³⁷.

Map – Pacific Plaza Condominium

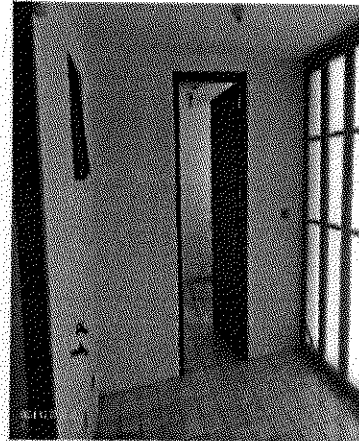
Note: The Company owns only two (2) condominium units in this condominium

³⁶ Valuation Report as at March 31, 2021 issued by Collier's International Philippines, Inc. for the Ortigas Vacant Commercial Land

³⁷ Valuation Report as at April 6, 2021 issued by Collier's International Philippines, Inc. for the Condominium Units in Pacific Plaza



Bedrooms



Bedrooms

Based on the Appraisal Report dated April 9, 2021 issued by Colliers International Philippines, Inc., the market value of Pacific Plaza Condominium Units is ₱69,000,000.00.

As of the date of this Prospectus, the Pacific Plaza Condominium Units are not the subject of any mortgage or lien.

Based on the appraisal reports issued by Colliers International Philippines, Inc., the total market value of the LPC Properties as of December 31, 2020 is ₱3,527,220,179.00, as summarized below.

		Market Value as of December 31, 2020
a.	Liberty Plaza Building	₱ 1,589,199,896.00
b.	Liberty Center Building	₱ 1,086,220,283.00
c.	Ortigas Vacant Commercial Land	₱ 782,800,000.00
d.	Condominium Units in Pacific Plaza	₱ 69,000,000.00
	Total	₱ 3,527,220,179.00

In December 2021, the Company entered into a Contract to Sell for the purchase of land for a consideration of ₱214,455,000 (exclusive of VAT) payable on monthly installment basis until year 2026. Other than the said intended purchase of the commercial lot in Nuvali, the Company does not intend to acquire any other property in the next twelve (12) months.

For more information, please refer to the section entitled "Description of Property" of this Prospectus.

Leases involving the LPC Properties

- **Contribution of each Property to the Company's gross income**

The contributions of the leases from the LPC Properties to the Company's gross income for the 6 months ended June 30, 2022 and in years 2021, 2020, 2019 and 2018 are, as follows:

Property	Total amount of lease rentals for the period				
	6 months ended June 30, 2022	Full Year 2021	Full Year 2020	Full Year 2019	Full Year 2018
Liberty Plaza Building	₱67,060,937, representing 59% of gross income	₱134,009,223, representing 60% of gross income	₱140,015,011, representing 61% of gross income	₱90,043,311 ³⁸ , representing 50% of gross income	not applicable, not yet operational
Liberty Center	₱43,014,661,	₱83,830,484,	₱83,831,026,	₱82,830,681,	₱86,065,140,

³⁸ Liberty Plaza Building was operational only for seven (7) months in 2019.

Building	representing 38% of gross income	representing 37% of gross income	representing 36% of gross income	representing 46% of gross income	representing 94% of gross income
Ortigas Vacant Commercial Land	₱2,472,635, representing 2% of gross income	₱ 4,864,200 representing 2% of gross income	₱4,864,200, representing 2% of gross income	₱4,679,950, representing 3% of gross income	₱4,254,500, representing 5% of gross income
Pacific Plaza Condominium Units	₱606,436, representing 1% of gross income	₱ 1,034,051 representing 1% of gross income	₱1,092,289, representing 1% of gross income	₱1,017,398, representing 1% of gross income	₱1,109,822, representing 1% of gross income

- **Occupancy Rate**

The occupancy rate of the LPC Properties as of July 31, 2022 and for years 2021, 2020, 2019 and 2018 are, as follows:

Property	Occupancy Rate				
	As of July 31, 2022	Year 2021	Year 2020	Year 2019	Year 2018
Liberty Plaza Building	98%	98%	100%	100%	not applicable, not yet operational
Liberty Center Building	95%	89%	96%	100%	100%
Ortigas Vacant Commercial Land	100%	100%	100%	100%	100%
Condominium Units in Pacific Plaza	50%	50%	50%	50%	50%

- **Active Tenants**

As of July 31, 2022, the Company has thirty-nine (39) lessees/tenants for the LPC Properties ("Active Tenants"), as follows:

Property	No. of Active Tenants As of July 31, 2022	No. of Active Tenants As of December 31, 2021
Liberty Center Building	33	30*
Liberty Plaza Building	4	4**
Ortigas Vacant Commercial Land	1	1
Condominium Units in Pacific Plaza	1	1
Total	39	36

In terms of number of active lease contracts, there are forty-three (43) active lease contracts for the LPC Properties because there are four (4) tenants who have two (2) lease contracts each.

* There is one (1) lessee/tenant in Liberty Center Building whose rental payment in a month constitutes 11.68% of all rental payments due to the Company for the said month. The lease contract of this tenant started on September 20, 2001 and will expire on February 28, 2027. As of the date of this Prospectus, the Company has not received any advice or information from the said tenant on terminating the lease.

** There is one (1) lessee/tenant for all the office spaces in Liberty Plaza Building. The rental payment from this lessor in a month constitutes 48.11% of all rental payments due to the Company for the said month. The lease contract of this tenant started on June 1, 2019 and will expire on May 31, 2029. As of the date of this Prospectus, the Company has not received any advice or information from the said tenant on terminating the lease.

Out of the 39 Active Tenants, 13 have lease contracts that are expiring in year 2022.

FINANCIAL PERFORMANCE

The Company leases its above-mentioned real estate properties to third parties through operating leases. Rental income arising from operating leases on investment properties is recognized on a straight-line basis over the lease terms. Excess of rental income recognized using the straight-line basis over the rental income based on the terms of lease contract is recognized as an asset in the statements of financial position under the "accrued rent" account. Rentals collected but not yet earned are recognized as a liability in the statements of financial position under the "Unearned rental income" account. Deposits on long-term leases are initially recognized at fair value and subsequently measured at amortized cost where material. Any difference between the initial fair value and the nominal amount is included as a component of rental income and recognized on a straight-line basis over the lease term.

The financial highlights of the Company for the six months ended June 30, 2022 and for the years ended December 31, 2021, December 31, 2020 and December 31, 2019, based on audited financial statements are:

	Six months ended June 30, 2022 (Audited)	Year ended December 31, 2021 (Audited)	Year ended December 31, 2020 (Audited)	Year ended December 31, 2019 (Audited)
Total Assets	₱1,267,796,738	₱1,367,816,821	₱1,109,192,922	₱ 949,686,530
Total Equity	₱455,134,905	₱484,877,657	₱361,457,674	₱248,877,299
Revenues	₱113,154,669	₱223,737,958	₱229,942,526	₱178,571,340
Net Income (Loss)	(₱14,478,722)	₱149,929,046	₱97,443,615	₱42,832,991

As of June 30, 2022, the Company provided ₱1,049,681 for expected credit losses on rent receivables.

As at June 30, 2022, there were no events identified that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

As at June 30, 2022, the Company has no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period.

As at June 30, 2022, the Company has no material commitments for capital expenditures.

As at June 30, 2022, there are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

For more information, please refer to the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Prospectus.

IMPACT OF COVID-19 TO THE COMPANY'S OPERATIONS

Mitigating Measures Employed

To avoid the spread of COVID-19, any employee, officer, or director of the Company who may experience COVID-19 symptoms, was immediately advised not to report to work and to undergo a swab test. The same protocols were applied to the Company's third-party contractors. The Company had also implemented a rotational work arrangement, wherein the employees would only report to work on certain days of the week.

If an employee of the Company tested positive for COVID-19, said employee was made to undergo mandatory quarantine period. The same was reported to the respective barangay health center for monitoring of city health center. The employee needed to secure a health clearance before returning to work.

For the Company's lessors/tenants in Liberty Plaza Building and Liberty Center Building, if an employee of the tenant tested positive for COVID-19, the spaces occupied by the said tenant shall be closed or shall be subject to a lockdown and all of their employees shall undergo the prescribed quarantine period and swab testing. Before returning to work, all employees were required to submit health clearance to the administration office of the buildings. Office disinfection was also made.

Contact tracing was also done with the requirement of filling form with health declaration

The Company also followed safety protocols, as mandated by the Government:

- Implementation of a "No face mask, No face shield and No entry" policy
- Imposition of thermal scanning, alcohol base disinfectant, and foot bath in all entry points of the properties
- Lessees were encouraged to require a minimum number of personnel to report on-site.
- Guests and/or applicants were requested to be on appointment or pre-schedule system to minimize number of visitors in the premises.
- By-standers on sidewalks or areas near building perimeters were restricted
- Implementation of regular building disinfection and sanitation.

All of the above-mentioned measure are continuously being enforced as of the date of this Prospectus.

Impact of COVID-19 to the leases in the LPC Properties

As stated in the Notes to Financial Statements in the audited financial statement of the Company for year ended December 31, 2021 and December 31, 2020 (attached as Annex A-2 of this Prospectus), due to the COVID-19 pandemic, the Company provided rent concessions to its tenants in the form of deferment of payments, two-month rent-free periods, and discounts in year 2020 and 2021. Certain lease agreements were also pre-terminated. The Company accounted for the deferment of payment, rent-free periods, and discounts provided as not a lease modification since there were no substantive changes to the terms and conditions of the lease; while the shortening of lease period was treated as lease modifications. The rent concessions resulted to a reduction in rental income amounting to ₱5,476,437 and ₱4,091,752 in 2021 and 2020, respectively. Lease termination resulted to a decrease in accrued rent amounting to ₱2,930,778 and ₱290,453 in 2021 and 2020, respectively, and rental income amounting to ₱2,383,241 and ₱965,400 in 2021 and 2020, respectively.³⁹

For year 2020 and 2021, despite the COVID-19 pandemic:

- The Company generated total gross revenues of ₱229.9 million for the year ended December 31, 2020, an increase of 29% from ₱178.6 million total gross revenues for the year ended December 31, 2019. The increase in rental revenues was mainly attributable to rental income generated from Liberty Plaza Building for twelve (12) months versus of only seven (7) months in the year 2019.
- The Company generated total gross revenues of ₱223.7 million for the year ended December 31, 2021, a slight decrease of 3% from ₱229.9 million total gross revenues for the year ended December 31, 2020.
- The occupancy rate of the LPC Properties remained high.

Property	Occupancy Rate for Year 2021	Occupancy Rate for Year 2020
Liberty Plaza Building	98%	100%
Liberty Center Building	89%	96%
Ortigas Vacant Commercial Land	100%	100%
Condominium Units in Pacific Plaza	50%	50%*

* It was the same occupancy rate since year 2018.

Based on the foregoing, the Company considers that for year 2020 and 2021, there was a minimal impact on the Company's financial status due to the COVID-19 pandemic.

For year 2022, the Company provided rent concessions to its tenants in the form of deferment of payments and/or discounts, this resulted to a reduction in rental income amounting to ₱1,596,919 for the six months ended June 30, 2022. As of June 30, 2022, the Company provided ₱1,049,681 for expected credit losses on rent receivables. To mitigate these possibilities, the Company intends to maintain its current tenant base and actively search for new tenants to replace tenants that have pre-terminated or did not renew following expiration. These are actions that the Company also did in year 2020 and 2021.

The Company will continue all of the actions undertaken to mitigate the impact of COVID-19 for the next five (5) years.

³⁹ Note 13 (Leases), page 25, Notes to Financial Statements, audited financial statement of the Company for year ended December 31, 2021 and December 31, 2020.

As stated in the Notes to Financial Statements in the audited financial statement of the Company for the six months ended on June 30, 2022 (attached as Annex A-1 of this Prospectus) and for the years ended on December 31, 2021 and December 31, 2020 (attached as Annex A-2 of this Prospectus), the future minimum lease receivables under non-cancellable leases on the LPC Properties are, as follows:

	Six months ended June 30, 2022	Year 2021	Year 2020	Year 2019
Year 1	₱184,744,311	₱158,319,743	₱171,195,576	₱179,665,762
Year 2	162,089,207	144,388,794	130,038,723	183,290,309
Year 3	151,760,876	141,520,108	127,377,436	136,187,034
Year 4	156,991,061	143,705,533	129,167,094	128,936,758
Year 5	156,345,845	147,580,396	132,718,353	136,382,178
More than 5 years	305,821,516	379,604,597	521,443,148	621,055,426
	₱1,117,752,816	₱1,115,119,171	₱1,211,940,330	₱1,385,517,467

The Company is of the position that it remains suitable for the registration of its Common Shares and Listing thereof with PSE despite the effects of the COVID-19 pandemic.

Despite the foregoing, however, the extent and duration of the impact of COVID-19 on the Philippine economy and the timing and pace of any economic recovery cannot be predicted with certainty. Any unexpected spike in daily infections could result in stricter quarantine or lockdown measures across the Philippines and may prolong and deepen the effects of the COVID-19 pandemic to the Philippine economy. Furthermore, the extent and duration of the effect of the pandemic on the Company's business is uncertain and will ultimately depend on future developments, including the duration and severity of the COVID-19 pandemic, mutation of the COVID-19 virus, the rollout of vaccines against COVID-19, and the quarantine or lockdown measures enacted by the government, among other things.

COMPETITION

The Company operates in a highly competitive real estate industry.

For Liberty Plaza Building and Liberty Center Building, main competitors are those offering similar office and commercial spaces within Salcedo Village, Makati City such as the Citibank Center, Pacific Star, Petron Megaplaza and V-Corporate Buildings.

Should a development project be constructed in the Ortigas Vacant Commercial Land in the future, main competitors will be those offering office and commercial areas in Pasig CBD.

The Company expects that it will continue to compete with said property companies in the next several years. With the Company's competitive strengths in terms of pricing, branding, and reputation, LPC believes that it will be able to compete effectively with its peers and solidify its position as it enters new markets, grow its business and expand its portfolio.

CUSTOMER BASE

The Company has a broad base of customers, comprised of both local and foreign institutional clients. Out the 39 Active Tenants as of the date of this Prospectus, the Company considers only 2 tenants as material leases due to amount of rental income. One of such tenant leases the entire office spaces in Liberty Plaza Building.

SUPPLIERS

Purchase of construction and operational requirements of the Company are awarded to accredited reputable contractors/suppliers subject to a bidding process and management's evaluation of the price and qualifications of and its relationship with the relevant contractors/suppliers.

INSURANCE CONTRACTS

The Company has insurance coverage that is required in the Philippines for real and personal properties. The Company is covered by an all-risk comprehensive insurance policy. This includes coverage for, among other things, buildings and improvements, machinery and equipment, furniture, fixtures and fittings against damage from fire and natural perils, machinery breakdown, third-party liability to the public, construction works and loss of income.

Insurance Company	Line/Type/Asset Insured	Sum Insured (in ₱)	Coverage Policy Period
Standard Insurance	Liberty Center: Building	619,500,000.00	October 18, 2021 - October 18, 2022
	Machineries	80,000,000.00	
	Loss of Rent	90,000,000.00	
Malayan Insurance	Liberty Plaza: Building	650,000,000.00	October 18, 2021 - October 18, 2022
	Machineries	115,000,000.00	
	Loss of Rent	115,000,000.00	
Pioneer Insurance	Lot 5, Block 1, Ortigas Road corner Sapphire Road, Ortigas Center, Pasig City	6,100,000.00	January 10, 2022 – January 10, 2023
Pioneer Insurance	General Accident Comprehensive Liability	3,525,000.00	January 10, 2022 – January 10, 2023
	Unit 31A and 32B Pacific Plaza Condominium, Apartment Ridge, Makati City		
	General Accident Comprehensive Liability		

GOVERNMENT APPROVALS AND PERMITS

All government approvals and permits issued by the appropriate government agencies or bodies which are material and necessary to conduct the business and operations of the Company have been obtained and are in full force and effect. The Company is in the process of renewing some permits necessary to conduct its business and operations.

Set out below are all the material permits and licenses of the Company necessary to operate its business as currently conducted, and the failure to possess any of which may have a material adverse effect on the business and operations of the Company.

Name of Permit/License	Issuing Agency	Permit / License No.	Issue Date	Validity Period	Expiry Date
LFM Properties Corporation					
SEC Registration	SEC	S.E.C Reg.No.AS095- 012561	04/24/1997	Not applicable	Not applicable
BIR Registration	BIR	OCN9RC00002590 79	July 14, 2009	Not applicable	Not applicable
Liberty Center Building					
Environmental Compliance Certificate	DENR	NCR9907-14-0137- 216	07-14-1999	Not applicable	Not applicable
Mayor's Permit	LGU	Permit No.46175	Jan 30, 2022	Jan 30, 2022	Dec 31, 2022 2022

Fire Safety Inspection Certificate	BFP	ReMKT--327227	Nov 12, 2021	Nov 12, 2021	Nov 12, 2022
Sanitary Permit to Operate	LGU	Permit No.109497	Jan 28, 2022	Jan 28, 2022	Dec 31, 2022
Wastewater Discharge Permit	DENR	Permits and Fees are paid via Manila Water Company Inc			
LIBERTY PLAZA BUILDING					
Environmental Compliance Certificate	DENR	ECC-OL-NCR-2016-0046	5/2/2016	Not applicable	Not applicable
Mayor's Permit	LGU	Permit No.46177	Jan 30, 2022	Jan.30, 2022	Dec 31, 2022
Fire Safety Inspection Certificate	BFP	ReMKT – 599978	Nov 12, 2021	Nov 12, 2021	Nov 12, 2022
Sanitary Permit to Operate	LGU	Permit No.109496	Jan 28, 2022	Jan 28, 2022	Dec 31, 2022
Wastewater Discharge Permit	DENR	Permits and Fees are paid via Manila Water Company Inc			

The costs of compliance with environmental laws are included in the cost for permits and licenses procured by the Company.

Moreover, as previously stated in this Prospectus, since the Company's primary purpose as stated in its Articles of Incorporation, as amended, included to develop, rent, and dispose of all kinds of real estate projects, the Company applied for registration with the AMLC as a real estate developer subject to RA 11521 and AMLA. On August 16, 2021, the AMLC issued the Provisional Certificate of Registration certifying that the Company has conditionally complied with the requirements of the for registration with the AMLC for the purpose of submitting Covered and Suspicious Transaction Reports pursuant to Republic Act No. 9160 as amended and the 2018 Implementing Rules. Said provisional registration is valid for a period of six (6) months from February 17, 2022 subject to the conditions mentioned in AMLC Regulatory Issuance A and B No. 3, Series of 2018.

The Company does not have any license involving intellectual property rights.

EMPLOYEES

As of July 31, 2022, December 31, 2021, December 31, 2020, and December 31, 2019, the details of the Company's permanent and full-time employees are, as follows:

Rank	Number of Employees			
	as of July 31, 2022	as of December 31, 2021	as of December 31, 2020	as of December 31, 2019
Directors	2	2	3	3
Managers				
Accounting	1	1	1	1
Operations	2	2	2	2
Supervisory				
Accounting	1	1	1	1
Operations	3	3	3	3
Rank and File				
Clerical/Accounting	1	1	1	1
Operations	4	4	4	3
Total	14	14	15	14

The Company does not currently anticipate hiring additional employees within the next twelve (12) months, but it may consider hiring, if necessary.

Furthermore, as of the date of this Prospectus, there is no existing collective bargaining agreement between the Company and its employees, and the Company's employees are not part of any labor union. The Company has not experienced any disruptive labor disputes, strikes or threats of strikes in the past three (3) years. The Company has no information of any threatened strike to be undertaken by the Company's employees. The Company's management believes that the Company's relationship with its employees is satisfactory, in general.

The Company complies with minimum compensation and benefits standards as well as all other applicable labor and employment regulations. Other than the said standard compensation and benefits, the Company does not have any supplemental benefits or incentive arrangements for the Company's employees.

INTELLECTUAL PROPERTY

The Company does not own, hold, or in any other way, have patents, trademarks, copyrights, licenses, franchises, concessions, and royalty agreements.

DEVELOPMENTAL ACTIVITIES

In December 2021, the Company entered into a Contract to Sell for the purchase of land for a consideration of ₱214,455,000 (exclusive of VAT) payable on monthly installment basis until year 2026. Other than the said intended purchase of the commercial lot in Nuvali, the Company does not intend to acquire any other property in the next twelve (12) months.

MATERIAL AGREEMENTS

LEASE CONTRACTS

Below are the total gross rental revenues derived by the Company for the six months ended June 30, 2022 and in years 2021, 2020 and 2019 for each of the LPC Properties.

	Property	For the six months ended June 30, 2022		Full Year 2021		Full Year 2020		Full Year 2019	
		Amount	% to total leases from all LPC Properties	Amount	% to total leases from all LPC Properties	Amount	% to total leases from all LPC Properties	Amount	% to total leases from all LPC Properties
1	Liberty Plaza	67,060,937	59%	₱134,009,223	60%	₱140,155,011.00	61%	₱90,043,311.00	50%
2	Liberty Center Building	43,014,661	38%	₱83,830,484	37%	₱83,831,026.00	36%	₱82,830,681.00	46%
3	Ortigas Vacant Commercial Land	2,472,635	2%	₱4,864,200	2%	₱4,864,200.00	2%	₱4,679,950.00	3%
4	Pacific Plaza Condominium Units	606,436	1%	₱1,034,051	1%	₱1,092,289.00	1%	₱1,017,398.00	1%
	Total	113,154,669	100%	₱223,737,958	100%	₱229,942,526.00	100%	₱178,571,340.00	100%

As of July 31, 2022, there are forty-three (43) lease contracts that are in effect/active between the Company and its tenants for the LPC Properties ("**Active Lease Contracts**").

Among the Active Lease Contracts, the Company considers ten (10) as material lease contracts considering the amount of rental payment and the duration as long term. Out of these ten (10) material lease contracts:

- There is one (1) lessee/tenant for all the office spaces in Liberty Plaza Building. The rental payment from this lessor in a month constitutes 48.11% of all rental payments due to the Company for the said month for all the LPC Properties. The lease contract of this tenant started on June 1, 2019 and will expire on May 31, 2029.
- There is one (1) lessee/tenant in Liberty Center Building whose rental payment in a month constitutes 11.68% of all rental payments due to the Company for the said month for all the LPC Properties. The lease contract of this tenant started on September 20, 2001 and will expire on February 28, 2027.
- For the remaining eight (8) lessees, their total rental payment in a month constitutes 16.85% of all rental payments due to the Company for the said month for all the LPC Properties.

DEVELOPMENT RIGHTS AGREEMENT

This is an agreement entered into by the Company with Parity Values, Inc. ("**PVI**"), the owner of 40.35% of the common shares of LFM (the Company's parent company). The transaction covered the transfer made by PVI to the Company of the development rights over 1,994 square meters GLA for PVI's land located at 170 Valero St., Salcedo Village, Makati City, which development rights was used by the Company for the construction of the Liberty Plaza Building, particularly to increase the available GLA for the said Building. Based on the Agreement dated December 15, 2020, the total consideration of the said transfer is ₱99,700,000.00 (inclusive of VAT), wherein 10% initial payment has been made with the remaining 90% thereof payable through single or partial payments within a period of five (5) years, subject to 5.25% interest per annum until the full

payment is made, provided that any partial payments made shall not be charged interest from the date said partial payment is received.

CONTRACT TO PURCHASE A LOT

In December 2021, the Company entered into a Contract to Sell for the purchase of land for a consideration of ₱214,455,000 (exclusive of VAT) payable on monthly installment basis until year 2026.

LOAN AGREEMENTS AND REAL ESTATE MORTGAGES

The land and all improvements thereon where Liberty Plaza Building is situated is covered by a real estate mortgage in favor of RCBC covering the amount of ₱250,000,000.00, which is the loan facility with RCBC secured by the said mortgage. As of the date of this Prospectus, the loan facility with RCBC currently has no outstanding amount.

Should the loan facility with RCBC be availed, the limitations on the ownership and use of the Liberty Plaza Building based on the Real Estate Mortgage between RCBC and the Company are, as follows: (a.) Company shall promptly make all repairs necessary on the mortgaged property in order to preserve the same in good condition; (b.) Company shall duly pay all lawful taxes or assessments upon the mortgaged property; (c.) company shall insure the mortgaged property against loss or damage by fire and earthquake for its full insurable value with company/ies approved by RCBC; (d.) company shall make such insurance payable to RCBC as its interest in the mortgaged property may appear; (e.) Company shall not allow the mortgaged property to be expropriated by the national, provincial, or municipal government, without applying the entire proceeds therefrom to the payment of the obligation to RCBC; (f.) Company cannot mortgage or encumber a second mortgage on the mortgaged property without the prior written consent of RCBC, nor sell the same without prior notice to RCBC; and (g.) RCBC may at anytime and upon written notice to the Company, inspect the mortgaged property in order to determine compliance with the terms of the mortgage.

The land and all improvements thereon where Liberty Center Building is situated is covered by a real estate mortgage in favor of BDO covering the amount of ₱600,000,000.00. Said mortgage secures a term loan with BDO under a Facility Agreement notarized on February 18, 2021 covering the amount ₱600,000,000.00 payable for up to five (5) years. The purpose of the said loan is to term-out the outstanding balance of the Company's credit line with BDO. The current availment of the Company under of said term loan is ₱580,000,000.00 and the interest to be charged will either be a variable interest rate (higher of 3-month Benchmark Rate plus a margin of 1.20% divided by Applicable Premium Factor and 4.25% per annum) or a fixed interest rate (higher of 5-year Benchmark Rate plus a margin of 1.20% divided by the Applicable Premium Factor and 4.875% per annum).

Based on the Facility Agreement and Real Estate Mortgage between BDO and the Company, the limitations on the ownership and use of the Liberty Center Building are, as follows: (a.) Company cannot sell or dispose of all or substantially all of the Company's properties; (b.) no further lien shall be created on the mortgaged property and the Company cannot sell or encumber with a second mortgage the mortgage property; (c.) Company cannot demolish nor make any alteration in the mortgaged property without BDO's prior written consent; (d.) Company shall promptly pay all taxes, assessments and government charges for the mortgaged property; (e.) the property mortgaged shall be insured against loss or damage by fire, earthquake, flood and fortuitous event for the mortgaged property's full insurable value with a responsible insurance company acceptable to BDO; (f.) Company shall preserve the property mortgaged in good condition and fit for the use intended and should the said property be destroyed totally or partially by fire, earthquake, typhoon, or any other cause whatsoever, Company shall replace and/or substitute additional properties as security; and (g.) Company shall not allow any portion of the mortgaged property to be expropriated by the government or any of its instrumentalities.

In the said Facility Agreement with BDO, the Company also undertook, among others, not to undertake the following without BDO's prior consent in writing: (a.) permit any material change in the character of the Company's business; (b.) permit any material change in ownership or control of the Company's business, capital stock, or in the composition of the top level management; (c.) upon the occurrence of an event of default, declare or pay dividends, retain, retire, purchase any class of the capital stock, or make capital or asset distribution to stockholders; (d.) extend loans or advances to its directors, officers, or stockholders, except duly approved employee benefit loans; and (e.) undertake or incur capital expenditure outside of the ordinary course of business.

As of the date of this Prospectus, the Company is not in default in any of its loans secured by the above-mentioned loan facilities and real estate mortgages.

REGULATORY AND ENVIRONMENTAL MATTERS

The following description is a summary of certain laws and regulations in the Philippines and enacted as of the date of this Prospectus that are generally applicable or relevant to companies such as the Company and/or the real estate industry. The information detailed in this section has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive and are only intended to provide general information to investors and are neither designed nor intended to substitute for professional legal advice or a detailed review of the relevant laws and regulations.

NATIONALITY RESTRICTIONS

The Philippine Constitution limits ownership of land in the Philippines to Filipino citizens or to corporations the outstanding capital stock of which is at least 60% owned by Philippine Nationals. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning building and other permanent structures, including condominium developments.

The Foreign Investments Act (Republic Act No. 7042, as amended) and the Eleventh Regular Foreign Investment Negative List (Executive Order No. 65 dated October 29, 2018), provide that certain activities are nationalized or partly-nationalized, such that the operation and/or ownership thereof are wholly or partially reserved for Filipinos. Under these regulations, and in accordance with the Philippine Constitution, ownership of private lands is partly-nationalized and thus, landholding companies may only have a maximum of 40% foreign equity.

Considering the foregoing, for as long as the Company owns land in the Philippines, foreign ownership in the Company is limited to a maximum of 40% of the capital stock of the Company which is outstanding and entitled to vote. Accordingly, issuance or the transfer of Shares to persons other than Philippine Nationals shall not be allowed and shall not be recorded in its books if such issuance or transfer would result in the Company ceasing to be a Philippine National for purposes of complying with the restrictions on foreign ownership discussed above.

ZONING AND LAND USE

Land use may be limited by zoning ordinances and other ordinances/regulations enacted by local government units ("LGU" or "LGUs"). Once enacted, land use may be restricted in accordance with a comprehensive land use plan approved by the relevant LGU. Lands may be classified under zoning ordinances as commercial, industrial, residential, or agricultural. While a procedure for change of allowed land use is available, this process may be lengthy and cumbersome. LGUs may also enact ordinances/regulations in terms of maintenance, operations, and use of buildings. The Company needs to comply with the aforementioned ordinances/regulations.

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

PROPERTY REGISTRATION

The Philippines has adopted a system of land registration, which evidences land ownership that is binding on all persons. Once registered, title to registered land becomes indefeasible after one year from the date of entry of the decree of registration, except with respect to claims noted on the certificate of title. Title to registered lands cannot be lost through adverse possession or prescription. The Property Registration Decree (Presidential Decree No. 1529, as amended) codified the laws relative to land registration and is based on the generally accepted principles underlying the Torrens System.

Any subsequent transfer of the land must be registered in the system in order to bind third persons. All documents evidencing conveyances of the land, including the Certificate of Title, should be registered with the Register of Deeds ("RD") of the place where the property is located and certain fees and taxes need to be paid. In case there is an outstanding mortgage over the land at the time of the issuance of the title to the buyer, the owner shall redeem the mortgage or the corresponding portion thereof within six months from such issuance in order that the title over any fully paid lot or unit may be secured and delivered to the buyer.

Claims and interests in registered land less than ownership, such as liens created by mortgages and leases, need to be registered with the RD of the place where a property is situated for such claim or interest to be considered as binding against all persons not a party to the transaction. Even claims that are adversarial to the landowner, such as notice of adverse claim and notice of lis pendens, can be registered with the RD and the landowner does not have a control in these instances. The aforementioned registration is done through the registration of the instrument which creates or transfers or claims such interests and by a brief memorandum thereof made by the RD upon the certificate of title. A similar memorandum shall also be made on the owner's duplicate title.

Since the Company is a registered owner of land in the Philippines, all of the above requirements are applicable to the Company.

LOCAL GOVERNMENT CODE

The Local Government Code (Republic Act No. 7160, as amended) establishes the system and powers of provincial, city, municipal, and barangay governments in the Philippines. Each LGU shall exercise the powers expressly granted, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare.

LGUs exercise police power through their respective legislative bodies. Specifically, the LGU, through its legislative body, has the authority to enact such ordinances as it may deem necessary and proper for sanitation and safety, the furtherance of the prosperity, and the promotion of the morality, peace, good order, comfort, convenience, and general welfare of the locality and its inhabitants. Ordinances can reclassify land, order the closure of business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU.

An ordinance may be repealed by a subsequent ordinance expressly repealing or declaring it as invalid. An ordinance may also be repealed by implication by a subsequent ordinance that is inconsistent or contrary, in whole or in part, to the previous ordinance.

REAL PROPERTY TAXATION

Real property taxes are payable either annually or quarterly based on the property's assessed value. Assessed values are determined by applying the assessment levels (fixed by ordinances of the concerned LGU where the property is located) against the fair market values of real property. Under the Local Government Code (Republic Act No. 7160, as amended), the assessed value of the property and improvements varies depending on the location, use, and nature of the property.

In addition to the said real property taxes, a city or municipality within Metro Manila may also levy and collect an annual tax of 1% on the assessed value of real property to accrue exclusively to the Special Education Fund of the local government unit where the property is located.

The basic real property tax and any other tax levied on real property constitute a lien on the property subject to tax, superior to all liens, charges or encumbrances in favor of any person, irrespective of the owner or possessor thereof, enforceable by administrative or judicial action, and may only be extinguished upon payment of the tax and the related interests and expenses. Should the reasonableness or correctness of the amount assessed be questioned, a protest in writing may be filed with the treasurer of the LGU, but the taxpayer must first pay the tax, and the tax receipts shall be annotated with the words "paid under protest."

The Company regularly and timely pays for the real property taxes due on its properties.

ENVIRONMENTAL LAWS AND SAFETY STANDARDS

Environmental Impact Statement System

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate ("ECC") prior to commencement. The DENR, through its regional offices or through the Environmental Management Bureau ("EMB"), determines whether a project is environmentally critical or located in an environmentally critical area.

As a requisite for the issuance of an ECC, an environmentally critical project is required to submit an Environmental Impact Statement ("EIS") to the EMB while a project in an environmentally critical area is generally required to submit an Initial Environmental Examination ("IEE") to the proper DENR regional office. In the case of an environmentally critical project within an environmentally critical area, an EIS is required.

Project proponents that prepare an EIS are required to include a commitment to establish an Environmental Monitoring Fund ("EMF") when an ECC is eventually issued. In any case, the establishment of an EMF must not be later than the initial construction phase of the project. The EMF shall be used to support the activities of a multi-partite monitoring team organized to monitor compliance with the ECC and applicable laws, rules and regulations.

The issuance of an ECC is a government certification that the proposed project or undertaking will not cause a significant negative environmental impact, that the proponent has complied with all the requirements of the EIS System, and that the

proponent is committed to implement its approved environmental management plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein.

While a development project may not fall under the categories wherein an ECC is required, it is still required to obtain a Certificate of Non-Coverage from the EMB or the DENR Regional Office.

Aside from the EIS and IEE, engineering, geological and geo-hazard assessments are also required for ECC applications covering subdivisions, housing and other land development and infrastructure projects.

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

Fire Code; Building Code

The Fire Code of the Philippines (Republic Act No. 9514) aims to ensure public safety and prevent and suppress all kinds of destructive fires. It provides that building owners or administrators must comply with the following: inspection requirements; safety measures for hazardous materials; safety measures for hazardous operation/processes; provision on fire safety construction, protective and warning system; and abatement of fire hazards. It also provides for penalties for violation of its provisions.

All buildings or structures as well as accessory facilities thereto shall conform in all respects to the principles of safe construction under the National Building Code. Aside from the building permit under the National Building Code, an applicant in specific instances may be required to secure a Height Clearance Permit from the Civil Aviation Authority of the Philippines.

LABOR LAWS

The Philippine Labor Code (Presidential Decree No. 442, as amended) and other statutory laws provide the minimum benefits that employers must grant to their employees, which includes such benefits mandated by the Social Security Act of 2018, the Home Development Fund Law, and the National Health Insurance Act, as amended. The Department of Labor and Employment (“DOLE”) is the lead agency in the enforcement of labor laws.

The Company is the employer of individuals. It also engages the services of contracting agencies.

The Company complies with all of the laws relating to the standard and compulsory employees' benefits.

Retirement Benefits under the Labor Code

All employees are entitled to receive retirement benefits that they have earned upon retirement under existing laws or collective bargaining agreements. In the absence of a retirement plan or agreement providing for retirement benefits of employees, an employee, upon reaching the age of 60 years or more, but not beyond 65 years, who has served at least 5 years in the establishment, may retire and shall be entitled to retirement pay equivalent to at least ½ month salary for every year of service.

Social Security Act

Under the Social Security Act of 2018 (Republic Act No. 11199), social security coverage is compulsory for all employees not over sixty (60) years of age. An employer has the duty to report to the Social Security System (“SSS”) the names, ages, civil status, occupations, salaries, and dependents of its employees who are subject to compulsory coverage, and to pay and remit their monthly contributions. This enables the employees or their dependents to claim their pension, death benefits, permanent disability benefits, funeral benefits, sickness benefits and maternity-leave benefits. The failure of the employer to comply with any of its obligations may lead to sanctions, including civil and criminal liability.

Home Development Fund Law

The Home Development Mutual Fund (“HDMF”), otherwise known as Pag-IBIG Fund Law, and currently governed by Republic Act No. 9679, is a national savings program for employees and other earning grounds, supported by matching mandatory contributions from the employer with housing as the as primary investment. Coverage under the HDMF is compulsory for all members of the SSS and Government Service Insurance System members. Under the law, an employer must deduct and withhold a percentage of the employee's monthly compensation and likewise make a counterpart contribution and remit the contributions to the HDMF. Refusal of an employer to comply, without any lawful cause or with fraudulent intent, particularly with respect to registration of employees as well as collection and remittance of contributions, is punishable by civil and criminal penalties.

National Health Insurance Act

The National Health Insurance Act created the National Health Insurance Program (“NHIP”) to provide health insurance coverage and ensure affordable and accessible health care services to all Filipino citizens. Under the law, all members of the SSS are automatically members of the NHIP. An employer is required to deduct and withhold the contributions from its employee’s salary, wage or earnings, make a counterpart contribution for the employee, and remit both amounts to the Philippine Health Insurance Corporation (“PhilHealth”), the agency which administers the NHIP. The NHIP will then subsidize personal health services required by the employee subject to certain terms and conditions under the law. An employer who fails or refuses to register its employees, regardless of their employment status, or to deduct contributions from its employees’ compensation or remit the same shall be punished with civil and criminal penalties.

On March 8, 2019, Republic Act No. 11223 otherwise known as the Universal Health Care Law took effect.

DOLE Rules on Contracting and Subcontracting

The Labor Code recognizes subcontracting arrangements, whereby a principal puts out or farms out with a contractor the performance or completion of a specific job, work or service within a definite or predetermined period, regardless of whether such job, work or service is to be performed or completed within or outside the premises of the principal. Such arrangements involve a "trilateral relationship" among: (i) the principal who decides to farm out a job, work or service to a contractor; (ii) the contractor or sub-contractor who has the capacity to independently undertake the performance of the job, work, or service; and (iii) the workers/employees engaged by the contractor or sub-contractor to accomplish the job, work, or service.

On March 16, 2017, DOLE issued Department Order No. 174-17 (“DOLE Order No. 174-17”) or Rules Implementing Articles 106 to 109 of the Labor Code, As Amended, under the principle that non-permissible forms of contracting and subcontracting arrangements undermine the constitutional and statutory right to security of tenure of workers. DOLE Order No. 174-17 empowered the Secretary of Labor and Employment to regulate contracting and subcontracting arrangement by absolutely prohibiting labor-only contracting, and restricting job contracting allowed under the provisions of the Labor Code. Labor-only contracting refers to arrangement where the (sub)/contractor merely recruits, supplies, or places workers to perform a job or work for a principal, and the (sub)/contractor does not have substantial capital or the (sub)/contractor does not exercise the right to control over the performance of the work of the employee. DOLE Order No. 174-17 expressly requires the registration of contractors with the Regional Office of the DOLE where it principally operates, without which, a presumption that the contractor is engaged in labor-only contracting arises.

DOLE Order No 174-17 also provides that, in the event that there is a finding that the (sub)/contractor is engaged in labor-only contracting and other illicit forms of employment arrangements, the principal shall be deemed the direct employer of the (sub)/contractor’s workers/employees that are deployed to the principal. Further, in the event of violation of any provision of the Labor Code, including the failure to pay wages, there exists a solidary liability on the part of the principal and the (sub)/contractor for purposes of enforcing the provisions of the Labor Code and other social legislations, to the extent of the work performed under the employment contract.

On May 2, 2018, President Rodrigo Duterte signed Executive Order No. 51, reiterating the prohibition of the practice of illegal contracting or subcontracting in the country. The executive order aims to protect the worker’s right to security of tenure, self-organization, and collective bargaining and peaceful concerted activities.

REVISED CORPORATION CODE

Revised Corporation Code of the Philippines (R.A. No. 11232) took effect on February 23, 2019 and amended certain provisions of the old Corporation Code.

The Revised Corporation Code now grants perpetual existence to new corporations unless the Articles of Incorporation provide otherwise. Corporations existing prior to the effectivity of the Revised Corporation Code shall also have perpetual existence unless the corporation, upon a vote of its stockholders representing a majority of the outstanding capital stock, notifies the SEC that it decides to retain its specific corporate term as specified in its Articles of Incorporation. The Company did not notify the SEC that it would shorten its corporate term. Thus, the Company now has perpetual existence.

The Revised Corporation Code introduced a new kind of corporation called a “one person corporation” which can be formed by a single stockholder who must be either a natural person, a trust, or an estate. A corporation cannot, however, form a “one person corporation”.

The Revised Corporation Code also introduced several changes to the management and administration of corporations. Such changes will require the amendment of the existing by-laws of the corporation, if such by-laws contain any contrary provision.

Existing corporations affected by the provisions of the Revised Corporation Code were given a period of two (2) years from its effectivity or until February 23, 2021 within which to comply with its requirements.

PHILIPPINE COMPETITION ACT

The Philippine Competition Act (Republic Act No. 10667) ("**Competition Act**") came into effect August 5, 2015 and is the primary competition/anti-trust law in the Philippines. It aims to enhance economic efficiency and promote free and fair competition in trade, industry and all commercial activities. This law created the Philippine Competition Commission ("**PCC**") which is tasked with the implementation of the Competition Act and regulating, among others things, the conduct of business entities in the market as well as mergers and acquisitions.

The Revised Corporation Code prohibits and imposes sanctions on:

- (a) anti-competitive agreements between or amongst competitors that restrict competition as to price or other terms of trade and those fixing price at an auction or in any form of bidding including cover bidding, bid suppression, bid rotation and market allocation and other analogous practices of bid manipulation, and those which have the object or effect of substantially preventing, restricting, or lessening competition; and
- (b) anti-competitive conduct and practices that would substantially prevent, restrict, or lessen competition, including abuse of dominant market position; and
- (c) mergers or acquisitions which substantially prevent, restrict, or lessen competition in the relevant market or in the market for goods or services.

A dominant market position is presumed by law if an enterprise has at least 50% of the relevant market. Moreover, the parties to a merger, acquisition, or joint venture are required to comply with the compulsory notification requirements of the PCC before consummating the transaction if specified thresholds set out under the Competition Act and/or its implementing rules are met. An agreement consummated in violation of the compulsory notification requirement shall be considered void, and shall subject the parties to an administrative fine of 1% to 5% of the value of the transaction.

Further, penalties for violation of the law consist of administrative fines which can be as high as ₱100 million for the first offense and ₱250 million for the second offense. The law also grants private parties who suffer damages as a result of a violation the right to file an action for damages against the violating parties. Violators of the provisions on price fixing and bid rigging between and among competitors are subject to criminal liability in addition to the administrative and civil liabilities provided thereunder.

The Company is not in a dominant market position since it does not hold at least 50% of the relevant market. No merger, acquisition or joint venture was undertaken by the Company since the year 2005 (merger with LFM Land Corporation and Valero Land Corporation approved by the SEC on October 4, 2005). As of the date of this Prospectus, the Company has no plans of entering into mergers, acquisitions, or joint ventures.

DATA PRIVACY ACT

The Data Privacy Act of 2012 (R.A. No. 10173) ("**Data Privacy Act**"), was signed into law on August 15, 2012 and covered the processing of all types of personal information (*i.e.*, personal, sensitive, and privileged information, from which the identity of an individual is apparent or can be reasonably and directly ascertained or when put together with other information would directly identify an individual) in the hands of the government or private natural or juridical person.

The Data Privacy Act provides that when a person or entity collects personal information, the purpose and extent of processing of such information collected must be legitimate and declared specifically to the owner of the personal information (*i.e.* whether such information will be used for marketing, data-sharing and the like), and that consent must be obtained from the owner. This requirement applies to all personal information controllers and personal information processors. The term personal information controller refers to a natural or juridical person who controls or supervises the person collecting, storing, or processing the relevant personal information, while the term personal information processor refers to a natural or juridical person who processes the information, whether or not outsourced by the personal information controller.

Personal information that is collected must be retained only for a reasonable period of time. Such a reasonable period of time is the reasonable amount of time the collector needs the information for its purposes, and the collector must notify the owner of the personal information of that duration. The data collector must implement appropriate measures for the storage and protection of the collected personal information from accidental alteration, destruction, disclosure and unlawful processing. Furthermore, the data controller must assign compliance officer(s) to ensure compliance with the provisions of the data privacy law and its accompanying implementing rules and regulations.

The Data Privacy Act mandated the creation of a National Privacy Commission which shall administer and implement the provisions of the Data Privacy Act and ensure compliance of the Philippines with international standards set for data protection.

Violations of the Data Privacy Act have civil and criminal penalties.

ANTI-MONEY LAUNDERING ACT

Republic Act No. 11521 ("RA 11521") is the law amending and strengthening the Anti-Money Laundering Act (Republic Act No. 9160, as amended) ("AML") which was signed into law on January 29, 2021. Among the amendments to AMLA made under R.A 11521 is the inclusion of real estate developers, real estate brokers, and offshore gaming operators in the list of covered persons under AMLA who are required, among other obligations, to report covered transactions and suspicious transactions to the Anti-Money Laundering Council ("AMLC").

Under RA 11521, a real estate developer is any natural or juridical person engaged in the business of developing real estate development project for the account of the developer and offers them for sale or lease. Said real estate developers and real estate brokers are required to report, as a covered transaction under AMLA, any single cash transaction involving an amount in excess of ₱7,500,000.00 or its equivalent in any currency.

Since the Company's primary purpose as stated in its Articles of Incorporation, as amended, include to develop, rent, and dispose of all kinds of real estate projects, as of the date of this Prospectus, the Company applied for registration with the AMLC as a real estate developer subject to RA 11521 and AMLA.

On August 16, 2021, the AMLC issued the Provisional Certificate of Registration certifying that the Company has conditionally complied with the requirements of the for registration with the AMLC for the purpose of submitting Covered and Suspicious Transaction Reports pursuant to Republic Act No. 9160 as amended and the 2018 Implementing Rules. Said provisional registration is valid for a period of six (6) months from February 17, 2022 subject to the conditions mentioned in AMLC Regulatory Issuance A and B No. 3, Series of 2018.

Effect of Existing or Probable Governmental Regulations on the Business

The existing regulatory and environmental/governmental regulations, as well as possible governmental regulations, may affect the Company's overall business, financial condition, and results of operations, including, but not limited to, its financial position, cash flow, or profitability.

DESCRIPTION OF PROPERTY

The particulars of the LPC Properties are as follows:

	Liberty Plaza Building	Liberty Center Building	Ortigas Vacant Commercial Land	Pacific Plaza Condominium Units 31A and 31B,
Completion Date	March 18, 2019	November 16, 2000	not applicable, land is vacant	not applicable; the Company only owns two (2) units in the condominium; the Company is not the developer of the condominium
Description	21-storey building with five (5) levels of Podium Parking from 2 nd to 6 th level and two (2) basement parking plus 13 floor offices (without 13 th floor)	21-storey building with four (4) levels of Podium Parking from 2 nd to 5 th level and three (3) basement parking plus 13 floor offices (without 13 th floor)	Vacant commercial lot	Two (2) residential condominium units
Location	102 H.V. Dela Costa Street corner Valero and San Agustin Streets, Salcedo Village, Makati City, Metro Manila	104 H.V. Dela Costa Street corner L.P Leviste and San Agustin Streets, Salcedo Village, Makati City, Metro Manila	Lot 5 Block 1 Ortigas Ave. corner Emerald Avenue and Sapphire Road, Ortigas Center, Brgy. San Antonio, Pasig City, Metro Manila	Pacific Plaza Condominium, Ayala Avenue and Apartment Ridge Road, Brgy. Urdaneta Village, Makati City, Metro Manila
Total Floor Area (sqm., more or less)	18,056.68	20,265.85	2,094 sqm	570 sqm
Total Leasable Area (sqm., more or less)	8,549 sqm	8,103 sqm	2,094 sqm	570 sqm
Right over the building	Owned	Owned	<i>not applicable</i>	<i>not applicable</i>
Right over the land	Owned	Owned	Owned	<i>not applicable</i>
Right over the condominium unit	<i>not applicable</i>	<i>not applicable</i>	<i>not applicable</i>	Owned
Occupancy Rate as of date of July 31, 2022	98%	95%	100%	50%
With existing mortgage lien	Yes	Yes	None	None

In December 2021, the Company entered into a Contract to Sell for the purchase of land for a consideration of ₱214,455,000 (exclusive of VAT) payable on monthly installment basis until year 2026. Other than the said intended purchase of the commercial lot in Nuvali, the Company does not intend to acquire any other property in the next twelve (12) months.

LEGAL PROCEEDINGS

LPC is not a party to, and the LPC Properties are not the subject of, any material pending legal proceeding that could be expected to have a material adverse effect on the following: registration with the SEC and Listing with PSE of 25,000,000,000 LPC Common Shares representing one hundred percent (100%) of the Company's issued and outstanding capital stock; and the results of the financials and the operations of the Company.

For the past five (5) years, none of the directors, executive officers, underwriter, or control person of the Company has been involved in any of the following:

- a) any bankruptcy petition filed by or against any business of which such persons were a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- b) any conviction by final judgment in a criminal proceeding, domestic or foreign;
- c) any pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- d) being subject to any order, judgment, or decree of any court, not subsequently reversed, suspended or vacated, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting such persons' involvement in any type of business, securities, commodities or banking activities; and/or
- e) being found by a court, domestic or foreign, the SEC, similar foreign bodies, PSE, any foreign exchange, or other organized trading market or self-regulatory organization to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

Also, in compliance with the Code of Corporate Governance of Publicly Listed Companies, none of the directors of the Company has been:

- a) convicted by final judgment or order by a competent judicial or administrative body of any crime that (i) involves the purchase or sale of securities, as defined in the Securities and Regulation Code; (ii) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (iii) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person in any of them;
- b) permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from (i) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (ii) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (iii) engaging in our continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (i) and (ii) above, or willfully violating the laws that govern securities and banking activities;
- c) the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Revised Corporation Code, Securities Regulation Code ("SRC") or any other law administered by the SEC or BSP, or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;
- d) convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- e) adjudged by final judgment or order of the SEC, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Revised Corporation Code, SRC or any other law administered by the SEC or BSP, or any of its rule, regulation or order;
- f) judicially declared as insolvent;
- g) found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or

misconduct similar to any of the acts, violations or misconduct enumerated in the foregoing paragraphs; and/or

- h) convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Revised Corporation Code committed within five (5) years prior to the date of his election or appointment.

Finally, the Company and its directors and executive officers in their official capacities have not been involved in any other legal proceeding in such capacities.

SECURITIES OF THE ISSUER

MARKET INFORMATION

As of the date of this Prospectus, the Common Shares are not traded in any trading market, nor are they subject to outstanding options or warrants to purchase, or securities convertible into Common Shares of the Company.

LISTING; NO PUBLIC OFFER

The Company will file an application for Listing with the PSE pursuant to Article III, Part G, Section 1(b) of the PSE's Consolidated Listing and Disclosure Rules, also known as the Amended Rules on Listing by Way of Introduction⁴⁰, which provides that Listing may be appropriate where the securities of an unlisted issuer (the Company, in this case) are distributed by a way of property dividend by a listed issuer (LFM, in this case) to shareholders of that listed issuer.

In case of a listing by way of introduction, a public offering does not need to be undertaken because the securities for which listing is sought would be of such an amount and would be so widely held that its adequate marketability when listed can be assumed.

The Company and its stockholders will not be offering Common Shares nor Preferred Shares to the public for subscription or sale in connection with the Property Dividend Distribution and the Listing.

BACKGROUND OF SOLE SHAREHOLDER PRIOR TO THE DIVIDEND DISTRIBUTION

The following sets out the background of LFM which owns 100% of the Company's outstanding capital stock prior the Property Dividend Distribution:

Liberty Flour Mills, Inc. is a stock corporation incorporated and registered with the SEC on December 26, 1958. On December 28, 2008, LFM extended its corporate life for another fifty (50) years. LFM is primarily engaged in the business of manufacturing flour, utilization of its by-products, and the distribution and sales of its produce. The common shares of LFM were listed in the PSE beginning January 24, 1966 and have been traded since then⁴¹.

LFM has an authorized capital stock of Two Billion Pesos (₱2,000,000,000.00) divided into Two Hundred Million (200,000,000) common shares with a par value of Ten Pesos (₱10.00) per share, out of which One Hundred Fifty (150,000,000) shares are issued and outstanding. The shareholders of LFM as of December 31, 2021 are, as follows:

Title of Class	Name of Stockholders	No. of Shares Held	Percent (%) to Total Outstanding
Common	Parity Values, Inc.	60,521,231	40.35%
Common	PCD Nominee Corporation	48,623,332	32.42%
Common	Bacsay Management Corporation	5,589,742	3.73%
Common	Sebring Management Corporation	3,122,102	2.08%
Common	E.K.I. Tourist Development Corporation	2,855,505	1.90%
Common	L & J Agricultural Inc.	2,417,841	1.61%
Common	Moreno Jr., Jose	928,277	0.62%
Common	Lopez Jr., Eduardo S.	915,468	0.61%
Common	Pulmones, Amelia Kalaw	913,613	0.61%
Common	Carvina Farms, Inc.	769,920	0.51%
Common	Feria, Paula K.	737,112	0.49%

⁴⁰ The Amended Rules on Listing by Way of Introduction that took effect on March 24, 2011 became Article III, Part G of the Consolidated Listing and Disclosure Rules of the PSE.

⁴¹ Page 5, 2020 Annual Report of LFM

Common	Fajardo, Erwin M.	697,337	0.46%
Common	Kalaw, Regina	628,116	0.42%
Common	Lopez, Jose Ma. S.	624,465	0.42%
Common	Hsu, Philip	602,405	0.40%
Common	Galan, Norma Yu	524,745	0.35%
Common	Fajardo, Eric	521,796	0.35%
Common	Javellana, Maria Teresa V.	509,493	0.34%
Common	Others	18,497,500	12.33%
	TOTAL	150,000,000	100.00%

It is important to note that the Property Dividend of LFM has a record date of December 18, 2020.

Based on the information given by LFM, the Property Dividend Distribution will result in the following:

- The 10,350,000,000 Common Shares of LPC will be distributed and allocated proportionately to the LFM stockholders as of record date of December 18, 2020.
- LFM's shareholdings in the Company's Common Shares will decrease from 100.00% to 58.60%; and, LFM's shareholders, including Parity Values, Inc. that owns 40.35% of LFM common shares, will own 16.70% of the outstanding Common Shares of the Company.

DIVIDENDS

For the information on the Company's dividends and dividend policy, please refer to the section entitled "*Dividends and Dividend Policy*" of this Prospectus.

DESCRIPTION OF THE SECURITIES OF THE COMPANY

As of the date of this Prospectus and even after the Property Dividend Distribution:

- the Company has an authorized capital stock of Four Hundred Million Pesos (₱400,000,000.00), comprised of Thirty Billion (30,000,000,000) Common Shares with a par value of One Centavo (₱0.01) per Common Share and One Million (1,000,000) non-voting, non-convertible Preferred Shares with a par value of One Hundred Pesos (₱100.00) per Preferred Share; and
- the Company has a subscribed, paid-up, and Outstanding Capital Stock of Two Hundred Fifty Million Pesos (₱250,000,000.00) comprising of Twenty-Five Billion (25,000,000,000) Common Shares and Zero (0) Preferred Shares;

The Common Shares will not be offered to the public, although the Common Shares are will be applied for listing and trading with the PSE.

The Common Shares have the following features:

Voting Rights

The Common Shares have full voting rights.

The Revised Corporation Code provides that voting rights cannot be exercised with respect to shares declared delinquent and Treasury Shares. For a shareholder that elected to exercise his/her/its appraisal right, voting rights are suspended from the time of the stockholder's demand for payment of the fair value of his/her/its shares until either: (a) the abandonment of the corporate action involved; or (b) purchase of the shares by the corporation, provided that if the stockholder is not paid the value of the shares within thirty (30) days after the award, the voting rights shall be immediately restored.

Preferred Shares that are designated as non-voting does not have voting rights. The Revised Corporation Code provides that

non-voting shares shall nevertheless be entitled to vote on the following matters: amendment of the articles of incorporation; adoption and amendment of bylaws; sale, lease, exchange, mortgage, pledge, or other disposition of all or substantially all of the corporate property; incurring, creating, or increasing bonded indebtedness; increase or decrease of authorized capital stock; merger or consolidation of the corporation with another corporation or other corporations; investment of corporate funds in another corporation or business in accordance with this Code; and dissolution of the corporation.

Pre-Emptive Rights

The Revised Corporation Code confers pre-emptive rights on shareholders of a Philippine corporation entitling such shareholders to subscribe for all issues or other dispositions of equity related securities by the corporation in proportion to their respective shareholdings, regardless of whether the equity related securities proposed to be issued or otherwise disposed of are identical to the shares held. A Philippine corporation may provide for the denial of these pre-emptive rights in its Articles of Incorporation.

The Company's Articles of Incorporation, as amended, denies the pre-emptive rights on all classes of shares issued by the Company. The Company's stockholders, including those that may own Common Shares and/or Preferred Shares in the future, **do not** have the pre-emptive right to: (a) any issue or disposition of shares of the Company's capital stock; and (b) acquire, purchase, or subscribe to any obligation which the Company may issue or sell, which are convertible into or exchangeable for shares of the Company's capital stock, or to which shall be attached any warrant or any instrument that shall confer upon the holder of such obligation, warrant, or instrument the right to subscribe to, or acquire or purchase from the Company, any shares of the Company's capital stock. Accordingly, further issuances of shares (including Treasury Shares) can be made without offering such shares on a pre-emptive basis to the existing shareholders.

Change in Control

There is no provision in the Company's Articles of Incorporation and By-Laws which may delay, deter, or prevent a change in control in the Company.

However, the Company's Articles of Incorporation, as amended, states that should the Common Shares be listed on the PSE, the Company shall comply with the lock-up requirement provided under the Listing Rules for the Main and SME Boards of the PSE dated June 6, 2013.

LOCK-UP RESTRICTIONS UNDER THE PSE LISTING RULES

Under the PSE Listing Rules, an applicant company that applies to list by way of introduction through Article III Part G Section 1(b) or the PSE's Amended Rules on Listing by Way of Introduction shall be subject to the lock-up requirements prescribed by the PSE.

In particular, PSE Memorandum CN-No, 2020-0080 dated August 14, 2020 entitled Revisions to the Mandatory Lock-Up Rule for Small, Medium and Emerging Board Listing amended Article III, Part E, Section 2 of the PSE Listing Rules and requires the applicant company, in this case the Company, to:

- a) cause its existing Non-Public Stockholders and their Related Parties to refrain from selling, assigning or in any manner disposing of their shares for a period of one (1) year after the listing such shares and all other stockholders.

"Non-Public Stockholders" shall mean the applicant company's: (i) principal stockholders (*i.e.*, the owner of ten percent (10%) or more of the issued and outstanding shares); (ii) subsidiaries or affiliates; (iii) directors; (iv) principal officers; and, (v) any other person who has substantial influence on how the applicant company is being managed.

"Related Parties" shall mean the Non-Public Stockholder's: (i) principal stockholders (*i.e.*, the owner of ten percent (10%) or more of the issued and outstanding shares); (ii) subsidiaries or affiliates; (iii) directors; (iv) principal officers; and, (v) members of the immediate families sharing the same household of any of its principal stockholders, directors, or principal officers.

- (b) if there is any issuance or transfer of shares (*i.e.*, private placements, asset for shares swap or a similar transaction) or instruments which lead to issuance of shares (*i.e.*, convertible bonds, warrants or a similar instrument) done and fully paid for within six (6) months prior to the listing date in case of companies listing by way of introduction, and the transaction price is lower than that of the listing price, all shares availed of shall be subject to a lock-up period of at least one (1) year from the listing date.

Based on the information on the Property Dividend Distribution given by LFM, after the recording of the Dividend Shares in the Company's books, the following shareholders of the Company are covered by the one (1) year lock-up requirement from

listing of the Common Shares, as per item (a) above:

Title of Class	Name of Stockholder	No. of Shares Held	Percent (%) to Total Outstanding
Common	LIBERTY FLOUR MILLS, INC.	14,649,999,993	58.60%
Common	PARITY VALUES INC.	4,175,964,939	16.70%
Common	FERIA PAULA K.	50,860,728	0.20%
Common	LOPEZ JOSE MA. S.	43,088,086	0.17%
Common	LOPEZ BABY S.	7,671,558	0.03%
Common	NG DAVID	26,014	0.00%
Common	UY JOHN CARLOS	25,807	0.00%
Common	ANG WILLIAM	25,738	0.00%
Common	JOSE FERIA, JR.	2,485	0.00%
Common	WILLIAM CARLOS UY	139	0.00%
Common	JOSE S. JALANDONI	70	0.00%

There was no issuance or transfer of Common Shares as per item (b) above and as such, no such shares are subject to the lock-up requirement.

NO RECENT SALE OF EXEMPT SECURITIES

No Common Shares of the Company was sold within the past three (3) years which was not registered under the SRC. The Company also did not file with the SEC any Notice concerning the sale or issuance of shares in an exempt transaction or as an exempt security. As such, there was no need for an underwriter to be involved.

For the last three (3) years, no Common Shares of the Company was the subject of a sale of reacquired securities, new issues, securities issued in exchange for property, services, or other securities, and new securities resulting from the modification of outstanding securities.

DIVIDENDS AND DIVIDEND POLICY

Under Philippine law, dividends may be declared out of a corporation's unrestricted retained earnings which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them. The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the SEC. The approval of the Board of Directors is generally sufficient to approve the distribution of dividends, except that: (a) in the case of stock dividends approval of stockholders representing not less than two-thirds (2/3) of the outstanding capital stock at a regular or special meeting duly called for the purpose is required; and (b) in the case of property dividends, the approval of the SEC is required.

No fractional shares shall be issued from any declaration of stock dividends.

The Board may decide to declare dividends in the future after taking into account various factors, including:

- the level of the Company's cash, gearing, return on equity and retained earnings;
- the Company's results for, and the Company's financial condition at the end of the year, the year in respect of which the dividend is to be paid and the Company's expected financial performance;
- the Company's projected levels of capital expenditure and other investment plans;
- restrictions of payment of dividends that may be imposed on the Company by any of its financing arrangements and current and prospective debt service requirements; and,
- such other factors as the Board deems appropriate.

RECORD DATE

The Company's By-laws provide that the Company's Board of Directors may by resolution direct that the stock and transfer book of the Corporation be closed for at least ten (10) business days preceding the date of any meeting of stockholders, or the date that the allotment of rights or capital stock shall go into effect, or otherwise, set a record date for the purpose of determining the stockholders entitled to notice of, or to vote at, any meeting of stockholders or any adjournment thereof or to receive payment of any dividend, or any allotment of rights, or to exercise such rights in respect of any change, conversion, or exchange of the capital stock. In such cases, only the stockholders of record on the date so fixed shall be entitled to notice of, and to vote at, such meeting, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights. This is notwithstanding any transfer of any stock on the books of the Company after such record date.

The Company's By-laws also provide that the set record date shall in no case be less than ten (10) business days prior to the date of the relevant meeting of stockholders or the date when the payment of dividend or allotment or rights shall take effect.

DIVIDEND POLICY ON THE COMMON SHARES

The Company's By-laws provide that dividends shall be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property or stock to all stockholders on the basis of outstanding stock held by them, as often and at such times as the Company's Board of Directors may determine and in accordance with law and applicable rules and regulations.

On March 25, 2021, the Board of Directors of the Company approved and adopted a policy declaring dividends, in favor of its stockholders, equivalent to at least 20% of the Company's net income after tax for the relevant year. Under the Facility Agreement notarized on February 18, 2021 between the Company and BDO Unibank, Inc. ("BDO") covering a ₱600,000,000.00 term loan, the Company undertook that, if it is in default under the said agreement, it will not declare or pay dividends to its stockholders or partners (other than dividends payable solely in shares of the Company's capital stock), unless BDO gives it written consent. As of the date of this Prospectus, the Company is not in default under the said agreement.

Despite the foregoing, the Company, however, cannot assure the public that it will pay any dividends in the future.

Apart from the discussion on dividends under this section and the "Risk Factors" of this Prospectus, there are no restrictions that limit the Company's ability to pay dividends in the future.

DIVIDEND HISTORY

In the past, the Company's Board of Directors approved the declaration and payment of the following dividends to holders of the Common Shares, as follows:

Date of Approval	Type of Dividend	Dividend per Common Share	Total Amount covered in the Divided Declaration
January 27, 2012	Cash Dividend	P9.4089/share	P20,000,000
February 22, 2016	Cash Dividend	P40/share	P100,000,000

SELECTED FINANCIAL INFORMATION

The selected financial information set forth in the following tables has been derived by the Company from its financial statements which have been audited by independent auditors, *SyCip Gorres Velayo & Co.* (the "Auditors") for the six months ended June 30, 2022 and years ended December 31, 2021, 2020 and 2019. This should be read in conjunction with the audited financial statements and notes thereto annexed to this Prospectus, the section entitled *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* and other financial information included herein.

The Company's financial statements were prepared in accordance with the Philippine Financial Reporting Standards and were audited in accordance with Philippine Standards on Auditing.

The Company adopted PFRS 9, *Financial Instruments*, using modified retrospective approach of adoption with the initial date of application of January 1, 2018.

The Company adopted Accounting for Common Usage Service Area (CUSA) Charges discussed in Philippine Interpretations Committee Question and Answers (PIC Q&A) No. 2018-12-H applied retrospectively with the initial date of application of January 1, 2021. Amounts presented in the statements of comprehensive income for the years ended December 31, 2020 and 2019 are based on PAS 18, *Revenue*. Please refer to Note 2 to the Company's audited interim financial statements, which are included elsewhere in the Prospectus, for the effect of the adoption of PIC Q&A 2018-12-H.

The summary financial information set out below does not purport to project the results of operations or financial condition of the Company or any future period or date.

As of June 30, 2022, the Company provided ₱1,049,681 for expected credit losses on rent receivables.

As at June 30, 2022, there were no events identified that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

As at June 30, 2022, the Company has no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period.

As at June 30, 2022, the Company has no material commitments for capital expenditures.

As at June 30, 2022, there are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's audited financial statements for the six months ending June 30, 2022 and calendar years ending December 31, 2021, 2020 and 2019, and the notes thereto included elsewhere in this Prospectus.

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

The following is primarily a discussion of the Company's most recent financial period as presented in this Prospectus, and is based upon and should be read with, the financial statements and the related notes elsewhere in this Prospectus.

STATEMENTS OF FINANCIAL POSITION (in Philippine Pesos)

	As of June 30, 2022	As of December 31, 2021	As of December 31, 2020	As of December 31, 2019
Cash	PHP 7,799,734	PHP 46,758,816	PHP 39,672,440	PHP 19,953,992
Receivables	18,590,849	5,427,848	21,552,027	16,269,786
Financial assets at fair value through profit or loss	126,557,263	180,448,991	81,937,073	26,191,437
Accrued rent - current portion	616,451	1,202,767	4,646,857	2,313,384
Prepaid expenses and other current assets	14,193,327	5,934,271	1,329,684	22,216,740
Total Current Assets	167,757,624	239,772,693	149,138,081	86,945,339
Investment properties	835,057,967	856,158,160	706,673,730	648,517,588
Financial assets at fair value through other comprehensive income (FVOCI)	145,422,178	156,718,845	190,070,911	183,346,704
Accrued rent - net of current portion	88,032,200	77,404,488	54,399,114	27,112,503
Property and equipment	2,660,951	2,112,061	450,733	481,797
Net retirement plan asset	7,494,642	13,076,486	5,256,513	0
Other noncurrent assets	21,371,176	22,574,088	3,203,840	3,282,599
Total Noncurrent Assets	1,100,039,114	1,128,044,128	960,054,841	862,741,191
TOTAL ASSETS	1,267,796,738	1,367,816,821	1,109,192,922	949,686,530
Current portion of notes payable	136,633,053	136,655,732	580,000,000	632,900,000
Accounts payable and other current liabilities	33,033,456	35,159,581	13,467,997	10,362,839
Current portion:				
Deposits on long-term leases	13,747,283	12,725,979	10,377,345	7,427,205
Unearned rental income	9,847,599	4,654,473	4,817,905	2,422,935
Income tax payable	4,791,110	1,163,501	1,212,931	0
Total Current Liabilities	198,052,501	190,359,266	609,876,178	653,112,979
Notes payable - net of current portion	375,490,701	443,800,782	0	0
Deposit on long-term leases - net of current portion	19,437,756	18,603,788	19,974,491	22,250,613
Unearned rental income - net of current portion	7,827,165	8,355,115	9,777,271	13,292,628
Net retirement plan liability	0	0	0	5,761,953
Payable to a related party	37,730,000	37,730,000	89,730,000	0
Deferred tax liability - net	21,760,408	21,913,988	18,377,308	6,391,058
Other noncurrent liability	152,363,302	162,176,225	0	0
Total Noncurrent Liabilities	614,609,332	692,579,898	137,859,070	47,696,252
Total Liabilities	812,661,833	882,939,164	747,735,248	700,809,231
Capital Stock	250,000,000	250,000,000	250,000,000	250,000,000
Other components of equity:				
Fair value changes on financial assets at FVOCI	(108,752,837)	(97,456,170)	(64,104,104)	(70,828,311)
Accumulated rereasurement gains (losses) on defined benefit plan	9,604,162	13,571,525	6,728,522	(1,684,031)
Retained earnings	304,283,580	318,762,302	168,833,256	71,389,641
Total Equity	455,134,905	484,877,657	361,457,674	248,877,299
TOTAL LIABILITIES AND EQUITY	1,267,796,738	1,367,816,821	1,109,192,922	949,686,530

STATEMENTS OF COMPREHENSIVE INCOME

(in Philippine Pesos)

	For the 6 months ended June 30, 2022	For the 6 months ended June 30, 2021	For the 12 months ended December 31, 2021	For the 12 months ended December 31, 2020	For the 12 months ended December 31, 2019
RENTAL INCOME	113,154,669	114,349,226	223,737,958	229,942,526	178,571,340
DIRECT COSTS	38,000,728	38,736,107	77,700,259	106,157,570	58,964,801
GROSS PROFIT	75,153,941	75,613,119	146,037,699	123,784,956	119,606,539
OPERATING EXPENSES	10,952,820	13,603,157	25,914,768	27,112,926	30,699,436
INCOME BEFORE OTHER INCOME (CHARGES) AND INCOME TAX	64,201,121	62,009,962	120,122,931	96,672,030	88,907,103
OTHER INCOME (CHARGES)					
Fair value changes of financial assets at fair value through profit or loss	(54,005,125)	37,000,549	82,498,404	56,973,047	13,604,215
Dividend income	1,016,060	1,019,405	1,103,406	601,500	7,157,727
Interest income	23,995	18,068	77,949	264,137	181,724
Interest expense	(13,085,113)	(16,043,379)	(30,684,544)	(34,748,725)	(50,486,955)
Gain on sale of financial assets at FVTPL	0	0	0	100,685	(4,910,880)
Other income (expense)	209,236	(4,777,895)	(4,581,278)	434,599	0
	(65,840,947)	17,216,748	48,413,937	23,625,243	(34,454,169)
INCOME (LOSS) BEFORE INCOME TAX	(1,639,826)	79,226,710	168,536,868	120,297,273	54,452,934
PROVISION FOR (BENEFIT FROM) INCOME TAX					
Current	11,670,022	7,935,307	16,711,331	14,472,788	2,453,641
Deferred	1,168,874	(411,795)	1,896,491	8,380,870	9,166,302
	12,838,896	7,523,512	18,607,822	22,853,658	11,619,943
NET INCOME (LOSS)	(14,478,722)	71,703,198	149,929,046	97,443,615	42,832,991
Net fair value changes on financial assets at FVOCI	(11,296,667)	(13,986,350)	(33,352,066)	6,724,207	2,241,402
Remeasurement gain (loss) on defined benefit plans	(5,289,817)	(2,098,676)	8,483,192	12,017,933	1,171,806
Income tax effect	1,322,454	1,005,279	(1,640,189)	(3,605,380)	(351,542)
	(15,264,030)	(15,079,747)	(26,509,063)	15,136,760	3,061,666
TOTAL COMPREHENSIVE INCOME (LOSS)	(29,742,752)	56,623,451	123,419,983	112,580,375	45,894,657

STATEMENTS OF CASH FLOWS
(in Philippine Pesos)

	For the 6 months ended June 30, 2022	For the 6 months ended June 30, 2021	For the 12 months ended December 31, 2021	For the 12 months ended December 31, 2020	For the 12 months ended December 31, 2019
Income (loss) before income tax	(PHP) 1,639,826	PHP 79,226,710	PHP 168,536,868	PHP 120,297,273	PHP 54,452,934
Adjustments to reconcile income before income tax to net cash flows:					
Interest expense	13,085,113	16,043,379	30,684,544	34,748,725	50,486,955
Depreciation and amortization	21,889,723	21,428,270	43,068,510	42,965,106	40,589,092
Fair value changes of financial assets at fair value through profit or loss	54,005,125	(37,000,549)	(82,498,404)	(56,973,047)	(13,604,215)
Loss on loan modification	0	4,981,822	4,981,822	0	0
Dividend income	(1,016,060)	(1,019,405)	(1,103,406)	(601,500)	(7,157,727)
Gain on sale of financial assets at FVTPL	0	0	0	(100,685)	4,910,880
Movement in net retirement plan liability	292,027	(8,311,093)	663,219	999,467	974,825
Interest income	(23,995)	(18,068)	(77,949)	(264,137)	(181,724)
Working capital changes					
Decrease (increase) in:					
Receivables	(13,163,001)	11,054,641	16,124,179	(5,282,241)	(8,147,167)
Accrued rent	(10,041,396)	(11,610,438)	(19,561,284)	(29,620,084)	(22,802,474)
Prepaid expenses and other current assets	(8,259,056)	(14,103,844)	(2,398,764)	20,887,056	9,342,274
Increase (decrease) in:					
Accounts payable and other current liabilities	(1,397,714)	655,796	(642,462)	4,073,360	(21,360,995)
Deposits on long-term leases	1,065,858	400,746	(492,032)	(826,942)	1,676,739
Unearned rental income	4,665,176	1,977,466	(1,585,588)	(1,120,387)	(8,294,844)
Net cash flows generated from operations	59,461,974	63,705,433	155,699,253	129,181,964	80,884,553

Income tax paid	(8,042,413)	(6,311,457)	(16,760,761)	(13,259,857)	(8,865,775)
Interest received	23,995	18,068	77,949	284,137	181,724
Net cash provided by operating activities	51,443,556	57,412,044	139,016,441	116,186,244	72,200,502
Additions to:					
Investment properties	0	0	(31,555,521)	(10,901,430)	(6,923,375)
Property and equipment	(1,227,679)	(6,339)	(2,152,176)	(207,227)	(560,107)
Purchase of financial assets at fair value through profit or loss	(3,685,658)	(16,013,514)	(16,013,514)	(6,947,589)	(4,069,267)
Proceeds from sale of financial assets at fair value through profit or loss	3,572,261	0	0	8,275,685	132,226,056
Dividends received	1,016,060	1,019,405	1,103,406	601,500	7,157,727
Decrease (increase) in other noncurrent assets	100,000	272,767	272,768	(172,768)	416,008
Net cash provided by (used in) investing activities	(225,016)	(14,727,681)	(48,345,037)	(9,351,829)	128,247,042
Availment of bank loans	0	0	0	0	28,000,000
Payments of:					
Payable to a related party	0	(52,000,000)	(52,000,000)	0	0
Notes payable	(68,235,294)	0	0	(52,900,000)	0
Debt issue cost	0	(4,350,000)	(4,350,000)	0	0
Interest paid	(12,751,400)	(11,700,332)	(27,235,028)	(34,215,967)	(48,987,165)
Other noncurrent liability	(9,190,928)	0	0	0	0
Net cash provided by (used in) financing activities	(90,177,622)	(68,050,332)	(83,585,028)	(87,115,967)	(186,487,165)
NET INCREASE (DECREASE) IN CASH	(38,959,082)	(25,365,969)	7,086,376	19,718,448	13,960,379
CASH AT BEGINNING OF YEAR	46,758,816	39,672,440	39,672,440	19,953,992	5,993,613
CASH AT END OF THE YEAR	7,799,734	14,306,471	46,758,816	39,672,440	19,953,992

As of June 30, 2022, the Company provided ₱1,049,681 for expected credit losses on rent receivables.

As at June 30, 2022, there were no events identified that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

As at June 30, 2022, the Company has no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period.

As at June 30, 2022, the Company has no material commitments for capital expenditures.

As at June 30, 2022, there are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

OVERVIEW

Critical Accounting Policies

The preparation of the accompanying financial statements in conformity with Philippine Financial Reporting Standards ("PFRS") requires management to make judgments, estimates, and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates and assumptions.

Judgments, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company's significant accounting policies and significant accounting judgments and estimates are disclosed in Notes 2 and 3 of the Company's audited financial statements for the six months ending June 30, 2022 and calendar years ending December 31, 2021, December 31, 2020 and December 31, 2019 included elsewhere in this Prospectus.

Description of Selected Income Statement Items

Rental Revenue

The Company leases its commercial real estate properties to others through operating leases. Rental income arising from operating leases on investment properties is recognized on a straight-line basis over the lease terms. Excess of rental income recognized using the straight-line basis over the rental income based on the terms of lease contract is recognized as an asset in the statements of financial position under the "Accrued rent" account. Rentals collected but not yet earned are recognized as a liability in the statements of financial position under the "Unearned rental income" account. Deposits on long-term leases are initially recognized at fair value and subsequently measured at amortized cost where material. Any difference between the initial fair value and the nominal amount is included as a component of rental income and recognized on a straight-line basis over the lease term.

Cost of Rental Services

Direct costs include expenses incurred by the Company for the generation of revenue from rental income. Direct costs are expensed as incurred.

Interim financial statements as at June 30, 2022 versus December 31, 2021 and for the six months ended June 30, 2022 versus same period in 2020.

Results of Operations

The Company generated total gross revenues of ₱113.2 million for the six months ended June 30, 2022, a slight decrease of 1% from ₱114.3 million total gross revenues for the six months ended June 30, 2021.

As a result of the COVID-19 pandemic, the Company provided rent concessions to its tenants in the form of deferment of payments, two-month rent-free periods and discounts as at June 30, 2022 and December 31, 2021. Certain lease agreements were also pre-terminated. The Company accounted for the deferment of payment, rent-free periods and discounts provided as not a lease modification since there were no substantive changes to the terms and conditions of the lease; while the shortening of lease period were treated as lease modifications. The rent concessions resulted to a reduction in rental income amounting to ₱ 1,596,919 and ₱2,110,128 for the six months ended June 30, 2022 and 2021, respectively.

Cost of rental services amounted to ₱38 million versus to ₱38.7 million last year, with very minimal changes of ₱ 0.7 million.

General and administrative expenses amounted to ₱10.9 million, 19% lower than last year's ₱ 13.6 million decrease of ₱ 2.7million was primarily due to decrease in personnel cost and the provision for credit losses made last year.

Other income (charges) net amounted to ₱65.8 million, down by ₱83 million or 482% from same period last year. The decrease was mainly due to ₱91 million decrease in fair value changes of financial assets as of June 30, 2022 offset by decreased of ₱3.0 million Interest expense due to partial payment of principal and increase by ₱5.0 million of other income due to loss on loan modification million made last year.

Financial Condition

Total Assets of the Company as of June 30, 2022 stood at ₱1.268 billion, a decrease of 7% or ₱100 million from ₱1.368 billion as of December 31, 2021.

Cash decreased by 83% or ₱39 million mainly due to ₱68.2 million payment of principal of term loan and ₱9.2 million payment of payable in relation to acquisition of Nuvali lot.

The increase in Receivables by ₱13 million was mainly due to uncollected receivable of as of June 30, 2022 which was immediately collected by the company on the following month.

Other Current Assets increased by 139% or ₱8.3 million was due primarily to prepaid real estate tax amounting to ₱10.9 million offset by decrease in input VAT to ₱2.6 million.

The decrease in Investment Properties - net by ₱21.1 million was due to depreciation of existing Investment Properties.

Total Liabilities of the Company as of June 30, 2022 amounted to ₱812.7 million decreased by 8% or ₱ 70.3 million from 2021 of ₱ 882.9 million. The decrease is primarily due to ₱ 68.2 million payment of principal of term loan and ₱ 9.2 million payment of payable in relation to acquisition of Nuvali lot.

Total Equity stood at ₱455.1 million as of June 30, 2022, versus ₱484.9 million as of December 31, 2021. The Company generated Net loss of ₱14.5 million during the six months ended June 30, 2022 primarily because of fair value changes of financial assets at fair value through profit and loss amounting to ₱54 million.

KEY PERFORMANCE INDICATORS

A summary of LPC's key performance indicators are presented below. The Company employs analyses using comparisons and measurements based on the financial data for current periods against the same period of the previous year.

The key performance indicators for the six months ended June 30 and the years ended December 31, are as follows:

(Amounts in PHP)	June 30, 2022	December 31, 2021	December 31, 2020
Gross revenues	113.2 million	223.7 million	229.9 million
EBIT	11.4 million	199.1 million	154.8 million
EBITDA	33.3 million	242.2 million	197.8 million
Income before Other Income (Charges) and Income Tax	64.2 million	120.1 million	96.7 million
Net income (loss)	(14.5) million	149.9 million	97.4 million
Earnings per share ¹	(0.00060)	0.0060	0.0039
Net book value per share ²	0.0182	0.0194	0.0145
Current ratio ³	0.85:1	1.26:1	0.25:1
Debt to equity ratio	1.79:1	1.82:1	2.07:1
Asset to equity ratio ⁴	2.79:1	2.82:1	3.07:1
Return on Equity	(3%)	31%	27%
Return on Total Assets	(1%)	11%	9%
Net Income Margin	(13%)	67%	42%
Gross Margin	66%	65%	54%
Operating Margin	57%	54%	42%

Notes

- 1 Earnings per share is computed as Net income divided by total Common Shares outstanding
- 2 Net book value per share is computed as Total equity divided by total Common Shares outstanding
- 3 Current ratio is computed as Current assets divided by Current liabilities
- 4 Debt to equity ratio is computed as Total liabilities divided by Total equity
- 5 Asset to equity ratio is computed as Total assets divided by Total equity
- 6 Return on Equity is computed as Net income divided by Total equity
- 7 Return on Total Assets is computed as Net income divided by Total assets
- 8 Net Income Margin is computed as Net income divided by Total revenues
- 9 Gross Margin is computed as Gross income divided by Total revenues
- 10 Operating Margin is computed as Operating income divided by Total revenues

Under the Facility Agreement notarized on February 18, 2021 between the Company and BDO covering a ₱600,000,000.00 term loan, the Company is required to maintain a Current Ratio of at least 1.0x. While as of June 30, 2022, the Company's Current Ratio is at 0.85x, BDO, in a letter dated October 3, 2022, confirmed that the testing of the Financial Covenants under the said Facility Agreement is done annually. Hence, it is based on the Company's annual audited financial statements for each fiscal year ending December 31, and not on its interim financial statements. As of 31 December 2021, the Company's Current Ratio was at 1.26x.

Calendar Year Ended December 31, 2021 versus same period in 2020

Results of Operations

The Company generated total gross revenues of ₱223.7 million for the year ended December 31, 2021, a slight decrease of 3% from ₱229.9 million total gross revenues for the year ended December 31, 2020.

As a result of the COVID-19 pandemic, the Company provided rent concessions to its tenants in the form of deferment of payments, two-month rent-free periods and discounts in 2021 and 2020. Certain lease agreements were also pre-terminated. The Company accounted for the deferment of payment, rent-free periods and discounts provided as not a lease modification since there were no substantive changes to the terms and conditions of the lease; while the shortening of lease period were treated as lease modifications. The rent concessions resulted to a reduction in rental income amounting to ₱5,476,437 and ₱4,091,752 in 2021 and 2020, respectively.

Cost of rental services amounted to ₱77.7 million versus to ₱106.2 million last year, a decrease of ₱28.5million is primarily due to real estate tax in 2019 that was paid in 2020.

General and administrative expenses amounted to ₱25.9 million, 4% lower than last year's ₱27.1 million a slight decrease of ₱1.2 million was primarily due to decrease in professional fees paid during the year.

Other income (charges) net amounted to ₱48.4 million, up by ₱24.8 million or 105% from same period last year. The increase was mainly due to ₱25.5 million increase in fair value changes of financial assets as of December 31, 2021, increase of dividend income from the investment in stock of ₱0.5million, interest expense decreased by ₱4.1 million due to decrease in interest rate. The company, however, recognized a loss on loan modification amounting to ₱5.0 million.

Financial Condition

Total Assets of the Company as of December 31, 2021 stood at ₱1.368 billion, an increase of 23% or ₱259 million from ₱1.109 billion as of December 31, 2020. The increase is primarily due to the cost of Nuvali Lot acquired by the Company during the year amounting to ₱214 million including deferred input VAT.

Cash of the Company as of December 31, 2021 is ₱46.8 million versus ₱39.7 million last year a slight increase of ₱7 million.

The decrease in Receivables by 75% or ₱16.1 million was mainly attributable to the collection of receivables from broker of amounting to ₱13.5 million.

Other Current Assets increased by 346% or ₱4.6 million was due ₱2.6 million balance of input value-added tax after offsetting the output value-added tax and ₱2.2million deferred input tax from the acquisition of Nuvali Lot.

The increase in Investment Properties - net by ₱149 million was to the cost of Nuvali Lot acquired by the Company during the year net of depreciation of the existing Investment Properties.

Total Liabilities of the Company as of December 31, 2021 amounted to ₱882.9 million increased by 18%or ₱135.2million from 2020 of ₱747.7 million. The increase is primarily due to the liability recognized by the company relative to the acquisition of Nuvali Lot.

Total Equity stood at ₱484.9 million as of December 31, 2021, versus ₱361.5 million as of December 31, 2020. The Company generated Net Income of ₱149.9 million during the twelve months ended December 31, 2021.

Calendar Year Ended December 31, 2020 versus same period in 2019

Results of Operations

The Company generated total gross revenues of ₱229.9 million for the year ended December 31, 2020, an increase of 29% from ₱178.6 million total gross revenues for the year ended December 31, 2019. The increase in rental revenues

was mainly attributable to rental income generated from Liberty Center Plaza for twelve (12) months versus of only seven (7) months in the year 2019. EBIT increased by 48% or ₱50.02 million while EBITDA posted a 36% or ₱52.4 million increase.

Cost of rental services amounted to ₱106.2 million in 2020, higher by 80% from the same period last year. The increase was due primarily to real estate tax and depreciation expense for Liberty Plaza Building and increase in operational cost such as communication, light and water.

General and administrative expenses amounted to ₱27.1 million in 2020, 12% lower than the ₱30.7 million in year 2019 due to commission fee paid in year 2019 to real estate agents for acquiring new tenants for Liberty Plaza Building, and documentary stamp tax paid to new rental contracts and increase in personnel cost.

Other income (charges) amounted to ₱0.43 million in 2020, up by ₱0.43 million or 100% from same period in year 2019. The increase was mainly due to electric and water consumption charged to tenants.

As a result of the COVID-19 pandemic, the Company provided rent concessions to its tenants in the form of deferment of payments, two-month rent-free periods and discounts in 2020. Certain lease agreements were also pre-terminated. The Company accounted for the deferment of payment, rent-free periods and discounts provided as not a lease modification; while the shortening of lease period were treated as lease modifications. The rent concessions resulted to a reduction in rental income amounting to ₱4,091,752; while the lease termination resulted to a decrease in accrued rent and rental income amounting to ₱290,453 and ₱965,400, respectively, as of and for the year ended December 31, 2020.

Financial Condition

Total Assets of the Company as of December 31, 2020 stood at ₱1.1 billion, an increase by ₱159.5 million from ₱949.7 million as of December 31, 2019.

Cash increased by 99% or ₱19.7 million in 2020 due to cash generated from operations; offset by loan payments amounting to ₱52.9 million and capital expenditures of ₱10.9 million.

The increase in Receivables by 32% or ₱5.3 million in 2020 was mainly attributable to increase in receivable to broker of marketable securities of ₱5.1 million ₱2.1 million increase in receivable from various tenants and offset by ₱2.0 million collection of advances to officers and employees.

Other Current assets decreased by 94% or ₱20.9 million due to application of input value-added tax against output value-added tax and creditable withholding to income tax due.

The increase in Investment Properties - net by ₱58.2 million in 2020 was due primarily to ₱99.7 million acquisition of Air rights and ₱0.9 million capital expenditures offset by depreciation of existing Investment Properties of ₱42.5 million

Total Liabilities of the Company as of December 31, 2020 amounted to ₱747.7 million decreased by 7% or ₱46.9 million from 2019 of ₱700.8 million. The decrease is primarily due to payments of ₱52.9 million of loans offset by increase of ₱8.5 million in payables and ₱1.2 million increase in income tax payable.

Total Equity stood at ₱361.5 million as of December 31, 2020, versus ₱248.9 million in year 2019. The Company generated Net Income of ₱97.4 million during the year ended December 31, 2020.

Calendar Year Ended December 31, 2019 versus same period in 2018

Results of Operations

The Company generated total gross revenues of ₱178.6 million for the year ended December 31 2019 an increase of 95% from ₱91.4 million total gross revenues for the year ended December 31, 2018, mainly attributable to rental income generated from the newly constructed Liberty Plaza Building which became operational in June 2019. EBIT increased by 160% at ₱64.5 million while EBITDA posted a 166% or ₱90.7 million increase.

Cost of rental services amounted to ₱59.0 million in 2019, higher by 92% from the same period in year 2018 due to depreciation and amortization of the newly constructed Liberty Plaza Building and increased in operational cost such as communication, light and water.

General and administrative expenses amounted to ₱30.7 million in 2019, 29% higher than the ₱23.7 million in year 2018 due to commission fees paid to real estate agents for acquiring new tenants for Liberty Plaza Building, documentary stamp tax paid for new rental contracts and increased personnel cost.

Other income (expenses) amounted to nil in 2019, down by ₱0.8 million from same period in year 2018 mainly due to electric and water consumption charged to tenants.

Financial Condition

Total assets of the Company as of December 31, 2019 stood at ₱949.7 million, a decrease by ₱118.3 million from ₱1,068 million as of December 31, 2018.

Cash increased by 233% or ₱14.0 million in 2019 due to sale of investment of stocks amounting to ₱128.1 million – net of acquisition and cash generated from operations; offset by loan payments, net of availment, amounting to ₱137.5 million.

The increase in receivables by 100% or ₱8.1 million in 2019 was mainly attributable to receivables from new tenants from the Liberty Plaza Building.

Other current assets decreased by 30% or ₱9.3 million in 2019 due to application of input value-added tax against output value-added tax.

The decrease in Investment Properties - net by ₱33.2 million pertains to ₱40.1million depreciation of existing Investment Properties offset by ₱6.9 million capital expenditures during the year ended December 31, 2019.

Other non-current asset decreased by ₱0.7 million in 2019 due to the collection of refundable deposit to Meralco and amortization of computer software.

Total liabilities of the Company as of December 31, 2019 amounted to ₱700.8 million decreased by 19% from 2018 of ₱865 million.

Income tax payable represents regular income tax due, net of available creditable withholding taxes. The Company has unused creditable withholding taxes amounting to ₱3.8 million as of December 31, 2019.

Total equity stood at ₱248.9 million as of December 31, 2019, 23% higher than last year's ₱203 million. The Company generated net income of ₱42.8 million during 2019.

KEY PERFORMANCE INDICATORS

A summary of LPC's key performance indicators are presented below. The Company employs analyses using comparisons and measurements based on the financial data for current periods against the same period of the previous year.

The key performance indicators for the six months ended June 30, 2022 and for the years ended December 31, are as follows:

(Amounts in PHP)	June 30, 2022	December 31, 2021	December 31, 2020	December 31, 2019
Gross revenues	113.2 million	223.7 million	229.9 million	178.6 million
Net income (loss)	(14.5 million)	149.9 million	97.4 million	42.8 million
Interest expense	13.1 million	30.7 million	34.7 million	50.5 million
Interest income	0.02 million	0.1 million	0.3 million	0.2 million
Income tax	12.8 million	18.6 million	22.9 million	11.6 million
EBIT ¹	11.4 million	199.1 million	154.8 million	104.8 million
Depreciation and amortization	21.7 million	43.1 million	43.0 million	40.6 million
EBITDA ²	33.3 million	242.2 million	197.8 million	145.4 million
Earnings (Loss) per share ³	(0.0006)	0.0060	0.0039	0.0017
Total equity	455.1 million	484.9 million	361.5 million	248.9 million
Total common shares outstanding	25,000 million	25,000 million	25,000 million	25,000 million

Net book value per share ⁴	0.0182	0.0194	0.0145	0.0100
Current assets	167.8 million	239.8 million	149.1 million	86.9 million
Current liabilities	198.1 million	190.4 million	609.9 million	653.1 million
Current ratio ⁵	0.85:1	1.26:1	0.25:1	0.13:1
Total liabilities	812.7 million	882.9 million	747.7 million	700.8 million
Total equity	455.1 million	484.9 million	361.5 million	248.9 million
Debt to equity ratio ⁶	1.79:1	1.82:1	2.07:1	2.82:1
Total assets	1,267.8 million	1,367.8 million	1,109.2 million	949.7 million
Total equity	455.1 million	484.9 million	361.5 million	248.9 million
Asset to equity ratio ⁷	2.79:1	2.82:1	3.07:1	3.82:1
Net income (loss)	(14.5 million)	149.9 million	97.4 million	42.8 million
Total equity	455.1 million	484.9 million	361.5 million	248.9 million
Return on Equity ⁸	(3%)	31%	27%	17%
Net income (loss)	(14.5 million)	149.9 million	97.4 million	42.8 million
Total assets	1,267.8 million	1,367.8 million	1,109.2 million	949.7 million
Return on Total Assets ⁹	(1%)	11%	9%	5%
Net income (loss)	(14.5 million)	149.9 million	97.4 million	42.8 million
Gross revenues	113.2 million	223.7 million	229.9 million	178.6 million
Net Income (Loss) Margin ¹⁰	(13%)	67%	42%	24%
Gross profit	75.2 million	146.0 million	123.8 million	119.6 million
Gross revenues	113.2 million	223.7 million	229.9 million	178.6 million
Gross Margin ¹¹	66%	65%	54%	67%
Income before other income (charges) and income tax	64.2 million	120.1 million	96.7 million	88.9 million
Gross revenues	113.2 million	223.7 million	229.9 million	178.6 million
Operating Margin ¹²	57%	54%	42%	50%

Notes

- 1 Earnings before interest and tax
- 2 Earnings before interest, taxes, depreciation, and amortization
- 3 Earnings per share is computed as Net income divided by total Common Shares outstanding
- 4 Net book value per share is computed as Total equity divided by total Common Shares outstanding
- 5 Current ratio is computed as Current assets divided by Current liabilities
- 6 Debt to equity ratio is computed as Total liabilities divided by Total equity
- 7 Asset to equity ratio is computed as Total assets divided by Total equity
- 8 Return on equity is computed as Net income divided by Total equity
- 9 Return on total assets is computed as Net income divided by Total assets
- 10 Net Income Margin is computed as Net income divided by Revenue
- 11 Gross Margin is computed as Gross Profit divided by Revenue
- 12 Operating Margin is computed as Income before other income (charges) and income tax divided by Revenue

As of June 30, 2022, the Company provided ₱1,049,681 for expected credit losses on rent receivables.

As at June 30, 2022, there were no events identified that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

As at June 30, 2022, the Company has no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period.

As at June 30, 2022, the Company has no material commitments for capital expenditures.

As at June 30, 2022, there are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

Others

As of the date of the Prospectus, the Company is not aware of any event that will trigger a direct or contingent financial obligation that would be material to the Company, including any default or acceleration of any obligation. The Company is not

aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period. The Company is not aware of any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. Finally, the Company is not aware of any seasonal aspects that had a material effect on the financial condition or results of operations of the Company.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS, EXECUTIVE OFFICERS AND MANAGEMENT

The overall management and supervision of the Company is undertaken by the Board of Directors ("Board") composed of seven (7) members, two (2) of whom are independent directors. The term of a director is one (1) year from the date of election and until their successors are elected and qualified.

Below is the composition of the Company's Board:

Name	Age	Citizenship	Position	Year Position Was Assumed
William Carlos Uy	77	Filipino	Chairman of the Board	1996
Jose S. Jalandoni	66	Filipino	President and Director	2021
Jose Ma. S. Lopez	75	Filipino	Director	1996
John Carlos Uy	69	Filipino	Director	1996
William L. Ang	71	Filipino	Vice President and Treasurer	2022
David Ng	58	Filipino	Independent Director	2021
Jose Feria Jr.	71	Filipino	Independent Director	2021

The following are the Company's executive officers:

Name	Age	Citizenship	Position	Year Position Was Assumed
William Carlos Uy	77	Filipino	Chairman of the Board	1997
Jose S. Jalandoni ⁴²	66	Filipino	President	2021
Ma. Adelina S. Gatdula	58	Filipino	Corporate Secretary	2022
Ma. Lourdes Calpo Endozo	39	Filipino	Assistant Corporate Secretary	2022
William L. Ang	71	Filipino	Vice President and Treasurer	2022
Gabriel Ian P. Marasigan	24	Filipino	Compliance Officer	2021

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

William Carlos Uy, 77 years old. He serves as the Chairman of the Board of Directors of the Company. He is presently the Chairman of the Board of Directors and President of Liberty Flour Mills, Inc. and President of Parity Values, Inc., with both corporations being a non-public stockholder of the Company. He also serves as the: (a) President of UPCC Securities Corporation; (b) Vice Chairman of UPCC Holdings Corporation; and (c) Corporate Treasurer of Malayan Bank.

Jose S. Jalandoni, 66 years old. He serves as the Company's President starting April 19, 2021. He is currently the Chairman of Valueline Realty Development Corp and Unicomm Ingredients Phils Inc, Chairperson of Kanlaon Farms, Inc., Vice Chairman of Enterprise Car Lease Phils Inc, President of Beechwood Corp and Percom OPC., Director, Audit Committee Member and

⁴² Prior to his appointment as President of the Company starting April 19, 2021, Mr. Jose S. Jalandoni was the Compliance Officer of the Company.

Compliance Officer of Liberty Flour Mills, Inc. He also serves as Corporate Secretary of Kanlaon Development Corporation, Piliwood Bacolod Corp, Jayjay Realty Corporation JM & Company, Inc., Assistant Treasurer of JM Profreeze, Assistant Corporate Secretary of JM Brenton. And Director and Officer in Charge in Agchem Manufacturing Corporation.

Jose Ma. S. Lopez, 75 years old. He serves as the Company's Director. He is presently a Director and Senior Vice President and Treasurer of Liberty Flour Mills, Inc. He is a Director in other corporations including Agchem Manufacturing Corporation and Liberty Commodities Corporation. He is also the Senior Vice President of Lopez Sugar Corporation.

John Carlos Uy, 69 years old. He serves as the Company's Director. He is presently a Director of Liberty Flour Mills, Inc. and Director and the General Manager of Parity Values, Inc., with both corporations being a non-public stockholder of the Company.

David Ng. 58 years old. He serves as the Company's Independent Director. He is presently the President of Merlin Mining Corporation, Lucky Jade Corporation and Cottesloe Trading Corp. He is also the General Manager of New RTC International Co., Inc., Administrator of Logic Pacific, Inc.

Jose A. Feria, Jr., 71 years old. He serves as the Company's Independent Director. He is presently the Senior Partner of Feria Tantoco Daos Law Offices. Atty. Feria holds the Chairman position for the following Companies: Assessment Analytichs, Inc., Cyan Management Corporation, Philippine Multi-media Systems, Inc., MG Exeo Network, Inc., Premiere Travel and Tours, Inc., Spencer Food Corp., Vinnel Belvoir Corp. and Padre Burgos Realty, Inc. He also serves as Vice Chairman of Directories Philippines Corp. Moreover, Atty. Feria is a Director of the following Companies: Liberty Flour Mills, Inc., EYP.PH Corporation, AeroAsia, Inc., HL&F Management Corp., Macawiwili Gold Mining & Development Corporation, Metropolitan Insurance Corp., Montecito Properties, Inc, Padre Burgos, Pru-Life Insurance Corp.-UK, Telephilippines Inc. and lastly, he is the Corporate Secretary of AisAsia Inc., All Asian Counter Tarde, Inc., Felvisol Development Corp. and Sanara Inc.

William L. Ang. 71 years old. He serves as the Company's Vice President and Treasurer starting March 1, 2022. He is a Director of Liberty Flour Mills, Inc. Mr. Ang holds the position of First Vice President and Treasurer of Parity Values, Inc. He is also a stockholder and Treasurer of Trade Demands Corporation and a Director of Securities Clearing Corporation of the Philippines.

Gabriel Ian Marasigan, 24 years old. He serves as the Company's Compliance officer from October 8, 2021 to present. He graduated from La Consolacion College Manila with a degree of Bachelor of Arts in Psychology, *cum laude*. He heads the human resources department of Alegria Development Corporation, Buendia Offices Condominium Corporation, Ganet Management Corporation, JM & Co., Inc., Kanlaon Development Corporation, Kanlaon Farms, Inc., La Rosa Realty Development Corporation, The Second Mid-land Offices Condominium Corporation, and Valueline Realty Development Corporation. He is currently pursuing his master's degree (Master of Science) in Psychology, major in Industrial and Organizational Psychology, at the De La Salle University

Ma. Adelina S. Gatdula, 58 years old. She serves as the Company's Corporate Secretary. She graduated from the University of the Philippines with a degree in A.B. Economics, *cum laude*, and from the University of the Philippines College of Law. She also serves as Director and/or Corporate Secretary of various Philippine corporations engaged in the real estate business, business process outsourcing, and insurance, among others.

Ma. Lourdes Calpo Endozo, 39 years old. She serves as the Company's Assistant Corporate Secretary. She is a Partner at Picazo Buyco Tan Fider & Santos Law Offices, achieved her Juris Doctor from the University of the Philippines College of Law and has been a member of the Philippine Bar since 2009. Atty. Endozo has been a practicing lawyer for the past 13 years and specializes in the areas of mergers and acquisitions, banking and finance, public utilities and infrastructure, bancassurance, education, retail trade, competition law, and real estate and construction.

All the directors and officers of the Company possess a high degree of integrity and character and are fully capable and able to perform their duties as director and officers, respectively. None of the directors or officers has been declared bankrupt nor has there been any petition filed or against any of the directors, nor to any businesses of which they were a part of. Nor have any of them been convicted of any crime, domestic or foreign and there are no criminal proceedings presently pending against any of them. Nor have any of them been temporarily or permanent barred, suspended or otherwise limiting any of their involvement in any type of business.

FAMILY RELATIONSHIP

Jose Jalandoni and Jesus Jalandoni, Jr. are siblings. Jose Jalandoni, Jesus Jalandoni, Jr. and Jose Ma. S. Lopez are cousins. William Carlos Uy and John Carlos Uy are siblings.

Other than the above, the Company is not aware of any family relationships among the directors and officers of the Company.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS (OVER THE PAST FIVE YEARS)

None of the members of Company's Board nor its executive officers have been involved in any criminal, bankruptcy or insolvency investigations or proceedings, including proceedings relating to securities, commodities or banking activities, or those enjoining such person from involvement in any type of business, for the past five (5) years from the date of this Prospectus.

DIRECTOR AND EXECUTIVE COMPENSATION

At present, the Directors do not receive any allowance or per diem per meeting. The Company's By-Laws provides that each Director shall receive a reasonable per diem for his or her attendance at every meeting of the Board of Directors. Furthermore, every member of the Board shall receive such compensation for their services, as may, from time to time, be determined by the Board.

Compensation to executive officers currently comprising of the President, Treasurer, and Compliance Officer amounted to ₱912,600 for the six months ended June 30, 2022 and ₱3,027,519, ₱4,123,536, ₱3,944,725, ₱3,580,878, ₱3,395,996 and nil for the years ended December 31, 2021, 2020, 2019, and 2018, respectively.

There are no other executive officers other than aforementioned and there was no other compensation paid to the Directors for the periods indicated.

NAME AND POSITION	SALARY	BONUS	OTHER COMPENSATION (Per Diem)	TOTAL (in Php)
<p>2018 (Actual) CEO and 4 most highly compensated officers Jesus S. Jalandoni Jr. <i>President, March 1, 1997 to April 19, 2021</i></p> <p>Sergio G. Locsin Jr. <i>Vice President and Treasurer- Jan 2003 to February 28, 2022</i></p> <p>Jose S. Jalandoni <i>MIS Manager - April 1997 to April 18, 2021</i> <i>President – April 19, 2021 to Present (Promoted to President effective April 19, 2021)</i></p> <p>There are no other officers and directors who are compensated.</p> <p>TOTAL</p>	<p>2,856,543</p>	<p>724,335</p>	<p>-</p>	<p>3,580,878</p>
<p>2019 (Actual) CEO and 4 most highly compensated officers</p>				

<p>Jesus S. Jalandoni Jr. President, March 1, 1997 to April 19, 2021</p> <p>Sergio G. Locsin Jr. Vice President and Treasurer- Jan 2003 to February 28, 2022</p> <p>Jose S. Jalandoni MIS Manager - April 1997 to April 18, 2021 President – April 19, 2021 to Present (Promoted to President effective April 19, 2021)</p> <p>There are no other officers and directors who are compensated.</p> <p>TOTAL</p>				
	2,954,725	990,000	-	3,944,725
<p style="text-align: center;">2020 (Actual)</p> <p>CEO and 4 most highly compensated officers</p> <p>Jesus S. Jalandoni Jr. President, March 1, 1997 to April 19, 2021</p> <p>Sergio G. Locsin Jr. Vice President and Treasurer- Jan 2003 to February 28, 2022</p> <p>Jose S. Jalandoni MIS Manager - April 1997 to April 18, 2021 President – April 19, 2021 to Present (Promoted to President effective April 19, 2021)</p> <p>There are no other officers and directors who are compensated.</p> <p>TOTAL</p>				
	3,087,136	1,036,400	-	4,123,536
<p style="text-align: center;">2021 (Actual)</p> <p>CEO and 4 most highly compensated officers</p> <p>Jesus S. Jalandoni Jr. President - March 1, 1997 to April 19, 2021</p> <p>Sergio G. Locsin Jr. Vice President and Treasurer- Jan 2003 to February 28, 2022</p> <p>Jose S. Jalandoni MIS Manager - April 1997 to April 18, 2021 President – April 19, 2021 to Present (Promoted to President effective April 19, 2021)</p>				

There are no other officers and directors who are compensated. TOTAL	2,271,519	756,000	-	3,027,519
June 30, 2022 (Actual) CEO and 4 most highly compensated officers				
Sergio G. Locsin Jr. <i>Vice President and Treasurer- Jan 2003 to February 28, 2022</i>				
Jose S. Jalandoni <i>MIS Manager - April 1997 to April 18, 2021</i> <i>President – April 19, 2021 to Present (Promoted to President effective April 19, 2021)</i>				
William L Ang <i>Vice President and Treasurer</i> <i>March 1, 2022 to Present</i>				
There are no other officers and directors who are compensated. TOTAL	842,400	70,200	-	912,600

Per Diem Standard Arrangement

There are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as director for the last completed fiscal year and the ensuing year.

Other Arrangements

There are no other arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, during the Company's last completed fiscal year, and the ensuing year, for any service provided as a director.

Any Employment Contract between the Company and Named Executive Officer

There are no special employment contracts between the registrant and the named executive officers.

Warrants and Options Outstanding

There are no outstanding warrants or options held by the Company's Chairman and President, the named executive officers, and all officers and directors as a Company.

Employment Contract between the Company and Executive Officers

There are no special employment contracts between the Company and its named executive officers.

Warrants and Options Held by the Executive Officers and Directors

As of the date of this Prospectus, none of the Company's directors and executive officers holds any warrants or options in the Company.

Other Arrangements

Except as described above, there are no other arrangements pursuant to which any of the Company's directors and executive officers was compensated, or is to be compensated, directly or indirectly.

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

Prior to the Dividend Distribution, Liberty Flour Mills, Inc. was the only record and/or beneficial owner of five percent (5%) or more of the Company's Outstanding Capital Stock.

Prior to the Dividend Distribution, the shareholders of the Company were:

Title of Class	Name of Record Owner and Relationship With the Company	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	% of Total Outstanding Shares
Common	Liberty Flour Mills, Inc., (LFM) stockholder, parent company	same as record owner	Filipino	24,999,999,993	100%
Common	William Carlos Uy, stockholder, director	LFM, director-nominee	Filipino	1	0%
Common	Jose S. Jalandoni stockholder, director	LFM, director-nominee	Filipino	1	0%
Common	Jose Ma. S. Lopez stockholder, director	LFM, director-nominee	Filipino	1	0%
Common	John Carlos Uy stockholder, director	LFM, director-nominee	Filipino	1	0%
Common	William L. Ang stockholder, director	LFM, director-nominee	Filipino	1	0%
Common	Jose Feria, Jr. stockholder, independent director	same as record owner	Filipino	1	0%
Common	David Ng stockholder, independent director	same as record owner	Filipino	1	0%

Based on the information on the Property Dividend Distribution given by LFM, after the recording of the Dividend Shares in the Company's books:

- (a) the following shareholders of the Company are the record and/or beneficial owners of five percent (5%) or more of the Company's Outstanding Capital Stock:

Title of Class	Name of Record Owner and Relationship with the Company	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	% of Total Outstanding Shares
Common	Liberty Flour Mills, Inc., stockholder, parent company	same as record owner	Filipino	14,649,999,993	58.60%
Common	Parity Values, Inc., Stockholder	same as record owner	Filipino	4,175,964,939	16.70%

(b) as regards security ownership of management, the table below shows the beneficial ownership of the directors and executive officers of the Company before and after the Property Dividend Distribution.

Title of Class	RECORD OWNER		BENEFICIAL OWNER		SHARES HELD as of date of this Prospectus		AFTER Property Dividend Distribution	
	Name and Relationship with the Company	Position	Name and Relationship with Record Owner	Citizenship	No. of Shares Held	% to Total Outstanding Shares	No. of Shares Held	% to Total Outstanding Shares
Common	Liberty Flour Mills, Inc. (LFM)	Stockholder, parent company	same as record owner	Filipino	24,999,999,993	100%	14,649,999,993	58.60%
Common	William Carlos Uy,	Director; Chairman	LFM, director-nominee	Filipino	1	0%	138	0%
Common	Jose S. Jalandoni	Director, President	LFM, director-nominee	Filipino	1	0%	69	0%
Common	Jose Ma. S. Lopez	Director	LFM, director-nominee	Filipino	1	0%	43,088,085	0.17%
Common	John Carlos Uy	Director	LFM, director-nominee	Filipino	1	0%	25,806	0%
Common	William L. Ang	Director, Vice President, Treasurer	LFM, director-nominee	Filipino	1	0%	25,738	0%
Common	Jose Feria, Jr.	Independent Director	same as record owner	Filipino	1	0%	2,484	0%
Common	David Ng	Independent Director	same as record owner	Filipino	1	0%	26,013	0%
Common	Ma. Adelina S. Gatdula	Corporate Secretary	Not applicable	Filipino	0	0%	0	0%
Common	Gabriel Ian Marasigan	Compliance Officer starting October 8, 2021	Not Applicable	Filipino	0	0%	0	0%

VOTING TRUST

None of the stockholders are under a voting trust or similar agreement.

CHANGE IN CONTROL

Based on the information from LFM concerning the Property Dividend Distribution, the distribution by LFM of 10,350,000,000

Common Shares of LPC as Property Dividend to all holders of common shares of record of LFM as of December 18, 2020 will result to the dilution of LFM's ownership interest in LPC, as shown below:

Title of Class	Name of Stockholder	Shares Before Dividend Distribution		Shares After Dividend Distribution	
		No. of Shares	Percentage (%)	No. of Shares	Percentage (%)
Common	Liberty Flour Mills, Inc.	24,999,999,993	100.00%	14,649,999,993	58.60%

This dilution will not result to LFM losing its controlling interest in the Company.

PRINCIPAL SHAREHOLDERS

The principal stockholders of the Company and their respective number of Common Shares owned prior to the Property Dividend Distribution, together with the details of the said principal stockholders' Common Shares after the Property Dividend Distribution based on the information given by LFM are, as follows:

Title of Class	Name of Stockholder	Shares as of the date of this Prospectus		Shares after the Property Dividend Distribution	
		No. of Shares	Percentage (%)	No. of Shares	Percentage (%)
Common	Liberty Flour Mills, Inc.	24,999,999,993	100.00%	14,649,999,993	58.60%
Common	Parity Values, Inc.	0	0.00%	4,175,964,939	16.70%
	Total Outstanding	24,999,999,993	100.00%	18,825,964,932	75.30%

FOREIGN AND LOCAL INVESTORS OWNERSHIP

Prior to the Property Dividend Distribution, the Company had no foreign shareholders.

Based on the information on the Property Dividend Distribution given by LFM, after the recording of the Dividend Shares in the Company's books, the percentage ownership of the Company's Common Shares owned/held by Filipino citizens and non-Filipino shareholders will be 99.65% and 0.35% of the total outstanding Common Shares of the Company, respectively.

MINIMUM PUBLIC OWNERSHIP

Based on the information on the Property Dividend Distribution given by LFM, after the Property Dividend Distribution and after the Dividend Shares are recorded in the Company's books and the new list of shareholders is derived:

- a) the Company will have a total of 381 stockholders owning at least one (1) board lot each, with a board lot consisting of 10,000 Common Shares. Under Article III, Part E, Section 2 of the PSE Listing Rules, an applicant company under the Small, Medium and Emerging Board, like the Company, should have at least 200 stockholders that holds at least one (1) board lot of the securities of said company; and
- b) the Company will comply with the minimum public ownership (MPO) requirement of the PSE, with a public float level of about 24.29%, the estimated details of which are shown below. In accordance with the SEC Memorandum Circular No. 13 Series of 2017 and under the PSE Amended Rule on Minimum Public Ownership, particularly the Guidelines on MPO Requirement for Initial and Backdoor Listing under PSE Memorandum CN-No. 2020-0076 dated August 3, 2020 (MPO Rule), the Company is required to maintain a MPO of 20.0% of the Company's total issued and outstanding shares before and after listing.

Number of Issued and Outstanding Common Shares	25,000,000,000
Less: Number of Treasury Common Shares, if any	0
Number of Issued and Outstanding Common Shares	25,000,000,000

Less:

Directors

Name	Direct*	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
William Carlos Uy	1	0	1	0%
Jose S. Jalandoni	1	0	1	0%
Jose Ma. S. Lopez	1	0	1	0%
John Carlos Uy	1	0	1	0%
William L. Ang	1	0	1	0%
Jose Feria, Jr.	1	0	1	0%
David Ng	1	0	1	0%

* The other Common Shares of the directors are stated in item (H) below on the shares under Lock-Up.

B. Officers

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
-	-	-	-	-

C. Principal/Substantial Shareholders

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
Liberty Flour Mills, Inc.	14,649,999,993	0	14,649,999,993	58.60%
Parity Values, Inc.*	4,175,964,939	0	4,175,964,939	16.70%

* These shares of Parity Values, Inc. are also subject to lock-up. Please see "Securities of the Issuer-Lock-Up Restrictions under the PSE Listing Rules".

D. Affiliates

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
-	-	-	-	-

E. Government

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
-	-	-	-	-

F. Banks

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
-	-	-	-	-

G. Employees

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
-	-	-	-	-

H. Lock Up Shares*

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
FERIA PAULA K.	50,860,728		50,860,728	0.20%
LOPEZ JOSE MA. S.	43,088,085		43,088,085	0.17%
LOPEZ BABY S.	7,671,558		7,671,558	0.03%
NG DAVID	26,013		26,013	0.00%
UY JOHN CARLOS	25,806		25,806	0.00%
ANG WILLIAM	25,737		25,737	0.00%
FERIA JR. JOSE A.	2,484		2,484	0.00%
UY WILLIAM CARLOS	138		138	0.00%
JOSE S. JALANDONI	69		69	0.00%

* Please see "Securities of the Issuer-Lock-Up Restrictions under the PSE Listing Rules".

I. Others

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
-	-	-	-	-

Number of Common Shares sought to be listed	25,000,000,000
Estimated Total Number of Non-Public Common Shares	18,927,665,557
Estimated Total Number of Common Shares owned by the public	6,072,334,443
Estimated Public Ownership Percentage	24.29%

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Under the SEC Memorandum Circular No. 10, Series of 2019 dated April 27, 2019 or the Rules for Material Related Party Transactions for Publicly-Listed Companies, related party transactions entered into by publicly-listed companies, either individually or in aggregate over a twelve (12)-month period, amounting to at least ten percent (10%) of a company's total assets based on the latest audited financial statements shall be considered as a material related party transaction ("**Material RPT**"). The SEC likewise included in the definition of "related parties" directors, officers, substantial shareholders, and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, if these persons have control or significant influence over the reporting publicly-listed company. Here, "substantial shareholders" refer to any person who is directly or indirectly the beneficial owner of more than 10% of any class of equity security.

As of the date of this Prospectus and before the intended Listing with the PSE, the Company has one (1) Material RPT, as defined under SEC Memorandum Circular No. 10, Series of 2019. Said contract was with Parity Values, Inc. ("**PVI**"), a corporation that will be a substantial shareholder of the Company after the Dividend Distribution and the recording thereof in the books of the Company. PVI is the owner of 40.35% of the common shares of LFM, the Company's parent company. The transaction covered the transfer made by PVI to the Company of the development rights over 1,994 square meters GLA for PVI's land located at 170 Valero St., Salcedo Village, Makati City, which development rights was used by the Company for the construction of the Liberty Plaza Building, particularly to increase the available GLA for the said Building. Based on the Agreement dated December 15, 2020, the total consideration of the said transfer is ₱99,700,000.00 (inclusive of VAT), wherein 10% initial payment has been made with the remaining 90% thereof payable through single or partial payments within a period of five (5) years, subject to 5.25% interest per annum until the full payment is made, provided that any partial payments made shall not be charged interest from the date said partial payment is received.

Although not considered as Material RPT, as defined under SEC Memorandum Circular No. 10, Series of 2019, the Company leases an area of 80.11 square meters of the Liberty Building, owned by LFM and located at 835 A. Arnaiz Avenue, Legaspi Village, Makati City, by virtue of a Contract of Lease dated 25 November 2020. The current lease covers a period of one (1) year from October 1, 2021 to September 30, 2022, renewable every year, and carries a monthly rental fee of ₱42,771.98 plus Value-Added Tax.

CORPORATE GOVERNANCE

As part of the Company's commitment to institutionalize good corporate governance principles, the Company adopted its Manual of Corporate Governance ("Corporate Governance Manual") on March 8, 2021.

The Company recognizes that responsible management and integrity are necessary to be able to provide services to its stockholders and stakeholders, and proper employment to its employees.

Through the institutionalization of good corporate governance principles, the Company is able to further its philosophy of "People Come First." Corporate governance, when done right, ensures that various interested parties can participate and share in the value creation, opportunities, and activities of the Company.

BOARD OF DIRECTORS

The Company ensures that the Board of Directors is composed of qualified members that possess collective and complementary knowledge, expertise and experience that will enable the Board to fulfill its roles and responsibilities, and respond to the needs of the Company. The Company also ensures that the membership of the Board of Directors is diverse, such that its members come from various backgrounds, i.e., gender, age, ethnicity, culture, skills, competence and knowledge. This will enable the Board to have holistic discussions and different perspectives.

There will be an annual and continuing training for all directors of the Company. This aims to ensure that the Directors are well-appraised of any and all developments that relate to the Company or matters that they would need to know in their capacity as Directors, or members of a particular committee.

The following are the duties and norms of conduct of the Board of Directors:

1. The Board should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company and all its shareholders and stakeholders;
2. The Board should act in the interest of the Company, and not for a controlling group or any other stockholder or stakeholder;
3. The Board should oversee the development and approve the Company's business and strategy and monitor its implementation. In furtherance of this duty, the Board should establish a strategy execution process that would facilitate and aid management in reaching the Company's goals, taking into consideration company culture and the current business environment;
4. The Board is responsible for ensuring and adopting an effective succession planning program for directors, key officers, and management, in order to ensure the continuous and consistent growth of the Company;
5. The Board is responsible for aligning the remuneration of key officers and board members with the long-term interest of the Company, always keeping in mind that remuneration should have a relationship with performance;
6. The Board is responsible for the appointment of a competent management team and assessing their performance as well as that of Management;
7. Establish an effective performance evaluation framework, stating the standards for assessment, to ensure that the performance of Management is at par with those set by the Board;
8. To ensure that the appropriate internal control systems are in place, including a mechanism for monitoring and managing potential/ actual conflicts of interest of board members, management, and shareholders;
9. To oversee that there is an enterprise risk management framework to effectively identify, monitor, assess and manage key business risks; and,
10. Establish an effective performance management framework that would ensure that the performance of management and personnel are at par with the standards that are set by the Board and Senior Management.

The following are the duties and norms of conduct of a Director:

1. A Director should act in the best interest of the Company in a manner characterized by transparency, accountability, and fairness;
2. A Director should exercise leadership, prudence, and integrity in directing the Company towards sustained progress;
3. No Director shall participate in the discussion of his/her per diem or compensation;
4. A Director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests, and a director is required to follow the procedures set forth in the MRPTP. Situations that may compromise a Director's impartiality should always be avoided;
5. A Director should devote enough time to familiarize himself with the Company's business. He/she should be constantly aware of and knowledgeable with the Company's operations to enable him/her to meaningfully contribute to the Board's work;

6. A Director should attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanations;
7. Before deciding on any matter brought before the Board, a director should carefully evaluate the issues, and if necessary, make inquiries and request clarification;
8. A Director should view each problem or situation objectively. If a disagreement with other Directors arises, he/she should carefully evaluate and explain his/her position. Corollary, he/she should support plans and ideas that he/she thinks are beneficial to the Company;
9. A Director should also keep abreast with industry developments and business trends in order to promote the Company's competitiveness;
10. A Director should keep secure and confidential all non-public material information he/she may acquire or learn by reason of his/her position as director. He/she should not reveal confidential information to unauthorized persons without the written authorization of the Board; and,
11. If a Director has a material interest in the transaction brought for the evaluation and approval of the Board, such director shall abstain from taking part in the deliberations and approval of such transaction.

COMPLIANCE OFFICER

To assist the Board of Directors in achieving good corporate governance within the Company, the Compliance Officer shall be responsible for monitoring compliance with the provisions and requirements of the Corporate Governance Manual and rules and regulations issued the SEC on good corporate governance, identifying and monitoring control compliance risks, determining violations, and recommending penalties on such infringements for further review and approval of the Board, among others.

The Compliance officer holds the same rank as a Senior Vice President, and is preferably not a member of the Board of Directors.

The Compliance officer shall have the following duties and responsibilities:

1. Ensures proper onboarding of new directors (i.e., orientation on the Company's business, charter, articles of incorporation and by-laws, among others);
2. Monitors, reviews, evaluates and ensures compliance by the Company, its officers and directors, with the laws, the Code of Corporate Governance, rules and regulations, and all governance issuances of regulatory agencies;
3. Reports to the Board if violations are found and recommends the imposition of appropriate disciplinary action;
4. Ensures the integrity and accuracy of all documentary and electronic submissions as may be allowed under SEC rules and regulations;
5. Appears before the SEC when summoned in relation to compliance with the Code on Corporate Governance and other relevant rules and regulations;
6. Collaborates with other departments within the Company to properly address compliance issues, which may be subject to investigation;
7. Identifies possible areas of compliance issues and works towards the resolution of the same;
8. Ensures the attendance of board members and key officers to relevant trainings; and,
9. Performs such other duties and responsibilities as may be provided by the Board of Directors and the SEC.

ESTABLISHING BOARD INDEPENDENCE

NON-EXECUTIVE DIRECTORS

To create and foster a system of checks and balances, the Company will seek to establish a Board that is composed by a majority of Non-Executive Directors who possess the necessary qualification to effectively participate and help secure objective and independent judgment on corporate affairs. However, if a majority of the directors are executives of the Company, there will be appropriate checks and balances in place.

INDEPENDENT DIRECTORS

To exercise objective and independent judgment on all corporate affairs, the Board of Directors shall have at least two (2) independent directors.

An independent director is a person who is independent of Management and the controlling shareholder/s, and is free from any business or other relationship which could, or could reasonably be perceived, to materially interfere with his exercise of

independent judgment in carrying out his/her responsibilities as a director.

An independent director can serve for a maximum cumulative term of nine (9) years. After which, such independent director shall be barred from re-election as such. This is without prejudice to the appointment of the Independent Director as a non-independent director. However, if the Company wants to retain the services of an independent director, the Board should provide meritorious justification/s and seek the approval of the shareholder's during the annual meeting.

To qualify as an independent director the following must be met:

1. Is not a director of the Company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;
2. Is not, and has not been in the two (2) years immediately preceding the election, a director of the Company; a director, officer, employee of the Company's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the Company's substantial shareholders and its companies;
3. Has not been appointed in the Company, its subsidiaries, associates, affiliates or related companies as Chairperson "Emeritus," "Ex-Officio" Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within two (2) years immediately preceding his election;
4. Does not own more than two percent (2%) of the shares of the Company and/or related companies or any of its substantial shareholders;
5. Is not a relative of a director, officer, or substantial shareholder of the Company or any of its related companies or of any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and he spouse of such child, brother, or sister;
6. Is not acting as a nominee or representative of any director of the Company or any of its related companies;
7. Is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal shareholder, nominee of the firm to the PSE, an associated person or salesman, and an authorized clerk of the broker or dealer;
8. Is not retained, either in his/her personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the Company, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the two (2) years immediately preceding the date of his/her election;
9. Does not engage or has not engaged, whether by himself or with other persons or through a firm which he/she is a partner, director, substantial shareholder, in any transaction with the Company or any of its related companies or substantial shareholder, in any transaction with the Company or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his/her independent judgment;
10. Is not affiliated with any non-profit organization that receives significant funding from the Company or any of its related companies or substantial shareholders; and,
11. Is not employed as an executive officer of another company where any of the Company's executives serves as directors.

For the purposes of the above, related companies shall refer to: (a) the Company's holding/ parent company, if any; (b) its subsidiaries; and (c) subsidiaries of the holding/ parent company.

LEAD INDEPENDENT DIRECTOR

If the Chairperson of the Board is not independent, or the position of Chairperson and President are held by the same person, the Board shall designate a Lead Independent Director whose functions shall be as follows:

1. Serves as an intermediary between the Chairperson and other directors, when necessary;
2. Convenes and chairs meetings of the Non-Executive Directors; and
3. Contributes to the performance evaluation of the Chairperson, as required.

COMMITTEES OF THE BOARD

To aid in the optimal performance of its roles and responsibilities and ensure compliance with the principles of Corporate Governance, the Board of Directors shall form the following Board Committees: (a) Audit Committee; (b) Board Risk Oversight Committee (BROC); and (c) Corporation Governance Committee. The Board may establish other Committees such as a Related Party Transactions (RPT) Committee as it may deem appropriate or necessary to support the Board in the effective performance of its functions.

Audit Committee

The Audit Committee is instituted and responsible for the purpose of Senior Management Oversight. Its establishment ensures that there are systems and processes implemented that provide assurance in reporting; compliance with laws, regulations, accounting standards, and internal controls; effective and efficient operations; safeguarding of LPC's assets; and the proper management of its liabilities. These aid the Company's efforts to maintain adequate, effective, and efficient internal control systems and frameworks.

The Audit Committee shall have the following Duties and Responsibilities:

1. Recommends the approval of the Internal Audit ("IA") Charter, which formally defines the responsibilities, powers and authority of the IA Department, the audit plan of the IA Department, as well as oversees the implementation of the IA Charter;
2. Through the IA Department, monitors and evaluates the adequacy and effectiveness of the Company's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to: (a) safeguard the Company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;
3. Oversees the IA Department, and recommends the appointment and removal of an IA head as well as his qualifications, and grounds for appointment and removal. The Audit Committee should also approve the terms and conditions for outsourcing internal audit services, if applicable;
4. Establishes and identifies the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he should directly report to the Audit Committee;
5. Monitors the Management's responsiveness to the Internal Auditor's findings and recommendations;
6. Prior to the commencement of the audit, discusses with the External Auditor the nature, scope, and expenses of the audit, and ensures the proper coordination if more one audit firm is involved in the activity to identify proper coverage and minimize duplication of efforts;
7. Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid and the Company's overall consultancy expenses. The Audit Committee has the power to disallow any non-audit work that will conflict with the duties of an External Auditor or may pose a threat to his independence. Such non-audit work, if allowed, should be disclosed in the Company's Annual Report and Annual Corporate Governance Report;
8. Reviews and approves the Interim and Annual financial statements before the submission to the Board with focus on the following matters:
 - a. any change(s) in accounting policies and practices;
 - b. areas where a significant amount of judgment has been exercised;
 - c. significant adjustments resulting from audit;
 - d. going concern assumptions;
 - e. compliance with accounting standards; and,
 - f. compliance with tax, legal and regulatory requirements;
9. Reviews the disposition of the recommendations in the external auditor's management letter;
10. Performs oversight functions over the Company's internal and external auditors. It ensures the independence of the internal and external auditors, and that both auditors are given unrestricted access to all records, properties, and personnel to enable them to perform their respective audit functions;
11. Coordinates, monitors, and facilitates compliance with laws, rules and regulations;
12. Recommends to the Board the appointment, re-appointment, removal and fees of the external auditor, duly accredited by the SEC, who undertakes an independent audit of the Company, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the shareholders;
13. Evaluates on an on-going basis, existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs monitored, the Related Party Registry is updated to capture subsequent changes relationships with counterparties (from non-related to related and vice versa); and,
14. Meets internally and with the Board at least once every quarter without the presence of the CEO or other Management team members, and periodically meets with the head of the IA.

The Audit Committee shall have the following responsibilities and duties relative to the external auditor:

1. Assess the integrity and independence of the external auditor;
2. Perform oversight functions over the Company's internal and external auditors. It should ensure that the internal and external auditors are given unrestricted access to all records, properties, and personnel to enable them to perform their respective audit functions;

3. Exercise, effective oversight to review and monitor the effectiveness of the audit process;
4. Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
5. Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
6. Review the reports submitted by the internal and external auditors; and
7. Review the quarterly, half-year and annual financial statements before their submission to the Board, with focus on the following matters:
 - a. Any change/s in accounting policies and practices;
 - b. Major judgmental areas;
 - c. Significant adjustments resulting from the audit;
 - d. Going concern assumptions;
 - e. Compliance with accounting standards; and,
 - f. Compliance with tax, legal and regulatory requirements.

Audit Committee's Related Party Transaction Function

The Audit Committee shall be the body that evaluates and studies: (i) whether a Related Party Transaction (hereafter "RPT") is on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions under similar circumstances; and (ii) that no corporate or business resources of the Company are misappropriated or misapplied.

In furtherance of this, the Audit Committee shall have the following functions:

1. Determines any potential reputational risk issues that may arise as a result of or in connection with RPTs. In evaluating RPTs, the Committee considers, among others, the following:
 - a. The related party's relationship to the Company and interest in the transaction;
 - b. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
 - c. The benefits to the Company of the proposed RPT;
 - d. The availability of other sources of comparable products or services; and
 - e. An assessment of whether the proposed RPT is undertaken on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs;
2. Ensures that appropriate disclosures made, and/or information is provided to regulating and supervising authorities relating to the Company's RPT exposures, and policies on potential and/or actual conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the company's affiliation or transactions with other related parties;
3. Reports to the Board of Directors on a regular basis, the status, and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
4. Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and,
5. Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

Nominations Committee

The Nominations Committee reviews and evaluates the qualifications of all persons nominated to the Board as well as other appointments that require Board approval. In addition, it will assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.

The Committee shall be composed of three (3) directors. As far as practicable, majority of the members should be Independent Directors; and the Chairperson of this committee is preferably not the Chairperson of the Board or of another Committee.

All members of the Committee should possess integrity, probity, and impartiality as well basic knowledge of good governance practices, and a comprehensive knowledge of the Corporate Governance Manual and other related manuals or policies of LPC.

The Nominations Committee shall have the following duties and responsibilities:

1. Determines the nomination and election process for the Company's directors;

2. Defines the general profile of board members that the Company may need;
3. Ensures that appropriate knowledge, competencies and expertise that complement the existing skills of the Board are adopted as standards and criteria for nomination and election;
4. Evaluate and recommend to the Board of Directors candidates for senior management and key personnel positions; and,
5. Ensure that the candidates for senior management and key personnel possess the necessary qualifications and criteria to enable them to perform their functions.

Nomination Committee's Corporate Governance Function

The Nomination Committee will assist the Board in the performance of its corporate governance responsibilities. The performance of these functions creates the necessary internal protocols to ensure that business is being conducted in accordance with the Manual, as well as corporate best practices.

In furtherance of this function, the Nomination Committee shall have the following duties and responsibilities:

1. Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate considering material changes to the Company's size, complexity of operations and business strategy, as well as its business and regulatory environments;
2. Oversees the periodic performance evaluation of the Board and its committees as well as the executive management, and conducts an annual evaluation of the said performance;
3. Ensures that the results of the Board evaluation are discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
4. Recommends the continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
5. Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
6. Proposes and plans relevant trainings for the members of the Board; and
7. Establishes a formal and transparent procedure for determining the remuneration of directors and officers that is consistent with the corporation's culture.

Remuneration Committee

The Remuneration Committee is established for the purpose of ensuring that there are formal and transparent procedures for the determination of remuneration of Management, as well as the Directors. They are further tasked with ensuring that Management and Director compensation is aligned with the short-term and long-term interests of Company.

The Remuneration Committee shall be composed of three (3) directors, a majority of whom should be Independent Directors; and the Chairperson of this committee is preferably not the Chairperson of the Board or of another Committee.

All the members of the Remuneration Committee should possess impartiality, honesty, probity, and integrity.

The Remuneration Committee shall have the following duties and responsibilities:

1. Establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates; and
2. Make the relevant disclosures pertaining to executive compensation.

Remuneration Philosophy

In determining the remuneration of the Board of Directors and Management, the Remuneration Committee and the Board must be guided by the following principles:

1. Level of remuneration should be commensurate to the given responsibilities;
2. Remuneration payout schedules should be sensitive to the risk outcome;
3. Remuneration must be aligned with the goals and interests of the Company, shareholders, and stakeholders;
4. Remuneration must always have a direct correlation with performance, considering the business and economic environment of the given year; and
5. Remuneration given must be competitive with what is being offered by the market to ensure that the Company will be an attractive employer.

The Remuneration Committee should ensure that the total remuneration (fees, allowances, benefits-in-kind, and other emoluments) of the Board and Senior Management are disclosed and approved during the Company's annual stockholder's meeting.

Risk Oversight Committee

Enterprise Risk Management is primarily responsible for tracking, collating, and analyzing the various risks that the Company faces. It is this understanding and grasp of potential risks that places management in a position to make well informed decisions based on juxtaposing the current risk environment, current business activities, and future plans and opportunities.

The Committee shall be composed of three (3) directors. As far as practicable; majority of the members should be Independent Directors; and the Chairperson of this committee is preferably not the Chairperson of the Board or of another Committee.

All members of the Committee should possess the relevant and thorough knowledge and experience of risk and risk management. It is preferred that the Committee is composed of various Directors that can understand and analyze risk from various perspective and fields.

The Risk Oversight Committee shall have the following duties and responsibilities:

1. Develop a formal Enterprise Risk Management (hereafter "ERM") plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals and objectives, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;
2. Oversees the implementation of the ERM plan through a Management Risk Oversight Committee. The ROC conducts regular discussions on the Company's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;
3. Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The ROC revisits defined risk management strategies, looks for emerging or changing material exposures, and keeps abreast of significant developments that seriously impact the likelihood of harm or loss;
4. Advises the Board on its risk appetite levels and risk tolerance limits;
5. Reviews at least annually the Company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and major events which may have occurred in the Company;
6. Assesses the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the corporation and its stakeholders;
7. Oversees the Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management; and
8. Reports to the Board on a regular basis, or as deemed necessary, the Company's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

PHILIPPINE TAXATION

The following is a discussion of the material Philippine tax consequences of the acquisition, ownership, and disposition of the Common Shares. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the Common Shares and no information is provided regarding the tax aspects of acquiring, owning, holding, or disposing of the Common Shares under applicable tax laws of other applicable jurisdictions, including applicable tax treaties involving the Philippines, and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding, and disposing of the Common Shares in such other jurisdictions. This discussion is based upon laws, regulations, rulings, and income tax conventions (treaties) in effect at the date of this Prospectus and is subject to any change after such date. Subsequent legislative, judicial, or administrative changes or interpretations may be retroactive and could affect the tax consequences to the prospective investor in the Common Shares.

The tax treatment of a holder of Common Shares may vary depending on such holder's particular situation and certain holders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be relevant to a decision to invest in the Common Shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rates.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE COMMON SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF LOCAL AND NATIONAL TAX LAWS IMPOSED IN THE PHILIPPINES AND/OR OTHER COUNTRIES.

As used herein, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof. A "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen thereof. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a non-resident alien engaged in trade or business in the Philippines; otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a non-resident alien not engaged in trade or business in the Philippines. A "domestic corporation" is created or organized under the laws of the Philippines; a "resident foreign corporation" is a non-Philippine corporation engaged in trade or business in the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business in the Philippines. The term "non-resident holder" means a holder of the Common Shares: (a) who is an individual and is neither a citizen nor a resident of the Philippines, or an entity which is a non-resident foreign corporation; and (b) should an income tax treaty be applicable, whose ownership of the Common Shares is not effectively connected with a fixed base or a permanent establishment in the Philippines.

PHILIPPINE TAXATION

On January 1, 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion ("TRAIN"), took effect. The TRAIN amended various provisions of the National Internal Revenue Code of 1997, as amended ("Tax Code"), including those on ordinary income tax of individuals, capital gains tax on the sale and disposition of shares of stock, estate tax, donor's tax, and documentary stamp tax.

On March 26, 2021, the second package of the Comprehensive Tax Reform program, Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act ("CREATE") was signed into law, amending provisions of the Tax Code relating to, among others, corporate income tax, lowering corporate income taxes and modernizing fiscal incentives in a bid to complement the expected incremental revenues from the first package.

Income Tax on Domestic Corporations

Under CREATE, a domestic corporation is subject to a tax of 25% of its taxable income (gross income less allowable deductions) from all sources within and outside the Philippines beginning July 1, 2020, provided that domestic corporations with net taxable income not exceeding ₱5,000,000.00 and with total assets not exceeding ₱100,000,000.00 (excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed) shall be taxed at 20%.

Taxable net income refers to items of income specified under Section 32 (A) of the Tax Code, less itemized deductions under Section 34 of the Tax Code or those allowed under special laws, or the optional standard deduction equivalent to an amount not exceeding 40% of the corporation's gross income.

Passive income of a domestic corporation is taxed as follows: (a) gross interest income from Philippine currency bank deposits and yield from deposit substitutes, trust funds and similar arrangements as well as royalties from sources within the Philippines which are generally taxed at the lower final withholding tax rate of 20% of the gross amount of such income; and (b) interest income from a depository bank under the expanded foreign currency deposit system which is subject to a final tax at the rate of 15% of such income.

Under CREATE, beginning July 1, 2020 and until June 30, 2023, a minimum corporate income tax of 1% of the gross income as of the end of the taxable year is imposed on a domestic corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the ordinary corporate income tax. After June 30, 2023, the rate of minimum corporate income tax shall be 2% of the gross income as of the end of the taxable year.

Any excess of the minimum corporate income tax, however, over the ordinary corporate income tax shall be carried forward and credited against the latter for the three immediately succeeding taxable years. Likewise, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation which suffers losses (1) on account of a prolonged labor dispute, or (2) because of force majeure, or (3) because of legitimate business reverses.

SALE, EXCHANGE OR DISPOSITION OF SHARES

Capital Gains Tax on Transfer of Shares that are not Listed and Traded at the PSE

Pursuant to TRAIN, net capital gains realized by an individual taxpayer or domestic corporation other than a dealer in securities during each taxable year from the sale, exchange or disposition of shares of stock in a Philippine corporation not traded thru or sold outside the facilities of the local stock exchange (PSE) are subject to a final tax at the rate of 15% beginning January 1, 2018.

Under CREATE, net capital gains derived by resident foreign corporations on the sale of shares of stock of domestic corporations not traded on the Philippine stock exchange will be subject to a final tax of 15%.

Gains from such sale or disposition of shares in a Philippine corporation may be exempt from capital gains tax or subject to a preferential rate under a tax treaty. An application for tax treaty relief must be filed (and approved) by the Philippine tax authorities to obtain a confirmation of exemption or preferential tax rate under a tax treaty.

Furthermore, if the fair market value of the shares of stock in a Philippine corporation sold outside the facilities of the local stock exchange is greater than the consideration received by the seller or the selling price, the amount by which the fair market value of the shares exceeds the selling price shall be deemed a gift that is subject to donor's tax; provided, however, that a sale, exchange or other transfer of such shares outside the facilities of the local stock exchange made in the ordinary course of business (a transaction which is bona fide, at arm's length and free from donative intent) will be considered as made for an adequate and full consideration in money or money's worth and will not be subject to donor's tax.

The transfer of shares shall not be recorded in the books of the Company unless the BIR certifies that the capital gains tax, documentary stamp tax, and other internal revenue taxes relating to the sale or transfer have been paid or, where applicable, tax treaty relief has been confirmed by the International Tax Affairs Division of the BIR in respect of the capital gains tax or other conditions have been met.

Stock Transaction Taxes on Transfer of Shares Listed and Traded at the PSE

Beginning 1 January 2018, a sale, barter, exchange or other disposition of shares of stock listed at and effected through the facilities of the local stock exchange (PSE) by a resident or a non-resident holder, other than a dealer in securities, is subject to a stock transaction tax ("STT") at the rate of 0.6% of the gross selling price or gross value in cash of the shares of stock sold, bartered, exchanged or otherwise disposed, unless an applicable treaty exempts such sale from the said tax. The STT is classified as a percentage tax and is paid in lieu of the capital gains tax stated in the immediately preceding section. In addition, a value added tax of 12% is imposed on the commission earned by the PSE-registered broker who facilitated the sale, barter, exchange or disposition through the PSE, and is generally passed on to the client.

The STT is withheld by the PSE-registered broker who facilitated the sale, barter, exchange or disposition through the PSE and thereafter remitted to the BIR.

On November 7, 2012, the BIR issued Revenue Regulations No. 16-2012 which provides that the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the MPO requirement (i.e. the rule that requires listed companies to

maintain a minimum percentage of listed securities held by the public or "public float" at 20% of such companies' issued and outstanding shares, exclusive of treasury shares, at all times) after 31 December 2012 will be subject to capital gains tax and documentary stamp tax. It also requires publicly listed companies to submit public ownership reports to the BIR within 15 days after the end of each quarter.

Dividends on the Shares

Individual Philippine citizens and resident aliens are subject to a final tax on dividends derived from the Common Shares at the rate of 10%.

Non-resident alien individuals engaged in a trade or business in the Philippines are subject to a final withholding tax on dividends derived from the Common Shares at the rate of 20%. Non-resident alien individuals not engaged in a trade or business in the Philippines are subject to a final withholding tax on dividends derived from the Common Shares at the rate of 25%, subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of such non-resident alien individuals.

Dividends derived by domestic corporations (*i.e.*, corporations created or organized in the Philippines or under its laws) and resident foreign corporations from the Common Shares shall not be subject to tax.

Dividends received from a domestic corporation by a non-resident foreign corporation shall be subject to a final withholding tax of 15%, subject to the condition that the country in which the nonresident foreign corporation is domiciles shall allow a credit against tax due from the nonresident foreign corporation taxes deemed to have been paid in the Philippines equivalent to 15% which represents the difference between the regular income tax and the 15% tax on dividends. This is also subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of such non-resident foreign corporation.

The BIR has prescribed, through an administrative issuance, procedures for availment of tax treaty relief. Subject to the approval by the BIR of a corporation's application for tax treaty relief, the corporation will withhold taxes at a reduced rate on dividends paid to a non-resident holder if such non-resident holder provides the corporation with proof of residence and, if applicable, individual or corporate status. Proof of residence for an individual consists of a certification from his/her embassy, consulate or other proper authority as to his citizenship and residence. Proof of residence and corporate status for a corporation consists of authenticated copies of its articles of association, or other equivalent certifications issued by the proper government authority, or any other official document proving residence. If the regular rate of tax is withheld by the corporation instead of the reduced rates applicable under a treaty, the non-resident holder may file a claim for a refund from the BIR. Refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal.

These taxes are withheld by the corporation issuing the dividends, in this case the Company, and thereafter remitted to the BIR.

Transfer taxes (e.g., DST, local transfer tax) may be payable if the dividends declared are property dividends, depending on the type of property distributed as dividends. Stock dividends distributed pro rata to all the shareholders of the corporation are generally not subject to Philippine income tax. However, the subsequent sale, exchange, or disposition of shares in a domestic corporation received as stock dividends by the shareholder is subject to either: (a) STT, if the transfer is through a local stock exchange, or (b) capital gains tax and documentary stamp tax, if otherwise.

Preferential Rates for Capital Gains, STT and Dividends under Income Tax Treaties

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

Country	Dividends (%)	Stock transaction tax on sale or disposition effected through the PSE (%)	Capital gains tax due on disposition of shares outside the PSE (%)
Canada	25	0.6	May be exempt
China	15	Exempt	May be exempt

France	15	Exempt	May be exempt
Germany	15	Exempt	May be exempt
Japan	15	0.6	May be exempt
Singapore	25	0.6	May be exempt
United Kingdom	25	0.6	Exempt
United States	25	0.6	May be exempt

Notes:

- 1) 15% if the recipient company which is a resident of Canada controls at least 10% of the voting power of the company paying the dividends; 25% in all other cases.
- 2) 10% if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends; 15% in all other cases.
- 3) 10% if the recipient company (excluding a partnership) holds directly at least 10% of the voting shares of the company paying the dividends; 15% in all other cases.
- 4) 5% if the recipient company (excluding a partnership) holds directly at least 70% of the capital of the company paying the dividends; 10% if the recipient company (excluding a partnership) holds directly at least 25% of the capital of the company paying the dividends.; 15% in all other cases
- 5) 10% if the recipient company holds directly at least 10% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six months immediately preceding the date of payment of the dividends; 15% in all other cases
- 6) 15% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting shares of the paying company were owned by the recipient company; 25% in all other cases
- 7) 15% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends; 25% in all other cases.
- 8) 20% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year, at least 10% of the outstanding shares of the voting shares of the paying corporation were owned by the recipient corporation; 25% in other cases. Notwithstanding the rates provided under the Convention between the Government of the Republic of the Philippines and the Government of the United States of America with respect to Taxes on Income, corporations which are residents of the United States may avail of the 15% withholding tax rate under the tax-sparing clause of the National Internal Revenue Code provided certain conditions are met.
- 9) If the stock transaction tax is not expressly included in the tax treaty, the income recipient will be subject to stock transaction tax at the rate of 0.6% of the gross selling price as provided under Section 127 of the National Internal Revenue Code as amended by the Section 39 of the TRAIN.
- 10) Article 2(2)(b)(ii) of the Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income was signed on November 18, 1999.
- 11) Article 1 of the Protocol to the Tax Convention between the Government of the Republic of the Philippines and the Government of the French Republic Signed on January 9, 1976 was signed in Paris, France on June 26, 1995.
- 12) Article 2(3)(a)(iv) of the Agreement between the Government of the Republic of the Philippines and the Federal Republic of Germany for the Avoidance of Double Taxation with Respect to Taxes on Income and Capital signed on September 9, 2013.
- 13) Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes
- 14) Under the income tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the shares of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.

In order for an exemption under a tax treaty to be recognized, a Certificate of Residence for Tax Treaty Relief (CORTT) must be filed and approved by the BIR. A non-resident holder must submit proof of residence as described above.

A certificate from the tax authority of the recipient's country is a generally accepted proof of residence, for both individuals and corporations. Aside from proof of residence, the BIR also requires the following documents:

- a letter providing information on the transaction covered by treaty provisions and requested tax treaty treatment for such transactions along with legal justification;
- special power of attorney duly executed by the recipient in favor of its Philippine agent/withholding agent to file a claim for tax treaty relief;
- certification from the SEC that the recipient company is not registered to engage in business in the Philippines;
- sworn statement providing information on whether the issue(s) or transaction involving directly or indirectly the same taxpayer which is the subject of the request for ruling is under investigation, covered by an on-going audit, administrative protest, claim for refund or issuance of tax credit certificate, collection proceedings, or subject of a judicial appeal;
- duly notarized certificate of the corporate secretary of the Philippine corporation in respect of the resolution of its board of directors declaring the dividends; and,
- duly notarized certification by the corporate secretary of the Philippine corporation showing the number value and type of the Common Shares of the applicant and the percentage of the latter's ownership in the Philippine corporation as of the date of the transaction, and the acquisition date(s) and mode of acquisition of the subject Common Shares.

Documentary Stamp Tax

Pursuant to TRAIN, the original issue of shares is subject to documentary stamp tax of ₱2.00 for each ₱200.00, or fractional part thereof, of the par value of the shares issued while the transfer of shares is subject to a documentary stamp tax of ₱1.50 for each ₱200.00, or a fractional part thereof of the par value of the shares transferred. The documentary stamp tax is imposed on the person making, signing, issuing, accepting or transferring the document and is thus payable either by the seller or the purchaser of the Common Shares. However, the sale, barter or exchange of Common Shares should they be listed and traded through the PSE are exempt from documentary stamp tax under the Tax Code (particularly Republic Act No. 9648) if the listed company complies with the minimum public ownership requirements imposed by the PSE.

The transfer of shares shall not be recorded in the books of the Company unless the BIR certifies that the capital gains tax, documentary stamp tax, and other internal revenue taxes relating to the sale or transfer have been paid or, where applicable, tax treaty relief has been confirmed by the International Tax Affairs Division of the BIR in respect of the capital gains tax or other conditions have been met.

Estate and Gift Taxes

Pursuant to TRAIN, the transfer of shares of stock upon the death of an individual holder to his/her heirs by way of succession, whether such holder was a citizen of the Philippines or an alien and regardless of residence, is subject to Philippine tax at the rate of 6% based on the value of the decedent's net estate. Moreover, individual and corporate holders, whether or not citizens or residents of the Philippines, who transfer Common Shares by way of gift or donation are liable to pay Philippine donors' tax on such a transfer of shares at the rate of 6% computed on the basis of the total gifts in excess of ₱250,000.00 made during the calendar year.

Estate and donors' taxes, however, shall not be collected in respect of intangible personal property, such as Common Shares of stock: (a) if the deceased at the time of his death or the donor at the time of his/her donation was a citizen and resident of a foreign country which at the time of his/her death or donation did not impose a transfer tax of any character, in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (b) if the laws of the foreign country of which the deceased or donor was a citizen and resident at the time of his/her death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

The transfer of shares shall not be recorded in the books of the Company unless the BIR certifies that the donor's tax, estate taxes, and other internal revenue taxes relating to the sale or transfer have been paid or, where applicable, tax treaty relief has been confirmed by the International Tax Affairs Division of the BIR in respect of the donor's tax, estate taxes or other conditions have been met.

TAXATION OUTSIDE THE PHILIPPINES

Shares of stock in a domestic corporation are considered under Philippine law as situated in the Philippines and the gain derived from their sale is entirely from Philippine sources; hence such gain is subject to Philippine income tax and capital gains tax and the transfer of such shares by gift (donation) or succession is subject to the donors' or estate taxes, each as described above.

The tax treatment of a non-resident holder of shares of stock in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation. This

Prospectus does not discuss the tax consideration on non-resident holders of shares of stock under laws other than those of the Philippines.

PHILIPPINE STOCK MARKET

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Company in connection with the Listing.

BRIEF HISTORY

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulatory, governed by its respective Board of Governors elected annually by its members. These two bourses were later on made into The Philippine Stock Exchange, Inc. (PSE) which was incorporated on July 14, 1992 as a non-stock corporation by members of both the Makati and the Manila Stock Exchanges.

In June 1998, the Philippine SEC granted the PSE "Self-Regulatory Organization" status, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies.

On August 3, 2001, the PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the Securities Regulation Code (SRC). Each of the one hundred eighty-four (184) member-brokers was granted fifty thousand (50,000) shares of the PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a "Trading Participant Certificate" was immediately conferred on each member-broker allowing the use of the PSE's trading facilities.

On February 18, 2004, PSE sold 6,077,505 shares from its unissued stock to five strategic investors by way of private placement that was approved by the SEC. These strategic investors were the PLDT Beneficial Trust Fund, SMC Retirement Fund, Government Service Insurance System, Kim Eng Investment, Ltd. And KE Strategic Pte Ltd.

On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

As of March 31, 2021, the total number of issued shares and outstanding shares of the PSE are 85,406,248 shares and 81,892,297 shares, respectively.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE's Main Board or the Small, Medium and Emerging Board. Previously, the PSE allowed listing on the First Board, Second Board or the Small, Medium and Enterprises Board. With the issuance by the PSE of its Memorandum No. CN-No. 2013-0023 dated June 6, 2013, revisions to the PSE Listing Rules were made, among which changes are the removal of the Second Board listing and the requirement that lock-up rules be embodied in the articles of the incorporation of the Issuer. In addition, the PSE issued Rules on Exchange Traded Funds ("ETF") which provides for the listing of ETFs on an ETF Board separate from the PSE's existing boards.

The PSE has an index, referred to as the PSEi, which reflects the price movements of selected stocks listed on the PSE based on traded prices of stocks from the various sectors. The PSE shifted from full market capitalization to free float market capitalization effective as of April 3, 2006 simultaneous with the migration to the free float index and the renaming of the PHISIX to PSEi. The PSEi is composed of 30 selected stocks listed on the PSE. In July 2010, the PSE's new trading system, now known as PSE Trade, was launched. In June 2015, the PSE Trade system was replaced by PSE Trade XTS.

With the increasing calls for good corporate governance, the PSE has adopted an online daily disclosure system to improve the transparency of listed companies and to protect the investing public. In December 2013, the PSE replaced its online disclosure System with a new disclosure system, the PSE Electronic Disclosure Generation Technology which was acquired from the Korea Exchange and is a fully automated system, equipped with a variety of features to (i) further standardize the disclosure reporting process of listed companies on the PSE, (ii) improve investors' disclosure searching and viewing experience and (iii) enhance overall issuer transparency in the market.

In February 2018, the PSE transferred to its new office located at the PSE Tower, Bonifacio Global City, Taguig City, which currently houses the unified trading floors in Makati City and Pasig City. The move to PSE Tower provides bigger office spaces and situates the PSE in a progressive and dynamic business district that is home to many financial and technology companies. The beta version of the new PSE website (<https://www.pse.com.ph/>) was made available to the public in February 2021.

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

The table below sets out movements in the composite index from 2005 to 2020 and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Year	Composite Index at Closing	Number of Listed Companies	Aggregate Market Capitalization (₱ Bn)	Combined Value of Turnover (₱ Bn)
2005	2,096.0	237	5,948.4	383.5
2006	2,982.5	240	7,172.8	572.6
2007	3,621.6	244	7,978.5	1,338.3
2008	1,872.9	246	4,069.2	763.9
2009	3,052.7	248	6,029.1	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	253	8,697.0	1,422.6
2012	5,812.7	254	10,930.1	1,771.7
2013	5,889.8	257	11,931.3	2,546.2
2014	7,230.6	263	14,251.7	2,130.1
2015	6,952.1	265	13,465.2	2,151.4
2016	7,629.7	268	14,438.8	1,929.5
2017	8,558.4	267	17,538.1	1,958.4
2018	7,466.0	267	16,146.7	1,736.8
2019	7,815.3	268	16,710.0	1,770.0
2020	7,139.7	271	15,888.9	1,770.9

Source: PSE and PSE Annual Reports.

Trading

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

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

Minimum trading lots range from 5 to 1,000,000 shares depending on the price range and nature of the security traded. The minimum trading lot for the Company's Common Shares is 10,000 shares. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, whenever an order will result in a breach of the trading threshold of a security within a trading day, the trading of that security will be frozen. Orders cannot be posted, modified or cancelled for a security that is frozen. In cases where an order has been partially matched, only the portion of the order that will result in a breach of the trading threshold will be frozen. Where the order results in a breach of the trading threshold, the following procedures shall apply:

- In case the static threshold is breached, the PSE will accept the order, provided the price is within the allowable percentage price difference under the implementing guidelines of the revised trading rules (i.e., 50% of the previous day's reference or closing price, or the last adjusted closing price); otherwise, such order will be rejected. In cases where the order is accepted, the PSE will adjust the static threshold to 60%. All orders breaching the 60% static threshold will be rejected by the PSE.
- In case the dynamic threshold is breached, the PSE will accept the order if the price is within the allowable percentage price difference under the existing regulations (i.e., 20% for security cluster A and newly-listed securities, 15% for security cluster B and 10% for security cluster C); otherwise, such order will be rejected by the PSE.

NON-RESIDENT TRANSACTIONS

When the purchase/sale of Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.

SETTLEMENT

The Securities Clearing Corporation of the Philippines ("SCCP") is a wholly-owned subsidiary of the PSE, and was organized primarily as a clearing and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on January 17, 2002. It is responsible for: (a.) synchronizing the settlement of funds and the transfer of securities through delivery versus payment, as well as clearing and settlement of transactions of clearing members, who are also PSE Trading Participants; (b.) guaranteeing the settlement of trades in the event of a PSE Trading Participant's default through the implementation of its "Fails Management System" and administration of the Clearing and Trade Guaranty Fund, and; (c.) performance of risk management and monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a three-day rolling settlement environment, which means that settlement of trades takes place three days after transaction date (T+3). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the book entry system of the Philippine Depository & Trust Corp. ("PDTC"). Each PSE Trading Participant maintains a Cash Settlement Account with one of the 10 existing Settlement Banks of SCCP which are BDO, RCBC, Metropolitan Bank & Trust Company, Deutsche Bank, Union Bank of the Philippines, The Hongkong and Shanghai Banking Corporation Limited, Maybank Philippines, Inc., Asia United Bank Corporation, China Banking Corporation, and Citibank N.A. Philippine Branch. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

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

SCRIPLESS TRADING

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

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non- PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the settlement banks stated above.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares of stock in favor of PCD Nominee Corporation ("PCD Nominee"), a corporation wholly owned by the PDTC whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged into the PDTC. "Immobilization" is the process by which the warrant or share certificates of lodging holders are cancelled by the transfer agent and the corresponding transfer of beneficial

ownership of the immobilized shares to PCD Nominee will be recorded in the Issuer's registry. This trust arrangement between the participants and PDTC through PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the Philippine SEC. No consideration is paid for the transfer of legal title to PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

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

Any beneficial owner of shares who wishes to trade his/her/its interests in the shares must execute the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP and into the PDTC system. Once it is determined on the settlement date (T+3) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the CCCS system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

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

The difference between the depository and the registry would be on the recording of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are cancelled and a confirmation advice is issued in the name of PCD Nominee Corp. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of PDTC. However, as far as the issuing corporation is concerned, in this case the Company, the underlying certificates are in the nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system.

AMENDED RULE ON LODGMENT OF SECURITIES

On June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on July 1, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the Philippine SEC, without any jumbo or mother certificate, in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III, Part A of the PSE's Revised Listing Rules.

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

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

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

"For new companies to be listed at the PSE as of July 1, 2009 the usual procedure will be observed but the Transfer Agent of the companies shall no longer issue a certificate to PCD Nominee Corp. but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the Depository Participants on listing date."

"On the other hand, for existing listed companies, the PDTC shall wait for the advice of the Transfer Agents that it is ready to accept surrender of PCNC jumbo certificates and upon such advice the PDTC shall surrender all PCNC jumbo certificates to the Transfer Agents for cancellation. The Transfer Agents shall issue a Registry Confirmation Advice to PCNC evidencing the total number of shares registered in the name of PCNC in the issuer's registry as of confirmation date."

ISSUANCE OF STOCK CERTIFICATES FOR CERTIFICATED SHARES

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply with PDTC through his/her/its broker or custodian-participant for withdrawal from the book-entry system and return to the conventional paper-based settlement. If a shareholder wishes to withdraw his/her/its stockholdings from the PDTC system, the PDTC has a procedure of upliftment under which the PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the uplifting of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under the PCD Nominee.

Upon the issuance of stock certificates for the shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of the shares into certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent, after which, as stated above, the trading of the shares will follow the normal process for settlement of certificated securities. *Please see the discussion on lodgment and book-entry system under "Scripless Trading".*

AMENDED RULE ON MINIMUM PUBLIC OWNERSHIP

Under the PSE Amended Rule on Minimum Public Ownership (MPO), listed companies are required, at all times, to maintain a minimum percentage of listed securities held by the public of 20% of the listed companies' total issued and outstanding shares (exclusive of Treasury Shares), or at such percentage that may be prescribed by the PSE. For purposes of determining compliance with the MPO, shares held by the following are generally considered as "held by the public": (a.) individuals (for as long as the shares held are not a significant size (i.e., less than 10%) and are non-strategic in nature); (b.) trading participants (for as long as the shares held are non-strategic in nature); (c.) investment and mutual funds; (d.) pension funds; (e.) PCD nominees, if this account constitutes a number of shareholders, none of which has significant holdings (provided that if an owner of shares under PCD Nominee has a shareholding that is 10% or more of the total issued and outstanding shares, then this shareholder is considered a principal shareholder); and (f.) social security funds.

Under the PSE Amended Rule on Minimum Public Ownership, particularly the Guidelines on MPO Requirement for Initial and Backdoor Listing under PSE Memorandum CN-No. 2020-0076 dated August 3, 2020 (MPO Rule), a company applying for listing by way of introduction, like the Company, is required to have at least 20% public float upon and after listing.

Listed companies that are not compliant with the MPO Rule will be suspended from trading for a period of not more than six months and will automatically be delisted if it remains non-compliant with the MPO Rule after the lapse of the suspension period. Suspended or delisted shares will not be traded on the PSE. In addition, the sale of shares of listed companies that do not maintain the MPO are not considered publicly listed for taxation purposes and will, therefore, be subjected to capital gains tax and documentary stamp tax if sold.

INDEX TO FINANCIAL STATEMENTS

ANNEX A.

Financial Statements and Independent Auditor's Reports

ANNEX A-1.

Audited financial statements of LFM Properties Corporation which includes, among others, the following: Independent Auditor's Report; Statements of Financial Position as at June 30, 2022 and December 31, 2021; Statements of Comprehensive Income for the six months ended June 30, 2022 and June 30, 2021; Statements of Changes in Equity for the six months ended June 30, 2022 and June 30, 2021; Statements of Cash Flows for the six months ended June 30, 2022 and June 30, 2021; Notes to Financial Statements, comprising a summary of significant accounting policies and other explanatory information concerning the aforementioned statements; and Index to Financial Statements and Supplementary Schedules as at June 30, 2022.

ANNEX A-2.

Audited financial statements of LFM Properties Corporation which includes, among others, the following: Independent Auditor's Report; Statements of Financial Position as at December 31, 2021, 2020 and 2019; Statements of Comprehensive Income for the Years Ended December 31, 2021, 2020 and 2019; Statements of Changes in Equity for the Years Ended December 31, 2021, 2020 and 2019; Statements of Cash Flows for the Years Ended December 31, 2021, 2020 and 2019; Notes to Financial Statements, comprising a summary of significant accounting policies and other explanatory information concerning the aforementioned statements; and Index to Financial Statements and Supplementary Schedules as at December 31, 2021.

THE COMPANY
LFM Properties Corporation
3rd Floor, Liberty Building,
835 A. Arnaiz Avenue, Makati City, Metro Manila

FINANCIAL ADVISOR
BDO Capital & Investment Corporation
17th Floor, BDO Equitable Tower,
8751 Paseo de Roxas,
Makati City, Philippines

LEGAL COUNSEL
Zamora & Poblador Law Offices
5th Floor Montepino Bldg.
138 Amorsolo cor. Gamboa Streets,
Legaspi Village, 1229 Makati City

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
Sycip Gorres Velayo & Co.
6760 Ayala Avenue,
Makati City 1226, Philippines

INDEPENDENT FINANCIAL ADVISER (FAIRNESS OPINION)
R.G. Manabat & Co. (KPMG)
11th Floor, the KPMG Center,
6787 Ayala Ave., Makati City

ANNEX A

Financial Statements and Independent Auditor's Reports

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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

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.		A	r	n	a	i	z		A	v	e	n	u	e	,		M	a	k	a	t	i		C	i	t	y		

Form Type
A I F S

Department requiring the report

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's Email Address lfm_properties@pltdsl.net	Company's Telephone Number 893-7790/893-7792	Mobile Number -
No. of Stockholders 449	Annual Meeting (Month / Day) May 25	Fiscal Year (Month / Day) December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person William L. Ang	Email Address williamlimang@gmail.com	Telephone Number/s (02) 893-7790	Mobile Number -
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CONTACT PERSON'S ADDRESS

3rd Floor Liberty Building, 835 A. Arnaiz Avenue, Makati City

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

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



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
LFM Properties Corporation
3rd Floor, Liberty Building
A. Arnaiz Avenue
Makati City

Report on the Audit of the Interim Financial Statements

Opinion

We have audited the interim financial statements of LFM Properties Corporation (a wholly owned subsidiary of Liberty Flour Mills, Inc.) (the Company), which comprise the interim statements of financial position as at June 30, 2022 and December 31, 2021, and the interim statements of comprehensive income, interim statements of changes in equity and interim statements of cash flows for the six months ended June 30, 2022 and 2021, and notes to the interim financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying interim financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2022 and December 31, 2021, and its financial performance and its cash flows for the six months ended June 30, 2022 and 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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



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

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

Auditor's Responsibilities for the Audit of the Interim Financial Statements

Our objectives are to obtain reasonable assurance about whether the interim financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these interim financial statements.

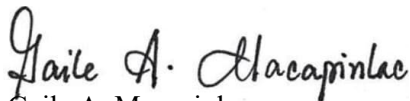
As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the interim 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the interim 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the interim financial statements, including the disclosures, and whether the interim financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

SYCIP GORRES VELAYO & CO.



Gaile A. Macapinlac

Partner

CPA Certificate No. 98838

Tax Identification No. 205-947-572

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 1621-AR-1 (Group A)

November 11, 2019, valid until November 10, 2022

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-126-2019, November 27, 2019, valid until November 26, 2022

PTR No. 8854320, January 3, 2022, Makati City

August 17, 2022



LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)
INTERIM STATEMENTS OF FINANCIAL POSITION

	June 30, 2022	December 31, 2021
ASSETS		
Current Assets		
Cash (Note 4)	₱7,799,734	₱46,758,816
Receivables (Note 5)	18,590,849	5,427,848
Financial assets at fair value through profit or loss (Note 6)	126,557,263	180,448,991
Accrued rent - current portion (Note 13)	616,451	1,202,767
Prepaid expenses and other current assets (Notes 7 and 9)	14,193,327	5,934,271
Total Current Assets	167,757,624	239,772,693
Noncurrent Assets		
Investment properties (Notes 9 and 12)	835,057,967	856,158,160
Financial assets at fair value through other comprehensive income (FVOCI) (Note 8)	145,422,178	156,718,845
Accrued rent - net of current portion (Note 13)	88,032,200	77,404,488
Property and equipment (Note 10)	2,660,951	2,112,061
Net retirement plan asset (Note 18)	7,494,642	13,076,486
Other noncurrent assets (Notes 7, 9 and 21)	21,371,176	22,574,088
Total Noncurrent Assets	1,100,039,114	1,128,044,128
TOTAL ASSETS	₱1,267,796,738	₱1,367,816,821
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of notes payable (Note 11)	₱136,633,053	₱136,655,732
Accounts payable and other current liabilities (Notes 9 and 12)	33,033,456	35,159,581
Current portion:		
Deposits on long-term leases (Note 13)	13,747,283	12,725,979
Unearned rental income (Note 13)	9,847,599	4,654,473
Income tax payable	4,791,110	1,163,501
Total Current Liabilities	198,052,501	190,359,266
Noncurrent Liabilities		
Notes payable - net of current portion (Note 11)	375,490,701	443,800,782
Payable to a related party (Notes 9 and 20)	37,730,000	37,730,000
Deposits on long-term leases - net of current portion (Note 13)	19,437,756	18,603,788
Unearned rental income - net of current portion (Note 13)	7,827,165	8,355,115
Deferred tax liabilities - net (Note 19)	21,760,408	21,913,988
Other noncurrent liability (Notes 9 and 12)	152,363,302	162,176,225
Total Noncurrent Liabilities	614,609,332	692,579,898
Total Liabilities	812,661,833	882,939,164
Equity		
Capital stock (Note 14)	250,000,000	250,000,000
Other components of equity:		
Fair value changes on financial assets at FVOCI (Note 8)	(108,752,837)	(97,456,170)
Accumulated remeasurement gain on defined benefit plan (Note 18)	9,604,162	13,571,525
Retained earnings	304,283,580	318,762,302
Total Equity	455,134,905	484,877,657
TOTAL LIABILITIES AND EQUITY	₱1,267,796,738	₱1,367,816,821

See accompanying Notes to Interim Financial Statements.



LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)
INTERIM STATEMENTS OF COMPREHENSIVE INCOME

	Six Months Ended June 30	
	2022	2021
RENTAL INCOME (Notes 9 and 13)	₱113,154,669	₱114,349,226
DIRECT COSTS (Notes 9 and 15)	38,000,728	38,736,107
GROSS PROFIT	75,153,941	75,613,119
OPERATING EXPENSES (Notes 10, 16, 17, 18 and 20)	10,952,820	13,603,157
INCOME BEFORE OTHER INCOME (CHARGES) AND INCOME TAX	64,201,121	62,009,962
OTHER INCOME (CHARGES)		
Interest expense (Notes 11 and 13)	(13,085,113)	(16,043,379)
Fair value changes of financial assets at fair value through profit or loss (Note 6)	(54,005,125)	37,000,549
Dividend income (Note 6)	1,016,060	1,019,405
Interest income (Notes 4 and 5)	23,995	18,068
Other income (expense) - net (Note 11)	209,236	(4,777,895)
	(65,840,947)	17,216,748
INCOME (LOSS) BEFORE INCOME TAX	(1,639,826)	79,226,710
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 19)		
Current	11,670,022	7,935,307
Deferred	1,168,874	(411,795)
	12,838,896	7,523,512
NET INCOME (LOSS)	(14,478,722)	71,703,198
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:		
Net fair value changes on financial assets at FVOCI (Note 8)	(11,296,667)	(13,986,350)
Remeasurement loss on defined benefit plans (Note 18)	(5,289,817)	(2,098,676)
Income tax effect	1,322,454	1,005,279
	(15,264,030)	(15,079,747)
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱29,742,752)	₱56,623,451
BASIC/DILUTED EARNINGS (LOSS) PER SHARE (Note 14)	(₱0.0006)	₱0.0029

See accompanying Notes to Interim Financial Statements.



LFM PROPERTIES CORPORATION

(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)

INTERIM STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021

	<u>Other Components of Equity</u>				Total
	Capital Stock (Note 14)	Fair Value Changes on Financial Assets at FVOCI (Note 8)	Accumulated Remeasurement Gain (Loss) on Defined Benefit Plan (Note 18)	Retained Earnings	
Balances at January 1, 2022	₱250,000,000	(₱97,456,170)	₱13,571,525	₱318,762,302	₱484,877,657
Net loss	–	–	–	(14,478,722)	(14,478,722)
Other comprehensive loss	–	(11,296,667)	(3,967,363)	–	(15,264,030)
Balances at June 30, 2022	₱250,000,000	(₱108,752,837)	₱9,604,162	₱304,283,580	₱455,134,905
Balances at January 1, 2021	₱250,000,000	(₱64,104,104)	₱6,728,522	₱168,833,256	₱361,457,674
Net income	–	–	–	71,703,198	71,703,198
Other comprehensive loss	–	(13,986,350)	(1,093,397)	–	(15,079,747)
Balances at June 30, 2021	₱250,000,000	(₱78,090,454)	₱5,635,125	₱240,536,454	₱418,081,125

See accompanying Notes to Interim Financial Statements.



LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)
INTERIM STATEMENTS OF CASH FLOWS

	Six Months Ended June 30	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	(₱1,639,826)	₱79,226,710
Adjustments to reconcile income before income tax to net cash flows:		
Fair value changes of financial assets at fair value through profit or loss (Note 6)	54,005,125	(37,000,549)
Depreciation and amortization (Notes 9 and 10)	21,889,723	21,428,270
Interest expense (Notes 11 and 13)	13,085,113	16,043,379
Dividend income (Note 6)	(1,016,060)	(1,019,405)
Movement in net retirement plan asset/liability (Note 18)	292,027	(8,311,093)
Interest income (Notes 4 and 5)	(23,995)	(18,068)
Loss on loan modification (Note 11)	–	4,981,822
Working capital changes		
Decrease (increase) in:		
Receivables	(13,163,001)	11,054,641
Accrued rent	(10,041,396)	(11,610,438)
Prepaid expenses and other current assets	(8,259,056)	(14,103,844)
Increase (decrease) in:		
Accounts payable and other current liabilities	(1,397,714)	655,796
Deposits on long-term leases	1,065,858	400,746
Unearned rental income	4,665,176	1,977,466
Net cash flows generated from operations	59,461,974	63,705,433
Income tax paid	(8,042,413)	(6,311,457)
Interest received	23,995	18,068
Net cash provided by operating activities	51,443,556	57,412,044
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss (Note 6)	(3,685,658)	(16,013,514)
Additions to property and equipment (Note 10):	(1,227,679)	(6,339)
Dividends received (Note 6)	1,016,060	1,019,405
Decrease in other noncurrent assets	100,000	272,767
Proceeds from sale of financial assets at fair value through profit or loss (Note 6)	3,572,261	–
Net cash used in investing activities	(225,016)	(14,727,681)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of:		
Notes payable (Notes 11 and 23)	(68,235,294)	–
Interest (Notes 11 and 23)	(12,751,400)	(11,700,332)
Other noncurrent liability (Note 9)	(9,190,928)	–
Payable to a related party (Note 9)	–	(52,000,000)
Debt issue cost (Notes 11 and 23)	–	(4,350,000)
Cash used in financing activities	(90,177,622)	(68,050,332)
NET DECREASE IN CASH	(38,959,082)	(25,365,969)
CASH AT BEGINNING OF PERIOD	46,758,816	39,672,440
CASH AT END OF PERIOD (Note 4)	₱7,799,734	₱14,306,471

See accompanying Notes to Interim Financial Statements.



LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)

NOTES TO INTERIM FINANCIAL STATEMENTS

1. Corporate Information

LFM Properties Corporation (the Company) is a wholly owned subsidiary of Liberty Flour Mills, Inc. (LFMI), a corporation duly organized and existing under the laws of the Republic of the Philippines. The Company was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 18, 1995. The Company is engaged in the business of leasing out real estate properties such as office spaces and condominium units. The Company's registered office address is 3rd Floor, Liberty Building, A. Arnaiz Avenue, Makati City.

On November 25, 2020, the Board of Directors (BOD) of LFMI approved the declaration of property dividends consisting of up to 10.35 billion shares of the Company. As at August 17, 2022, LFMI is in the process of completing the requirements for the application for SEC's approval of the property dividend distribution.

The accompanying interim financial statements were authorized and approved for issue by the Company's BOD on August 17, 2022.

2. Significant Accounting and Financial Reporting Policies

Basis of Preparation

The interim financial statements of the Company are prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI) which have been measured at fair value. The interim financial statements are presented in Philippine peso (peso), which is the Company's functional and presentation currency, and rounded to the nearest peso, except when otherwise indicated.

The interim financial statements have been prepared for inclusion in the prospectus prepared for the offering by way of introduction of the Company's common shares. For statutory reporting purposes, the Company prepares financial statements every 31st of December.

Seasonality of Operations

The Company generates regular income based on contractual arrangements covering a period of one to five years. There are no revenues received seasonally, cyclically or occasionally within the financial year. Hence, the Company's operation is not seasonal.

Statement of Compliance

The accompanying interim financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2022. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance.

- Amendments to PFRS 3, *Reference to Conceptual Framework*
- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*



- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- Annual Improvements to PFRSs 2018-2020 Cycle
 - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
 - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
 - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Company's interim financial statements.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies*

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Current versus Noncurrent Classification

The Company presents assets and liabilities in the statements of financial position based on current/non-current classification.

An asset is current when:

- It is expected to be realized or intended to sold or consumed in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realized within twelve months after the reporting date; or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;



- It is due to be settled within twelve months after the reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

All other liabilities are classified as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Fair Value Measurement

The Company measures financial instruments, such as, financial assets at FVTPL and financial assets at FVOCI fair value at the end of reporting period.

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the interim financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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.

For assets and liabilities that are recognized in the interim financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company determines the policies and procedures for both recurring fair value measurement, such as quoted financial assets at FVOCI, and for non-recurring measurement.



At each reporting date, the Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Company compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

“Day 1” Difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the interim statement of comprehensive income, unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the interim statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the “Day 1” difference amount.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, FVOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Company’s business model for managing them. With the exception of receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.



Subsequent Measurement. For purposes of subsequent measurement, financial assets are classified in four categories:

- *Financial assets at amortized cost (debt instruments).* This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:
 - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
 - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's cash and receivables are included in this category as at June 30, 2022 and December 31, 2021.

- *Financial assets at fair value through other comprehensive income (FVOCI) (debt instruments).* The Company measures debt instruments at FVOCI if both of the following conditions are met:
 - The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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 debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss in the interim statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income (OCI) in the interim statement of comprehensive income. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company has no debt instruments at FVOCI as at June 30, 2022 and December 31, 2021.

- *Financial assets designated at FVOCI (equity instruments).* Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss in the interim statement of comprehensive income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company's quoted investment is classified as equity instrument designated at FVOCI as at June 30, 2022 and December 31, 2021.



- *Financial assets at FVTPL.* Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the interim statement of financial position at fair value with net changes in fair value recognized in profit or loss in the interim statement of comprehensive income.

This category includes listed and non-listed equity investments which the Company had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as other income in profit or loss in the interim statement of comprehensive income when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristic and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVTPL. Embedded derivatives are measured at fair value with changes in fair value recognized in interim statement of comprehensive income. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded with a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVTPL.

The Company has no derivative asset as at June 30, 2022 and December 31, 2021.

Impairment of financial assets. The Company recognizes an ECL for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash, the Company applies a general approach in calculating ECLs. The Company recognizes a loss allowance based on either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on its cash since initial recognition.



For receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company 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.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities consist only of loans and borrowings. As at June 30, 2022 and December 31, 2021, the Company's loans and borrowings consist of notes payable, accounts payable and other current liabilities, deposits on long-term leases, payable to a related party and other noncurrent liability. The Company has no financial liabilities at FVTPL or derivatives designated as hedging instruments in an effective hedge and no freestanding embedded derivatives as at June 30, 2022 and December 31, 2021.

Subsequent Measurement. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the financial liabilities are derecognized as well as through the effective interest rate amortization process. Amortized cost is calculated by taking into account any discount or premium or acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is recognized in profit or loss.

Classification of Financial Instruments Between Liability and Equity

A financial instrument is classified as a liability if it provides for a contractual obligation to:

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

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.



Derecognition of Financial Assets and Financial Liabilities

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

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

When the Company 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 risk and rewards of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company’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 Company could be required to repay.

On derecognition of a financial asset in its entirety, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) shall be recognized in profit or loss.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is extinguished, i.e., when discharged or 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 profit or loss.

Exchange or Modification of Financial Liabilities

The Company considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss in the interim statement of comprehensive income.



When the exchange or modification of the existing financial liability is not considered as substantial, the Company recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the interim statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Cash

Cash includes cash on hand and in banks.

Prepaid Expenses

Prepaid expenses are expenses paid in advance are recorded as asset before they are utilized. This account comprises insurance premiums, and other prepaid items. The insurance premiums and other prepaid items are apportioned over the period covered by the payment and charged to the appropriate accounts in profit or loss when incurred. Prepaid expenses that are expected to be realized within 12 months from the balance sheet date are classified as current assets, otherwise these are classified as other noncurrent assets.

Value-added Tax (VAT)

Revenue, expenses, assets and liabilities are recognized net of the amount of VAT, except where the VAT incurred on a purchase of assets or services is not recoverable from taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of VAT recoverable from or payable to the taxation authority is included as part of “Prepaid expenses and other current assets” and “Accounts payable and other current liabilities” accounts, respectively, in the interim statement of financial position.

Investment Properties

Investment properties consist of properties (land or a building or part of a building or a combination) held to earn rentals or for capital appreciation or both, rather than for:

- a. use in the production or supply of goods or services or for administrative purposes; or
- b. sale in the ordinary course of business.

The initial cost of investment property comprises its contract price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost also includes the cost of replacing part of such investment property if the recognition criteria are met.

These assets, except for land, are stated at cost, including transaction costs, less accumulated depreciation and any accumulated impairment in value. Land is carried at cost (initial purchase price and other cost directly attributable to such property) less any accumulated impairment in value.



Depreciation of building and building improvements, and condominium units is computed on a straight-line basis over the estimated lives of the properties ranging from 10 to 25 years and 10 years, respectively.

Investment properties are derecognized either when they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the interim statement of comprehensive income in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment properties in progress pertain to projects under construction and are stated at cost which includes cost of construction and other direct costs. Investment properties in progress are not depreciated until such time that the relevant assets are completed and become available for operational use.

Property and Equipment

Property and equipment are stated at cost, excluding the cost of day-to-day servicing, less accumulated depreciation, amortization and any accumulated impairment in value.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes the cost of replacing part of such property and equipment if the recognition criteria are met.

When significant parts of property and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the interim statement of comprehensive income as incurred.

Depreciation is computed using the straight-line method over the estimated useful life of two to three years for office furniture and equipment and three to five years for transportation equipment. Amortization of leasehold improvements is computed using the straight-line method based on the estimated useful life of the leased asset or the term of the lease, whichever is shorter.

Each component of an item of property and equipment with a cost that is significant in relation to the total cost of the item of property and equipment is depreciated separately.

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

Fully-depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses are removed from the accounts and any resulting gain or loss is credited to or charged against current operations. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or



disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the interim statement of comprehensive income in the year the asset is derecognized.

Impairment of Nonfinancial Assets

At each reporting date, the Company assesses whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies, or other available fair value indicators.

Impairment losses are recognized in the interim statement of comprehensive income in the year in which it arises.

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 assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the interim statement of comprehensive income.

Equity

Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax.

Retained earnings represent the Company's accumulated earnings reduced by dividends declared.

Other comprehensive income comprises items of income and expense, including reclassification adjustments, that are not recognized as part of profit or loss for the year in the interim statement of comprehensive income as required or permitted by other PFRSs.

Basic/Diluted Earnings (Loss) per Share

Basic earnings (loss) per share are computed by dividing net income (loss) for the year by the weighted average number of common shares, excluding treasury stock, outstanding during the period.

Diluted earnings(loss) per share is calculated by dividing the income (loss) for the year attributable to common stockholders by the weighted average number of shares outstanding during the year, excluding treasury shares and adjusted for the effects of all potentially dilutive common shares, if any. The Company has no dilutive shares.



In determining both the basic and diluted earnings (loss) per share, the effect of stock dividends, if any, is accounted for retroactively.

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties. Revenue is recognized when the Company satisfies a performance obligation by transferring a promised goods or service to the customer, which is when the customer obtains control of the goods or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation. The Company's contracts with customers consist of only one performance obligation which is satisfied over time (straight-line basis over the lease terms). The Company has concluded that it is acting as principal in all of its revenue arrangements.

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

Rental income. Rental income arising from operating leases on investment properties is recognized on a straight-line basis over the lease terms. Excess of rental income recognized using the straight-line basis over the rental income based on the terms of lease contract is recognized as an asset in the interim statements of financial position under the "Accrued rent" account. Rentals collected but not yet earned are recognized as a liability in the interim statement of financial position under the "Unearned rental income" account. Deposits on long-term leases are initially recognized at fair value and subsequently measured at amortized cost where material. Any difference between the initial fair value and the nominal amount is included as a component of rental income and recognized on a straight-line basis over the lease term.

Interest income. Interest income is recognized as the interest accrues using the effective interest method.

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

Direct Costs and Operating Expenses

Direct costs. Direct costs include expenses incurred by the Company for the generation of revenue from rental income. Direct costs are expensed as incurred.

Operating expenses. Operating expenses include the cost of administering the business and are not directly associated with the generation of revenue. Operating expenses are expensed as incurred.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Retirement Benefits Cost

The Company has a funded, noncontributory defined benefit plan covering all regular and permanent employees.



The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- a. service cost
- b. net interest on the net defined benefit liability or asset
- c. remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) 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.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Taxes

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



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

Deferred tax liabilities are recognized for all temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets 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 income will allow the deferred tax asset to be recovered.

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

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

Provisions and Contingencies

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

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

Segment Reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services within a particular economic environment subject to risks and rewards that are different from those of other segments. Such business segment is the basis upon which the Company reports its operating segment information. The Company has only one source of revenue arising from its rental contracts and it operates in one geographical area where it derives its revenue. The Company did not present segment information in its interim financial statements as the Company has only one reportable segment.

Events after the Financial Reporting Period

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



3. Significant Accounting Judgments and Estimates

The preparation of the interim financial statements requires management to make judgments and estimates that affect the application of policies and amounts reported in the interim financial statements.

In the opinion of management, these interim financial statements reflect all adjustments necessary to present fairly the results for the periods presented. Actual results could differ from these estimates, and such estimates will be adjusted accordingly when the effects become determinable.

Judgments

Classification of lease - Company as lessor. The Company entered into various commercial property leases on its parcels of land and buildings. The Company has determined that it retains all the significant risks and rewards of ownership of these properties. Accordingly, the lease agreements were accounted for as operating leases (see Note 13).

Estimates

Estimation of useful lives of investment properties. The Company reviews at each reporting date the estimated useful lives of investment properties based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of investment properties would increase the recorded depreciation and amortization expense and decrease noncurrent assets.

There is no change in the estimated useful lives of investment properties for the six months ended June 30, 2022 and 2021.

The carrying value of investment properties, excluding land, amounted to ₱533,546,433 and ₱575,996,648 (see Note 9).

Impairment of investment properties. The Company determines whether there are indications of impairment of the Company's nonfinancial assets such as investment properties. Indications of impairment include significant change in usage, decline in the asset's fair value or underperformance relative to expected historical or projected future results.

Determining the fair value of these nonfinancial assets requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. It requires the Company to make estimates and assumptions that can materially affect the interim financial statements. Future events could cause management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial condition and results of operations. The preparation of the estimated future cash flows involves significant judgment and estimations. While management believes that the assumptions made are appropriate and reasonable, significant changes in management assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges.

The Company has considered the impact of COVID-19 pandemic and assessed that the investment properties are not impaired. As at June 30, 2022 and December 31, 2021, no other impairment indicators were identified for the Company's investment properties.

The carrying value of investment properties amounted to ₱835,057,967 and ₱856,158,160 as at June 30, 2022 and December 31, 2021, respectively (see Note 9).



Estimation of retirement benefits cost. The determination of the Company's retirement benefits costs and obligation is dependent on the selection by management of certain assumptions used by an actuary in calculating such amounts.

The assumptions for retirement benefits cost are described in Note 18 and include the discount rate and the average annual salary increase rate. While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in management assumptions may materially affect the Company's retirement benefits cost and obligations.

The discount rate is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. Net retirement plan asset amounted to ₱7,494,642 and ₱13,076,486 as at June 30, 2022 and December 31, 2021, respectively (see Note 18).

Recognition of deferred tax assets. The Company reviews the carrying amounts of deferred income tax assets at each reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized. While future taxable profit can be estimated, the actual outcome may be different. Deferred tax assets recognized amounted to ₱2,275,415 and ₱1,006,947 as at June 30, 2022 and December 31, 2021, respectively (see Note 19).

The Company did not recognize deferred tax asset on fair value loss on financial assets at FVTPL amounting to ₱40,600,000 as at June 30, 2022 and December 31, 2021 as management believes that that there is no capital gain against which the fair value loss can be offset to realize the benefit of such deferred tax asset (see Note 19).

4. Cash

	June 30, 2022	December 31, 2021
Cash on hand	₱13,500	₱13,500
Cash in banks	7,786,234	46,745,316
	₱7,799,734	₱46,758,816

Cash in banks earn interest at the respective bank deposit rates. Interest income earned on cash in banks amounted to ₱5,158 and ₱18,068 for the six months ended June 30, 2022 and 2021, respectively.

5. Receivables

	June 30, 2022	December 31, 2021
Rent receivable (see Note 13)	₱19,507,585	₱6,361,415
Advances to officers and employees (see Note 20)	132,945	116,114
	19,640,530	6,477,529
Less allowance for expected credit losses	1,049,681	1,049,681
	₱18,590,849	₱5,427,848



Rent receivable arises from leasing the Company's investment properties. These are interest-bearing with average credit term of 30 days. Interest income earned amounted to ₱18,837 and nil for the six months ended June 30, 2022 and 2021, respectively.

Advances to officers and employees are noninterest-bearing and are normally settled through salary deductions within one month from availment date.

Provision for expected credit losses on rent receivable amounted to ₱1,049,681 for the six months ended June 30, 2021 (see Note 16).

6. Financial Assets at Fair Value through Profit or Loss

Financial assets at FVTPL pertain to quoted equity securities held for trading purposes and are composed of the following:

	June 30, 2022	December 31, 2021
Balance at beginning of year	₱180,448,991	₱81,937,073
Acquisitions	3,685,658	16,013,514
Fair value gain (loss) recognized in profit or loss	(54,005,125)	82,498,404
Disposals	(3,572,261)	-
	₱126,557,263	₱180,448,991

Financial assets at FVTPL includes equity securities with cost and carrying value amounting to ₱40,600,000 as at June 30, 2022 and December 31, 2021.

Proceeds from sale of financial assets at FVTPL amounted to ₱3,572,261 with acquisition cost amounting to ₱5,052,871, resulting in realized loss on sale of financial assets at FVTPL amounting to ₱1,480,610 for the six months ended June 30, 2022.

Dividend income earned from financial assets at FVTPL amounted to ₱1,016,060 and ₱1,019,405 for the six months ended June 30, 2022 and 2021, respectively.

7. Prepaid Expenses and Other Current Assets

	June 30, 2022	December 31, 2021
Deferred input VAT (see Note 9)	₱20,951,425	₱22,078,890
Prepaid expenses	11,881,105	975,676
Input VAT - net	-	2,621,820
	32,832,530	25,676,386
Less: noncurrent portion of deferred input VAT	18,639,203	19,742,115
	₱14,193,327	₱5,934,271

Prepaid expenses mainly include prepaid real estate taxes and prepaid insurance.



8. Financial Assets at Fair Value through Other Comprehensive Income

The Company's financial assets at FVOCI consist of quoted equity securities amounting to ₱145,422,178 and ₱156,718,845 as at June 30, 2022 and December 31, 2021, respectively.

Fair value changes on financial assets at FVOCI as at June 30, 2022 and December 31, 2021 follow:

	June 30, 2022	December 31, 2021
Beginning balance	(₱97,456,170)	(₱64,104,104)
Fair value loss recognized in other comprehensive income (loss)	(11,296,667)	(33,352,066)
Ending balance	(₱108,752,837)	(₱97,456,170)

9. Investment Properties

	June 30, 2022			
	Land	Building and Building Improvements	Condominium Units	Total
Costs:				
Beginning balances	₱301,400,793	₱933,335,345	₱11,419,656	₱1,246,155,794
Capitalized interest accretion	110,741	-	-	110,741
Ending balances	301,511,534	933,335,345	11,419,656	1,246,266,535
Accumulated depreciation and amortization:				
Beginning balances	-	379,366,631	10,631,003	389,997,634
Depreciation and amortization (see Note 15)	-	21,172,407	38,527	21,210,934
Ending balances	-	400,539,038	10,669,530	411,208,568
Net book values	₱301,511,534	₱532,796,307	₱750,126	₱835,057,967

	December 31, 2021			
	Land	Building and Building Improvements	Condominium Units	Total
Costs:				
Beginning balances	₱109,437,800	₱933,335,345	₱11,419,656	₱1,054,192,801
Additions	191,962,993	-	-	191,962,993
Ending balances	301,400,793	933,335,345	11,419,656	1,246,155,794
Accumulated depreciation and amortization:				
Beginning balances	-	336,965,122	10,553,949	347,519,071
Depreciation and amortization (see Note 15)	-	42,401,509	77,054	42,478,563
Ending balances	-	379,366,631	10,631,003	389,997,634
Net book values	₱301,400,793	₱553,968,714	₱788,653	₱856,158,160

The Company leases out spaces in its building and condominium units under various operating leases (see Note 13).

Rental income from investment properties recognized in the interim statements of comprehensive income amounted to ₱113,154,669 and ₱114,349,226 for the six months ended June 30, 2022 and 2021, respectively, while directly related costs amounted to ₱38,000,728 and ₱38,736,107 for the six months ended June 30, 2022 and 2021, respectively (see Notes 13 and 15).

The aggregate fair value of investment properties amounted to ₱3,741,675,179 as at June 30, 2022 and December 31, 2021, determined based on valuation performed by a qualified and independent appraiser in December 2020 and prevailing market value of recently acquired property. The valuation undertaken considered the highest and best use of the properties and established estimated value by



processes involving comparison (Level 3). Management has determined that the fair values of investment properties did not significantly change from the last valuation date.

The following describes the valuation techniques used and key inputs to valuation of investment properties as at June 30, 2022 and December 31, 2021:

	Valuation technique	Significant unobservable input
Land, condominium units and buildings and building improvements, and building equipment	Income Approach	Future free cashflow projections discounted using a rate based on the level of risk of the business opportunity and capital
Land	Market Data	Adjusted sales price of Comparable properties

Significant increases (decreases) in estimated future cash flows above would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in discount rate would result in a significantly lower (higher) fair value of the properties.

The investment properties pertain to assets held by the Company for residential, commercial and parking space. The appraisers determined that the highest and best use of condominium unit is for residential use which is its current use. The highest and best use of land used as parking space at measurement date would be for multi-storey residential/office condominium development, while the highest and best use of buildings, including the improvements and equipment, used as commercial space at measurement date, would be to convert the properties for residential use. For strategic reasons, the properties are not being used in this manner.

Land and building and building improvements owned by the Company with an aggregate carrying value of ₱50,849,592 and ₱57,604,225 as at June 30, 2022 and December 31, 2021, respectively, served as collateral to secure the bank loans (see Note 11).

Development Rights

The Company entered into an agreement with Parity Values, Inc. (PVI), a related party, for the transfer of developmental rights of PVI to the Company for valuable consideration which is to be determined and fixed by the parties through the execution of a supplemental agreement.

In December 2020, the parties executed an agreement for the determination of the consideration amounting to ₱99,700,000. The initial payment amounting to ₱9,970,000 was paid on the date of execution of the agreement while the remaining balance in the amount of ₱89,730,000, subject to 5.25% interest, shall be paid through a single payment or partial payments, as the Company may deem necessary, within a period of 5 years, from the execution of the agreement and no later than December 14, 2025. Accordingly, the Company recognized an asset as part of land under “Investment properties” account amounting to ₱99,700,000 and a liability presented as “Payable to a related party” amounting to ₱37,730,000 as at June 30, 2022 and December 31, 2021 (see Note 20).

Land Acquisition

In December 2021, the Company entered into a Contract to Sell for the purchase of land for a consideration of ₱214,455,000 (exclusive of VAT) payable on monthly installment basis until year 2026. Payments made in 2022 and 2021 amounted to ₱9,190,128 and ₱31,555,521, respectively (exclusive of VAT). As at June 30, 2022 and December 31, 2021, the corresponding unpaid purchase price, net of VAT, were recorded at present value using the discount rate of 4.25% amounting to ₱151,327,285 and ₱160,407,472, respectively. Current and noncurrent portion of the liability amounting to ₱19,809,009 and ₱152,363,302, respectively, inclusive of VAT, are presented as part of Accounts payable” under "Accounts payable and other current liabilities” and “Other noncurrent



liability” accounts, respectively, in the 2022 interim statement of financial position (see Note 12). While current and noncurrent portion of the liability amounting to ₱20,179,183 and ₱162,176,225, respectively, inclusive of VAT, are presented as part of Accounts payable” under "Accounts payable and other current liabilities” and “Other noncurrent liability” accounts, respectively, in the 2021 statement of financial position (see Note 12). Total discount of liability amounted to ₱22,381,265 and ₱22,492,008 as at June 30, 2022 and December 31, 2021, respectively. Accretion of interest expense capitalized as part of investment property amounted to ₱110,741 for the six months ended June 30, 2022.

The related deferred input VAT amounting to ₱18,639,203 and ₱19,742,115, net of current portion of ₱2,205,823, as at June 30, 2022 and December 31, 2021, respectively, is recognized as part of “Other noncurrent assets” account in the interim statements of financial position (see Note 7). This deferred input VAT will be claimed against output VAT upon payment of the related liability.

Schedule of payments of the remaining payable based on undiscounted amounts (exclusive of VAT) is as follows:

Year	June 30, 2022	December 31, 2021
2022	₱9,190,929	₱18,381,857
2023	18,381,857	18,381,857
2024	26,219,677	26,219,677
2025	65,408,775	65,408,775
2026	54,507,313	54,507,313
	₱173,708,551	₱182,899,479

10. Property and Equipment

	June 30, 2022			Total
	Office, Furniture and Equipment	Transport Equipment	Leasehold Improvements	
Costs:				
Beginning balances	₱5,237,171	₱200,000	₱839,842	₱6,277,013
Additions	1,227,679	–	–	1,227,679
Ending balances	6,464,850	200,000	839,842	7,504,692
Accumulated depreciation and amortization:				
Beginning balances	3,125,110	200,000	839,842	4,164,952
Depreciation and amortization (see Note 16)	678,789	–	–	678,789
Ending balances	3,803,899	200,000	839,842	4,843,741
Net book values	₱2,660,951	₱–	₱–	₱2,660,951



	December 31, 2021			
	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
Costs:				
Beginning balances	₱3,084,995	₱200,000	₱839,842	₱4,124,837
Additions	2,152,176	–	–	2,152,176
Ending balances	5,237,171	200,000	839,842	6,277,013
Accumulated depreciation and amortization:				
Beginning balances	2,634,262	200,000	839,842	3,674,104
Depreciation and amortization (Note 16)	490,848	–	–	490,848
Ending balances	3,125,110	200,000	839,842	4,164,952
Net book values	₱2,112,061	₱–	₱–	₱2,112,061

Included under “Other noncurrent assets” are computer software with a nil net book value of as at June 30, 2022 and December 31, 2021. Amortization of computer software amounted to nil and ₱56,914 for the six months ended June 30, 2022 and 2021, respectively (see Note 16).

11. Notes Payable

Notes payable consists of:

	June 30, 2022	December 31 2021
Principal	₱511,764,706	₱580,000,000
Add unamortized premium, net of debt issue cost	359,048	456,514
	512,123,754	580,456,514
Less current portion	136,633,053	136,655,732
Noncurrent portion	₱375,490,701	₱443,800,782

On February 18, 2021, the Company converted its ₱580,000,000 short-term promissory note to term loans with maturity of 5 years, payable in equal quarterly installments starting on February 19, 2022.

The details of the term loans follow:

Term Loan	Availment Date	Maturity Date	Interest rate	Condition	Amount
1	February 19, 2021	February 19, 2026	4.25% per annum fixed for 89 days, variable onwards; quarterly	Secured	₱290,000,000
2	February 19, 2021	February 19, 2026	4.875% per annum, fixed up to maturity; quarterly	Secured	290,000,000

Term Loan promissory note (PN) 1 is subject to a variable interest rate based on a three (3)-month BVAL plus a margin of one hundred twenty points (1.20%) divided by the Applicable Premium Factor (0.95) and 4.25% per annum, whichever is higher.

Term Loan PN 2 is subject to a fixed interest rate based on a five (5)-year BVAL plus a margin of one hundred twenty points (1.20%) divided by the Applicable Premium Factor (0.95) and 4.875% per annum, whichever is higher.

The Company paid and capitalized documentary stamp tax amounting to ₱4,350,000 as debt issue cost to be amortized over the term of the notes payable.



Based on the Company's assessment, the modifications in the contractual cash flows of the loan are not substantial and therefore did not result in the derecognition of the affected financial liabilities. Accordingly, the Company recognized a loss on loan modification amounting to ₱4,981,822 under "Other income (expense)" account in the 2021 interim statement of comprehensive income.

The 2021 term loan agreement contains, among others, covenants that require the Company to comply with specified financial ratios such as current ratio, debt to equity ratio and debt service coverage ratio. As at June 30, 2022 and December 31, 2021, the Company has complied with these covenants.

All term loans are secured by a real estate mortgage on certain land and building improvements owned by the Company (see Note 9).

The future expected principal settlements of the Company's notes payable follow:

	June 30, 2022	December 30, 2021
Within one year	₱136,470,588	₱136,470,588
Beyond one year but less than five years	375,294,118	443,529,412
	₱511,764,706	₱580,000,000

Total interest expense on notes payable charged to interim statements of comprehensive income amounted to ₱12,295,699 (including loan premium amortization, net of debt issue cost amortization, amounting to ₱97,466) and ₱15,283,764 (including loan premium amortization, net of debt issue cost amortization, amounting to ₱72,083) for the six months ended June 30, 2022 and 2021, respectively.

12. Accounts Payable and Other Current Liabilities

	June 30, 2022	December 31 2021
Accounts payable (see Note 9)	₱20,914,415	₱24,004,676
Construction bond	6,510,803	6,432,077
Accrued expenses:		
Interest payable	2,686,765	3,045,000
Professional fees	500,000	450,000
Others	422,000	780,581
Withholding taxes payable	205,895	393,952
Output VAT - net	1,793,578	-
Due to a related party (see Note 20)	-	53,295
	₱33,033,456	₱35,159,581

Accounts payable, accrued expenses and other current liabilities are noninterest-bearing and are normally settled within the next financial year. Accounts payable includes the current portion of the unpaid purchase price of the land acquired in 2021 (see Note 9).

Construction bond represents deposit required from the tenants prior to the commencement of renovation works for respective leased property. These are refundable once the renovation has been completed normally within one year.



13. Leases

The Company entered into various fixed non-cancellable lease contracts on its investment properties with various lessees.

The lease contracts provide for the payment by the lessee of a security deposit. These are shown under “Deposits on long-term leases” account in the interim statements of financial position and are recorded at their present values which amounted to ₱33,185,039 and ₱31,329,767 as at June 30, 2022 and December 31, 2021, respectively. Accretion of interest, included in “Interest expense” in the interim statements of comprehensive income, amounted to ₱789,414 and ₱759,615 for the six months ended June 30, 2022 and 2021, respectively.

Unearned rental income, which includes advance rental and excess of the principal amount of the long-term deposits over its present value and will be amortized on a straight-line basis over the lease term, amounted to ₱17,674,764 and ₱13,009,588 as at June 30, 2022 and December 31, 2021, respectively.

Accrued rent, which represents the excess of rental income recognized using the straight-line method over the rental income based on the terms of the lease agreements, amounted to ₱88,648,651 and ₱78,607,255 as at June 30, 2022 and December 31, 2021, respectively.

As a result of the COVID-19 pandemic, the Company provided rent concessions to its tenants in the form of deferment of payments, two-month rent-free periods and discounts as at June 30, 2022 and December 31, 2021. Certain lease agreements were also pre-terminated. The Company accounted for the deferment of payment, rent-free periods and discounts provided as not a lease modification since there were no substantive changes to the terms and conditions of the lease; while the shortening of lease period were treated as lease modifications. The rent concessions resulted to a reduction in rental income amounting to ₱1,596,919 and ₱2,110,128 for the six months ended June 30, 2022 and 2021, respectively. Lease termination resulted in a decrease in accrued rent amounting to ₱2,930,778 as at December 31, 2021 and rental income amounting to ₱2,041,241 for the six months ended June 30, 2021. There was no lease termination in 2022.

The future minimum lease receivables under non-cancellable leases on its investment properties are as follows:

	June 30, 2022	December 31, 2021
Year 1	₱184,744,311	₱158,319,743
Year 2	162,089,207	144,388,794
Year 3	151,760,876	141,520,108
Year 4	156,991,061	143,705,533
Year 5	156,345,845	147,580,396
More than 5 years	305,821,516	379,604,597
	₱1,117,752,816	₱1,115,119,171



14. Equity

Capital Stock

As at June 30, 2022 and December 30, 2021, the Company's capital stock consists of:

	Number of Shares	Amount
Authorized		
Common stock - ₱0.01 par value	30,000,000,000	₱300,000,000
Preferred stock - ₱100 par value	1,000,000	100,000,000
	30,001,000,000	₱400,000,000
Issued and outstanding		
Common stock - ₱0.01 par value	25,000,000,000	₱250,000,000

The preferred stock are non-voting and non-convertible to common stock. Other features of the preferred stock shall be at the discretion of the BOD at the time of such issuance.

Basic/Diluted Earnings (Loss) Per Share

For the six months ended June 30, 2022 and 2021, the computation of basic/diluted earnings (loss) per share follows:

	2022 (Six Months)	2021 (Six Months)
Net income (loss)	(₱14,478,722)	₱71,703,198
Divided by weighted average number of shares	25,000,000,000	25,000,000,000
Basic/diluted earnings (loss) per share	(₱0.0006)	₱0.0029

The Company does not have potentially dilutive common shares for the six months ended June 30, 2022 and 2021.

15. Direct Costs

	2022 (Six Months)	2021 (Six Months)
Depreciation and amortization (see Note 9)	₱21,210,934	₱21,239,282
Real estate tax	10,544,756	10,446,387
Outside services	3,594,177	3,588,041
Repairs and maintenance	1,179,427	1,902,886
Communication, light and water	796,324	877,728
Insurance and others	675,110	681,783
	₱38,000,728	₱38,736,107



16. Operating Expenses

	2022	2021
	(Six Months)	(Six Months)
Personnel costs (see Note 17)	₱5,517,020	₱6,704,903
Taxes and licenses	2,220,554	2,950,514
Depreciation and amortization (see Note 10)	678,789	188,988
Professional fees	544,667	753,556
Association dues	500,464	522,416
Rent (see Note 20)	256,632	250,119
Commission	240,420	228,000
Computer software maintenance	124,158	260,955
Communication, light and water	87,337	87,612
Entertainment, amusement and recreation	2,295	59,455
Provision for expected credit losses (see Note 5)	-	1,049,681
Miscellaneous	780,484	546,958
	₱10,952,820	₱13,603,157

17. Personnel Costs

	2022	2021
	(Six Months)	(Six Months)
Salaries and wages	₱4,816,949	₱6,172,187
Retirement benefits cost (see Note 18)	292,027	266,346
Others	408,044	266,370
	₱5,517,020	₱6,704,903



18. Retirement Benefits Cost

The Company established a defined benefit noncontributory retirement plan (the Retirement Plan) in 2011 covering all its regular employees.

LPC is required to pay its regular employees retirement benefits equivalent to 22.5 days for every year of credited service upon reaching the compulsory retirement age of 65. Optional retirement is allowed for an employee who reaches the age of 50 and who has completed 15 years of credited service to LPC.

The following tables summarize the components of the net benefit expense recognized in the interim statements of comprehensive income and the funded status and amounts recognized in the interim statements of financial position for the plan. Changes in net retirement plan asset as at June 30, 2022 and December 31, 2021 are as follows:

	Net Retirement Cost in Profit or Loss in the Interim Statement of Comprehensive Income				Remeasurements in Other Comprehensive Income					Subtotal	Benefits paid	Balance at End of Period
	Balance at Beginning of Period	Current Service Cost	Net Interest	Subtotal	Actuarial Gain Excluding Amount included in Net Interest	Actuarial Changes Arising from Changes in Financial Assumptions	Actuarial Changes Arising from Experience	Actuarial Changes Arising from demographic assumptions	Effect of Asset Ceiling			
June 30, 2022												
Present value of defined benefit obligation	₱9,003,951	₱284,375	₱225,999	₱510,374	₱-	(₱999,760)	₱1,119,438	₱-	₱-	₱119,678	(₱1,563,861)	₱8,070,142
Fair value of plan assets	(34,679,888)	-	(850,839)	(850,839)	10,328,862	-	-	-	-	10,328,862	1,563,861	(23,638,004)
Asset ceiling	12,599,451	-	632,492	632,492	-	-	-	-	(5,158,723)	(5,158,723)	-	8,073,220
Net defined benefit asset	(₱13,076,486)	₱284,375	₱7,652	₱292,027	₱10,328,862	(₱999,760)	₱1,119,438	₱-	(5,158,723)	₱5,289,817	₱-	(₱7,494,642)
December 31, 2021												
Present value of defined benefit obligation	₱12,832,815	₱780,820	₱486,364	₱1,267,184	₱-	(₱773,538)	(₱13,174)	(₱2,168)	₱-	(₱788,880)	(₱4,307,168)	₱9,003,951
Fair value of plan assets	(18,934,089)	-	(635,981)	(635,981)	(19,416,986)	-	-	-	-	(19,416,986)	4,307,168	(34,679,888)
Asset ceiling	844,761	-	32,016	32,016	-	-	-	-	11,722,674	11,722,674	-	12,599,451
Net defined benefit asset	(₱5,256,513)	₱780,820	(₱117,601)	₱663,219	(₱19,416,986)	(₱773,538)	(₱13,174)	(₱2,168)	₱11,722,674	(₱8,483,192)	₱-	(₱13,076,486)



The Retirement Plan Trustee, as appointed by the Company, is responsible for the general admission of the Retirement Plan and the management of the retirement fund. The Retirement Plan Trustee may seek the advice of counsel and appoint an investment manager or managers to the retirement fund, an independent accountant to audit the fund and an actuary to value the fund.

Major categories of plan assets as at June 30, 2022 and December 31, 2021 follow:

	June 30, 2022	December 31, 2021
Cash in banks	₱474,611	₱474,611
Investments in equity securities	23,163,393	34,205,277
	₱23,638,004	₱34,679,888

The carrying amount of the plan assets represents their fair values as at June 30, 2022 and December 31, 2021.

Investments in equity securities can be transacted through the Philippine Stock Exchange. The Company has no material transactions with the retirement plan nor does the plan have investments in the Company's shares.

Movements in accumulated remeasurement gain on defined benefit plan, net of deferred taxes are as follows:

	June 30, 2022	December 31, 2021
Beginning balance	₱13,571,525	₱6,728,522
Remeasurement in other comprehensive income:		
Actuarial gain (loss) on defined benefit obligation	(119,678)	788,880
Remeasurement gain (loss) on plan assets	(10,328,862)	19,416,986
Effect of asset ceiling	5,158,723	(11,722,674)
	(5,289,817)	8,483,192
Income tax effect	1,322,454	(1,640,189)
	(3,967,363)	6,843,003
Ending balance	₱9,604,162	₱13,571,525

The latest actuarial valuation of the plan is as at June 30, 2022. The principal actuarial assumptions used to determine retirement benefits cost at the beginning of the year were as follows:

	June 30, 2022	December 31, 2021
Discount rate	6.52%	5.02%
Salary increase rate	5.00%	5.00%



Movements in the principal actuarial assumptions may result to an increase or decrease in the year-end defined benefit obligation (DBO). As such, the following sensitivity analysis shows the effects of 100 basis points (bps) movement in the discount and salary increase rates:

		June 30, 2022	
		Increase (decrease) in DBO in % in ₱	
Discount rate	+100 bps	-7%	(₱556,993)
	-100 bps	8%	641,824
Salary increase rate	+100 bps	8%	645,210
	-100 bps	-7%	(569,559)
		December 31, 2021	
		Increase (decrease) in DBO in % in ₱	
Discount rate	+100 bps	(5.9%)	(₱533,519)
	-100 bps	6.9%	617,686
Salary increase rate	+100 bps	6.8%	611,538
	-100 bps	(6.0%)	(538,386)

The Retirement Plan Trustee has no specific matching strategy between plan assets and plan liabilities.

The average duration of the defined benefit obligation at the end of the period is 7.4 years and 6.4 years as at June 30, 2022 and December 31, 2021, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments as at June 30, 2022 and December 31, 2021:

	June 30, 2022	December 31, 2021
Year 1	₱1,514,924	₱3,212,906
Year 2	91,005	79,624
Year 3	108,413	95,092
Year 4	3,102,943	3,018,421
Year 5	770,476	754,124
Year 6 – 10	2,214,627	2,098,545

The Company is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund to support the defined benefits are at the Company's discretion. However, in the event a defined benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable from the Company to the Retirement Fund.

The Company does not expect to contribute to the defined benefit retirement plan in the next financial year.

19. Income Taxes

The provision for current income tax represents regular corporate income tax for the six months ended June 30, 2022 and 2021.



The provision for current income tax for the six months ended June 30, 2021 includes the impact of reduction in tax rate under Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act for taxable year 2020 amounting to ₱1,207,080 (see Note 24).

The reconciliation of income tax computed at the statutory income tax rate with the provision for income tax follows:

	2022 (Six Months)	2021 (Six Months)
Provision for (benefit from) income tax at statutory tax rate	(₱409,957)	₱19,806,677
Additions to (reductions in) income tax resulting from:		
Loss (gain) on sale and fair value changes of financial assets at FVTPL	13,501,282	(9,250,137)
Nondeductible expenses	230,330	1,246,584
Rental income from deposits on long-term lease	(227,454)	(230,889)
Dividend income exempt from tax	(254,015)	(254,851)
Interest income subjected to final tax	(1,290)	(4,517)
Impact of CREATE Act	-	(3,789,355)
	₱12,838,896	₱7,523,512

The Company's net deferred tax liabilities follow:

	June 30, 2022	December 31, 2021
Deferred tax liabilities:		
Accrued rent	(₱22,162,162)	(₱19,651,813)
Net retirement plan asset	(1,873,661)	(3,269,122)
	(24,035,823)	(22,920,935)
Deferred tax assets:		
Advance rental	2,012,995	744,527
Provision for expected credit losses	262,420	262,420
	2,275,415	1,006,947
Net deferred tax liabilities	(₱21,760,408)	(₱21,913,988)

As at June 30, 2022 and December 31, 2021, the Company did not recognize deferred tax asset on fair value loss on financial assets at FVTPL amounting to ₱40,600,000 as management believes that that there is no capital gain against which the fair value loss can be offset to realize the benefit of such deferred tax asset.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

President Rodrigo Duterte signed into law on March 26, 2021 the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.



The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact to the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Bill was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. Accordingly, current and deferred taxes as at and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Company was subjected to lower RCIT rate of 25% or MCIT rate of 1% effective July 1, 2020.

Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Company for CY2020 is 25%. This resulted in lower provision for current income tax for the year ended December 31, 2020 amounting to ₱13,265,708 or a reduction of ₱1,207,080 in CIT and income tax payable, and reduction of deferred tax liabilities as at December 31, 2020 amounting to ₱2,582,276, net of deferred tax liability on accumulated remeasurement gain on defined benefit plan amounting to ₱480,609 adjusted against other comprehensive income (see Notes 18 and 19). Such were adjusted in the interim financial statements as at and for the period ended June 30, 2021.

20. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Company, including holding companies, and fellow subsidiaries are related entities of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related entities.

Receivables from and payables to related parties are normally settled in cash.



The Company's transactions with its related parties for the six months ended June 30, 2022 and 2021; and their account balances as at June 30, 2022 and December 31, 2021 follow:

	Amount/Volume		Outstanding Balance Receivable (Payable)		Terms and Conditions
	2022	2021	June 30, 2022	December 31, 2021	
Parent					
Liberty Flour Mills, Inc.					
Rent expense	₱256,632	₱503,494	₱-	(₱53,295)	On demand; Unsecured
Affiliate*					
Parity Values, Inc.					
Development rights (see Note 9)	-	52,000,000	(37,730,000)	(37,730,000)	5 years; 5.25% interest per annum
Due to related parties (Note 12)			₱-	(₱53,295)	
Payable to a related party (Note 9)			(₱37,730,000)	(₱37,730,000)	

*Parent company's stockholder

Rental Expense

Rental expense covers a period of one year and is renewable upon mutual agreement unless terminated by the parties concerned.

Advances to Officers and Employees/Salary Loan

Advances for expenses are amounts paid to support the administrative expenses of the related party.

The key management personnel compensation for the six months ended June 30, 2022 and 2021 is as follows:

	2022 (Six Months)	2021 (Six Months)
Post-employment benefits and others	₱1,755,000	₱1,753,709
Short-term employee benefits	86,644	198,487
	₱1,841,644	₱1,952,196

21. Financial Risk Management Objectives and Policies

The Company's financial instruments consist mainly of cash in banks, investments in equity securities and trade receivables/payables and borrowings. The main risks arising from the use of these financial instruments are credit risk, equity price risk, and liquidity risk.

Credit Risk

Credit risk represents the loss that the Company would incur if the counterparty failed to perform under its contractual obligations. The Company has established controls and procedures in its credit policy to determine and monitor the credit worthiness of lessees and counterparties. The Company requires its lessees to pay at least three months security deposit to cover unpaid obligations and liabilities at the termination of the lease. It is also the Company's policy to require its lessees to pay their accounts on or before due date without the need of demand.

The maximum credit exposure of the Company is the carrying amount of the receivables as disclosed in Note 5. There are no significant concentrations of credit risk within the Company. With respect to credit risk arising from the other financial assets of the Company, which comprise cash in banks, the Company's exposure to credit risk arises from default of the counterparties, with a maximum



exposure equal to the carrying amount of these instruments. There are no collaterals or other credit enhancements held over these assets.

The table below shows the maximum exposure to credit risk for the Company's financial assets, without taking account of any collateral and other credit enhancements:

	June 30, 2022	December 31, 2021
Cash in banks*	₱7,786,234	₱46,745,316
Receivables**	19,507,585	6,361,415
Refundable deposits***	2,711,493	2,711,493
Total credit risk exposure	₱30,005,312	₱55,818,224

*excluding cash on hand amounting to ₱13,500 in June 30, 2022 and December 31, 2021, respectively

**excluding advances to officers and employees amounting to ₱132,945 and ₱116,114 in June 30, 2022 and December 31, 2021, respectively

***presented under Other noncurrent assets in the interim statements of financial position

The following tables summarize the credit quality of the Company's financial assets per category:

	June 30, 2022			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	
Low	₱10,497,727	₱18,036,304	₱-	₱28,534,031
Moderate	-	1,471,281	-	1,471,281
High	-	-	-	-
Gross carrying amount	10,497,727	19,507,585	-	30,005,312
ECL	-	1,049,681	-	1,049,681
Carrying amount	₱10,497,727	₱18,457,904	₱-	₱28,955,631

	December 31, 2021			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	
Low	₱49,456,809	₱4,890,134	₱-	54,346,943
Moderate	-	1,471,281	-	1,471,281
High	-	-	-	-
Gross carrying amount	49,456,809	6,361,415	-	55,818,224
ECL	-	1,049,681	-	1,049,681
Carrying amount	₱49,456,809	₱5,311,734	₱-	₱54,768,543

The credit quality of the financial assets was determined as follows:

Low Risk - This includes cash and cash equivalents to counterparties with good credit or bank standing, and refundable deposits, thus credit risk is minimal. This normally includes large prime financial institutions, companies and government agencies. For receivables, this consists of accounts with counterparties with no history of default on the agreed contract terms.

Moderate Risk - This includes receivables with counterparties with little history of default on the agreed contract terms.

High Risk - This includes receivables that consist of accounts with counterparties with history of default on the agreed contract terms.



Set out below is the information about the credit risk exposure on the Company's rent receivables using a provision matrix:

	June 30, 2022				Total
	Current	1-30 days	31-90 days	More than 90 days	
Rent receivables -					
Expected credit loss rate	-	-	-	66.29%	
Estimated total gross carrying amount at default	₱14,420,640	₱2,767,642	₱780,940	₱1,538,363	₱19,507,585
Expected credit loss	-	-	-	1,049,681	1,049,681
	December 31, 2021				
	Current	1-30 days	31-90 days	More than 90 days	Total
Rent receivables -					
Expected credit loss rate	-	-	-	71.34%	
Estimated total gross carrying amount at default	₱3,685,638	₱431,393	₱773,103	₱1,471,281	₱6,361,415
Expected credit loss	-	-	-	1,049,681	1,049,681

As at December 31, 2021, provision for expected credit losses are recognized for rent receivables subjected to impairment.

As at June 30, 2022 and December 31, 2021, the COVID-19 outbreak has no significant impact to the Company's credit risk.

Equity Price Risk

Equity price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to equity price risk because of investments in quoted equity securities, which are classified in the interim statement of financial position as financial assets at FVTPL and financial assets at FVOCI.

The Company's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine impact on its financial position. The change in market prices used in the sensitivity analysis is determined based on the highest and lowest stock prices of a financial instrument during the period. The Company has determined that for financial assets at FVOCI, a decrease or increase on the stock prices would only impact equity and would not have an effect on profit or loss. The Company has determined that for financial assets at FVTPL, a decrease and increase on the stock prices could have an impact on the profit or loss.

The effect on profit or loss and equity as a result of an increase (decrease) in fair value of equity securities at FVTPL and fair value of quoted financial assets at FVOCI as at June 30 are as follows:

	2022	
	Increase (decrease) in market price	Increase (decrease) in profit or loss/equity
Financial assets at FVTPL	2% (2%)	2,530,689 (2,530,689)
Financial assets at FVOCI	10% (10%)	14,542,218 (14,542,218)



	2021	
	Increase (decrease) in market price	Increase (decrease) in profit or loss/equity
Financial assets at FVTPL	27% (27%)	₱36,436,807 (36,436,807)
Financial assets at FVOCI	69% (69%)	121,498,347 (121,498,347)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to pay its obligations when they fall due under normal and stress circumstances. The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal policies.

The tables below summarize the maturity profile of the Company's financial assets and liabilities based on contractual undiscounted payments:

	June 30, 2022			
	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial Assets at amortized cost:				
Cash	₱7,799,734	₱-	₱-	₱7,799,734
Receivables	19,507,585	-	-	19,507,585
Financial assets at FVTPL	126,557,263	-	-	126,557,263
Financial assets at FVOCI	-	-	145,422,178	145,422,178
Other noncurrent assets	-	-	2,711,493	2,711,493
	153,864,582	-	148,133,671	301,998,253
Financial Liabilities				
Notes payable, including interest	-	139,157,353	375,294,118	514,451,471
Accounts payable and other current liabilities				
Accounts payable	3,037,421	20,655,138	-	23,692,559
Accrued expense, excluding accrued interest	922,000	-	-	922,000
Construction bond	6,510,803	-	-	6,510,803
Due to a related party	-	-	-	-
Payable to a related party	-	-	37,730,000	37,730,000
Deposits on long-term leases	-	13,960,536	29,539,302	43,499,838
Other noncurrent liabilities	-	-	173,965,897	173,965,897
	10,470,224	173,773,027	616,529,317	800,772,568
Net Financial Assets (Liabilities)	₱143,394,358	(₱173,773,027)	(₱468,395,646)	(₱498,774,315)

	December 31, 2021			
	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial Assets at amortized cost:				
Cash	₱46,758,816	₱-	₱-	₱46,758,816
Receivables	6,361,415	-	-	6,361,415
Financial assets at FVTPL	180,448,991	-	-	180,448,991
Financial assets at FVOCI	-	-	156,718,845	156,718,845
Other noncurrent assets	-	-	2,711,493	2,711,493
	233,569,222	-	159,430,338	392,999,560

(Forward)



	December 31, 2021			
	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial Liabilities				
Notes payable, including interest	₱-	₱139,515,588	₱443,529,412	₱583,045,000
Accounts payable and other current liabilities				
Accounts payable	4,205,280	20,655,138	-	24,860,418
Accrued expense, excluding accrued interest	1,230,581	-	-	1,230,581
Construction bond	6,432,077	-	-	6,432,077
Due to a related party	-	-	-	-
Payable to a related party	-	-	37,730,000	37,730,000
Deposits on long-term leases	-	12,920,071	29,012,791	41,932,862
Other noncurrent liabilities	-	-	184,259,737	184,259,737
	11,867,938	173,090,797	694,531,940	879,490,675
Net Financial Assets (Liabilities)	₱221,701,284	(₱173,090,797)	(₱535,101,602)	(₱486,491,115)

As at June 30, 2022 and December 31, 2021, the COVID-19 outbreak has no significant impact to the Company's liquidity risk.

Fair Value

The following are the Company's financial instruments whose carrying amounts are measured at fair value as at June 30, 2022 and December 31, 2021:

	Carrying Value		Fair Value	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Financial Assets				
Financial assets at FVTPL	₱126,557,263	₱180,448,991	₱126,557,263	₱180,448,991
Financial assets at FVOCI	145,422,178	156,718,845	145,422,178	156,718,845

The carrying values of cash in banks, receivables, accounts payable and other current liabilities approximate their fair values due to their short-term nature.

The fair value of deposits on long-term leases is estimated by discounting future cash flows using rates currently available for debt on similar terms and remaining maturities. As at June 30, 2022 and December 31, 2021, the carrying values deposits on long-term leases were not materially different from their calculated fair values.

Fair Value Hierarchy

Below table presents the fair value measurement hierarchy of the Company's financial assets whose fair values are measured and disclosed as at June 30, 2022 and December 31, 2021:

	June 30, 2022			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value:				
Financial assets at FVTPL	₱126,557,263	₱126,557,263	₱-	₱-
Financial assets at FVOCI	145,422,178	145,422,178	-	-
Nonfinancial assets for which fair values are disclosed -				
Investment properties	3,741,675,179	-	-	3,741,675,179



	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value:				
Financial assets at FVTPL	₱180,448,991	₱180,448,991	₱-	₱-
Financial assets at FVOCI	156,718,845	156,718,845	-	-
Nonfinancial assets for which fair values are disclosed -				
Investment properties	3,741,675,179	-	-	3,741,675,179

Financial assets at FVTPL and financial assets at FVOCI are carried at their fair values based on quoted market prices as at June 30, 2022 and December 31, 2021.

The disclosures on the fair value measurement hierarchy for investment properties carried at cost are presented in Note 9.

In 2022 and 2021, there were no reclassifications of financial instruments from and into levels 1, 2 and 3.

22. Capital Management Policies

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the six months ended June 30, 2022 and 2021.

The Company monitors capital by having a daily monitoring of receipts and collections, regular release of disbursements to suppliers, monthly cash flow report preparation and monthly review of capital expenditure requirements. The Company at this point, with its healthy cash flow, is not looking for additional bank loans to finance its operations and renovations. The Company strives to earn a minimum return double the annual inflation rate. The Company is not subject to any externally imposed capital requirements.

The following are considered by the Company as capital:

	June 30, 2022	December 31, 2021
Capital stock	₱250,000,000	₱250,000,000
Retained earnings	304,283,580	318,762,302
	₱554,283,580	₱568,762,302

23. Note to Interim Statements of Cash Flows

- The Company has no noncash investing and financing activities, except for the capitalized accretion of interest related to the purchase of land in 2022 amounting to ₱110,741 (see Note 9).



- b. The changes in liabilities arising from financing activities for the six months ended June 30 follows:

2022					
	January 1	Cash flows	Loan Premium	Interest expense	June 30
Notes payable	P580,456,514	(P68,235,294)	P-	(P97,466)	P512,123,754
Payable to a related party	37,730,000	-	-	-	37,730,000
Interest payable	3,045,000	(12,751,400)	-	12,393,165	2,686,765
Total liabilities	P621,231,514	(P80,986,694)	P-	P12,295,699	P552,540,519

2021					
	January 1	Cash flows	Loan Premium	Interest expense	June 30
Notes payable	P580,000,000	(P4,350,000)	P4,981,822	(P72,083)	P580,559,739
Payable to a related party	89,730,000	(52,000,000)	-	-	37,730,000
Interest payable	890,139	(11,700,332)	-	15,355,847	4,545,654
Total liabilities	P670,620,139	(P68,050,332)	P4,981,822	P15,283,764	P622,835,393

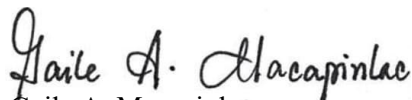


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
LFM Properties Corporation
3rd Floor, Liberty Building
A. Arnaiz Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the interim financial statements of LFM Properties Corporation. (the Company), as at June 30, 2022 and December 31, 2021 and for the six months ended June 30, 2022 and 2021, included in this prospectus, and have issued our report thereon dated August 17, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Interim Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Gaile A. Macapinlac

Partner

CPA Certificate No. 98838

Tax Identification No. 205-947-572

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 1621-AR-1 (Group A)

November 11, 2019, valid until November 10, 2022

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-126-2019, November 27, 2019, valid until November 26, 2022

PTR No. 8854320, January 3, 2022, Makati City

August 17, 2022

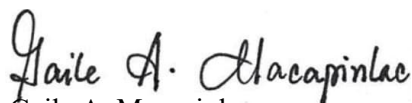


INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
LFM Properties Corporation
3rd Floor, Liberty Building
A. Arnaiz Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the interim financial statements of LFM Properties Corporation (the Company) as at June 30, 2022 and December 31, 2021 and for the six months ended June 30, 2022 and 2021, and have issued our report thereon August 17, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company'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 financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's interim financial statements as at June 30, 2022 and December 31, 2021 and for the six months ended June 30, 2022 and 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Gaile A. Macapinlac

Partner

CPA Certificate No. 98838

Tax Identification No. 205-947-572

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 1621-AR-1 (Group A)

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BIR Accreditation No. 08-001998-126-2019, November 27, 2019, valid until November 26, 2022

PTR No. 8854320, January 3, 2022, Makati City

August 17, 2022



LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)

**INDEX TO THE INTERIM FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES
JUNE 30, 2022**

In compliance with Revised Securities Regulation Code Rule 68, the Company has prepared the following schedules:

- Financial Assets (Annex 68-J: Schedule A)
- Amounts Receivable from Directors, Officers, Employees, Related Parties and Principle Stockholders (Annex 68-J: Schedule B)*
- Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements (Annex 68-J: Schedule C)*
- Long-Term Debt (Annex 68-J: Schedule D)
- Indebtedness to Related Parties (Annex 68-J: Schedule E)
- Guarantees of Securities and Other Issuers (Annex 68-J: Schedule F)*
- Capital Stock (Annex 68-J: Schedule G)
- Reconciliation of Retained Earnings Available for Dividend Declaration (Annex 68-D)
- Map of the Relationship of the Companies within the Group

**Not Applicable*

LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)
FINANCIAL ASSETS (Annex 68-J: Schedule A)
JUNE 30, 2022

	Name of Issuing Entity and Association of each issue	Number of Shares or Principal Amount of Bonds and Notes	Amount shown in the Interim Statement of Financial Position	Value based on Market Quotation at End of Reporting Period	Income Received and Accrued
<i>Financial Assets at Amortized Cost</i>					
Cash	N/A	N/A	₱7,999,734	N/A	₱18,837
Receivables:					
Rent receivable, net	N/A	N/A	18,457,904	N/A	5,158
Other noncurrent assets	N/A	N/A	2,711,493	N/A	–
			29,169,131		23,995
<i>Financial Assets at FVTPL</i>					
Equity investments	AC Energy Philippines Inc.	14,256,257	114,624,326	114,624,326	855,405
Equity investments	Security Bank Corp	35,000	3,199,000	3,199,000	52,500
Equity investments	Philex Mining	1,000,000	3,430,000	3,430,000	50,000
Equity investments	ACE Enexor, Inc	300,000	2,970,000	2,970,000	–
Equity investments	PXP Energy Corp	150,000	795,000	795,000	–
Equity investments	SFA Semicon Philippines Corp.	400,000	480,000	480,000	33,450
Equity investments	Cebu Landmasters, Inc.	100,000	557,500	557,500	24,705
Equity investments	Lepanto Cons. Mining Co.	3,545,455	478,637	478,637	–
Equity investments	Universal Rightfield Prop Holdings Prop	600,000	22,800	22,800	–
			126,557,263	126,557,263	1,016,060
<i>Financial Assets at FVOCI</i>					
Equity investments	PBCOM	8,965,609	145,422,178	145,422,178	–
			271,979,441	271,979,441	1,016,060
Total Financial Assets			₱301,148,572	₱271,979,441	₱1,040,055

LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)
LONG - TERM DEBT (Annex 68-J: Schedule D)
JUNE 30, 2022

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under Caption “Current portion of notes payable” in related Interim Statement of Financial Position	Amount shown under Caption “Notes payable – net of current portion” in related Interim Statement of Financial Position
Five-year secured term loan	₱290,000,000	₱67,670,307	₱186,963,410
Five-year secured term loan	290,000,000	68,962,746	188,527,291
Total	₱580,000,000	₱136,633,053	₱375,490,701

LFM PROPERTIES CORPORATION**(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)****INDEBTEDNESS TO RELATED PARTIES (Annex 68-J: Schedule E)****JUNE 30, 2022**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions			Current	Non-Current	Balance at End of Period
			Amounts Collected	Amounts Written off				
<i>Affiliate</i> Parity Values, Inc	₱37,730,000	₱-	₱-	₱-	₱-	₱37,730,000	₱37,730,000	

LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)

CAPITAL STOCK (Annex 68-J: Schedule G)

JUNE 30, 2022

Title of Issue	Number of shares authorized	Number of Shares outstanding	Number of shares reserved	Number of shares held by related parties	Directors and officers	Others
Common	30,000,000,000	25,000,000,000	–	24,999,999,993	10	–
Preferred	1,000,000	–	–	–	–	–
	30,001,000,000	25,000,000,000		24,999,999,993		

LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)

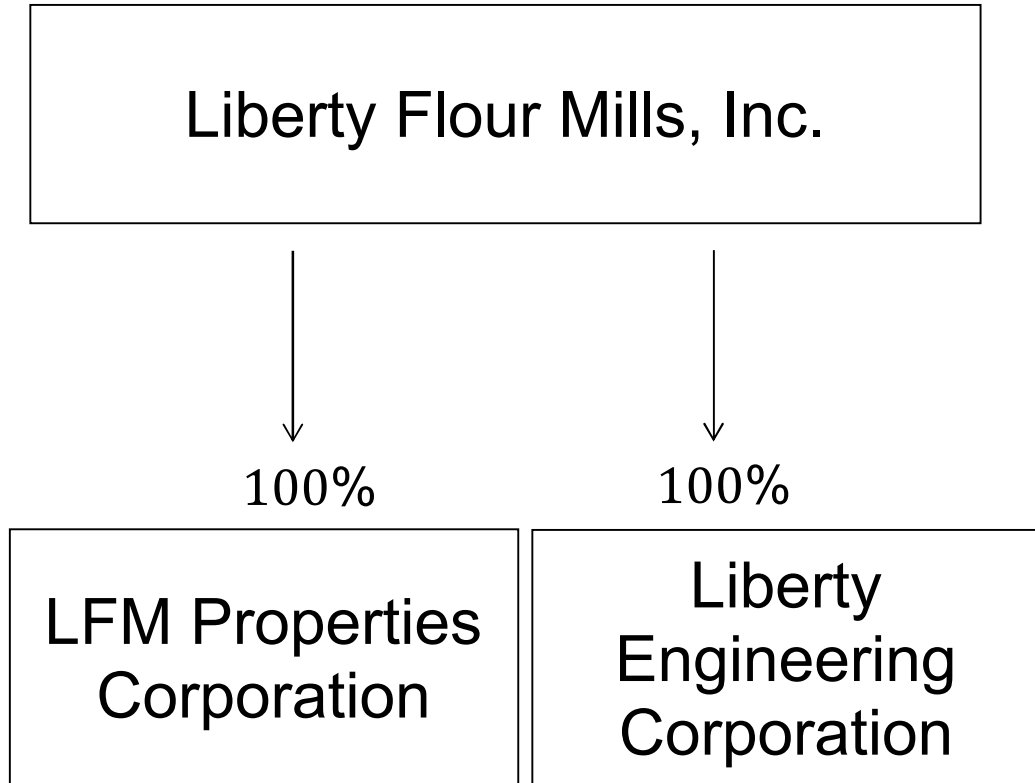
**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION (Annex 68-D)**
JUNE 30, 2022

	Amount
Unappropriated retained earnings, beginning	₱318,762,302
Less: Cumulative fair value on financial assets at FVTPL as at December 31, 2021	(123,588,483)
Deferred tax assets	(1,006,947)
Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning	194,166,872
Add: Net income actually earned/realized during the year	
Net loss closed to retained earnings	(14,478,722)
Less: Non-actual/unrealized income	
Fair value loss on financial assets at FVTPL	54,005,125
Realized fair value loss on sale of financial assets at FVTPL	(1,480,610)
Movement in deferred tax assets	(261,521)
Net income actually earned/realized during the year	37,784,272
Less: Cash dividend declaration during the year	-
Total retained earnings available for dividend declaration, end	₱231,951,144

LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)

**MAP OF THE RELATIONSHIP OF THE COMPANIES WITHIN
THE GROUP**

JUNE 30, 2022

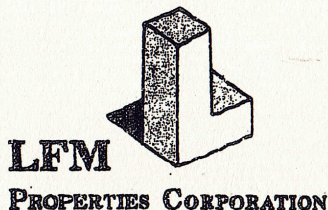


LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS (Annex 68-E)

June 30, 2022

	Formula	June 30, 2022	December 31, 2021
Current Ratio	Total current assets / Total current liabilities	0.85	1.26
Acid Test Ratio	(Cash and cash equivalents + Receivable) /Total current liabilities	0.13	0.27
Solvency Ratio	(Net income + Depreciation) / Total liabilities	0.01	0.22
Debt-to-Equity Ratio	Total liabilities / Total equity	1.79	1.82
Asset-to-Equity Ratio	Total assets / Total equity	2.79	2.82
Interest Rate Coverage Ratio	Income before interest expense and tax / Interest expense	0.87	6.49
Return on Equity	Net income (loss) / Total equity	(0.03)	0.31
Return on Assets	Net income (loss) / Total assets	(0.01)	0.11
Net Profit Margin	Net income (loss) / Revenue	(0.13)	0.67
Debt Service Coverage Ratio	Earnings before interest expense, income tax, depreciation and amortization / Total debt service (interest expense + principal payments)	1.65	7.90



August 17, 2022

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

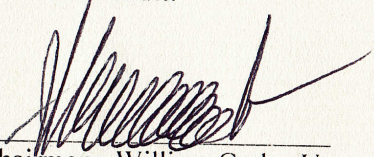
The management of LFM Properties Corporation is responsible for the preparation and fair presentation of the interim financial statements as of June 30, 2022 and December 31, 2021 and for the years ended June 30, 2022 and 2021, in accordance with prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

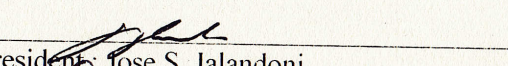
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or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

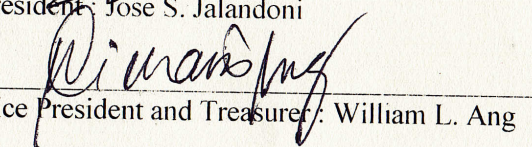
The Board of Directors is responsible for overseeing the Company's financial reporting process.

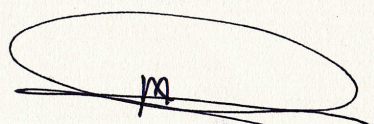
The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

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

Signature 
Name of Chairman : William Carlos Uy

Signature 
Name of President : Jose S. Jalandoni

Signature 
Name of Vice President and Treasurer : William L. Ang



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SERIES OF 3022

ATTY. RENE MA. M. VILLA
Notary Public of Makati City
Commission No. M-194
Until December 31, 2022
PTR No. 8853654; 01-03-2022; Makati
IBP Lifetime Member No. 013595; I.C.
Roll No. 37226

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	O	9	5	0	1	2	5	6	1
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COMPANY NAME

L	F	M		P	R	O	P	E	R	T	I	E	S		C	O	R	P	O	R	A	T	I	O	N		(A	
W	h	o	l	l	y		O	w	n	e	d		S	u	b	s	i	d	i	a	r	y		o	f		L	i	b
e	r	t	y		F	l	o	u	r		M	i	l	l	s	,		I	n	c	.)							

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

3	r	d		F	l	o	o	r	,		L	i	b	e	r	t	y		B	u	i	l	d	i	n	g	,	A	
.		A	r	n	a	i	z		A	v	e	n	u	e	,		M	a	k	a	t	i		C	i	t	y		

Form Type

A	A	F	S
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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address finance@lfmproperty.com	Company's Telephone Number 893-7790/893-772	Mobile Number -
No. of Stockholders 8	Annual Meeting (Month / Day) June 16	Fiscal Year (Month / Day) December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person Sergio G. Locsin Jr.	Email Address sglsmiley@yahoo.com	Telephone Number/s (02) 893-7790	Mobile Number -
---	---	--	--------------------

CONTACT PERSON'S ADDRESS

3rd Floor Liberty Building, 835 A. Arnaiz Avenue, Makati City

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

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



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
LFM Properties Corporation
3rd Floor, Liberty Building
A. Arnaiz Avenue
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of LFM Properties Corporation (a wholly owned subsidiary of Liberty Flour Mills, Inc.) (the Company), which comprise the statements of financial position as at December 31, 2021, 2020 and 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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



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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

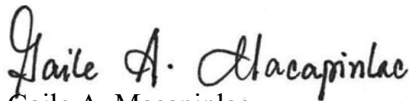
As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

SYCIP GORRES VELAYO & CO.



Gaile A. Macapinlac

Partner

CPA Certificate No. 98838

Tax Identification No. 205-947-572

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 1621-AR-1 (Group A)

November 11, 2019, valid until November 10, 2022

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-126-2019, November 27, 2019, valid until November 26, 2022

PTR No. 8854320, January 3, 2022, Makati City

May 5, 2022



LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)
STATEMENTS OF FINANCIAL POSITION

	December 31		
	2021	2020	2019
ASSETS			
Current Assets			
Cash (Note 4)	₱46,758,816	₱39,672,440	₱19,953,992
Receivables (Note 5)	5,427,848	21,552,027	16,269,786
Financial assets at fair value through profit or loss (FVTPL) (Note 6)	180,448,991	81,937,073	26,191,437
Accrued rent - current portion (Note 13)	1,202,767	4,646,857	2,313,384
Prepaid expenses and other current assets (Notes 7 and 9)	5,934,271	1,329,684	22,216,740
Total Current Assets	239,772,693	149,138,081	86,945,339
Noncurrent Assets			
Investment properties (Notes 9 and 12)	856,158,160	706,673,730	648,517,588
Financial assets at fair value through other comprehensive income (FVOCI) (Note 8)	156,718,845	190,070,911	183,346,704
Accrued rent - net of current portion (Note 13)	77,404,488	54,399,114	27,112,503
Property and equipment (Note 10)	2,112,061	450,733	481,797
Net retirement plan asset (Note 18)	13,076,486	5,256,513	-
Other noncurrent assets (Notes 7, 9 and 10)	22,574,088	3,203,840	3,282,599
Total Noncurrent Assets	1,128,044,128	960,054,841	862,741,191
TOTAL ASSETS	₱1,367,816,821	₱1,109,192,922	₱949,686,530
LIABILITIES AND EQUITY			
Current Liabilities			
Current portion of notes payable (Note 11)	₱136,655,732	₱580,000,000	₱632,900,000
Accounts payable and other current liabilities (Notes 9 and 12)	35,159,581	13,467,997	10,362,839
Current portion:			
Deposits on long-term leases (Note 13)	12,725,979	10,377,345	7,427,205
Unearned rental income (Note 13)	4,654,473	4,817,905	2,422,935
Income tax payable	1,163,501	1,212,931	-
Total Current Liabilities	190,359,266	609,876,178	653,112,979
Noncurrent Liabilities			
Notes payable – net of current portion (Note 11)	443,800,782	-	-
Payable to a related party (Notes 9 and 20)	37,730,000	89,730,000	-
Deposits on long-term leases - net of current portion (Note 13)	18,603,788	19,974,491	22,250,613
Unearned rental income - net of current portion (Note 13)	8,355,115	9,777,271	13,292,628
Deferred tax liabilities - net (Note 19)	21,913,988	18,377,308	6,391,058
Net retirement plan liability (Note 18)	-	-	5,761,953
Other noncurrent liability (Notes 9 and 12)	162,176,225	-	-
Total Noncurrent Liabilities	692,579,898	137,859,070	47,696,252
Total Liabilities	882,939,164	747,735,248	700,809,231
Equity			
Capital stock (Note 14)	250,000,000	250,000,000	250,000,000
Other components of equity:			
Fair value changes on financial assets at FVOCI (Note 8)	(97,456,170)	(64,104,104)	(70,828,311)
Accumulated remeasurement gains (losses) on defined benefit plan (Note 18)	13,571,525	6,728,522	(1,684,031)
Retained earnings	318,762,302	168,833,256	71,389,641
Total Equity	484,877,657	361,457,674	248,877,299
TOTAL LIABILITIES AND EQUITY	₱1,367,816,821	₱1,109,192,922	₱949,686,530

See accompanying Notes to Financial Statements.



LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2021	2020 (As restated - Note 2)	2019 (As restated - Note 2)
RENTAL INCOME (Notes 9 and 13)	₱223,737,958	₱229,942,526	₱178,571,340
DIRECT COSTS (Notes 9 and 15)	77,700,259	106,157,570	58,964,801
GROSS PROFIT	146,037,699	123,784,956	119,606,539
OPERATING EXPENSES (Notes 10, 16, 17, 18 and 20)	25,914,768	27,112,926	30,699,436
INCOME BEFORE OTHER INCOME (CHARGES) AND INCOME TAX	120,122,931	96,672,030	88,907,103
OTHER INCOME (CHARGES)			
Interest expense (Notes 11 and 13)	(30,684,544)	(34,748,725)	(50,486,955)
Fair value changes of financial assets at FVTPL (Note 6)	82,498,404	56,973,047	13,604,215
Dividend income (Note 6)	1,103,406	601,500	7,157,727
Interest income (Notes 4 and 5)	77,949	264,137	181,724
Gain (loss) on sale of financial assets at FVTPL (Note 6)	–	100,685	(4,910,880)
Other income (expense) (Note 11)	(4,581,278)	434,599	–
	48,413,937	23,625,243	(34,454,169)
INCOME BEFORE INCOME TAX	168,536,868	120,297,273	54,452,934
PROVISION FOR INCOME TAX (Note 19)			
Current	16,711,331	14,472,788	2,453,641
Deferred	1,896,491	8,380,870	9,166,302
	18,607,822	22,853,658	11,619,943
NET INCOME	149,929,046	97,443,615	42,832,991
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Net fair value changes on financial assets at FVOCI (Note 8)	(33,352,066)	6,724,207	2,241,402
Remeasurement gain on defined benefit plans (Note 18)	8,483,192	12,017,933	1,171,806
Income tax effect	(1,640,189)	(3,605,380)	(351,542)
	(26,509,063)	15,136,760	3,061,666
TOTAL COMPREHENSIVE INCOME	₱123,419,983	₱112,580,375	₱45,894,657
BASIC/DILUTED EARNINGS PER SHARE (Note 14)	₱0.0060	₱0.0039	₱0.0017

See accompanying Notes to Financial Statements.



LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

	<u>Other Components of Equity</u>				Total
	Capital Stock (Note 14)	Fair Value Changes on Financial assets at FVOCI (Note 8)	Accumulated Remeasurement Gains (Losses) on Defined Benefit Plan (Note 18)	Retained Earnings	
Balances at January 1, 2021	₱250,000,000	(₱64,104,104)	₱6,728,522	₱168,833,256	₱361,457,674
Net income	-	-	-	149,929,046	149,929,046
Other comprehensive income (loss)	-	(33,352,066)	6,843,003	-	(26,509,063)
Balances at December 31, 2021	₱250,000,000	(₱97,456,170)	₱13,571,525	₱318,762,302	₱484,877,657
Balances at January 1, 2020	₱250,000,000	(₱70,828,311)	(₱1,684,031)	₱71,389,641	₱248,877,299
Net income	-	-	-	97,443,615	97,443,615
Other comprehensive income	-	6,724,207	8,412,553	-	15,136,760
Balances at December 31, 2020	₱250,000,000	(₱64,104,104)	₱6,728,522	₱168,833,256	₱361,457,674
Balances at January 1, 2019	₱250,000,000	(₱73,069,713)	(₱2,504,295)	₱28,556,650	₱202,982,642
Net income	-	-	-	42,832,991	42,832,991
Other comprehensive income	-	2,241,402	820,264	-	3,061,666
Balances at December 31, 2019	₱250,000,000	(₱70,828,311)	(₱1,684,031)	₱71,389,641	₱248,877,299

See accompanying Notes to Financial Statements.



LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱168,536,868	₱120,297,273	₱54,452,934
Adjustments to reconcile income before income tax to net cash flows:			
Fair value changes of financial assets at fair value through profit or loss (Note 6)	(82,498,404)	(56,973,047)	(13,604,215)
Depreciation and amortization (Notes 9 and 10)	43,068,510	42,965,106	40,589,092
Interest expense (Notes 11 and 13)	30,684,544	34,748,725	50,486,955
Loss on loan modification (Note 11)	4,981,822	–	–
Dividend income (Note 6)	(1,103,406)	(601,500)	(7,157,727)
Movement in net retirement plan asset (Note 18)	663,219	999,467	974,825
Interest income (Notes 4 and 5)	(77,949)	(264,137)	(181,724)
Loss (gain) on sale of financial assets at FVTPL (Note 6)	–	(100,685)	4,910,880
Working capital changes:			
Decrease (increase) in:			
Receivables	16,124,179	(5,282,241)	(8,147,167)
Accrued rent	(19,561,284)	(29,620,084)	(22,802,474)
Prepaid expenses and other current assets	(2,398,764)	20,887,056	9,342,274
Increase (decrease) in:			
Accounts payable and other current liabilities	(642,462)	4,073,360	(21,360,995)
Deposits on long-term leases	(492,032)	(826,942)	1,676,739
Unearned rental income	(1,585,588)	(1,120,387)	(8,294,844)
Net cash flows generated from operations	155,699,253	129,181,964	80,884,553
Income tax paid	(16,760,761)	(13,259,857)	(8,865,775)
Interest received	77,949	264,137	181,724
Net cash provided by operating activities	139,016,441	116,186,244	72,200,502
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment properties (Notes 9 and 23)	(31,555,521)	(10,901,430)	(6,923,375)
Property and equipment (Note 10)	(2,152,176)	(207,227)	(560,107)
Purchase of financial assets at FVTPL (Note 6)	(16,013,514)	(6,947,589)	(4,069,267)
Dividends received (Note 6)	1,103,406	601,500	7,157,727
Decrease (increase) in other noncurrent assets	272,768	(172,768)	416,008
Proceeds from sale of financial assets at FVTPL (Note 6)	–	8,275,685	132,226,056
Net cash provided by (used in) investing activities	(48,345,037)	(9,351,829)	128,247,042
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of:			
Payable to a related party (Note 9)	(52,000,000)	–	–
Interest paid (Note 11)	(27,235,028)	(34,215,967)	(48,987,165)
Debt issue cost (Note 11)	(4,350,000)	–	–
Loan payments (Note 11)	–	(52,900,000)	(165,500,000)
Availment of bank loans (Note 11)	–	–	28,000,000
Net cash used in financing activities	(83,585,028)	(87,115,967)	(186,487,165)
NET INCREASE IN CASH	7,086,376	19,718,448	13,960,379
CASH AT BEGINNING OF YEAR	39,672,440	19,953,992	5,993,613
CASH AT END OF YEAR (Note 4)	₱46,758,816	₱39,672,440	₱19,953,992

See accompanying Notes to Financial Statements.



LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

LFM Properties Corporation (the Company) is a wholly owned subsidiary of Liberty Flour Mills, Inc. (LFMI), a corporation duly organized and existing under the laws of the Republic of the Philippines. The Company was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 18, 1995. The Company is engaged in the business of leasing out real estate properties such as office spaces and condominium units. The Company's registered office address is 3rd Floor, Liberty Building, A. Arnaiz Avenue, Makati City.

On November 25, 2020, the Board of Directors (BOD) of LFMI approved the declaration of property dividends consisting of up to 10.35 billion shares of the Company. As at May 5, 2022, LFMI is in the process of completing the requirements for the application for SEC's approval of the property dividend distribution.

The accompanying financial statements were authorized and approved for issue by the Company's BOD on May 5, 2022.

2. Significant Accounting and Financial Reporting Policies

Basis of Preparation

The financial statements of the Company are prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI) which have been measured at fair value. The financial statements are presented in Philippine peso (peso), which is the Company's functional and presentation currency, and rounded to the nearest peso, except when otherwise indicated.

The accompanying financial statements have been prepared for inclusion in the prospectus prepared for the offering by way of introduction of the Company's common shares.

Statement of Compliance

The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2021. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance.

- Adoption of Accounting for Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H

SEC Memorandum Circular 3 Series of 2019 provides for the deferral of the application of Accounting for Common Usage Service Area (CUSA) discussed in PIC Q&A No. 2018-12-H for a period of 3 years starting from January 1, 2018 to December 31, 2020 for a period of 3 years starting from January 1, 2018 to December 31, 2020.



The Company adopted the PIC Q&A effective January 1, 2021. The impact of adoption is applied retrospectively which resulted to the change in presentation for the years ended December 31, 2020 and 2019 as follows:

	December 31, 2020, as previously reported	Adjustment	December 31, 2020, as restated
Direct Costs	₱16,632,731	(₱15,684,365)	₱948,366
Other income (charges)	15,684,365	(15,684,365)	-
	December 31, 2019, as previously reported	Adjustment	December 31, 2019, as restated
Direct Costs	₱12,771,126	(₱11,210,646)	₱1,560,480
Other income (charges)	11,210,646	(11,210,646)	-

There is no impact on net income, opening retained earnings, cash flow and the related statement of financial position accounts.

▪ Amendments to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

The Company adopted the amendments beginning January 1, 2021. The amendments did not have an impact to the Company's financial statements as the Company was not granted rent concessions as a lessee. The amendments do not have an impact for leases where the Company is the lessor.

▪ Amendments to PFRS 9, PFRS 7, PFRS 4, and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Company's financial statements.



Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to Conceptual Framework*
- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- Annual Improvements to PFRSs 2018-2020 Cycle
 - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
 - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
 - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies*

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Current versus noncurrent classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when:

- It is expected to be realized or intended to sold or consumed in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realized within twelve months after the reporting date; or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.



All other liabilities are classified as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair Value Measurement

The Company measures financial instruments, such as financial assets at FVTPL and financial assets at FVOCI, at fair value at the end of reporting period.

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company determines the policies and procedures for both recurring fair value measurement, such as quoted financial assets at FVOCI, and for non-recurring measurement.

At each reporting date, the Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.



The Company compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

“Day 1” Difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the statement of comprehensive income, unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the “Day 1” difference amount.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, FVOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Company’s business model for managing them. With the exception of receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.



Subsequent Measurement. For purposes of subsequent measurement, financial assets are classified in four categories:

- *Financial assets at amortized cost (debt instruments).* This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:
 - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
 - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's cash, receivables and refundable deposits under 'other noncurrent assets' are included in this category as at December 31, 2021, 2020 and 2019.

- *Financial assets at fair value through other comprehensive income (FVOCI) (debt instruments).* The Company measures debt instruments at FVOCI if both of the following conditions are met:
 - The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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 debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss in the statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income (OCI) in the statement of comprehensive income. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company has no debt instruments at FVOCI as at December 31, 2021, 2020 and 2019.

- *Financial assets designated at FVOCI (equity instruments).* Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss in the statement of comprehensive income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company's quoted investment is classified as equity instrument designated at FVOCI as at December 31, 2021, 2020 and 2019.



- *Financial assets at FVTPL.* Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss in the statement of comprehensive income.

This category includes listed and non-listed equity investments which the Company had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as other income in profit or loss in the statement of comprehensive income when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristic and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVTPL. Embedded derivatives are measured at fair value with changes in fair value recognized in statement of comprehensive income. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded with a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVTPL.

The Company has no derivative asset as at December 31, 2021, 2020 and 2019.

Impairment of financial assets. The Company recognizes an Expected Credit Loss (ECL) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).



For cash and refundable deposits, the Company applies a general approach in calculating ECLs. The Company recognizes a loss allowance based on either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on its cash since initial recognition.

For receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company 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.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities consist only of loans and borrowings. As at December 31, 2021, 2020 and 2019, the Company's loans and borrowings consisting of notes payable, accounts payable and other current liabilities, deposits on long-term leases and payable to a related party. The Company has no financial liabilities at FVTPL or derivatives designated as hedging instruments in an effective hedge and no freestanding embedded derivatives as at December 31, 2021, 2020 and 2019.

Subsequent Measurement. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the financial liabilities are derecognized as well as through the effective interest rate amortization process. Amortized cost is calculated by taking into account any discount or premium or acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is recognized in profit or loss.

Classification of Financial Instruments Between Liability and Equity

A financial instrument is classified as a liability if it provides for a contractual obligation to:

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

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after



deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Derecognition of Financial Assets and Financial Liabilities

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

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

When the Company 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 risk and rewards of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company’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 Company could be required to repay.

On derecognition of a financial asset in its entirety, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) shall be recognized in profit or loss.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is extinguished, i.e., when discharged or 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 profit or loss.

Exchange or Modification of Financial Liabilities

The Company considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair



value of the new liability is recognized in profit or loss in the interim statement of comprehensive income.

When the exchange or modification of the existing financial liability is not considered as substantial, the Company recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Cash

Cash includes cash on hand and in banks.

Prepaid Expenses

Prepaid expenses are expenses paid in advance are recorded as asset before they are utilized. This account comprises insurance premiums, and other prepaid items. The insurance premiums and other prepaid items are apportioned over the period covered by the payment and charged to the appropriate accounts in profit or loss when incurred. Prepaid expenses that are expected to be realized within 12 months from the balance sheet date are classified as current assets, otherwise these are classified as other noncurrent assets.

Value-added Tax (VAT)

Revenue, expenses, assets and liabilities are recognized net of the amount of VAT, except where the VAT incurred on a purchase of assets or services is not recoverable from taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of VAT recoverable from or payable to the taxation authority is included as part of "Prepaid expenses and other current assets" and "Accounts payable and other current liabilities" accounts, respectively, in the statement of financial position.

Investment Properties

Investment properties consist of properties (land or a building or part of a building or a combination) held to earn rentals or for capital appreciation or both, rather than for:

- a. use in the production or supply of goods or services or for administrative purposes; or
- b. sale in the ordinary course of business.

Investment properties include development rights carried at cost which is considered as an integral part of the land.



The initial cost of investment property comprises its contract price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost also includes the cost of replacing part of such investment property if the recognition criteria are met.

These assets, except for land and development rights, are stated at cost, including transaction costs, less accumulated depreciation and any accumulated impairment in value. Land is carried at cost (initial purchase price and other cost directly attributable to such property) less any accumulated impairment in value.

Depreciation of building and building equipment and condominium units is computed on a straight-line basis over the estimated lives of the properties ranging from 10 to 25 years and five years, respectively.

Investment properties are derecognized either when they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statement of comprehensive income in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment properties in progress pertain to projects under construction and are stated at cost which includes cost of construction and other direct costs. Investment properties in progress are not depreciated until such time that the relevant assets are completed and become available for operational use.

Property and Equipment

Property and equipment are stated at cost, excluding the cost of day-to-day servicing, less accumulated depreciation, amortization and any accumulated impairment in value.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes the cost of replacing part of such property and equipment if the recognition criteria are met.

When significant parts of property and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of comprehensive income as incurred.

Depreciation is computed using the straight-line method over the estimated useful life of two to three years for office furniture and equipment and three to five years for transportation equipment. Amortization of leasehold improvements is computed using the straight-line method based on the estimated useful life of the leased asset or the term of the lease, whichever is shorter.

Each component of an item of property and equipment with a cost that is significant in relation to the total cost of the item of property and equipment is depreciated separately.



The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

Fully-depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses are removed from the accounts and any resulting gain or loss is credited to or charged against current operations. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognized.

Impairment of Nonfinancial Assets

At each reporting date, the Company assesses whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies, or other available fair value indicators.

Impairment losses are recognized in the statement of comprehensive income in the year in which it arises.

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 assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

Equity

Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax.

Retained earnings represent the Company's accumulated earnings reduced by dividends declared.

Other comprehensive income comprises items of income and expense, including reclassification adjustments, that are not recognized as part of profit or loss for the year in the statement of comprehensive income as required or permitted by other PFRSs.



Basic/Diluted Earnings per Share

Basic earnings per share are computed by dividing net income for the year by the weighted average number of common shares, excluding treasury stock, outstanding during the period.

Diluted earnings per share is calculated by dividing the income for the year attributable to common stockholders by the weighted average number of shares outstanding during the year, excluding treasury shares and adjusted for the effects of all potentially dilutive common shares, if any. The Company has no dilutive shares.

In determining both the basic and diluted earnings per share, the effect of stock dividends, if any, is accounted for retroactively.

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties. Revenue is recognized when the Company satisfies a performance obligation by transferring a promised goods or service to the customer, which is when the customer obtains control of the goods or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation. The Company's contracts with customers consist of only one performance obligation which is satisfied over time (straight-line basis over the lease terms). The Company has concluded that it is acting as principal in all of its revenue arrangements.

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

Rental income. Rental income arising from operating leases on investment properties is recognized on a straight-line basis over the lease terms. Excess of rental income recognized using the straight-line basis over the rental income based on the terms of lease contract is recognized as an asset in the statement of financial position under the "Accrued rent" account. Rentals collected but not yet earned are recognized as a liability in the statement of financial position under the "Unearned rental income" account. Deposits on long-term leases are initially recognized at fair value and subsequently measured at amortized cost where material. Any difference between the initial fair value and the nominal amount is included as a component of rental income and recognized on a straight-line basis over the lease term.

Interest income. Interest income is recognized as the interest accrues using the effective interest method.

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

Direct Costs and Operating Expenses

Direct costs. Direct costs include expenses incurred by the Company for the generation of revenue from rental income. Direct costs are expensed as incurred.

Operating expenses. Operating expenses include the cost of administering the business and are not directly associated with the generation of revenue. Operating expenses are expensed as incurred.



Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Retirement Benefits Cost

The Company has a funded, noncontributory defined benefit plan covering all regular and permanent employees.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- a. service cost
- b. net interest on the net defined benefit liability or asset
- c. remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) 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.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.



The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Taxes

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

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

Deferred tax liabilities are recognized for all temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets 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 income will allow the deferred tax asset to be recovered.

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

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

Provisions and Contingencies

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

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

Segment Reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services within a particular economic environment subject to risks and rewards that are different from those of other segments. Such business segment is the basis upon which the Company reports its operating segment information. The Company has only one source of revenue arising from its rental contracts and it operates in one geographical area where it derives its revenue. The Company did not present segment information in its financial statements as the Company has only one reportable segment.



Events after the Financial Reporting Period

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

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements requires management to make judgments and estimates that affect the application of policies and amounts reported in the financial statements.

In the opinion of management, these financial statements reflect all adjustments necessary to present fairly the results for the periods presented. Actual results could differ from these estimates, and such estimates will be adjusted accordingly when the effects become determinable.

Judgments

Classification of lease - Company as lessor. The Company entered into various commercial property leases on its parcels of land and buildings. The Company has determined that it retains all the significant risks and rewards of ownership of these properties. Accordingly, the lease agreements were accounted for as operating leases (see Note 13).

Estimates

Estimation of useful lives of investment properties. The Company reviews at each reporting date the estimated useful lives of investment properties based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of investment properties would increase the recorded depreciation and amortization expense and decrease noncurrent assets.

There is no change in the estimated useful lives of investment properties as at December 31, 2021, 2020 and 2019

The carrying value of investment properties, excluding land and construction in progress, amounted to ₱554,757,367, ₱597,235,930 and ₱638,779,788 as at December 31, 2021, 2020 and 2019, respectively (see Note 9).

Impairment of investment properties. The Company determines whether there are indications of impairment of the Company's investment properties. Indications of impairment include significant change in usage, decline in the asset's fair value or underperformance relative to expected historical or projected future results.

Determining the fair value of these nonfinancial assets requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. It requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial condition and results of operations. The preparation of the estimated future cash flows involves significant judgment and estimations. While management believes that the assumptions made are appropriate and reasonable, significant changes in management assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges.



The Company has considered the impact of COVID-19 pandemic and assessed that the investment properties are not impaired. As of December 31, 2021, 2020 and 2019, no other impairment indicators were identified for the Company's investment properties.

The carrying value of investment properties amounted to ₱856,158,160, ₱706,673,730 and ₱648,517,588 as at December 31, 2021, 2020 and 2019, respectively (see Note 9).

Estimation of retirement benefits cost. The determination of the Company's retirement benefits costs and obligation is dependent on the selection by management of certain assumptions used by an actuary in calculating such amounts.

The assumptions for retirement benefits cost are described in Note 19 and include the discount rate and the average annual salary increase rate. While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in management assumptions may materially affect the Company's retirement benefits cost and obligations.

The discount rate is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. Net retirement plan asset (liability) amounted to ₱13,076,486, ₱5,256,513 and (₱5,761,953) as at December 31, 2021, 2020 and 2019, respectively (see Note 18).

Recognition of deferred tax assets. The Company reviews the carrying amounts of deferred income tax assets at each reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized. While future taxable profit can be estimated, the actual outcome may be different. Deferred tax assets recognized amounted to ₱1,006,947, ₱913,437 and ₱2,436,708 as at December 31, 2021, 2020 and 2019, respectively (see Note 19).

The Company did not recognize deferred tax asset on fair value loss on financial assets at FVTPL amounting to ₱40,600,000 as at December 31, 2021, 2020 and 2019 as management believes that that there is no capital gain against which the fair value loss can be offset to realize the benefit of such deferred tax asset (see Note 19).

4. Cash

	2021	2020	2019
Cash on hand	₱13,500	₱13,500	₱18,240
Cash in banks	46,745,316	39,658,940	19,935,752
	₱46,758,816	₱39,672,440	₱19,953,992

Cash in banks earn interest at the respective bank deposit rates. Interest income earned on cash in banks amounted to ₱33,098, ₱45,389 and ₱26,080 in 2021, 2020 and 2019, respectively.



5. Receivables

	2021	2020	2019
Rent receivable (see Note 13)	₱6,361,415	₱7,981,943	₱5,874,456
Advances to officers and employees (see Note 20)	116,114	63,633	2,010,974
Receivables from broker	–	13,506,451	8,384,356
	6,477,529	21,552,027	16,269,786
Less allowance for expected credit losses	1,049,681	–	–
	₱5,427,848	₱21,552,027	₱16,269,786

Rent receivable arises from leasing the Company's investment properties. These are interest-bearing with average credit term of 30 days. Interest income earned amounted to ₱44,851 and ₱39,050 and ₱155,644 in 2021, 2020 and 2019, respectively.

Advances to officers and employees are noninterest-bearing and are normally settled through salary deductions within one month from availment date.

Receivables from broker represent the Company's deposit to its agent of marketable securities, including unremitted proceeds from disposal of investments, which are liquidated through acquisition of additional investments for the Company. The outstanding receivable from broker as at December 31, 2020 has been subsequently liquidated in January 2021. Interest income earned amounted to ₱179,698 in 2020 (nil in 2021 and 2019).

Provision for expected credit losses on rent receivable amounted to ₱1,049,681 in 2021 (nil in 2020 and 2019) (see Note 16).

6. Financial Assets at Fair Value through Profit or Loss

Financial assets at FVTPL pertain to quoted equity securities held for trading purposes and are composed of the following:

	2021	2020	2019
Balance at beginning of year	₱81,937,073	₱26,191,437	₱145,654,891
Acquisitions	16,013,514	6,947,589	4,069,267
Fair value gain recognized in profit or loss	82,498,404	56,973,047	13,604,215
Disposals	–	(8,175,000)	(137,136,936)
	₱180,448,991	₱81,937,073	₱26,191,437

Financial assets at FVTPL includes equity securities with cost and carrying value amounting to ₱40,600,000 and nil, respectively, as at December 31, 2021, 2020 and 2019.

Realized gain on sale of financial assets at FVTPL amounted to ₱100,685 in 2020 while realized loss on sale of financial assets at FVTPL amounted to ₱4,910,880 in 2019 (nil in 2021).



Dividend income earned from financial assets at FVTPL amounted to ₱1,103,406, ₱601,500 and ₱7,157,727 in 2021, 2020 and 2019, respectively.

7. Prepaid Expenses and Other Current Assets

	2021	2020	2019
Deferred input VAT (see Note 9)	₱22,078,890	₱–	₱–
Input VAT – net	2,621,820	–	17,466,312
Prepaid insurance	975,676	985,686	916,111
Prepaid fees and charges	–	343,998	–
Creditable withholding taxes	–	–	3,834,317
	25,676,386	1,329,684	22,216,740
Less: noncurrent portion of deferred input VAT	19,742,115	–	–
	₱5,934,271	₱1,329,684	₱22,216,740

8. Financial Assets at Fair Value through Other Comprehensive Income

The Company's financial assets at FVOCI consist of quoted equity securities amounting to ₱156,718,845, ₱190,070,911 and ₱183,346,704 as at December 31, 2021, 2020 and 2019, respectively.

Fair value changes on financial assets at FVOCI as at December 31, 2021, 2020 and 2019 follow:

	2021	2020	2019
Beginning balance	(₱64,104,104)	(₱70,828,311)	(₱73,069,713)
Fair value gain (loss) recognized in other comprehensive income	(33,352,066)	6,724,207	2,241,402
Ending balance	(₱97,456,170)	(₱64,104,104)	(₱70,828,311)

9. Investment Properties

	December 31, 2021			
	Land	Building and Building Improvements	Condominium Units	Total
Costs:				
Beginning balances	₱109,437,800	₱933,335,345	₱11,419,656	₱1,054,192,801
Additions	191,962,993	–	–	191,962,993
Ending balances	301,400,793	933,335,345	11,419,656	1,246,155,794
Accumulated depreciation and amortization:				
Beginning balances	–	336,965,122	10,553,949	347,519,071
Depreciation and amortization (see Note 15)	–	42,401,509	77,054	42,478,563
Ending balances	–	379,366,631	10,631,003	389,997,634
Net book values	₱301,400,793	₱553,968,714	₱788,653	₱856,158,160



December 31, 2020				
	Land	Building and Building Improvements	Condominium Units	Total
Costs:				
Beginning balances	₱9,737,800	₱932,607,487	₱11,216,084	₱953,561,371
Additions	99,700,000	727,858	203,572	100,631,430
Ending balances	109,437,800	933,335,345	11,419,656	1,054,192,801
Accumulated depreciation and amortization:				
Beginning balances	–	294,566,888	10,476,895	305,043,783
Depreciation and amortization (see Note 15)	–	42,398,234	77,054	42,475,288
Ending balances	–	336,965,122	10,553,949	347,519,071
Net book values	₱109,437,800	₱596,370,223	₱865,707	₱706,673,730

December 31, 2019					
	Land	Building and Building Improvements	Condominium Units	Construction in Progress	Total
Costs:					
Beginning balances	₱9,737,800	₱354,516,982	₱10,919,656	₱571,463,558	₱946,637,996
Additions	–	6,626,947	296,428	–	6,923,375
Reclassification	–	571,463,558	–	(571,463,558)	–
Ending balances	9,737,800	932,607,487	11,216,084	–	953,561,371
Accumulated depreciation and amortization:					
Beginning balances	–	254,469,876	10,416,833	–	264,886,709
Depreciation and amortization (see Note 15)	–	40,097,012	60,062	–	40,157,074
Ending balances	–	294,566,888	10,476,895	–	305,043,783
Net book values	₱9,737,800	₱638,040,599	₱739,189	₱–	₱648,517,588

The Company leases out spaces in its building and condominium units under various operating leases (see Note 13).

Rental income from investment properties recognized in the statements of comprehensive income amounted to ₱223,737,958, ₱229,942,526 and ₱178,571,340 in 2021, 2020 and 2019, respectively, while directly related costs amounted to ₱77,700,259, ₱106,157,570 and ₱58,964,801 in 2021, 2020 and 2019, respectively (see Notes 13 and 15).

The aggregate fair value of investment properties amounted to ₱3,741,675,179, ₱3,527,220,179 and ₱3,111,191,700 as at December 31, 2021, 2020 and 2019, respectively, is determined based on valuation performed by a qualified and independent appraiser in 2020 and 2019, respectively, and prevailing market value of recently acquired property in 2021. The valuation undertaken considered the highest and best use of the properties and established estimated value by processes involving comparison (Level 3). Management has determined that the fair value of investment properties did not significantly change from the last valuation date.

The following describes the valuation techniques used and key inputs to valuation of investment properties::

2021 and 2020		
	Valuation technique	Significant unobservable input
Land, condominium units and buildings and building improvements, and building equipment	Income Approach	Future free cashflow projections discounted using a rate based on the level of risk of the business and opportunity cost of capital
Land	Market Data	Adjusted sales price of Comparable properties



2019		
	Valuation technique	Significant unobservable input
Land and condominium units	Sales Comparison Approach	Adjusted sales price of comparable properties
Buildings and building improvements, and building equipment	Cost Approach	Current market prices of similar materials, labor, contractors' overhead, manufactured equipment

Significant increases (decreases) in estimated future cash flows above would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in discount rate would result in a significantly lower (higher) fair value of the properties.

The investment properties pertain to assets held by the Company for residential, commercial and parking space. The appraisers determined that the highest and best use of condominium unit is for residential use which is its current use. The highest and best use of land used as parking space at measurement date would be for multi-storey residential/office condominium development, while the highest and best use of buildings, including the improvements and equipment, used as commercial space at measurement date, would be to convert the properties for residential use. For strategic reasons, the properties are not being used in this manner.

Land and building and building improvements owned by the Company with an aggregate carrying value of ₱57,604,225, ₱71,567,064 and ₱103,165,650 as at December 31, 2021, 2020 and 2019, respectively, served as collateral to secure the loans obtained from banks (see Note 11).

Development Rights

The Company entered into an agreement with Parity Values, Inc. (PVI), a related party, for the transfer of development rights of PVI to the Company for valuable consideration which is to be determined and fixed by the parties through the execution of a supplemental agreement.

In December 2020, the parties executed an agreement for the determination of the consideration amounting to ₱99,700,000. The initial payment amounting to ₱9,970,000 was paid on the date of execution of the agreement while the remaining balance in the amount of ₱89,730,000, subject to 5.25% interest, shall be paid through a single payment or partial payments, as the Company may deem necessary, within a period of 5 years, from the execution of the agreement and no later than December 14, 2025. Accordingly, the Company recognized an asset as part of land under "Investment properties" account amounting to ₱99,700,000 and a liability presented as "Payable to a related party" amounting to ₱37,730,000 and ₱89,730,000 as at December 31, 2021 and 2020, respectively (see Note 20).

Land Acquisition

In December 2021, the Company entered into a Contract to Sell for the purchase of land for a consideration of ₱214,455,000 (exclusive of VAT) payable on monthly installment basis until year 2026. Payments made in 2021 amounted to ₱31,555,521 (exclusive of VAT). As at December 31, 2021, the corresponding unpaid purchase price, net of VAT, were recorded at present value using the discount rate of 4.25% amounting to ₱160,407,472. Current and noncurrent portion of the liability amounting to ₱20,179,183 and ₱162,176,225, respectively, inclusive of VAT, are presented as part of Accounts payable" under "Accounts payable and other current liabilities" and "Other noncurrent liability" accounts, respectively, in the 2021 statement of financial position (see Note 12). Total discount of liability amounted to ₱22,492,008. Future accretion of interest expense will be capitalized as part of investment property.



The related deferred input VAT amounting to ₱19,742,115, net of current portion of ₱2,205,823 as at December 31, 2021, is recognized as part of “Other noncurrent assets” account in the statements of financial position (see Note 7). This deferred input VAT will be claimed against output VAT upon payment of the related liability.

Schedule of payments of the remaining payable based on undiscounted amounts (exclusive of VAT) is as follows:

Year	Amount
2022	₱18,381,857
2023	18,381,857
2024	26,219,677
2025	65,408,775
2026	54,507,313
	₱182,899,479

10. Property and Equipment

	December 31, 2021			Total
	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	
Costs:				
Beginning balances	₱3,084,995	₱200,000	₱839,842	₱4,124,837
Additions	2,152,176	–	–	2,152,176
Ending balances	5,237,171	200,000	839,842	6,277,013
Accumulated depreciation and amortization:				
Beginning balances	₱2,634,262	₱200,000	₱839,842	₱3,674,104
Depreciation and amortization (see Note 16)	490,848	–	–	490,848
Ending balances	3,125,110	200,000	839,842	4,164,952
Net book values	₱2,112,061	₱–	₱–	₱2,112,061

	December 31, 2020			Total
	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	
Costs:				
Beginning balances	₱2,877,768	₱200,000	₱839,842	₱3,917,610
Additions	207,227	–	–	207,227
Ending balances	3,084,995	200,000	839,842	4,124,837
Accumulated depreciation and amortization:				
Beginning balances	2,395,971	200,000	839,842	3,435,813
Depreciation and amortization (see Note 16)	238,291	–	–	238,291
Ending balances	2,634,262	200,000	839,842	3,674,104
Net book values	₱450,733	₱–	₱–	₱450,733



	December 31, 2019			
	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
Costs:				
Beginning balances	₱2,317,661	₱2,200,000	₱839,842	₱5,357,503
Additions	560,107	–	–	560,107
Disposal	–	(2,000,000)	–	(2,000,000)
Ending balances	2,877,768	200,000	839,842	3,917,610
Accumulated depreciation and amortization:				
Beginning balances	2,269,466	2,200,000	839,842	5,309,308
Depreciation and amortization (see Note 16)	126,505	–	–	126,505
Disposal	–	(2,000,000)	–	(2,000,000)
Ending balances	2,395,971	200,000	839,842	3,435,813
Net book values	₱481,797	₱–	₱–	₱481,797

Included under “Other noncurrent assets” are computer software with net book value of ₱99,099 and ₱350,626 as at December 31, 2021 and 2020, respectively (nil in 2021). Amortization of computer software amounted to ₱99,099, ₱251,527 and ₱305,513 in 2021, 2020 and 2019, respectively (see Note 16).

11. Notes Payable

Notes payable consists of:

	2021	2020	2019
Principal	₱580,000,000	₱580,000,000	₱632,900,000
Add: unamortized premium, net of debt issue cost	456,514	–	–
	580,456,514	580,000,000	632,900,000
Less current portion	136,655,732	580,000,000	632,900,000
Noncurrent portion	₱443,800,782	₱–	₱–

On various dates during 2020, the Company rolled over certain short-term (with interest rate ranging from 4.75 % to 6.125%), and paid notes totaling ₱52,900,000. On various dates in 2019, the Company rolled over certain short-term notes payable and obtained short-term notes totaling ₱28,000,000 (with interest rate ranging from 6.125 % to 6.50%), of which notes totaling ₱165,500,000 were paid in the same year.

On February 18, 2021, the Company converted its ₱580,000,000 short-term promissory note to term loans with maturity of 5 years, payable in equal quarterly installments starting on February 19, 2022.

All loans are secured by a real estate mortgage on certain land and building and building improvements owned by the Company (see Note 9).

The details of the term loans follow:

Term Loan	Availment Date	Maturity Date	Interest rate	Condition	Amount
1	February 19, 2021	February 19, 2026	4.25% per annum fixed for 89 days, variable onwards; quarterly	Secured	₱290,000,000
2	February 19, 2021	February 19, 2026	4.875% per annum, fixed up to maturity; quarterly	Secured	290,000,000



Term Loan promissory note (PN) 1 is subject to a variable interest rate based on a three (3)-month BVAL plus a margin of one hundred twenty points (1.20%) divided by the Applicable Premium Factor (0.95) and 4.25% per annum, whichever is higher.

Term Loan PN 2 is subject to a fixed interest rate based on a five (5)-year BVAL plus a margin of one hundred twenty points (1.20%) divided by the Applicable Premium Factor (0.95) and 4.875% per annum, whichever is higher.

The Company paid and capitalized documentary stamp tax amounting to ₱4,350,000 as debt issue cost to be amortized over the term of the notes payable.

Based on the Company's assessment, the modifications in the contractual cash flows of the loan are not substantial and therefore did not result in the derecognition of the affected financial liabilities. Accordingly, the Company recognized a loss on loan modification amounting to ₱4,981,822 under "Other income (expense)" account in the 2021 statement of comprehensive income.

The 2021 term loan agreement contains, among others, covenants that require the Company to comply with specified financial ratios such as current ratio, debt to equity ratio and debt service coverage ratio. As at December 31, 2021, the Company has complied with these covenants.

The future expected principal settlements of the Company's notes payable follow:

	2021	2020	2019
Within one year	₱136,470,588	₱580,000,000	₱632,900,000
Beyond one year but less than five years	443,529,412	—	—
	₱580,000,000	₱580,000,000	₱632,900,000

Total interest expense on notes payable charged to statements of comprehensive income amounted to ₱29,214,581 (including loan premium amortization, net of debt issue cost amortization, amounting to ₱175,308), ₱33,247,765 and ₱48,801,461 in 2021, 2020 and 2019, respectively.

12. Accounts Payable and Other Current Liabilities

	2021	2020	2019
Construction bond	₱24,004,676	₱3,740,497	₱3,845,528
Accounts payable	6,432,077	3,291,415	3,851,152
Accrued expenses:			
Interest payable	3,045,000	890,139	1,858,341
Professional fees	450,000	4,050,000	230,000
Others	780,581	232,197	—
Withholding taxes payable	393,952	483,452	525,149
Output VAT - net	—	675,129	—
Due to a related party (see Note 20)	53,295	105,168	52,669
	₱35,159,581	₱13,467,997	₱10,362,839

Accounts payable, accrued expenses and other current liabilities are noninterest-bearing and are normally settled within the next financial year. Accounts payable includes the current portion of the unpaid purchase price of the land acquired in 2021 (see Note 9).



Construction bond represents deposit required from the tenants prior to the commencement of renovation works for respective leased property. These are refundable once the renovation has been completed normally within one year.

13. Leases

The Company entered into various non-cancellable lease contracts on its investment properties with various lessees.

The lease contracts provide for the payment by the lessee of a security deposit. These are shown under “Deposits on long-term leases” account in the statements of financial position and are recorded at their present values which amounted to ₱31,329,767, ₱30,351,836 and ₱29,677,818 as at December 31, 2021, 2020 and 2019, respectively. Accretion of interest, included in “Interest expense” in the statements of comprehensive income, amounted to ₱1,469,963, ₱1,500,960 and ₱1,685,494 in 2021, 2020 and 2019, respectively.

Unearned rental income, which includes advance rental and excess of the principal amount of the long-term deposits over its present value and are amortized on a straight-line basis over the lease term, amounted to ₱13,009,588, ₱14,595,176 and ₱15,715,563 as at December 31, 2021, 2020 and 2019, respectively.

Accrued rent, which represents the excess of rental income recognized using the straight-line method over the rental income based on the terms of the lease agreements, amounted to ₱78,607,255, ₱59,045,971 and ₱29,425,887 as at December 31, 2021, 2020 and 2019, respectively.

As a result of the COVID-19 pandemic, the Company provided rent concessions to its tenants in the form of deferment of payments, two-month rent-free periods and discounts in 2021 and 2020. Certain lease agreements were also pre-terminated. The Company accounted for the deferment of payment, rent-free periods and discounts provided as ‘not a lease modification’ since there were no substantive changes to the terms and conditions of the lease; while the shortening of lease period were treated as lease modifications. The rent concessions resulted to a reduction in rental income amounting to ₱5,476,437 and ₱4,091,752 in 2021 and 2020, respectively. Lease termination resulted in a decrease in accrued rent amounting to ₱2,930,778 and ₱290,453 in 2021 and 2020, respectively, and rental income amounting to ₱2,383,241 and ₱965,400 in 2021 and 2020, respectively.

The future minimum lease receivables under non-cancellable leases on its investment properties are as follows:

	2021	2020	2019
Year 1	₱158,319,743	₱171,195,576	₱179,665,762
Year 2	144,388,794	130,038,723	183,290,309
Year 3	141,520,108	127,377,436	136,187,034
Year 4	143,705,533	129,167,094	128,936,758
Year 5	147,580,396	132,718,353	136,382,178
More than 5 years	379,604,597	521,443,148	621,055,426
	₱1,115,119,171	₱1,211,940,330	₱1,385,517,467



14. Equity

Capital Stock

As at December 31, 2021, 2020 and 2019, the Company's capital stock consists of:

	Number of Shares	Amount
Authorized		
Common stock - ₱0.01 par value	30,000,000,000	₱300,000,000
Preferred stock - ₱100 par value	1,000,000	100,000,000
	30,001,000,000	₱400,000,000
Issued and outstanding -		
Common stock - ₱0.01 par value	25,000,000,000	₱250,000,000

The preferred stock are non-voting and non-convertible to common stock. Other features of the preferred stock shall be at the discretion of the Company's BOD at the time of such issuance.

Basic/Diluted Earnings Per Share

As at December 31, 2021, 2020 and 2019, the computation of basic/diluted earnings per share follows:

	2021	2020	2019
Net income	₱149,929,046	₱97,443,615	₱42,832,991
Divided by weighted average number of shares	25,000,000,000	25,000,000,000	25,000,000,000
Basic/diluted earnings per share	₱0.0060	₱0.0039	₱0.0017

The Company does not have potentially dilutive common shares as at December 31, 2021, 2020 and 2019.

15. Direct Costs

	2021	2020	2019
Depreciation and amortization (see Note 9)	₱42,478,563	₱42,475,288	₱40,157,074
Real estate tax	20,892,774	52,402,345	6,924,466
Outside services	7,224,300	6,867,740	6,114,378
Repairs and maintenance	4,213,205	2,126,726	2,963,133
Communication, light and water	1,520,526	948,366	1,560,480
Insurance and others	1,370,891	1,337,105	1,245,270
	₱77,700,259	₱106,157,570	₱58,964,801



16. Operating Expenses

	2021	2020	2019
Personnel costs (see Note 17)	₱13,480,192	₱14,134,745	₱12,985,441
Taxes and licenses	3,914,531	5,494,697	9,443,873
Professional fees	3,320,757	4,390,000	290,000
Provision for expected credit losses (see Note 5)	1,049,681	—	—
Association dues	827,652	621,777	675,464
Depreciation and amortization (see Note 10)	589,947	489,818	432,018
Repairs and maintenance	536,043	332,093	—
Rent (see Note 20)	503,494	481,802	449,267
Commission	250,500	114,000	4,740,575
Communication, light and water	175,242	160,968	183,106
Entertainment, amusement and recreation	127,175	323,827	336,399
Miscellaneous	1,139,554	569,199	1,163,293
	₱25,914,768	₱27,112,926	₱30,699,436

17. Personnel Costs

	2021	2020	2019
Salaries and wages	₱11,999,506	₱12,434,239	₱11,372,807
Retirement benefits cost (see Note 18)	663,219	999,467	974,825
Others	817,467	701,039	637,809
	₱13,480,192	₱14,134,745	₱12,985,441



18. Retirement Benefits Cost

The Company established a defined benefit noncontributory retirement plan (the Retirement Plan) in 2011 covering all its regular employees.

LPC is required to pay its regular employees retirement benefits equivalent to 22.5 days for every year of credited service upon reaching the compulsory retirement age of 65. Optional retirement is allowed for an employee who reaches the age of 50 and who has completed 15 years of credited service to LPC.

The following tables summarize the components of the net benefit expense recognized in the statement of comprehensive income and the funded status and amounts recognized in the statement of financial position for the plan. Changes in net retirement liability (asset) as at December 31, 2021, 2020 and 2019 are as follows:

	Net Retirement Cost in Profit or Loss in the Statement of Comprehensive Income				Remeasurements in Other Comprehensive Income							
	Balance at Beginning of Period	Current Service Cost	Net Interest	Subtotal	Actuarial Loss (Gain) Excluding Amount included in Net Interest	Actuarial Changes Arising from Changes in Financial Assumptions	Actuarial Changes Arising from Experience	Actuarial Changes Arising from demographic assumptions	Effect of Asset Ceiling	Subtotal	Benefits paid	Balance at End of Period
December 31, 2021												
Present value of defined benefit obligation	₱12,832,815	₱780,820	₱486,364	₱1,267,184	₱-	(₱773,538)	(₱13,174)	(₱2,168)	₱-	(₱788,880)	(₱4,307,168)	₱9,003,951
Fair value of plan assets	(18,934,089)	-	(635,981)	(635,981)	(19,416,986)	-	-	-	-	(19,416,986)	4,307,168	(34,679,888)
Asset ceiling	844,761	-	32,016	32,016	-	-	-	-	11,722,674	11,722,674	-	12,599,451
Net defined benefit asset	(₱5,256,513)	₱780,820	(₱117,601)	₱663,219	(₱19,416,986)	(₱773,538)	(₱13,174)	(₱2,168)	₱11,722,674	(₱8,483,192)	₱-	(₱13,076,486)
December 31, 2020												
Present value of defined benefit obligation	₱10,886,825	₱706,759	₱553,051	₱1,259,810	₱-	₱742,389	(₱56,209)	₱-	₱-	₱686,180	₱-	₱12,832,815
Fair value of plan assets	(5,124,872)	-	(260,343)	(260,343)	(13,548,874)	-	-	-	-	(13,548,874)	-	(18,934,089)
Asset ceiling	-	-	-	-	-	-	-	-	844,761	844,761	-	844,761
Net defined benefit asset	₱5,761,953	₱706,759	₱292,708	₱999,467	(₱13,548,874)	₱742,389	(₱56,209)	₱-	₱844,761	(₱12,017,933)	₱-	(₱5,256,513)
December 31, 2019												
Present value of defined benefit obligation	₱8,846,510	₱546,974	₱635,179	₱1,182,153	₱-	₱911,162	(₱53,000)	₱-	₱-	₱858,162	₱-	₱10,886,825
Fair value of plan assets	(2,887,576)	-	(207,328)	(207,328)	(2,029,968)	-	-	-	-	(2,029,968)	-	(5,124,872)
Net defined benefit liability	₱5,958,934	₱546,974	₱427,851	₱974,825	(₱2,029,968)	₱911,162	(₱53,000)	₱-	₱-	(₱1,171,806)	₱-	₱5,761,953



The Retirement Plan Trustee, as appointed by the Company, is responsible for the general admission of the Retirement Plan and the management of the retirement fund. The Retirement Plan Trustee may seek the advice of counsel and appoint an investment manager or managers to the retirement fund, an independent accountant to audit the fund and an actuary to value the fund.

Major categories of plan assets as at December 31 follow:

	2021	2020	2019
Cash in banks	₱474,611	₱451,749	₱370,667
Investments in equity securities	34,205,277	18,482,340	4,754,205
	₱34,679,888	₱18,934,089	₱5,124,872

The carrying amount of the plan assets represents their fair values as at December 31, 2021, 2020 and 2019.

Investments in equity securities can be transacted through the Philippine Stock Exchange. The Company has no material transactions with the retirement plan nor does the plan have investments in the Company's shares.

Movements in accumulated remeasurement gains (losses) on retirement benefits, net of deferred taxes are as follows:

	2021	2020	2019
Beginning balance	₱6,728,522	(₱1,684,031)	(₱2,504,295)
Remeasurement in other comprehensive income:			
Actuarial gain (loss) on defined benefit obligation	788,880	(686,180)	(858,162)
Remeasurement gain on plan assets	19,416,986	13,548,874	2,029,968
Effect of asset ceiling	(11,722,674)	(844,761)	-
	8,483,192	12,017,933	1,171,806
Income tax effect	(1,640,189)	(3,605,380)	(351,542)
	6,843,003	8,412,553	820,264
Ending balance	₱13,571,525	₱6,728,522	(₱1,684,031)

The latest actuarial valuation of the plan is as at December 31, 2021. The principal actuarial assumptions used to determine retirement benefits cost at the beginning of the year were as follows:

	2021	2020	2019
Discount rate	5.02%	3.79%	5.08%
Salary increase rate	5.00%	5.00%	5.00%



Movements in the principal actuarial assumptions may result to an increase or decrease in the year-end defined benefit obligation (DBO). As such, the following sensitivity analysis shows the effects of 100 basis points (bps) movement in the discount and salary increase rates as at December 31:

		2021	
		Increase (decrease) in DBO in % in ₱	
Discount rate	+100 bps	(5.9%)	(₱533,519)
	-100 bps	6.9%	617,686
Salary increase rate	+100 bps	6.8%	611,538
	-100 bps	(6.0%)	(538,386)
		2020	
		Increase (decrease) in DBO in % in ₱	
Discount rate	+100 bps	(4.6%)	(₱587,166)
	-100 bps	5.3%	680,677
Salary increase rate	+100 bps	5.2%	665,402
	-100 bps	(4.6%)	(586,064)
		2019	
		Increase (decrease) in DBO in % in ₱	
Discount rate	+100 bps	(4.3%)	(₱464,625)
	-100 bps	4.9%	531,759
Salary increase rate	+100 bps	4.8%	526,818
	-100 bps	(4.3%)	(469,136)

The Retirement Plan Trustee has no specific matching strategy between plan assets and plan liabilities.

The average duration of the defined benefit obligation at the end of the period is 6.4, 4.9 and 4.6 years as at December 31, 2021, 2020 and 2019, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31:

	2021	2020	2019
Year 1	₱3,212,906	₱7,193,131	₱5,284,484
Year 2	79,624	59,034	1,515,798
Year 3	95,092	71,719	158,546
Year 4	3,018,421	86,385	71,101
Year 5	754,124	2,988,997	85,622
Year 6 - 10	2,098,545	1,016,284	3,886,607

The Company is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund to support the defined benefits are at the Company's discretion. However, in the event a defined benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable from the Company to the Retirement Fund.

The Company has no expected contribution in the next financial period.



19. Income Taxes

The provision for current income tax represents regular corporate income tax in 2021, 2020 and 2019.

The reconciliation of income tax computed at the statutory income tax rate with the provision for income tax follows:

	2021	2020	2019
Provision for income tax at statutory tax rate	₱42,134,217	₱36,089,182	₱16,335,880
Additions to (reductions in) income tax resulting from:			
Gain on sale and fair value changes of financial assets at FVTPL	(20,624,601)	(17,122,120)	(2,608,000)
Nondeductible expenses	1,615,015	4,655,905	47,205
Rental income from deposits on long-term lease	(443,327)	(575,242)	-
Dividend income exempt from tax	(275,851)	(180,450)	(2,147,318)
Interest income subjected to final tax	(8,275)	(13,617)	(7,824)
Impact of CREATE Act	(3,789,356)	-	-
	₱18,607,822	₱22,853,658	₱11,619,943

The Company's net deferred tax liabilities as at December 31 follow:

	2021	2020	2019
Deferred tax liabilities:			
Accrued rent	(₱19,651,813)	(₱17,713,791)	(₱8,827,766)
Net retirement plan asset	(3,269,122)	(1,576,954)	-
	(22,920,935)	(19,290,745)	(8,827,766)
Deferred tax assets:			
Advance rental	744,527	913,437	708,122
Provision for expected credit losses	262,420	-	-
Net retirement plan liability	-	-	1,728,586
	1,006,947	913,437	2,436,708
Net deferred tax liabilities	(₱21,913,988)	(₱18,377,308)	(₱6,391,058)

As at December 31, 2021, 2020 and 2019, the Company did not recognize deferred tax asset on fair value loss on financial assets at FVTPL amounting to ₱40,600,000 as management believes that there is no capital gain against which the fair value loss can be offset to realize the benefit of such deferred tax asset.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

President Rodrigo Duterte signed into law on March 26, 2021 the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.



The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact to the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Bill was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. Accordingly, current and deferred taxes as at and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Company was subjected to lower RCIT rate of 25% or MCIT rate of 1% effective July 1, 2020.

As at December 31, 2021, the CREATE Act's retrospective 5% income tax rate reduction resulted in a prorated current income tax (CIT) rate of the Company for CY2020 of 27.50%. This resulted in lower provision for current income tax for the year ended December 31, 2020 amounting to ₱13,265,708 or a reduction of ₱1,207,080 in CIT and income tax payable, and a reduction of ₱3,062,885 in provision for deferred income tax due to remeasurement of net deferred tax liabilities. The impact of CREATE Act on the CIT and deferred income tax for the year ended December 31, 2020 have been adjusted in the 2021 financial statements.

20. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Company, including holding companies, and fellow subsidiaries are related entities of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related entities. Receivables from and payables to related parties are normally settled in cash.

The Company's transactions with its related parties in 2021, 2020 and 2019; and their account balances as at December 31, 2021, 2020 and 2019 follow:

	Amount/Volume			Outstanding Balance Receivable (Payable)			Terms and Conditions
	2021	2020	2019	2021	2020	2019	
<i>Parent</i> Liberty Flour Mills, Inc. Rent expense	₱503,494	₱481,802	₱449,267	(₱53,295)	(₱12,164)	(₱59,365)	On demand; Unsecured

(Forward)



	Amount/Volume			Outstanding Balance Receivable (Payable)			Terms and Conditions
	2021	2020	2019	2021	2020	2019	
Affiliate*							
Parity Values, Inc.							
Development rights (see Note 9)	52,000,000	99,700,000	-	(89,730,000)	(89,730,000)	-	Within 5 years; 5.25% interest per annum
Others	93,004	(99,700)	6,696	(93,004)	(93,004)	6,696	30 days; Unsecured
Officers and Employees							
Advances	-	-	1,500,000	-	-	904,099	30 days; Unsecured
Advances to officers and employees (Note 5)				₱-	₱-	₱904,099	
Due to a related party (Note 12)				(₱53,295)	(₱105,168)	(₱52,669)	
Payable to a related party (Note 9)**				(₱37,730,000)	(₱89,730,000)	₱-	

*Parent Company's stockholder

**Presented under noncurrent liability in the 2021 and 2020 statements of financial position.

Rental expense

Rental expense for office space covers a period of one year and is renewable upon mutual agreement unless terminated by the parties concerned.

Advances to Officers and Employees/Salary Loan

Advances for expenses are amounts paid to support the administrative expenses of the related party.

The key management personnel compensation in 2021, 2020 and 2019 is as follows:

	2021	2020	2019
Short-term employee benefits	₱2,970,725	₱4,070,008	₱3,620,495
Post-employment benefits and others	207,966	553,151	648,220
	₱3,178,691	₱4,623,159	₱4,268,715

21. Financial Risk Management Objectives and Policies

The Company's financial instruments consist mainly of cash in banks, investments in equity securities and trade receivables/payables, refundable deposits and borrowings. The main risks arising from the use of these financial instruments are credit risk, equity price risk and liquidity risk.

Credit Risk

Credit risk represents the loss that the Company would incur if the counterparty failed to perform under its contractual obligations. The Company has established controls and procedures in its credit policy to determine and monitor the credit worthiness of lessees and counterparties. The Company requires its lessees to pay at least three months security deposit to cover unpaid obligations and liabilities at the termination of the lease. It is also the Company's policy to require its lessees to pay their accounts on or before due date without the need of demand.

The maximum credit exposure of the Company is the carrying amount of the receivables as disclosed in Note 5. There are no significant concentrations of credit risk within the Company. With respect to credit risk arising from the other financial assets of the Company, which comprise cash in banks and refundable deposits, the Company's exposure to credit risk arises from default of the counterparties, with a maximum exposure equal to the carrying amount of these instruments. There are no collaterals or other credit enhancements held over these assets.



The table below shows the maximum exposure to credit risk for the Company's financial assets at amortized cost, without taking account of any collateral and other credit enhancements:

	2021	2020	2019
Cash in banks*	₱46,745,316	₱39,658,940	₱19,935,752
Receivables**	6,361,415	21,488,394	14,258,812
Refundable deposits***	2,711,493	2,711,493	2,711,493
Total credit risk exposure	₱55,818,224	₱63,858,827	₱36,906,057

*excluding cash on hand amounting to ₱13,500 in 2021 and 2020, and ₱18,240 in 2019

**excluding advances to officers and employees amounting to ₱116,114, ₱63,633 and ₱2,010,974 in 2021, 2020 and 2019, respectively.

***presented under Other noncurrent assets in the statements of financial position.

The following tables summarize the credit quality of the Company's financial assets at amortized cost per category as at December 31:

	2021			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	
Low	₱49,456,809	₱4,890,134	₱-	54,346,943
Moderate	-	1,471,281	-	1,471,281
High	-	-	-	-
Gross carrying amount	49,456,809	6,361,415	-	55,818,224
ECL	-	1,049,681	-	1,049,681
Carrying amount	₱49,456,809	₱5,311,734	₱-	₱54,768,543

	2020			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	
Low	₱55,876,884	₱7,981,943	₱-	₱63,858,827
Moderate	-	-	-	-
High	-	-	-	-
Carrying amount	₱55,876,884	₱7,981,943	₱-	₱63,858,827

	2019			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	
Low	₱31,031,601	₱5,874,456	₱-	₱36,906,057
Moderate	-	-	-	-
High	-	-	-	-
Carrying amount	₱31,031,601	₱5,874,456	₱-	₱36,906,057

The credit quality of the financial assets was determined as follows:

Low Risk - This includes cash and cash equivalents to counterparties with good credit or bank standing and refundable deposits, thus credit risk is minimal. This normally includes large prime financial institutions, companies and government agencies. For receivables, this consists of accounts with counterparties with no history of default on the agreed contract terms.

Moderate Risk - This includes receivables with counterparties with little history of default on the agreed contract terms.



High Risk - This includes receivables that consist of accounts with counterparties with history of default on the agreed contract terms.

Set out below is the information about the credit risk exposure on the Company's rent receivables using a provision matrix as at December 31, 2021:

	Current	1-30 days	31-90 days	More than 90 days	Total
Rent receivables -					
Expected credit loss rate	-	-	-	71.34%	
Estimated total gross carrying amount at default	₱3,685,638	₱431,393	₱773,103	₱1,471,281	₱6,361,415
Expected credit loss	-	-	-	1,049,681	1,049,681

In 2021, provision for expected credit losses are recognized for rent receivables subjected to impairment (nil in 2020 and 2019).

As at December 31, 2021 and 2020, the COVID-19 outbreak has no significant impact to the Company's credit risk.

Equity Price Risk

Equity price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to equity price risk because of investments in quoted equity securities, which are classified in the statement of financial position as financial assets at FVTPL and financial assets at FVOCI.

The Company's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine impact on its financial position. The change in market prices used in the sensitivity analysis is determined based on the highest and lowest stock prices of a financial instrument during the period. The Company has determined that for financial assets at FVOCI, a decrease or increase on the stock prices would only impact equity and would not have an effect on profit or loss. The Company has determined that for financial assets at FVTPL, a decrease and increase on the stock prices could have an impact on the profit or loss.

The effect on profit or loss and equity as a result of an increase (decrease) in fair value of equity securities at FVTPL and fair value of quoted financial assets at FVOCI as at December 31 are as follows:

	2021	
	Increase (decrease) in market price	Increase (decrease) in profit or loss/equity
Financial assets at FVTPL	33% (33%)	₱59,540,643 (59,540,643)
Financial assets at FVOCI	18% (18%)	28,209,392 (28,209,392)
	2020	
	Increase (decrease) in market price	Increase (decrease) in profit or loss/equity
Financial assets at FVTPL	42% (42%)	₱34,403,995 (34,403,995)
Financial assets at FVOCI	19% (19%)	36,113,473 (36,113,473)



	2019	
	Increase (decrease) in market price	Increase (decrease) in profit or loss/equity
Financial assets at FVTPL	40%	₱11,793,455
	(40%)	(11,793,455)
Financial assets at FVOCI	14%	25,731,298
	(14%)	(25,731,298)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to pay its obligations when they fall due under normal and stress circumstances. The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal policies.

The tables below summarize the maturity profile of the Company's financial assets and liabilities based on contractual undiscounted payments as at December 31:

	2021			
	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial Assets at amortized cost:				
Cash	₱46,758,816	₱-	₱-	₱46,758,816
Receivables	6,361,415	-	-	6,361,415
Financial assets at FVTPL	180,448,991	-	-	180,448,991
Financial assets at FVOCI	-	-	156,718,845	156,718,845
Other noncurrent assets	-	-	2,711,493	2,711,493
	233,569,222	-	159,430,338	392,999,560
Financial Liabilities				
Notes payable, including interest	-	139,700,732	443,800,782	583,501,514
Accounts payable and other current liabilities				
Accounts payable	3,416,996	20,587,680	-	24,004,676
Accrued expense, excluding accrued interest	1,230,581	-	-	1,230,581
Construction bond	6,432,077	-	-	6,432,077
Due to a related party	53,295	-	-	53,295
Payable to a related party	-	-	37,730,000	37,730,000
Deposits on long-term leases	-	12,920,071	29,012,790	41,932,861
Other noncurrent liabilities	-	-	162,176,225	162,176,225
	11,132,949	173,208,483	672,719,797	857,061,229
Net Financial Assets (Liabilities)	₱222,436,273	(₱173,208,483)	(₱513,289,459)	(₱464,061,669)

	2020			
	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial Assets at amortized cost:				
Cash on hand and in banks	₱39,672,440	₱-	₱-	₱39,672,440
Receivables	21,488,394	-	-	21,488,394
Financial assets at FVTPL	81,937,073	-	-	81,937,073
Financial assets at FVOCI	-	-	190,070,911	190,070,911
Other noncurrent assets	-	-	2,711,493	2,711,493
	143,097,907	-	192,782,404	335,880,311
Financial Liabilities				
Notes payable, including interest	-	580,890,139	-	580,890,139
Accounts payable and other current liabilities				
Accrued expense, excluding accrued interest	4,282,197	-	-	4,282,197

(Forward)



2020				
	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Construction bond	₱3,740,497	₱–	₱–	₱3,740,497
Accounts payable	3,291,415	–	–	3,291,415
Due to a related party	105,168	–	–	105,168
Payable to a related party	–	–	89,730,000	89,730,000
Deposits on long-term leases	–	10,517,318	31,654,427	42,171,745
	11,419,277	591,407,457	121,384,427	724,211,161
Net Financial Assets (Liabilities)	₱131,678,630	(₱591,407,457)	₱71,397,977	(₱388,330,850)

2019				
	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial Assets at amortized cost:				
Cash on hand and in banks	₱19,953,992	₱–	₱–	₱19,953,992
Receivables	14,258,812	–	–	14,258,812
Financial assets at FVTPL	26,191,437	–	–	26,191,437
Financial assets at FVOCI	–	–	183,346,704	183,346,704
Other noncurrent assets	–	–	2,711,493	2,711,493
	60,404,241	–	186,058,197	246,462,438
Financial Liabilities				
Notes payable, including interest	–	634,758,341	–	634,758,341
Accounts payable and other current liabilities				
Construction bond	3,845,528	–	–	3,845,528
Accounts payable	3,851,152	–	–	3,851,152
Accrued expense, excluding accrued interest	230,000	–	–	230,000
Due to a related party	52,669	–	–	52,669
Deposits on long-term leases	–	7,487,563	35,399,396	42,886,959
	7,979,349	642,245,904	35,399,396	685,624,649
Net Financial Assets (Liabilities)	₱52,424,892	(₱642,245,904)	₱150,658,801	(₱439,162,211)

As at December 31, 2021 and 2020, the COVID-19 outbreak has no significant impact to the Company's liquidity risk.

Fair Value

The following are the Company's financial instruments whose carrying amounts are measured at fair value as at December 31:

	Carrying Value			Fair Value		
	2021	2020	2019	2021	2020	2019
Financial Assets						
Financial assets at FVTPL	₱180,448,991	₱81,937,073	₱26,191,437	₱180,448,991	₱81,937,073	₱26,191,437
Financial assets at FVOCI	156,718,845	190,070,911	183,346,704	156,718,845	190,070,911	183,346,704

The carrying values of cash in banks, receivables, accounts payable and other current liabilities approximate their fair values due to their short-term nature.

The fair value of deposits on long-term leases is estimated by discounting future cash flows using rates currently available for debt on similar terms and remaining maturities. As at December 31, 2021, 2020 and 2019, the carrying values deposits on long-term leases were not materially different from their calculated fair values.



Fair Value Hierarchy

Below table presents the fair value measurement hierarchy of the Company's financial assets whose fair values are measured and disclosed as at December 31:

	2021			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value:				
Financial assets at FVTPL	₱180,448,991	₱180,448,991	₱-	₱-
Financial assets at FVOCI	156,718,845	156,718,845	-	-
Nonfinancial assets for which fair values are disclosed				
Investment properties	3,741,675,179	-	-	3,741,675,179
	2020			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value:				
Financial assets at FVTPL	₱81,937,073	₱81,937,073	₱-	₱-
Financial assets at FVOCI	190,070,911	190,070,911	-	-
Nonfinancial assets for which fair values are disclosed				
Investment properties	3,527,220,179	-	-	3,527,220,179
	2019			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value:				
Financial assets at FVTPL	₱26,191,437	₱26,191,437	₱-	₱-
Financial assets at FVOCI	183,346,704	183,346,704	-	-
Nonfinancial assets for which fair values are disclosed -				
Investment properties	3,111,191,700	-	-	3,111,191,700

Financial assets at FVTPL and financial assets at FVOCI are carried at their fair values based on quoted market prices as at December 31, 2021, 2020 and 2019.

The disclosures on the fair value measurement hierarchy for investment properties carried at cost are presented in Note 9.

In 2021, 2020 and 2019, there were no reclassifications of financial instruments from and into Levels 1, 2 and 3.

22. Capital Management Policies

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes in 2021, 2020 and 2019.



The Company monitors capital by having a daily monitoring of receipts and collections, regular release of disbursements to suppliers, monthly cash flow report preparation and monthly review of capital expenditure requirements. The Company at this point, with its healthy cash flow, is not looking for additional bank loans to finance its operations and renovations. The Company strives to earn a minimum return double the annual inflation rate. The Company is not subject to any externally imposed capital requirements.

The following are considered by the Company as capital as at December 31:

	2021	2020	2019
Capital stock	₱250,000,000	₱250,000,000	₱250,000,000
Retained earnings	318,762,302	168,833,256	71,389,641
	₱568,762,302	₱418,833,256	₱321,389,641

23. Note to Statements of Cash Flows

- a. The Company has no noncash investing and financing activities except for the purchase of land and development rights in 2021 and 2020, respectively, with unpaid consideration totaling ₱198.14 million and ₱89.73 million as at December 31, 2021 and 2020, respectively (see Note 9).
- b. The changes in liabilities arising from financing activities follows:

	2021				
	January 1	Cash flows	Loan Premium	Interest expense	December 31
Notes payable	₱580,000,000	(₱4,350,000)	₱4,981,822	(₱175,308)	₱580,456,514
Payable to a related party	89,730,000	(52,000,000)	-	-	37,730,000
Interest payable	890,139	(27,235,028)	-	29,389,889	3,045,000
Total liabilities	₱670,620,139	(₱83,585,028)	₱4,981,822	₱29,214,581	₱621,231,514

	2020				
	January 1	Cash flows	Loan Premium	Interest expense	December 31
Notes payable	₱632,900,000	(₱52,900,000)	₱-	₱-	₱580,000,000
Interest payable	1,858,341	(34,215,967)	-	33,247,765	890,139
Total liabilities	₱634,758,341	(₱87,115,967)	₱-	₱33,247,765	₱580,890,139

	2019				
	January 1	Cash flows	Loan Premium	Interest expense	December 31
Notes payable	₱770,400,000	(₱137,500,000)	₱-	₱-	₱632,900,000
Interest payable	2,044,045	(48,987,165)	-	48,801,461	1,858,341
Total liabilities	₱772,444,045	(₱186,487,165)	₱-	₱48,801,461	₱634,758,341



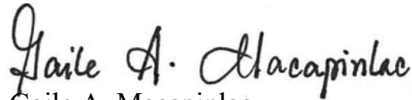
INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
LFM Properties Corporation
3rd Floor, Liberty Building
A. Arnaiz Avenue
Makati City

We have audited the financial statements of LFM Properties Corporation (a wholly owned subsidiary of Liberty Flour Mills, Inc.) as at December 31, 2021, 2020 and 2019, and for the years then ended, on which we have rendered the attached report dated May 5, 2022.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the above Company has one (1) stockholder owning one hundred (100) or more shares.

SYCIP GORRES VELAYO & CO.



Gaile A. Macapinlac

Partner

CPA Certificate No. 98838

Tax Identification No. 205-947-572

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 1621-AR-1 (Group A)

November 11, 2019, valid until November 10, 2022

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-126-2019, November 27, 2019, valid until November 26, 2022

PTR No. 8854320, January 3, 2022, Makati City

May 5, 2022

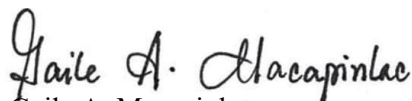


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
LFM Properties Corporation
3rd Floor, Liberty Building
A. Arnaiz Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of LFM Properties Corporation. (the Company), as at and for the years ended December 31, 2021, 2020 and 2019, and have issued our report thereon dated May 5, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Gaile A. Macapinlac

Partner

CPA Certificate No. 98838

Tax Identification No. 205-947-572

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 1621-AR-1 (Group A)

November 11, 2019, valid until November 10, 2022

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-126-2019, November 27, 2019, valid until November 26, 2022

PTR No. 8854320, January 3, 2022, Makati City

May 5, 2022

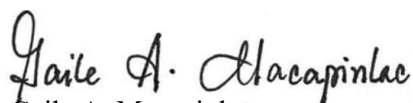


INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
LFM Properties Corporation
3rd Floor, Liberty Building
A. Arnaiz Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of LFM Properties Corporation (the Company) as at and for the years ended December 31, 2021, 2020 and 2019, and have issued our report thereon dated May 5, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company'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 financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at and for the years ended December 31, 2021, 2020 and 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Gaile A. Macapinlac

Partner

CPA Certificate No. 98838

Tax Identification No. 205-947-572

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

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BIR Accreditation No. 08-001998-126-2019, November 27, 2019, valid until November 26, 2022

PTR No. 8854320, January 3, 2022, Makati City

May 5, 2022



LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)

**INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY
SCHEDULES**
DECEMBER 31, 2021

In compliance with Revised Securities Regulation Code Rule 68, the Company has prepared the following schedules:

- Financial Assets (Annex 68-J: Schedule A)
- Amounts Receivable from Directors, Officers, Employees, Related Parties and Principle Stockholders (Annex 68-J: Schedule B)*
- Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements (Annex 68-J: Schedule C)*
- Long-Term Debt (Annex 68-J: Schedule D)
- Indebtedness to Related Parties (Annex 68-J: Schedule E)
- Guarantees of Securities and Other Issuers (Annex 68-J: Schedule F)*
- Capital Stock (Annex 68-J: Schedule G)
- Reconciliation of Retained Earnings Available for Dividend Declaration (Annex 68-D)
- Map of the Relationship of the Companies within the Group

**Not Applicable*

LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)
FINANCIAL ASSETS (Annex 68-J: Schedule A)
DECEMBER 31, 2021

	Name of Issuing Entity and Association of each issue	Number of Shares or Principal Amount of Bonds and Notes	Amount shown in the Statement of Financial Position	Value based on Market Quotation at End of Reporting Period	Income and Received and Accrued
<i>Financial Assets at Amortized Cost</i>					
Cash	N/A	N/A	₱46,758,816	N/A	₱33,098
Receivables:					
Rent receivable	N/A	N/A	6,361,415	N/A	44,851
Other noncurrent assets					
Refundable deposits	N/A	N/A	2,711,493	N/A	–
			55,831,724		77,949
<i>Financial Assets at FVTPL</i>					
Equity investments	AC Energy Philippines Inc.	14,256,757	156,824,327	156,824,327	855,406
Equity investments	ACE Enexor, Inc	300,000	12,000,000	12,000,000	–
Equity investments	Philex Mining	1,000,000	5,450,000	5,450,000	59,000
Equity investments	PLDT	2,000	3,624,000	3,624,000	164,000
Equity investments	PXP Energy Corp	150,000	922,500	922,500	–
Equity investments	SFA Semicon Philippines Corp.	400,000	440,000	440,000	–
Equity investments	Cebu Landmasters, Inc.	223,000	669,000	669,000	25,000
Equity investments	Lepanto	3,545,455	496,364	496,364	–
Equity investments	Universal Rightfield Property Holdings, Inc.	600,000	22,800	22,800	–
		20,477,212	180,448,991	180,448,991	1,103,406
<i>Financial Assets at FVOCI</i>					
Equity investments	PBCOM	8,965,609	156,718,845	156,718,845	–
			156,718,845	156,718,845	–
Total Financial Assets			₱392,999,560	₱337,167,836	₱1,181,355

LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)
LONG - TERM DEBT (Annex 68-J: Schedule D)
December 31, 2021

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under Caption “Current portion of notes payable” in related Statement of Financial Position	Amount shown under Caption “Notes payable – net of current portion” in related Statement of Financial Position
Five-year secured term loan	₱290,000,000	₱67,591,446	₱220,820,976
Five-year secured term loan	290,000,000	69,064,286	222,979,806
Total	₱580,000,000	₱136,655,732	₱443,800,782

LFM PROPERTIES CORPORATION**(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)****INDEBTEDNESS TO RELATED PARTIES (Annex 68-J: Schedule E)****December 31, 2021**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Current	Non-Current	Balance at End of Period
			Amounts Collected	Amounts Written off			
<i>Affiliate</i> Parity Values, Inc	₱89,730,000	₱-	(₱52,000,000)	₱-	₱-	₱37,730,000	₱37,730,000

LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)

CAPITAL STOCK (Annex 68-J: Schedule G)
DECEMBER 31, 2021

Title of Issue	Number of shares authorized	Number of Shares outstanding	Number of shares reserved	Number of shares held by related parties	Directors and officers	Others
Common	30,000,000,000	25,000,000,000	–	24,999,999,993	8	–
Preferred	1,000,000	–	–	–	–	–
	30,001,000,000	25,000,000,000		24,999,999,993		

LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION (Annex 68-D)
DECEMBER 31, 2021**

	Amount
Unappropriated retained earnings, beginning	₱168,833,256
Less: Impact of rental income straight-lining under PFRS as at December 31, 2020	(59,045,971)
Cumulative fair value on financial assets at FVTPL as at December 31, 2020	(41,090,079)
Deferred tax assets	(913,437)
Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning	67,783,769
Add: Net income actually earned/realized during the year	
Net income closed to retained earnings	149,929,046
Less: Non-actual/unrealized income, net of tax	
Fair value gain on financial assets at FVTPL	(82,498,404)
Impact of rental income straight-lining under PFRSs	(19,561,284)
Movement in deferred tax assets	(93,510)
Net income actually earned/realized during the year	47,775,848
Less: Cash dividend declaration during the year	–
Total retained earnings available for dividend declaration, end	₱115,559,617

LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)

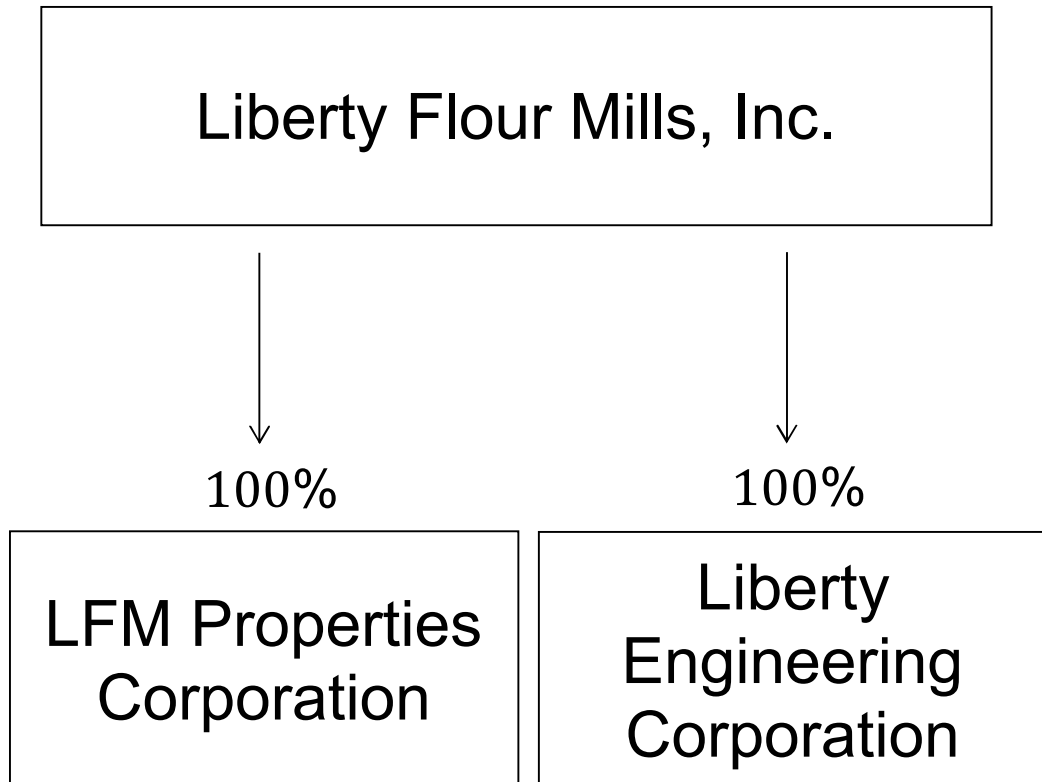
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS (Annex 68-E)
DECEMBER 30, 2021, 2020 and 2019

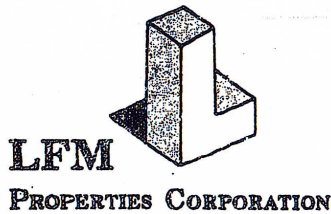
	Formula	2021	2020	2019
Current Ratio	Total current assets/ Total current liabilities	1.26	0.25	0.13
Acid Test Ratio	(Cash and cash equivalents + Receivable) / Total current liabilities	0.27	0.10	0.06
Solvency Ratio	(Net income + Depreciation)/ Total liabilities	0.22	0.19	0.12
Debt-to-Equity Ratio	Total liabilities/Total equity	1.82	2.07	2.82
Asset-to-Equity Ratio	Total assets/Total equity	2.82	3.07	3.82
Interest Rate Coverage Ratio	Income before interest expense and tax/Interest expense	6.49	4.46	2.08
Return on Equity	Net income/Total equity	0.31	0.27	0.17
Return on Assets	Net income/Total assets	0.11	0.09	0.05
Net Profit Margin	Net income/Revenue	0.67	0.42	0.24
Debt Service Coverage Ratio	Earnings before interest expense, income tax, depreciation and amortization / Total debt service (interest expense + principal payments)	7.90	5.70	2.88

LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)

**MAP OF THE RELATIONSHIP OF THE COMPANIES WITHIN
THE GROUP**

DECEMBER 31, 2021





May 5, 2022

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

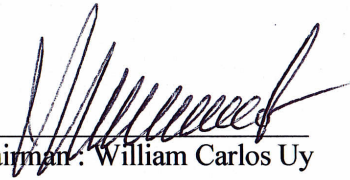
The management of LFM Properties Corporation is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2021, 2020 and 2019, in accordance with prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

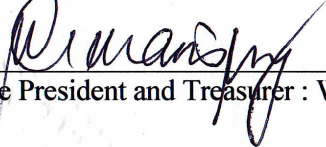
The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

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

Signature 
Name of Chairman: William Carlos Uy


Signature 
Name of President: Jose S. Jalandoni

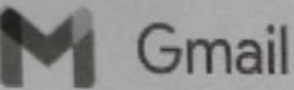
Signature 
Name of Vice President and Treasurer: William L. Ang

MAY 10 2022

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ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-239
NOTARY PUBLIC FOR MAKATI CITY
UNTIL JUNE 30, 2022 PER B.M. NO. 3795
11 KALAYAAN AVENUE EXTENSION,
BARANGAY WEST REMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 171365/01-03-2022/Pasig City
PTR NO. MKT 8852502/01-03-2022/Makati City
MCLE Compliance No. VI-0007878/4-06-2018



Hydeliza de Guzman <hrdeguzman@lfmproperty.com>

Tax Return Receipt Confirmation

1 message

ebirforms-noreply@bir.gov.ph <ebirforms-noreply@bir.gov.ph>
To: hrdeguzman@lfmproperty.com

Tue, Apr 5, 2022 at 5:03 PM

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