

# COVER SHEET

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SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

(Business Address: No. StreetCity/Town/Province)

**Atty. Riva Khristine V. Maala**

(Contact Person)

**(+632) 8403-6910**

(Company Telephone Number)

## DEFINITIVE

1	2	3	1
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*Month*      *Day*  
(Fiscal Year)

2	0	-	I	S
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(Form Type)

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3	0
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*Month* *Day*  
(Annual Meeting)

2023

	N.A.
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(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

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Amended Articles Number/Section

1,930

Total No. of Stockholders

□

Domestic

\_\_\_\_\_

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

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Document ID

Cashier

STAMPS

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08 June 2023

**Securities and Exchange Commission**

17/F The SEC Headquarters

7907 Makati Avenue

Salcedo Village, Barangay Bel-Air

Makati City 1227

**Attention: Markets & Securities Regulation Department**

Gentlemen:

We are submitting herewith the DEFINITIVE Information Statement (SEC Form 20-IS) of **ARTHALAND CORPORATION (the “Corporation”)** as well as our reply to the checklist accompanying the Commission’s electronic mail dated 06 June 2023 (copy received on even date).

We trust you find everything in order.

Very truly yours,



**RIVA KHRISTINE V. MAALA**

*Corporate Secretary and General Counsel*

2023 0607 Reply to SEC (Definitive IS)/ALCO/rvm

ARTHALAND CORPORATION  
INFORMATION STATEMENT  
Reply to SEC Comment Sheet dated 06 June 2023

<b>General Comment</b>		<b><u>REPLY</u></b>
1. Comply with the disclosure requirements under Sec. 49 of the Revised Corporation Code, provide a table (at least with 2 columns) or list of the required disclosure/information on Sec. 49 of the RCC (use the wording as provided in Sec 49 of the Code and provide this in the 1st column) and the page number of the DIS, or reference it to the company's website where the disclosure/information can be found (this for the 2nd column).		Please see below.
	a) The minutes of the most recent regular meeting which shall include, among others:	The minutes of the 2022 annual stockholders' meeting of the Corporation ("ASM Minutes") is available in the Corporation's website <a href="http://www.arthaland.com">www.arthaland.com</a> .
	(1) A description of the voting and vote tabulation procedures used in the previous meeting;	Pages 2, 8, and 10-12, ASM Minutes.
	(2) A description of the opportunity given to stockholders to ask questions and a record of the questions asked and answers given;	Pages 2, 7-9, and 12, ASM Minutes.
	(3) The matters discussed, and resolutions reached;	Pages 2-12, ASM Minutes.
	(4) A record of the voting results for each agenda item;	Pages 2, 8, and 10-12, ASM Minutes.
	(5) A list of directors, officers, and stockholders who attended the meeting; and	Page 1, ASM Minutes.
	(6) Such other items that the Commission may require in the interest of good governance and the protection of minority stockholders.	Item 2, pages 3-4, and Item 15, pages 30-31, DIS.
	b) A members' list for nonstock corporations and, for stock corporations, material information on the current stockholders, and their voting rights;	Pages 18-20, Management Report attached to the DIS.  Page 3, DIS.
	c) A detailed, descriptive, balanced and comprehensive assessment of the corporation's performance, which shall include information on any material	2022 Audited Financial Statements as attached to the DIS, which is also available in its website

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	change in the corporation's business, strategy, and other affairs;	<a href="http://www.arthaland.com">www.arthaland.com</a> .
	d) A financial report for the preceding year, which shall include financial statements duly signed and certified in accordance with this Code and the rules the Commission may prescribe, a statement on the adequacy of the corporation's internal controls or risk management systems, and a statement of all external audit and non-audit fees;	2022 Audited Financial Statements as attached to the DIS, which is also available in its website <a href="http://www.arthaland.com">www.arthaland.com</a> .
	e) An explanation of the dividend policy and the fact of payment of dividends or the reasons for nonpayment thereof;	Pages 20-22, Management Report attached to the DIS.
	f) Director or trustee profiles which shall include, among others, their qualifications and relevant experience, length of service in the corporation, trainings and continuing education attended, and their board representations in other corporations;	Pages 9-11, DIS.
	g) A director or trustee attendance report, indicating the attendance of each director or trustee at each of the meetings of the board and its committees and in regular or special stockholder meetings;	Integrated Annual Corporate Governance Report available in the Corporation's website <a href="http://www.arthaland.com">www.arthaland.com</a> .
	h) Appraisals and performance reports for the board and the criteria and procedure for assessment;	Integrated Annual Corporate Governance Report available in the Corporation's website <a href="http://www.arthaland.com">www.arthaland.com</a> .
	i) A director or trustee compensation report prepared in accordance with this Code and the rules the Commission may prescribe;	Item 6 (a), pages 24-25, DIS.
	j) Director disclosures on self-dealings and related party transactions; and/or	Page 70, Note 24, 2022 Audited Financial Statements attached to the DIS, which is also available in its website <a href="http://www.arthaland.com">www.arthaland.com</a> .
	k) The profiles of directors nominated or seeking election or reelection	Pages 9-11, DIS.

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2. Non-compliance shall constitute a violation of SRC Rule 20 and shall subject the company to appropriate penalty under the Consolidated Scales of Fines (SEC Memorandum Circular No. 6, Series of 2005).		This is noted.
3. In addition to the Company's responses to (the) SEC Comments through this Comment Sheet, kindly submit a marked-up copy highlighting the revisions made to comply with each comment.		The revisions made to the DIS and Management Report to comply with this checklist have been highlighted for easy reference.
4. If the distribution of the copies of the notice of meeting, information statement and other documents in connection with the 2023 ASM is via alternative mode, please be reminded that the Notice of Meeting shall be published in the business section of two (2) newspapers of general circulation, in print and online format, for two (2) consecutive days; Provided that, the last publication of the Notice of Meeting (print and online) shall be made no later than twenty-one (21) days prior to the scheduled AS		The Notice of 2023 Annual Stockholders Meeting were published in print and online format of the Philippine Star and the BusinessMirror on 7 and 8 June 2023.
5. Please be reminded to submit hard copies of the PIS and the DIS at the MSRD office (17th Floor, The SEC Headquarters, 7907 Makati Avenue, Salcedo Village, Barangay Bel-Air, Makati City 1227)		Hard copies will be delivered not later than 9 June 2023.
<b>SRC Rule 20.3.3.5 Information Statement and Management Report shall be uploaded to Issuer's Website for downloading by interested parties</b>	Please upload SEC Form 20-IS and its attachments on the Company's website & PSE Edge, and send us (via msrd_covid19@sec.gov.ph) the link to access the uploaded DIS.	This is noted. The Preliminary Information Statement filed on 18 May 2023 was uploaded to the Corporation's website <a href="http://www.arthaland.com">www.arthaland.com</a> and the PSE EDGE <sup>1</sup> . The same will be done for the DIS.
<b>COVER SHEET</b>  8. Date, time and place of the meeting of security holders	Please include whether the ASM is also via remote communication.	The 2023 ASM will be conducted in person, but stockholders may attend through remote communication provided they register as stated in Item 1a, DIS. Item 9 of the Cover Sheet has been updated accordingly.
<b>ITEM 5. DIRECTORS &amp; EXECUTIVE OFFICERS</b>	Please submit a certification that no directors or officers are connected with any government	Instead of a separate certification, the fact that none of the directors or

<sup>1</sup> [https://edge.pse.com.ph/companyDisclosures/form.do?cmpry\\_id=172](https://edge.pse.com.ph/companyDisclosures/form.do?cmpry_id=172)

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	<p>agencies or its instrumentalities.</p> <p>If there is/are person/s working in any government agency, notify them to submit a written permission from the head of department instead of a certification.</p>	<p>officers of the Corporation works for or is connected with any government agency or instrumentality has been reflected in the DIS itself, which is executed under oath, specifically pages 8, 12, 13, 17 and 20 thereof,.</p>
<b>Certain Relationships and Related Transactions</b>	Please comply and correlate info as disclosed in the AFS.	Item 5(g), pages 9-11, DIS correlate with those disclosed in Note 24, 2022 Audited Financial Statements attached to the DIS.
<b>ITEM 6. COMPENSATION OF DIRECTORS &amp; EXECUTIVE OFFICERS</b>		
If Price or Stock Warrants or Options are Adjusted or Amended:		
a) Explanation in Reasonable Detail		
<b>b) Basis for each Repricing</b>	Please disclose, if applicable.	Page 27, DIS.
<b>ITEM 7. INDEPENDENT PUBLIC ACCOUNTANTS</b>		
	<p>Please indicate the period (during) which Ms. Michelle R. Mendoza-Cruz (was) the signing partner.</p> <p>Please note of the Rotation of External Auditors under SRC Rule 68. The independent auditors or in the case of an audit firm, the signing partner, of the aforementioned regulated entities shall be rotated after every five (5) years of engagement. A two-year cooling off period shall be observed in the re-engagement of the same signing partner or</p>	<p>Item 7, page 28, DIS now includes the year when Ms. Michelle R. Mendoza-Cruz first became the signing partner.</p> <p>According to the 2019 revised SRC Rule 68, the independent auditors, or in the case of an auditing firm, key audit partners shall comply with the provisions on long association of personnel with an audit client as prescribed in the Code of Ethics for Professional Accountants in</p>

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	individual auditor.	<p>the Philippines, as adopted by the Board of Accountancy (BOA) and PRC (Philippine Regulation Commission). BOA adopted the 2016 International Ethics Standards Board for Accountants (IESBA) Code of Ethics in respect of an audit of a public interest entity, where an individual shall not be a key audit partner for more than seven years.</p> <p>In view of the foregoing, the Board of Directors of the Corporation approved the amendment to the Manual of Corporate Governance dated 06 May 2020 whereby the period during which the External Auditor shall be rotated or changed is now seven (7) years (previously five [5] years).</p>
<b>MANAGEMENT REPORT</b>		
Management's Discussion and Analysis (MD&A) or Plan of Operation (Required by Part III(A) of "Annex C, as amended")		
Management's Discussion and Analysis. MD&A helps to explain financial results. A reader of the MD&A should be able to understand the financial results of the registrant's business as discussed in the "Business" section. It shall provide information with respect to liquidity, capital resources and other information necessary to understand the registrant's financial condition and results of operation		

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(4) Key Variable and Other Qualitative and Quantitative Factors.		
If Material:		
(i) Any Known Trends, Events or Uncertainties (Material Impact)		
(ii) Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation		
(iii) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.		
(iv) Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures		
(v) Any Known Trends, Events or Uncertainties (Material Impact on Sales)		
(vi) Any Significant Elements of Income or Loss (from continuing operations)		
(vii) Causes for Any Material Changes from Period to Period of FS which shall include vertical and horizontal analyses of any material item (5%)	Please provide for the vertical analyses.	The vertical analyses for the First Quarter of 2023 have been added in page 36 of the Management Report.
(viii) Seasonal Aspects that has Material Effect on the FS		
(b) Interim Periods: Comparable discussion to assess material changes (last fiscal year and comparable interim period in the preceding year). Disclose the required	Please include disclosure as to (4) Key Variable and Other Qualitative and Quantitative Factors. (i-viii) for interim periods	Page 32, Management Report.  The Key Variable and Other Qualitative and Quantitative Factors for Q1 2023 have been added in pages 35-36 of the Management Report.



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information required under subparagraph (2)(a)(I) to (viii) above		Item 1.3 of SEC Form 17Q Q1 2023 attached to the DIS.
Market Price of and Dividends required by Part V of Annex C, as Amended		
2. <b>Holders</b> (a) (i) Approximate Number of Holders of Each Class of Common Security as of the latest practicable date <b>but in no event more than 90 days prior to filing of report.</b>	Please indicate as of what date is the information on total shares issued and outstanding on page 18 of the Mgt Report.	The latest practicable date on the total shares issued and outstanding is 31 May 2023 and this has been reflected in page 18 of the Management Report.

- Nothing follows. -

**NOTICE  
OF  
ANNUAL STOCKHOLDERS' MEETING**

NOTICE is hereby given that the **2023** annual stockholders' meeting of **ARTHALAND CORPORATION** will be held on **30 June 2023, Friday, 9:00 A.M. at SEDA Hotel, Bonifacio Global City, Taguig City**. Stockholders who may want to attend and participate during the meeting through remote communication must register at

[https://us02web.zoom.us/webinar/register/WN\\_psOmSZ1aQoyl4IbhK-TXqg#/registration](https://us02web.zoom.us/webinar/register/WN_psOmSZ1aQoyl4IbhK-TXqg#/registration)

The Agenda for the meeting is as follows:

1. Call to Order
2. Secretary's Proof of Due Notice of the Meeting and Determination of Quorum
3. Approval of Minutes of the Annual Stockholders' Meeting held on 24 June 2022
4. Notation of Management Report
5. Ratification of Acts of the Board of Directors and Management During the Previous Year
6. Election of Directors (including Independent Directors)
7. Appointment of External Auditor for 2023
8. Other Matters
9. Adjournment

Only stockholders of record on **31 May 2023** will be entitled to further notice of and to vote at this meeting. Electronic copies of the Information Statement which will include the manner of conducting the meeting and the process on how one can join the same, as well as vote *in absentia*, among other relevant documents, will be made available in [www.arthaland.com](http://www.arthaland.com) and the Electronic Disclosure Generation Technology of the Philippine Stock Exchange (PSE EDGE).

WE ARE NOT SOLICITING YOUR PROXY. However, if you cannot personally attend the meeting or participate through remote communication but would still like to be represented thereat and be considered for quorum purposes, you may inform the Office of the Corporate Secretary at the address indicated below or through [investor.relations@arthaland.com](mailto:investor.relations@arthaland.com) not later than **23 June 2023 (Friday)**. You will be advised the following business day of any further action on your part, which may include accomplishing a proxy.

  
**RIVA KHRISTINE V. MAALA**  
*Corporate Secretary*

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 20-IS INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. **DEFINITIVE Information Statement**

2. Name of Registrant as specified in its charter: **ARTHALAND CORPORATION**

3. **Metro Manila, Philippines**

Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number: **ASO-94-007160**

5. BIR Tax Identification Number: **004-450-721-000**

6. **7/F Arthaland Century Pacific Tower, 5<sup>th</sup> Avenue corner 30<sup>th</sup> Street,  
Bonifacio Global City, Taguig City**

Address of Principal Office

**1634**

Postal Code

7. **(+632) 8403-6910**

Registrant's telephone number, including area code

8. **Not Applicable**

Former name, former address and former fiscal year, if changed since last report

9. **30 June 2023, 9:00 A.M., SEDA Hotel, 11th Avenue, Bonifacio Global City, Taguig City**  
**(available through remote communication also [see Item 1])**

Date, time and place of the meeting of security holders

10. **09 June 2023**

Approximate date on which the Information Statement is first to be sent or given to security holders

11. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA:

<u>Title of Each Class</u>	<u>Number of Shares of Stock Outstanding (As of 30 April 2023)</u>	<u>Amount of Debt Outstanding (As of 30 April 2023)</u>
<b>Common</b>	<b>5,318,095,199 (₱0.18 par value)</b>	<b>None</b>
<b>Preferred Series A</b>	<b>12,500,000 (₱1.00 par value)</b>	<b>None</b>
<b>Preferred Series B</b>	<b>20,000,000 (₱1.00 par value)</b>	<b>None</b>
<b>Preferred Series C</b>	<b>10,000,000 (₱1.00 par value)</b>	<b>None</b>
<b>Preferred Series D</b>	<b>6,000,000 (₱1.00 par value)</b>	<b>None</b>

12. Are any or all of these securities listed on a Stock Exchange? **Yes [x]** No [ ]  
If yes, disclose the name of such stock exchange and the class of securities listed therein:

**Philippine Stock Exchange – ALL Outstanding Common Shares and Preferred Shares  
Series C and D ONLY.**

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

<b>A. GENERAL INFORMATION</b>
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**ITEM 1. Date, Time and Place of ANNUAL STOCKHOLDERS MEETING of Security Holders**

- a.     Date     :     30 June 2023 (Friday)  
Time     :     9:00 A.M.  
Venue    :     SEDA Hotel, 11th Avenue, Bonifacio Global City, Taguig City

Stockholders who may want to attend through remote communication and participate during the meeting must register at

[https://us02web.zoom.us/webinar/register/WN\\_psOmSZ1aQoyl4IbhK-TXqg#/registration](https://us02web.zoom.us/webinar/register/WN_psOmSZ1aQoyl4IbhK-TXqg#/registration)

Registration will open on 09 June 2023 (Friday).

Those who cannot personally attend the meeting or participate through remote communication but would still like to be represented thereat and be considered for quorum purposes may inform the Office of the Corporate Secretary at the address herein indicated or through [investor.relations@arthaland.com](mailto:investor.relations@arthaland.com) not later than 23 June 2023 (Friday), and will be advised the following business day of any further action necessary, which may include the execution of a proxy, a draft of which is available at [www.arthaland.com](http://www.arthaland.com).

- b.     Principal Address of Issuer:     7/F Arthaland Century Pacific Tower  
  5<sup>th</sup> Avenue corner 30<sup>th</sup> Street  
  Bonifacio Global City, Taguig City 1634
- c.     The approximate date on which the Information Statement is first sent or given to security holders is 09 June 2023.

**ITEM 2. Dissenters' Right of Appraisal**

The stockholders' right of appraisal is given under the instances provided in Section 80, Title X, Appraisal Right, of the Revised Corporation Code of the Philippines.

For the valid exercise of the appraisal right, **ARTHALAND CORPORATION** adopts the procedure laid down in the Revised Corporation Code, as follows:

1.     The dissenting stockholder must have voted against the proposed corporate action.
2.     The dissenting stockholder must make a written demand for the payment of the fair value of shares within thirty (30) days from the date the vote was taken. Failure to make the demand within the prescribed period shall be deemed a waiver of the appraisal right.

From the time of demand, all rights accruing to the shares, including voting and dividend rights, shall be suspended in accordance with the provisions of the Revised Corporation Code, except the right of the stockholder to receive payment of the fair value of his/its shares. The dividend, voting and other rights of the dissenting stockholder shall be restored if Arthaland fails to pay the fair value within thirty (30) days after the award.

3. The price of the shares will be determined based on the fair value of the shares as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.
4. The withdrawing stockholder must submit (through the Office of the Corporate Secretary<sup>1</sup>) the stock certificate/s representing his/its Arthaland shares for notation of being a dissenting stockholder, within ten (10) days from making the written demand. Failure to do so shall, at Arthaland's option, terminate the stockholder's appraisal right.
5. Arthaland shall pay the withdrawing stockholder for his/its shares, *provided* that, Arthaland has unrestricted retained earnings in its books to cover such payment.

The right of payment shall cease under the following instances:

- a. If the dissenting stockholder withdraws his/its demand for payment, subject to Arthaland's consent;
- b. If Arthaland abandons the proposed action;
- c. If the Securities and Exchange Commission disapproves the proposed action; and,
- d. Where the SEC determines that such stockholder is not entitled to the appraisal right.

Upon payment by Arthaland, the stockholder's shares must then be transferred to Arthaland.

In the forthcoming Annual Stockholders' Meeting, there are no matters or proposed corporate actions which may give rise to a possible exercise by stockholders of their appraisal rights under Title X of the Revised Corporation Code.

### **ITEM 3. Interest of Certain Persons in or Opposition to Matters to be acted upon**

While certain persons may have interest in the matters to be acted upon in the annual meeting, Arthaland has not received any written information from any Director, nominee or stockholder as of the date of this Information Statement with respect to any intention to oppose any action to be taken up at the meeting. Further, there is no matter to be acted upon in the meeting in which any Director or Executive Officer of Arthaland is involved, or had a direct, indirect or substantial interest.

*(This portion is intentionally left blank.)*

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<sup>1</sup>7/F Arthaland Century Pacific Tower, 5<sup>th</sup> Avenue corner 31<sup>st</sup> Street, Bonifacio Global City, Taguig City 1634 Philippines.

## B. CONTROL AND COMPENSATION INFORMATION

### ITEM 4. Voting Securities and Principal Holders Thereof

a. **Class entitled to vote (*as of 30 April 2023*)**

<i>Class of Shares</i>	<i>No. of Shares</i>	<i>Shares Owned by Foreigners</i>	<i>Voting Rights</i>
Common Shares	5,318,095,199	14,665,735 (0.2758%)	One (1) vote per share
Preferred Shares Series A	12,500,000	0 (0%)	One (1) vote per share
Preferred Shares Series C	10,000,000	24,500 (0.25%)	One (1) vote per share
Preferred Shares Series D	6,000,000	70,490 (1.17%)	One (1) vote per share

Only the Common shares are entitled to vote on the items to be presented during the annual meeting.<sup>2</sup>

- b. All stockholders of record at the close of business on 31 May 2023 will be entitled to notice of and to vote at the Annual Stockholders Meeting. The electronic copy of this Information Statement which includes the manner of conducting the meeting and the process on how one can join the same, as well as vote through proxy, remote communication or *in absentia*, among other relevant documents, is available in [www.arthaland.com](http://www.arthaland.com) and in the Electronic Disclosure Generation Technology of the Philippine Stock Exchange (PSE EDGE).

c. **Cumulative Voting Rights**

Section 4, Article II of Arthaland's By-laws provides, as follows:

“At all stockholders’ meetings, every stockholder entitled to vote in accordance with Section 4 of Article VI of these By-laws shall be entitled to one (1) vote for each share of voting stock standing in his name in the proper book of the Corporation at the time of closing thereof for the purpose of the meeting.

“The right to vote of stockholders may be exercised in person, through proxy or remote communication, *in absentia*, or through such alternative modes as may be provided by applicable laws and regulations.

<sup>2</sup> Under Section 6 of the Revised Corporation Code, “xxx No share may be deprived of voting rights except those classified and issued as “preferred” or “redeemable” shares, unless otherwise provided in this Code xxx.”

“At every election of directors, each stockholder entitled to vote during the meeting in accordance with Section 4 of Article VI of these By-laws is entitled to one (i) vote for each share of stock held by him for as many persons as there are directors to be elected, or to cumulate said shares and give one (1) candidate as many votes as the number of directors multiplied by the number of his share shall equal, or to distribute such votes on the same principle among as many candidates as he shall think fit.”

The total number of votes to be cast by the stockholder must not exceed the number of shares owned by him/it as shown in the books of Arthaland multiplied by the whole number of directors to be elected.

d. **Security Ownership of Certain Record and Beneficial Owners and Management**

**(1) Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Voting Shares (as of 30 April 2023)**

<i>Title of Class</i>	<i>Name and Address of Record Owners, Relationship with Issuer</i>	<i>Name of Beneficial Owner and Relationship to Record Owner</i>	<i>Citizenship</i>	<i>Number of Shares</i>	<i>% Held</i>
Common	CPG Holdings, Inc. <i>Stockholder</i>  Suite 701-706, 7 <sup>th</sup> Floor, Centerpoint Condominium, J. Vargas corner Garnet Road, Ortigas Center, Pasig City	Christopher Paulus Nicolas T. Po, <i>Stockholder</i>  Leonardo Arthur T. Po, <i>Stockholder</i>  Teodoro Alexander T. Po, <i>Stockholder</i>  Ricardo Gabriel T. Po, <i>Stockholder</i>	Filipino	2,017,619,910 Direct  125,000,000 Indirect	40.289
Common	AO Capital Holdings I, Inc. <i>Stockholder</i>  7/F Arthaland Century Pacific Tower, 5 <sup>th</sup> Avenue corner 30 <sup>th</sup> Street, Bonifacio Global City, Taguig City	Jaime C. González, <i>Stockholder</i>	Filipino	1,383,730,000 Direct	26.019

PCD Nominee Corporation (Filipino) is the holder of 1,650,236,790 Common shares, or 31.035% of the total issued and outstanding Common shares of Arthaland.

Arthaland is not aware of any voting trust agreements involving its shares.

(2) **Security Ownership of Management** (as of 30 April 2023)

<i>Title of Class</i> -----	<i>Name and Position of Record Owners</i> -----	<i>Citizenship</i> -----	<i>Number of Shares &amp; Nature of Ownership</i> -----	<i>% of Class</i> -----
Common	Ernest K. Cuyegkeng <i>Chairman of the Board</i>	Filipino	1 <u>Direct and Beneficial Owner</u>	0.00 %
Common	Jaime C. González <i>Vice Chairman and President</i>	Filipino	76,715,151 <u>Direct and Beneficial Owner</u>	1.44 %
Common	Jaime Enrique Y. González <i>Director</i>	Filipino	1 <u>Direct and Beneficial Owner</u>	0.00 %
Common	Cornelio S. Mapa, Jr. <i>Treasurer and Executive Vice President</i>	Filipino	1 <u>Direct and Beneficial Owner</u>	0.00 %
Common	Christopher Paulus Nicolas T. Po <i>Director</i>	Filipino	1 <u>Direct and Beneficial Owner</u>	0.00 %
Common	Ricardo Gabriel T. Po <i>Vice Chairman</i>	Filipino	1 <u>Direct and Beneficial Owner</u>	0.00 %
Common	Fernan Victor P. Lukban <i>Independent Director</i>	Filipino	1 <u>Direct and Beneficial Owner</u>	0.00 %
Common	Hans B. Sicat <i>Independent Director</i>	Filipino	1	0.00 %



			<u>Direct and Beneficial Owner</u>	
Common	Andres B. Sta. Maria <i>Independent Director</i>	Filipino	1 <u>Direct and Beneficial Owner</u>	0.00 %
None	Riva Khristine V. Maala <i>Corporate Secretary and General Counsel</i>	Filipino	0	N.A.
None	Margeline C. Hidalgo <i>Assistant Corporate Secretary</i>	Filipino	0	N.A.
			-----	
		<b>TOTAL</b>	<b>76,715,159 shares</b>	

None of the present directors and officers works or is connected with any government agency.

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

There are no voting trust holders registered in the books of Arthaland.

### **(4) Changes in Control**

During the Annual Stockholders Meeting held on 24 June 2022, the stockholders elected the following as the members of the Board of Directors for the year 2022-2023 to hold office as such and until their respective successors are duly nominated, elected and qualified:

#### Regular Directors

1. Mr. Ernest K. Cuyegkeng
2. Mr. Jaime C. González
3. Mr. Jaime Enrique Y. González
4. Mr. Cornelio S. Mapa, Jr.
5. Mr. Christopher Paulus Nicolas T. Po
6. Mr. Ricardo Gabriel T. Po

#### Independent Directors

7. Mr. Fernan Victor P. Lukban
8. Mr. Hans B. Sicat, and
9. Mr. Andres B. Sta. Maria

During the Organizational Meeting of the Board of Directors held immediately after the said Annual Stockholders Meeting, the following were elected as officers for the year 2022-2023 to hold office as such and until their respective successors are duly nominated, elected and qualified, to wit:

Chairman

Mr. Ernest K. Cuyegkeng

Vice Chairman and President	Mr. Jaime C. González
Vice Chairman	Mr. Ricardo Gabriel T. Po
Treasurer	Mr. Cornelio S. Mapa, Jr.
Corporate Secretary	Ms. Riva Khristine V. Maala
Assistant Corporate Secretary	Ms. Margeline C. Hidalgo

Other than the foregoing, there is no change in ownership control since the previous annual meeting.

## ITEM 5. Directors, including Independent Directors, and Executive Officers

### a. Incumbent Directors and Positions Held/Business Experience for the Past Five (5) Years

<u>Name of Director</u>	<u>Directorship</u>	<u>Date of First Appointment</u>	<u>Age<sup>3</sup></u>
Ernest K. Cuyegkeng	Non-Executive	21 May 2007	76
Jaime C. González	Executive	21 May 2007	77
Jaime Enrique Y. González	Non-Executive	24 June 2011	46
Christopher Paulus Nicolas T. Po	Non-Executive	24 June 2011	52
Cornelio S. Mapa, Jr.	Executive	25 June 2021	56
Ricardo Gabriel T. Po	Non-Executive	28 March 2012	55
Fernan Victor P. Lukban	Independent	25 April 2011 <sup>4</sup>	63
Hans B. Sicat	Independent	30 June 2017	62
Andres B. Sta. Maria	Independent	24 June 2016	74

**Ernest K. Cuyegkeng**, Filipino, is presently the President and Chief Operating Officer and a Director of A. Soriano Corporation. His other concurrent positions include being the President and Director of Phelps Dodge Philippines International, and a Director of Seven Seas Resorts & Leisure, Prople, KSA Realty, Phinma Insurance Brokers, Inc., iPeople, Inc., Sumifru Singapore and Sumifru Philippines. He is also a Trustee of Andres Soriano Foundation and a member of the Makati Business Club, Management Association of the Philippines, and Financial Executive Institute of the Philippines. He holds a Bachelor of Arts degree in Economics and a Bachelor of Science degree in Business Administration, both from the De La Salle University. He also obtained a Masters degree in Business Administration from the Columbia Graduate School of Business in New York.

**Jaime C. González**, Filipino, presently the Vice Chairman and President of Arthaland, is a graduate of Harvard Business School (MBA) and of De La Salle University in Manila, with degrees in B.A. Economics (*cum laude*) and B.S. Commerce (*cum laude*). Mr. González led Arthaland's transition in 2008 and started the vision of what the company is now. He is also the founder and the Chairman and Chief Executive Officer of AO Capital Partners, a financial and investment advisory firm with headquarters in Hong Kong. He is presently a member of the Board of Directors of a number of companies and was previously the Chairman of IP E-Game Ventures, Inc. which is involved in information technology and new media, retail/food and beverage, natural resources, and real estate and resort development. Apart from these, Mr. González is active in socio-cultural organizations such as the Philippine Map Collectors Society where he is the President, the World Presidents' Organization Philippine Chapter, Harvard Club of New York, Philippine Institute of Certified Public Accountants, and the International Wine and Food Society. He was previously an independent director of Euromoney Institutional Investment PLC (a UK publicly listed media company) and the Southeast Asia Cement Holdings, Inc. (a subsidiary

<sup>3</sup> As of the date of this Report.

<sup>4</sup> Mr. Lukban ceased to be a director of Arthaland on 23 June 2016 but was re-elected anew on 23 October 2019.  
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of Lafarge S.A.). He was at one time the Vice Chairman and President of the Philippine International Trading Corporation and a special trade negotiator (with an equivalent rank of Deputy Minister) of the country's Ministry of Trade. Mr. González was once a partner of SGV & Co. with principal focus on assisting clients in establishing and/or in arranging funding for projects throughout the Asian region.

**Jaime Enrique Y. González**, Filipino, is currently the CEO of IPVI, the Philippines leading venture builder and accelerator. He is also the founder of IPVG Corp., Egames, and IP-Converge, Inc., which all listed on the PSE. Enrique has spent the last two decades building leading internet, technology and telecom businesses in the Philippines which include leading data center provider that serviced Philippines, HK and Singapore. He has also invested in on-shore and undersea fiber optic cable networks and was the principal shareholder behind Prolexic Technologies (which was acquired by Akamai). He sits on the investment committee of several venture capital funds including Emissary Capital and is an active investor in the Southeast Asia technology eco-system. Enrique is committed to continuous learning. He went to Harvard Business school (OPM), is a Kauffman Fellow, and is currently completing courses with London Business School and Tsinghua university. He allocates a fair amount of time to serve non-profit boards and to 'pay it forward'. He is on the board of Young Presidents' Organization (Philippines), Board of Trustees of Asia Society (Philippines), and serves on the board of the Harvard Business School OPM alumni of the Philippines.

**Christopher Paulus Nicolas T. Po**, Filipino, is the Executive Chairman of Century Pacific Food, Inc., a food company listed in the PSE. He concurrently serves as Chairman of Shakey's Pizza Asia Ventures, Inc., likewise a listed chain restaurant business. Prior to those roles, he was Managing Director for Guggenheim Partners, a U.S. financial services firm where he was in charge of the firm's Hong Kong office. Previously, he was a Management Consultant at McKinsey & Company working with companies in the Asian region. He also worked as the Head of Corporate Planning for JG Summit Holdings, a Philippine-based conglomerate with interests in food, real estate, telecom, airlines and retail. He graduated in 1991 from the Wharton School and College of Engineering of the University of Pennsylvania with dual degrees in Economics (finance concentration) and applied science (system engineering). He holds a Masters degree in Business Administration from the Harvard University Graduate School of Business Administration. He is a member of the Board of Trustees of the Ateneo de Manila University, as well as a member of the Board of Asia Society Philippines, and is the President of the CPG-RSPo Foundation.

**Cornelio S. Mapa, Jr.**, Filipino, presently the Treasurer and Executive Vice President of Arthaland, who oversees the Finance Group and the Information Technology Department. He previously had several senior executive roles with the Gokongwei Group of companies and its subsidiaries until 2020. His last position was Senior Vice President, Investments and New Builds of JG Summit Holdings, Inc., a role he carried out concurrently as Executive Vice President for Corporate Strategy of Universal Robina Corporation (URC). He was also the Executive Vice President and Managing Director of the URC Branded Consumer Food Group and before then, he served as Senior Vice President at Robinsons Land Corporation, with the functional role of General Manager of the Commercial Centers Division. Prior to joining the Gokongwei Group of companies, he was Senior Vice President and Chief Financial Officer of Coca Cola Bottlers Philippines, including its subsidiaries, Cosmos Bottling and Philippine Beverage Partners. He was also Senior Vice President and Chief Financial Officer of La Tondeña Distillers, Inc. Mr. Mapa earned his Bachelor of Science degrees in Economics and International Finance from New York University, and obtained his Masters in Business Administration from International Institute for Management Development in Lausanne, Switzerland. He is a Director of DHL

Summit Solutions, Inc. and was recently appointed as Independent Director of Radiowealth Finance Corporation.

**Ricardo Gabriel T. Po**, Filipino, is the Vice Chairman of Century Pacific Food, Inc. (CNPF), and concurrently serves as Vice Chairman of Shakey's Pizza Asia Ventures, Inc. He was the Executive Vice President and Chief Operations Officer of CNPF from 1990 to 2006 and became the Vice Chairman of its Board of Directors in 2006. He graduated *magna cum laude* from Boston University with a Bachelor of Science degree in Business Management in 1990. He also completed the Executive Education Program (Owner-President Management Program) at Harvard Business School in 2000.

**Fernan Victor P. Lukban**, Filipino, is a leading consultant in Family Business, Strategy, Entrepreneurship and Governance. He advises family boards of over a dozen of the most progressive and better governed family businesses in the country. Over the recent years, he has put special focus in developing Base of the Pyramid Initiatives in various provinces in the Philippines. He spent much of his early professional years in the academe helping establish and grow the University of Asia & the Pacific where he still participates as a consultant, mentor and guest lecturer. Mr. Lukban obtained a degree in Mechanical and Industrial Engineering from the De La Salle University. He received his MBA from *Instituto de Estudios Superiores de la Empresa* and MSc in Industrial Economics from the University of Asia & the Pacific.

**Hans Brinker Sicat**, Filipino, is currently a Managing Director with Crescent Point, a Singapore based private equity firm focused on Asian opportunities. He has been a leader in the financial services industry for many years and was most recently the Country Manager and Managing Director of ING Bank in the Philippines, a post he occupied from 2017 to 2022. Prior to joining ING, he was the CEO of the PSE from 2011 to 2017 and was concurrent President & CEO of the Securities Clearing Corporation of the Philippines and a Director of the Philippine Dealing System Holdings Corporation, the country's Fixed Income Exchange. Mr. Sicat has been involved with various global and sectoral activities, and has been an Independent Director of a number of private firms in the Conglomerates, TMT and Real Estate spaces. He was with the Young Presidents' Organization (YPO and YPO Gold) for nearly two decades, an active leader in different roles, including the Chairman for the Philippines' chapter, and a member of the regional South East Asian board and the country Executive Committee. He has also served as a Member of the Board of Directors of the Bankers Association of the Philippines (BAP) and the Investment House Association of the Philippines (IHAP), serving as Committee Chairman for different roles. A mathematician and economist, Mr. Sicat has been a practitioner in the Global Capital Market for over three decades – he was an investment banker with Citigroup and its predecessor firms (Salomon Brothers & Citicorp Securities) in various roles in New York, Hong Kong and the Philippines, including the Country Board of Citigroup Philippines. He finished his coursework for Ph.D. Economics Program at the University of Pennsylvania, Philadelphia. He was conferred an Honorary Doctorate Degree in Business Administration by the Western University in Thailand. He earned his Master of Arts in Economics and Bachelor of Science in Mathematics at the University of the Philippines.

**Andres B. Sta. Maria**, Filipino, was senior partner and a member of the executive committee of the law firm SyCip Salazar Hernandez & Gatmaitan. For over 25 years until he retired, he headed the firm's Special Projects Group, which focused on acquisitions, privatization, power and energy, and industrial and infrastructure projects. He studied at the University of the Philippines, Cornell University and New York University and holds Bachelor of Science in Business Administration, Bachelor of Laws, and Master of Laws degrees. Before SyCip, he worked with the New York law firms Cleary Gottlieb Steen & Hamilton and Coudert Brothers. Mr. Sta. Maria maintains a private practice in commercial

and corporate law.

#### Term of Office

The Board of Directors is composed of nine (9) members who are generally elected at an annual stockholders meeting, and their term of office shall be one (1) year and until their successors shall have been elected at the next annual stockholders meeting and have qualified in accordance with the By-laws of Arthaland.

None of the present directors and officers works or is connected with any government agency.

#### b. **Procedure for the Nomination and Election of Independent Directors**

Section 2, Article III of Arthaland's By-laws provides for the Procedure for the Nomination & Election of Independent Directors, as follows:

“The Board of Directors shall be composed of nine (9) members, at least two (2) of whom shall be independent directors. The directors shall be elected at the annual stockholders' meeting and their term of office shall be one (1) year and until their successors shall have been elected at the next annual stockholders' meeting and have qualified in accordance with these By-laws and under pertinent laws and regulations of the Philippines.

“To be eligible for nomination or election to the Board of Directors, the candidate must possess all the qualifications and none of the disqualifications enumerated in these By-laws and the Rules of the Corporation's Nomination Committee, and must abide by the nomination process as stated therein.

“An independent director is a director who, apart from his fees and shareholdings, is independent of management and 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 responsibilities as a director, and includes, among other persons, one who:

- a. is not or has not been an officer or employee of the Corporation, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election (other than as an independent director of any of the foregoing);
- b. is not a director or officer of the related companies of the Corporation's majority stockholders (other than as an independent director thereof);
- c. is not a majority stockholder of the Corporation, any of its related companies, or of its majority stockholders;
- d. is not a relative within the fourth degree of consanguinity or affinity, legitimate or common-law, of any director, officer or majority stockholder of the Corporation or any of its related companies;
- e. is not acting as nominee or representative of any director or substantial stockholder of the Corporation, any of its related companies or any of its substantial stockholders;
- f. is not retained, or within the last two (2) years has not been retained, as a professional adviser, consultant, agent or counsel of the Corporation,

any of its related companies or any of its substantial stockholders, either in his personal capacity or through his firm, or has not engaged and does not engage in any transaction with the Corporation or with any of its related companies or with any of its substantial stockholders, whether by himself or with other persons, or through a firm of which he is a partner or a company of which he is a director or substantial stockholder, other than transactions which are conducted at arms-length and could not materially interfere with or influence the exercise of his judgment;

- g. is not affiliated with or employed by or within the last three (3) years, has not been affiliated with or employed by the Corporation's present or former external auditors or affiliates; and,
- h. complies with all the qualifications required of an independent director and does not possess any of the disqualifications, and has not withheld nor suppressed any information material to his qualification or disqualification as an independent director.

"When used in relation to the Corporation, "related company" means another company which is (i) its holding company; (ii) its subsidiary; or (iii) a subsidiary of its holding company; and "substantial stockholder" means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

"No person shall qualify or be eligible for nomination or election to the Board of Directors (i) if he is engaged in any business that competes with or is antagonistic to that of the Corporation or its subsidiaries, taking into consideration such factors as business and family relationships, provided that the Nomination Committee shall have sole discretion to determine whether such competition or antagonism exists; or (ii) if he is employed by any government agency or a government owned or controlled corporation; or (iii) if he has or had, by himself or on behalf of an entity he represents, instituted any action or has a pending suit against any of the Corporation's directors or any stockholder who owns at least 10% of the total outstanding shares of the Corporation. Further, no person shall qualify or be eligible for election to the Board of Directors if his nomination is disapproved by at least fifty-one percent (51%) vote of the Board of Directors.

"In addition, no person shall qualify or be eligible for nomination or election to the Board of Directors if he is suffering from any of the following grounds for permanent disqualification:

- a. Conviction by final judgment or order of a competent judicial or administrative body of any crime that (i) involves moral turpitude or similar fraudulent acts or transgressions such as fraud, embezzlement, theft, *estafa*, counterfeiting, misappropriation, forgery, bribery, false affirmation, or perjury; (ii) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (iii) 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 (iv) arises out of his fiduciary relationship with a bank, quasi-bank, trust company,

investment house or as an affiliated person of any of them. For purposes of this Section, “similar fraudulent acts or transgressions” shall be defined as anything calculated to deceive, including all acts, omissions and concealment involving a breach of legal or equitable duty, trust or confidence justly reposed, resulting in damage to another, or by which an undue advantage is taken of another;

- b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Securities and Exchange Commission, or any court of competent jurisdiction, or any administrative body which the Corporation is subject of, 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, investment company, or any corporation; (iii) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (i) and (ii) above, or willfully violating the laws governing securities and banking activities;

The disqualification shall also apply if such person is currently the subject of an order of the Commission, or any court, or any administrative body which the Corporation is subject of, denying, revoking or suspending any registration, license or permit issued to him under the Revised Corporation Code, Securities Regulation Code, or any other law administered by the Commission or *Bangko Sentral ng Pilipinas* (BSP), or under any rule or regulation issued by the Commission 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;

- c. Convicted or adjudged by final judgment or order by a court or administrative body which the Corporation is subject of, of an offense punishable by imprisonment for a period exceeding six (6) years, or to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Revised Corporation Code, Securities Regulation Code or any other law administered by the Commission or the BSP, committed within five (5) years prior to the date of election as director;
- d. Any person earlier elected as an independent director who becomes an officer, employee or consultant of the Corporation;
- e. Judicial declaration of bankruptcy or insolvency; and,
- f. Final judgment or order of a foreign court or equivalent regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (a) to (e) above.

“The following reasons shall also be considered by the Nomination Committee in evaluating the qualifications of all persons nominated to the Board and such other appointments which require Board approval:

- a. Refusal to fully disclose the extent of his business interests as required under the Securities Regulation Code and its Implementing Rules and Regulations;
- b. Absence or non-participation for whatever reason/s in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident;
- c. Dismissal/termination for cause as director of any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the Commission;
- d. Being under preventive suspension by the Corporation; and
- e. If the beneficial equity ownership of an independent director in the Corporation or its subsidiaries and affiliates exceed two percent (2%) of its subscribed capital stock.

“For the proper implementation of the provisions of this Section, all nominations for the election of directors by the stockholders shall be submitted in writing to the Nomination Committee through the Secretary at the Corporation’s principal place of business at least sixty (60) business days before the date of the stockholders’ meeting called for the purpose of electing directors, or at such earlier or later date that the Board of Directors may fix.

“The decision of the Nomination Committee is final for purposes of the election.”

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In accordance with the foregoing provision, and in order to enable any and all shareholders to participate in the nomination process, the deadline for the submission of nominees to the Board, including those for independent directors the qualifications of whom must meet those mentioned in the abovementioned section of Arthaland’s By-laws, was set on 28 April 2023.

Section 14, Article III of Arthaland’s By-laws further provides that the nomination of independent directors shall be conducted by the Nomination Committee<sup>5</sup> prior to a stockholders meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.

The Nomination Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent directors.

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<sup>5</sup> Renamed Governance and Nomination Committee and composed presently of Messrs. Ricardo Gabriel T. Po (Chairman), Hans B. Sicat and Andres B. Sta. Maria.



After the nomination, the Nomination Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, which list shall be made available to all stockholders through the filing and distribution of this Information Statement in accordance with the Securities Regulation Code or in such other reports Arthaland is required to submit to the SEC. The name of the person or group of persons recommending the nomination of the independent director shall be identified in such report including any relationship with the nominee.

Only nominees whose names appear on the Final List of Candidates shall be eligible for election as independent director/s. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual stockholders meeting.

Except as those required under the Securities and Regulation Code and subject to pertinent existing laws, rules and regulations of the SEC, the conduct of the election of independent director/s shall be made in accordance with the standard election procedures under the By-laws of Arthaland.

The Chairman of the Annual Stockholders Meeting shall be responsible for informing all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure that independent directors are elected during the said stockholders' meeting and specific slot/s for independent directors shall not be filled up by unqualified nominees. In case of failure of election for independent directors, the Chairman of the meeting shall call a separate election during the same meeting to fill up the vacancy.

Below is the Final List of Candidates as directors and independent directors of Arthaland for the ensuing year:

A. Nominees for Regular Directors

1. Mr. Ernest K. Cuyegkeng
2. Mr. Jaime C. González
3. Mr. Jaime Enrique Y. González
4. Mr. Cornelio S. Mapa, Jr.
5. Mr. Christopher Paulus Nicolas T. Po
6. Mr. Ricardo Gabriel T. Po

B. Nominees for Independent Directors

7. Ms. Denise Loreena V. de Castro
8. Mr. Hans B. Sicat
9. Mr. Andres B. Sta. Maria

With the exception of Ms. De Castro, the above nominees are all incumbent directors of Arthaland. Their respective qualifications and the positions they held and/or business experience for the past five (5) years are reflected in Item 5a of this Information Statement.

Ms. De Castro, Filipino, is the Principal Architect of DEQA Design Collaborative (formerly DDC Architectural Studio), an award-winning studio she founded in 2010 which integrates planning, architecture, interior, and product design with the expertise of affiliated specialty consultants. She is recognized as one of the Philippines' Best Architects by multiple publications and associations. She worked previously at IDEO (San Francisco) and Lor Calma Design Associates (Manila). She obtained her Bachelor of Arts degree in Architecture in Wellesley College, and earned her Master's degree in Architecture from Harvard University Graduate School of Design.

Messrs. Sicat and Sta. Maria were nominated as independent directors by Mr. Jaime C. Gonzalez. Ms. De Castro, on the other hand, was nominated by Mr. Christopher T. Po. None of the nominees for independent directors are in any way related to the party who nominated them or to any one of the shareholders of Arthaland owning more than five percent (5%) of its voting shares. They possess all the qualifications and none of the disqualifications to become independent directors of Arthaland. Further, they are not officers or employees of Arthaland or any of its subsidiaries and are free from any business or other relationships with Arthaland or any of its subsidiaries which could, or could reasonably be perceived to, materially interfere with the exercise of their independent judgment in carrying out their responsibilities as independent directors. Copies of the Certification of Independent Directors of Messrs. Sicat and Sta. Maria, and Ms. de Castro are attached to this Information Statement.

Arthaland complies with the term limits of its independent directors.

None of Arthaland's incumbent directors or its nominees for directors and independent directors for the ensuing year works for or is connected with any government agency or instrumentality.

c. **Corporate and Executive Officers and Positions Held/Business Experience for the Past Five (5) Years**

The following are the incumbent principal corporate officers of Arthaland:

Chairman of the Board	Ernest K. Cuyegkeng
Vice Chairman and President	Jaime C. González
Vice Chairman	Ricardo Gabriel T. Po
Treasurer and Executive Vice President	Cornelio S. Mapa, Jr.
Corporate Secretary and General Counsel	Riva Khristine V. Maala
Assistant Corporate Secretary	Margeline C. Hidalgo

**Riva Khristine V. Maala**, Filipino, holds a Bachelor of Arts degree in Philosophy (*cum laude*) and a Bachelor of Laws degree, both from the University of the Philippines. She was an Associate Attorney of Fortun Narvasa and Salazar Law Offices before working in the banking industry for eleven years as documentation lawyer, among others. Atty. Maala became Arthaland's Head of Legal Affairs and Investor Relations on 01 October 2012, and likewise acted as its Assistant Corporate Secretary and Corporate Information Officer until 08 February 2017 when she was appointed as Corporate Secretary and General Counsel. In addition, she performs the responsibilities of Arthaland's Compliance Officer, having assisted Arthaland's previous compliance officers on their tasks as such.

**Margeline C. Hidalgo**, Filipino, holds a Bachelor of Science degree in Economics (*cum laude*) and a Juris Doctor degree, both from the University of the Philippines. She was an Associate Attorney of Angara Abello Concepcion Regala & Cruz Law Offices before working at Bank of Commerce as Legal Officer and subsequently at CBRE GWS Business Support Services Philippines, Inc. as Commercial Counsel for the Asia Pacific region. She joined Arthaland in January 2020 and is currently its Legal Counsel and Assistant Corporate Secretary.

**Term of Office:**

The corporate officers of Arthaland are appointed/elected by the Board of Directors at the organizational meeting following the stockholders meeting for a term of one (1) year, and until their successors are appointed/elected and have qualified in accordance with the By-laws of

Arthaland. Further, any two (2) or more positions may be held concurrently by the same person, except that no one shall act as President and Treasurer or Secretary at the same time.

**d. Significant Employees**

Other than the above-named directors and corporate officers, the following are significant or key personnel of Arthaland who make a significant contribution to its business:

**Christopher G. Narciso**, Filipino, is the Executive Vice President who oversees the concerns of Business and Project Development, Customers Account Management, Construction Management, Planning and Design, Construction Cost Management, and Strategic Procurement. Prior to joining Arthaland, Mr. Narciso was an Executive Director of the Philippine Transmarine Carriers Group and the Concurrent Chief Operating Officer of ACM Landholdings, Inc. He was also at one time the Chief Operating Officer of Taft Property Ventures Development Corporation, a member of Metro Gaisano Vicsal Development Corporation. He worked at Robinsons Land Corporation from 2007 until 2013, and Narel Realty and Development Corporation from October 1995 to March 2007. Mr. Narciso graduated from the De La Salle University with a Bachelor of Science degree in Industrial Management Engineering, minor in Chemical Engineering, and also earned units in Masters in Business Administration from the University of Western Australia. He is a past National President of the Subdivision and Housing Developers Association.

**Oliver L. Chan**, Filipino, is the Head of Sales and Leasing Operations and oversees Project Marketing. He is a mechanical engineer who obtained his degree from the University of Santo Tomas. Prior to joining Arthaland, he was the Property Manager of Ayala Property Management Corporation who handled the operations of the premiere retail and recreation centers of Ayala Land, Inc., namely, the Greenbelt complex, Ayala Museum, San Antonio Plaza in Forbes Park, and the retail spaces at The Residences at Greenbelt. Because of his strong customer service background, he is concurrently President and General Manager of Emera Property Management, Inc., the property management arm of Arthaland and as of 16 October 2022, he became Arthaland's Chief Sustainability Officer.

**Sheryll P. Verano**, Filipino, is the Head of Strategic Funding & Investments and Corporate Planning and is Arthaland's Investor Relations Officer. She is a finance professional with over 20 years-experience in financial advisory, debt and equity capital raising, debt restructuring and mergers and acquisitions. Prior to joining Arthaland, she was Associate Director in American Orient Capital Partners (Philippines) and was with the Global Corporate Finance group of SGV and Co. She received her CFA Charter in 2006 and was one of the topnotchers in the 1999 CPA Board Exams. She graduated *cum laude* from the University of the Philippines with a Bachelor of Science degree in Business Administration and Accountancy.

**Marivic S. Victoria**, Filipino, was appointed as Chief Finance Officer on 01 October 2022. She is a seasoned executive with more than two (2) decades of experience in Finance, Controllershship, Audit and Taxation. Prior to joining Arthaland as Deputy Chief Finance Officer on 15 December 2021, she was the Treasurer and Chief Finance Officer of the Philippine office of Capmark Financial Group and Elite Union Group. She started her career in SGV and Co. She is a Certified Public Accountant who obtained her MBA from the joint program of Ateneo de Manila University and Regis University. She completed the Executive Development Program of the Wharton School of the University of Pennsylvania, and attended the training on Circular Economy and Sustainability Strategies of the Judge Business School of the University of Cambridge.

**Joseph R. Feliciano**, Filipino, was appointed Internal Audit Head in 2020 and was thereafter promoted to Internal Audit and Risk Management Officer on 15 December 2021. He obtained from Far Eastern University his Bachelor of Science degree in Commerce major in Accounting

with honors (*cum laude*). He also earned several units of Masters of Business Administration from the De La Salle University-Graduate School of Business. Mr. Feliciano is a seasoned internal audit professional with more than 25 years work experience. He is a Certified Internal Auditor (CIA) and Certified Public Accountant (CPA). Prior to joining Arthaland, he was the Head of Internal Audit of TrueMoney Phils. He was also previously the Regional Audit Manager for the Asian region of VisionFund International and the Country Audit Head of Sun Life of Canada. He held key audit positions in companies such as Sumisho (subsidiary of Sumitomo Corporation of Japan), Citigroup, ABS-CBN and Manulife. Mr. Feliciano has recently been elected as a member of the Board of Trustees for 2023-2024 of the Institute of Internal Auditors (IIA)-Phils., a global institute that has a network of affiliates serving members in the fields of internal auditing, risk management, governance, internal control, IT audit, education, security, and management. He has experience in controllership and finance as well.

**Aristides Antonio C. Gonzales**, Filipino, was appointed as Head of the Business and Project Development Department on 23 February 2022. Mr. Gonzales is a graduate of the De La Salle University with a Bachelor of Science degree in Civil Engineering, major in Structural Design, and he obtained his Masters Degree in Business Administration from the Asian Institute of Management. He is a licensed Civil Engineer and a Real Estate Broker, with over 16 years of professional experience in the field of business and project development specific to the real estate industry. He spent the majority of his career in Alveo Land Corporation overseeing its expansion and development in key growth areas of the country such as Makati, Alabang, Nuvali, Cavite, Tagaytay and Cebu.

**Leilani G. Kanapi**, Filipino, joined Arthaland in March 2008 initially as part of the Technical Services team. She was eventually tasked to head the Procurement Department in August 2009. She worked previously with Rockwell Land Corporation where she took on roles in Estate Management, Handover and Project Development. Prior to that, she was with CB Richard Ellis as Business Development and Operations Manager for the Property and Facilities Management Group. Ms. Kanapi graduated from the University of Santo Tomas with a Bachelor of Science degree in Civil Engineering and obtained a Masters Degree in Business Administration from Pepperdine University, USA where she also had the opportunity to join the Student Exchange Program in Marseille, France. She has been among the representatives of Arthaland to the Philippine Green Building Council since 2010 and she was recently elected as a member of its Board of Trustees.

**Ma. Angelina B. Magsanoc**, Filipino, oversees Arthaland's Corporate Communications, Brand and Reputation Management. She has more than 25 years experience working at various positions linked to financial and real estate industries. A greater part of her career in Standard Chartered Bank, Jardine Fleming Exchange Capital Securities, Belle Corporation, Highlands Prime, and Terra Nostra, was dedicated to marketing, business development and finance. Prior to joining Arthaland, she held the position of Vice President for Business Development and Marketing of ACM Landholdings, Inc. Ms. Magsanoc took up A.B. Management Economics from the Ateneo de Manila University and earned masteral units from the Ateneo Graduate School of Business.

**Alex D. Miguel**, Filipino, was appointed as a Vice President of the Technical Services Group on 05 August 2022. Mr. Miguel is a graduate of the Holy Angel University in Angeles City, Pampanga, with a Bachelor of Science degree in Civil Engineering. He has more than 36 years of work experience in Construction Management specifically estate development and residential and commercial construction for vertical and horizontal projects. He worked previously with D.M. Consunji, Inc., Makati Development Corporation, Alveo Land Corporation, Taft Property Ventures & Development Corporation, Federal Land, and most recently, Shang Properties, Inc.

**Richard C. Naval**, Filipino, was appointed as a Vice President of the Technical Services Group on 19 September 2022. He is a graduate of Civil Engineering from the University of Santo

Tomas and with academic units on Masters in Construction Management from the Polytechnic University of the Philippines (Open University). He has more than 23 years experience in construction and project management in a leadership capacity. He worked previously with Filinvest, HongKong Land Phils., Geo Estate Development Corporation, Costa Del Hamilo, Inc. (SM Group), Robinsons Land Corporation and Federal Land.

**Clarence P. Borromeo**, Filipino, has been the Head of the Information Technology (IT) Department since 2009, and was appointed on 09 May 2018 as Arthaland's Data Privacy Officer concurrently. Before joining Arthaland, he was the IT Head of the ICCP Group of Companies (Investment and Capital Corporation of the Philippines), and before that, the IT Head at RAMCAR Food Group (Kentucky Fried Chicken and Mr. Donut). He started his career in Information Technology as IT Helpdesk Supervisor at Zuellig Interpharma Holdings. Mr. Borromeo has a degree in AB Interdisciplinary Studies from the Ateneo de Manila University where he became an Instructor at the Department of Information Systems and Computer Science from 2009 to 2020.

None of the foregoing officers works or is connected with any government agency or instrumentality.

**e. Family Relationship**

With the exception of brothers Ricardo Gabriel T. Po and Christopher Paulus Nicolas T. Po, and father and son Jaime C. González and Jaime Enrique Y. González, the abovementioned incumbent directors and executive officers of Arthaland are not related to each other, either by consanguinity or affinity.

**f. Involvement in Certain Legal Proceedings**

The above-named directors and corporate/executive officers of Arthaland have not been involved during the past five (5) years up to the date of this Report in any bankruptcy proceeding or any proceeding involving a violation of securities or commodities laws or regulations, nor have they been convicted in a criminal proceeding. Neither has there been any order or judgment enjoining, barring, suspending or limiting their involvement in any type of business, securities, commodities or banking activities.

The above notwithstanding, a director and an officer of Arthaland are currently parties to legal proceedings which neither involves Arthaland directly nor their acts as such director and officer. There is no final resolution on these proceedings at this time and Arthaland believes that their involvement in said proceedings is not material to an evaluation of the ability or integrity of such person to become a director or officer of Arthaland.

1. In 2013, the Philippine Deposit Insurance Corporation (PDIC) had filed one and the same complaint against Mr. Jaime C. González, among other former officers of then Export and Industry Bank, before (a) the Department of Justice (DOJ), and (b) the *Bangko Sentral ng Pilipinas* (BSP) for violation of Section 21 (f)(10) of Republic Act (R.A.) No. 3591, Section 21 (f)(4) of R.A. No. 3591, and Sections 55, 56 and 66 of R.A. No. 8791 in relation to Section 36 of R.A. No. 7653. PDIC alleged that the respondents committed acts which constituted doing business in an unsafe and unsound manner, essentially having concealed from PDIC the engagement as the bank's financial advisor of a company which Mr. González was an officer of, simultaneously with being an officer of the bank. All respondents to the complaint denied PDIC's accusation and submitted documentary evidence that there was in fact full disclosure to all concerned parties.

In 2014, the DOJ found no probable cause to hold Mr. González and his co-respondents liable for the charges of PDIC against them and dismissed the complaint. PDIC's Motion

for Reconsideration was likewise denied. PDIC filed a Petition for Review before the Secretary of Justice but there is no decision on the matter to date.

In March 2016, PDIC filed a civil complaint for sum of money against Mr. González, among others, arising from the same set of allegations and circumstances stated in the above complaint PDIC filed with the DOJ, *i.e.* that Mr. González and his co-defendants committed fraud with the concealment of the engagement of the company which Mr. González was an officer of, as the bank's financial advisor, and demanded from the defendants the return of the payment made by the bank to a third party. The individual defendants denied PDIC's assertions and presented evidence that there was full disclosure of the questioned transaction given that a PDIC officer was a member of the bank's board of directors at the time.

On 12 November 2021, the trial court denied the PDIC's application for preliminary attachment without prejudice to further evidence that may be presented in the trial proper to prove the alleged fraud. Trial is ongoing.

Insofar as the administrative case before the BSP, in a Resolution dated 13 June 2019, the Monetary Board approved the Report prepared by the Office of the General Counsel and Legal Services finding Mr. González, among others, administratively liable for violation of banking laws and imposing upon him a fine of ₱20,000.00. Mr. González filed a Motion for Reconsideration on 09 July 2019 and paid the fine under protest, *i.e.*, without abandoning his Motion for Reconsideration or waiving his legal right to question the Monetary Board Resolution before the proper courts and eventually claim reimbursement for the payment of the fine should said Resolution be set aside. BSP denied the Motion on 07 February 2020, hence, Mr. González filed a Petition for Review before the Court of Appeals which is pending resolution to date.

2. In 2015, PDIC filed one and the same complaint against Mr. González, Ms. Angela de Villa Lacson, Arthaland's former President and CEO, Mr. Froilan Q. Tejada, Arthaland's former Chief Finance Officer, and Ms. Riva Khristine V. Maala, Assistant Corporate Secretary of Arthaland at the time, among other former officers of then Export and Industry Bank, (a) before the DOJ for violation of Article 315 of the Revised Penal Code in relation to Presidential Decree No. 1689 and of Section 21(f)(10) of R.A. No. 3591, as amended, and (b) before the BSP for violation of Section 37 of R.A. No. 7653. PDIC alleged that the respondents conspired and fraudulently caused the bank to make advances in favor of Arthaland for the alleged purchase by Arthaland of one of the bank's non-performing assets in the sum of ₱13 million. All respondents denied PDIC's charges against them in their respective counter-affidavits.

In March 2017, the DOJ charged Mr. González and Ms. Maala, among other respondents in this case, for violation of Sec. 21(f)(10) of R.A. No. 3591, as amended, while the charges for the violation of Article 315 of the Revised Penal Code in relation to Presidential Decree No. 1689 were dismissed. Mr. González and Ms. Maala filed their respective Motions for Partial Reconsideration in December 2018, and in February 2019, the DOJ dismissed altogether the criminal complaint against the respondents for violation of Sec. 21(f)(10) of R.A. No. 3591, as amended. PDIC filed a Petition for Review of the said dismissal before the Office of the DOJ Secretary on 14 May 2019 and there is no decision on the matter to date.

On the other hand, in May 2017, the BSP issued a Decision formally charging Mr. González, Ms. Maala and the other respondents for committing irregularities under Section 37 of R.A. No. 7653, and committing unsafe or unsound banking practices under Section 56 of R.A. No. 8791 in relation to Section 37 of R.A. No. 7653. Presently, the case is with the Office of the General Counsel and Legal Services of the BSP and is pending resolution.

**g. Certain Relationships and Related Transactions**

In the regular conduct of its business, Arthaland and its subsidiaries enter into intercompany transactions, primarily advances by Arthaland to a subsidiary which are necessary to carry out the latter's functions, subject to liquidation and reimbursements for expenses. Arthaland ensures that while these transactions are made substantially on the same terms as with other individuals and businesses of comparable risks, they are fair and treated at arm's length.

In addition, below are ongoing transactions of Arthaland with its principal shareholder CPG Holdings, Inc. (CPG) as of 31 March 2023:

**1. Share Purchase Agreement**

Arthaland has an outstanding receivable from CPG amounting to ₱36.1 million as of 31 March 2022 and 31 December 2021 arising from the Share Purchase Agreement among Arthaland, CPG and AO Capital Holdings I, Inc. (AOCH1). Under the claw-back provision of said agreement, Arthaland warrants the final resolution acceptable to CPG and its counsel with respect to the pending complaint involving the property owned by Urban Property Holdings, Inc. (UPHI) which includes, among others, removing all doubt on the ownership of UPHI over the property. In the event the satisfactory evidence is submitted by Arthaland to CPG, the latter shall pay to Arthaland the entire claw-back amount, or a portion thereof plus interest earned in which the claw-back amount was held in escrow.

**2. Management Fee**

Management fees are recognized for management consultancy, development and administrative services provided by CPG to Arthaland. Outstanding balances are unsecured, noninterest-bearing, payable on demand and to be settled in cash.

On the other hand, below are the ongoing material non-controlling interest transactions of Arthaland as of 31 March 2023:

**1. Cebu Lavana Land Corp. (CLLC)**

Rock & Salt B.V (RSBV) subscribed to 214,351 common and 118,982 preferred shares of CLLC's shares of stock in January 2016 which represent 40% of the ownership and voting rights thereof. In addition to the advances from Arthaland, CLLC also obtained advances from RSBV for its real estate project. RSBV is a foreign private limited liability company existing and duly constituted under the laws of Netherlands, and managed by Arch Capital Management Company, Ltd. All outstanding balances are unguaranteed, unsecured, bearing interest at 3.5% per annum, and payable on demand and in cash.

In December 2021, Arthaland purchased RSBV's shareholdings in CLLC for ₱113.2 million which resulted to Arthaland owning 100% of CLLC. Also, RSBV assigned its shareholder advances to and accrued interest receivables from CLLC amounting to ₱764.1 million in favor of Arthaland. Arthaland's outstanding payable arising from the purchase of RSBV's common and preferred shares in CLLC amounted to ₱762.3 million as at 31 December 2021 which were subsequently settled in 2022.

**2. Savya Land Development Corporation (SLDC)**

Non-controlling interests over SLDC is 41% as of 31 December 2022 and 31 December 2021. SLDC received deposits from Help Holdings, Inc. (HHI), the other shareholder of SLDC, aggregating ₱1,909.6 million and ₱1,305.5 million as at 31 December 2022 and 2021, respectively, for future stock subscription.

On 17 March 2023, the deposits amounting to ₱1,909.6 million were converted to preferred shares. The net income of SLDC which was allocated to non-controlling interests amounted to

₱24.4 million and ₱119.2 million in 2022 and 2021, respectively, which is determined based on the joint venture agreement between Arthaland and Mitsubishi Estate Company (MEC).

**3. *Kashtha Holdings, Inc. (KHI)***

On 1 June 2020, Arthaland assigned 40% of its advances to KHI amounting to ₱195.0 million in favor of Mitsubishi Estate Company (MEC). These advances bear interest at 3.5% per annum. These are unsecured, unguaranteed and payable on demand and in cash.

**4. *Bhavana Properties, Inc. (Bhavana) and Bhavya Properties, Inc. (Bhavya)***

In December 2021, Arthaland sold, transferred and conveyed by way of secondary sale in favor of Narra Investment Properties Pte. Ltd. (“Narra”), a foreign private limited liability company existing and duly constituted under the laws of Singapore and managed by Arch Capital Management Company, Ltd., all of its rights, title and interest in and to 40% of the common shares of stock of Bhavana and of Bhavya, or 20,000,000 common shares of stock of each of Bhavana and Bhavya, as well as its shareholder advances and accrued interest receivables aggregating to ₱449.4 million, in exchange for ₱446.8 million. The transfer of the Bhavana and the Bhavya shares decreased the effective ownership of Arthaland in each of these companies from 100% to 60%. Arthaland’s receivable arising from the sale of interests in Bhavana and in Bhavya amounted to ₱4.2 million and ₱208.6 million as at 31 December 2022 and 31 December 2021, respectively.

Except for the foregoing and related disclosures on intercompany transactions between Arthaland and its subsidiaries for the period covered by this Information Statement as further discussed in the audited financial statements hereto attached as an integral part hereof, there are no other transactions (or series of similar transactions) with or involving any of Arthaland’s subsidiaries, affiliates or related companies in which a director or an executive officer or a stockholder who owns ten percent (10%) or more of Arthaland’s total outstanding shares, or member/s of their immediate family, had or is to have a direct or indirect material interest.

Further, no director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual meeting of Arthaland because of a disagreement therewith on matters relating to its operations, policies, and practices.

## **ITEM 6. Compensation of Directors and Executive Officers**

### **a. Compensation of Directors and Executive Officers**

Section 10, Article III of Arthaland’s By-laws provides that the “Board of Directors is empowered and authorized to fix and determine the compensation of its members, including profit sharing and other incentives, subject to the limitations imposed by law.”

Beginning June 2016, the per diem given to each director for each meeting of the Board (special or regular) attended was increased to P75,000.00 for independent directors and P10,000.00 for regular directors, except for the Chairman of the Board who receives P100,000.00.

Each director is also paid a per diem of P2,500.00 for each committee meeting he attends, of which he is a member. These committees are the Executive Committee, the Audit and Risk Committee, the Stock Option and Compensation Committee, and the Governance and Nomination Committee.

The current members of Arthaland’s various committees are:

Audit and Risk Committee	Fernan Victor P. Lukban, Chairman Hans B. Sicat
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	Andres B. Sta. Maria
Stock Option and Compensation Committee	Jaime C. González, Chairman Ricardo Gabriel T. Po Hans B. Sicat
Governance and Nomination Committee	Ricardo Gabriel T. Po, Chairman Hans B. Sicat Andres B. Sta. Maria
Executive Committee	Jaime C. González, Chairman Ricardo Gabriel T. Po, Vice Chairman Jaime Enrique Y. González Christopher Paulus Nicolas T. Po Cornelio S. Mapa, Jr.

Section 7, Article IV, in turn, provides that the “Chairman, or such other officer(s) as the Board of Directors may authorize, shall determine the compensation of all the officers and employees of the Corporation. xxx”

The compensation of Arthaland’s directors for the last two years is as follows:

<u>Name of Director</u>	<u>2022 (₱)</u>	<u>2021 (₱)</u>
Ernest K. Cuyegkeng	700,000.00	1,097,500.00
Jaime C. González	90,000.00	112,500.00
Jaime Enrique Y. González	65,000.00	80,000.00
Fernan Victor P. Lukban	615,000.00	690,000.00
Cornelio S. Mapa, Jr.	87,500.00	70,000
Christopher Paulus Nicolas T. Po	87,500.00	110,000.00
Leonardo Arthur T. Po <sup>6</sup>	n.a.	40,000.00
Ricardo Gabriel T. Po	70,000.00	100,000.00
Hans B. Sicat	625,000.00	615,000.00
Andres B. Sta. Maria	622,500.00	845,000.00
Total	2,962,500.00	3,760,000.00

Beginning June 2023, the per diem to be given to a regular director for each meeting of the Board (special or regular) attended will increase to ₱15,000.00. The Chairman of the Board and the Independent Directors will continue to receive ₱100,000.00 and ₱75,000.00, respectively. On the other hand, for each committee meeting attended by a director of which he is a member, the per diem will be ₱7,500.00.

*(This portion is intentionally left blank.)*

<sup>6</sup> Resigned effective on 31 May 2021.

The compensation of Arthaland's officers and other employees for the last two years is as follows:

## 2022

	<u>Salary</u> <sup>7</sup>	<u>Bonus</u>	<u>Others</u>
Executives <sup>8</sup> includes Jaime C. Gonzalez, the <i>Vice Chairman and President</i> , and the four highest compensated officers: i. Cornelio S. Mapa, Jr., <i>Treasurer and Executive Vice President</i> ii. Christopher G. Narciso, <i>Executive Vice President</i> iii. Gabriel I. Paulino <sup>9</sup> , <i>Head, Technical Services</i> , and iv. Sheryll P. Verano, <i>Head, Strategic Funding and Investments</i> .	₱100.12M	₱6.449M	None
<u>Officers</u> (As a group unnamed) <sup>10</sup>	₱62.67M	₱4.20M	None

## 2021

	<u>Salary</u> <sup>11</sup>	<u>Bonus</u>	<u>Others</u>
Executives <sup>12</sup> includes Jaime C. Gonzalez, the <i>Vice Chairman and President</i> , and the four highest compensated officers: i. Cornelio S. Mapa, Jr., <i>Treasurer and Executive Vice President</i> ii. Christopher G. Narciso, <i>Executive Vice President</i> iii. Gabriel I. Paulino, <i>Head, Technical Services</i> , and iv. Sheryll P. Verano, <i>Head, Strategic Funding and Investments</i> .	₱77.50M	₱5.27M	None
<u>Officers</u> (As a group unnamed) <sup>13</sup>	₱50.11M	₱4.16M	

<sup>7</sup> Rounded-off.

<sup>8</sup> Includes all employees with the rank of Vice President and higher.

<sup>9</sup> Retired effective 31 December 2022.

<sup>10</sup> Includes all employees with the rank of Manager up to Senior Assistant Vice President.

<sup>11</sup> Rounded-off.

<sup>12</sup> Includes all employees with the rank of Vice President and higher.

<sup>13</sup> Includes all employees with the rank of Manager up to Senior Assistant Vice President.

### **Estimated Compensation for 2023 (Collective)**

	<u>Salary</u> <sup>14</sup>	<u>Bonus</u>	<u>Others</u>
Directors and Executives	₱102.22M	None <sup>15</sup>	None
Officers (As a group unnamed)	₱57.33M		

**b. Standard Arrangement/Material Terms of Any Other Arrangement/Terms and Conditions of Employment Contract with Above Named Corporate/Executive Officers**

During Arthaland's annual meeting held on 16 October 2009, the stockholders representing more than sixty-seven percent (67%) of all its issued and outstanding common shares which are entitled and qualified to vote approved Arthaland's Stock Option Plan (the "2009 ALCO Stock Option Plan"). The total amount of shares which are available and may be issued for this purpose will amount to 10% of Arthaland's total outstanding capital stock at any given time. At present, this is equivalent to 531,809,519 shares.

The Stock Option and Compensation Committee consisting of at least three (3) directors, one (1) of whom is an independent director, will administer the implementation of this plan.

Qualified employees eligible to participate under the plan are (i) members of the Board, with the exception of the independent directors; (ii) President and CEO and other corporate officers, which include the Corporate Secretary and the Assistant Corporate Secretary; (iii) Employees and Consultants who are exercising managerial level functions or are members of the Management Committee; and (iv) Executive officers assigned to Arthaland's subsidiaries or affiliates<sup>16</sup>.

The Stock Option and Compensation Committee is empowered to determine to whom Options are to be granted, determine the price the Option is to be exercised (which in no case shall be below the par value of Arthaland's common stock), decide when such Option shall be granted and its effectivity dates, and determine the number and class of shares to be allocated to each qualified employee. The Committee will also consider at all times the performance evaluation of the qualified employee and/or the result of the achievement of the objectives of Arthaland each year.

The Option Period during which the qualified employee may exercise the option to purchase such number of shares granted will be three (3) years starting with the full year vesting in accordance with the following schedule:

- (i) Within the first twelve (12) months from Grant Date - up to 33.33%
- (ii) Within the 13<sup>th</sup> to the 24<sup>th</sup> month from Grant Date - up to 33.33%
- (iii) Within the 25<sup>th</sup> to 36<sup>th</sup> month from Grant Date - up to 33.33%.

On the Exercise Date, the qualified employee should pay the full Purchase Price or in such terms as may be decided upon by the Committee.

In 2010, options equivalent to 164,800,000 were granted but none of the qualified employees exercised their respective rights until the period within which they can do so expired in October 2012.

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<sup>14</sup> Rounded-off.

<sup>15</sup> Whether bonuses will be given in 2023 is uncertain at this time.

<sup>16</sup> Arthaland must have at least 50% equity holdings of said subsidiary or affiliate.

On 14 December 2018, Arthaland's Board of Directors approved granting options equivalent to not more than 90.0 million common shares to its qualified employees as above defined. The Stock Option and Compensation Committee was tasked to administer the implementation of this grant, which will include to whom and when the Options are to be granted and the effectivity dates thereof, and the number and class of shares to be allocated to each qualified employee, after considering the performance evaluation of said qualified employees vis-a-vis the result of the achievement of the company's objectives for 2018.

The Stock Option and Compensation Committee pegged the price the option is to be exercised at the five-day volume weighted average price per share beginning 17 December 2018, or until 21 December 2018. Said price was at ₱0.85 per share.

On 25 March 2020, the price of the options granted as abovementioned was changed to ₱0.50 per share after the Board of Directors determined that the ₱0.85 per share was no longer competitive as it defeats the purpose of granting options. The objective of the Stock Option Plan is to furnish a material incentive to qualified employees of Arthaland by making available to them the benefits of stock ownership of Arthaland through stock options and thereby increase their concern for Arthaland's long term progress and well-being.

None of the qualified employees granted options in 2019 exercised their respective rights until the period within which they can do so expired in February 2022.

The term of the 2009 ALCO Stock Option Plan expired in October 2019. A new plan, i.e. the 2020 ALCO Stock Option Plan which has substantially the same terms as the 2009 plan was presented during the Annual Stockholders' Meeting on 26 June 2020 and stockholders representing at least sixty-seven percent (67%) of the outstanding common shares which are entitled and qualified to vote approved the same.

An application was subsequently filed with the Securities and Exchange Commission for exemption from registration of the option shares to be allocated under the 2020 Stock Option Plan.

During the joint Board and Stock Option and Compensation Committee meeting held on 22 March 2023, the Board of Directors approved the proposed amendments of the Stock Option and Compensation Committee to the 2020 Stock Option Plan where the percentage of shares to be allocated as option shares is reduced from 10% to 5% of the outstanding capital stock, or 265,904,760 common shares.

The amendment was made following the directive of the Markets and Securities Regulation Department of the Securities and Exchange Commission, but the Corporation reserves its right to subsequently increase the allocated number of option shares in accordance with the Securities Regulation Code.

An application will be filed anew with the Securities and Exchange Commission for exemption from registration of the option shares to be allocated under the 2020 Stock Option Plan as discussed in the preceding paragraphs.

No options have been granted as of the date of this Information Statement.

The closing price of Arthaland's common shares as of 31 March 2023 was ₱0.51 per share.

## ITEM 7. Independent Public Accountant

Article V of the By-laws provides, among others, that the External Auditor shall be appointed by its Board of Directors and shall receive such compensation or fee as may be determined by the Chairman or such other officer(s) as the Board of Directors may authorize.

Reyes Tacandong & Co. (RT&Co) was first appointed as the external auditor of Arthaland in 2012 and remains such to date. Ms. Carolina P. Angeles was the Certifying Partner for the years 2012-2016. Ms. Michelle R. Mendoza-Cruz became the Certifying Partner in 2017 and remains as such as of the date hereof.<sup>17</sup>

The representatives of Arthaland's External Auditor will be present during the Annual Stockholder's Meeting and will be given the opportunity to make statements if they desire to do so, as well as respond to appropriate questions, if there will be any.

Arthaland has not had any disagreement with its external auditor.

### Information on Independent Accountant

Accountant	:	Reyes Tacandong & Co.
Mailing Address	:	26/F Citibank Tower 8741 Paseo de Roxas, Makati City 1226
Certifying Partner	:	Ms. Michelle R. Mendoza-Cruz
C.P.A. Reg. No.	:	97380
TIN No.	:	201-892-183-000
BOA Accreditation No.	:	4782 (valid until 13 April 2024)
SEC Accreditation No. :		97380-SEC Group A issued on 08 April 2021 (Valid for Financial Periods 2020 to 2024)
PTR No.	:	9564565 issued on 03 January 2023 at Makati City
BIR Accreditation No.	:	08-005144-012-2020 (Valid until 24 January 2026)

### Fees and Other Arrangements

Under paragraph a, page 3 of Arthaland's Audit Committee Charter, the Audit Committee recommends to the Board the fees of the External Auditor, which are determined on the estimated time that would be spent on an engagement and on the experience level of its professional staff members who will be assigned to work for the purpose, and generally, on the complexity of the issues involved and the work to be performed, as well as the special skills required to complete the work, provided that these fees are subject to the ratification by the stockholders.

The audit fees of RT&Co insofar as Arthaland is concerned are as follows:

2016	-	₱950,000.00
2017	-	₱1,500,000.00

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<sup>17</sup> According to the 2019 revised SRC Rule 68, the independent auditors, or in the case of an auditing firm, key audit partners shall comply with the provisions on long association of personnel with an audit client as prescribed in the Code of Ethics for Professional Accountants in the Philippines, as adopted by the Board of Accountancy (BOA) and PRC (Philippine Regulation Commission). BOA adopted the 2016 International Ethics Standards Board for Accountants (IESBA) Code of Ethics in respect of an audit of a public interest entity, where an individual shall not be a key audit partner for more than seven years. In view of the foregoing, the Board of Directors of the Corporation approved the amendment to the Manual of Corporate Governance dated 06 May 2020 whereby the period during which the External Auditor shall be rotated or changed is now seven (7) years (previously five [5] years).

2018	-	₱1,650,000.00
2019	-	₱1,750,000.00
2020	-	₱1,750,000.00
2021	-	₱1,750,000.00
2022	-	₱1,750,000.00

RT&Co rendered services to Arthaland's subsidiaries and its audit fees are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Bhavana Properties, Inc.	₱200,000.00	₱100,000.00	₱100,000.00
Bhavya Properties, Inc.	₱100,000.00	₱100,000.00	₱100,000.00
Cazneau Inc.	₱400,000.00	₱300,000.00	₱300,000.00
Cebu Lavana Land Corp. <sup>18</sup>	₱350,000.00	N/A	N/A
Emera Property Management, Inc.	₱160,000.00	₱160,000.00	₱160,000.00
Kashtha Holdings, Inc.	₱100,000.00	₱100,000.00	₱100,000.00
Manchesterland Properties, Inc.	₱350,000.00	₱350,000.00	₱350,000.00
Pradhana Land, Inc.	₱100,000.00	₱100,000.00	₱100,000.00
Savya Land Development Corporation	₱350,000.00	₱250,000.00	₱250,000.00
Urban Property Holdings, Inc.	₱130,000.00	₱130,000.00	₱130,000.00
Zileya Land Development Corporation	₱160,000.00	₱160,000.00	₱160,000.00

RT&Co did not charge Arthaland for non-audit work for the years 2013, 2014, 2015, 2017 and 2018. RT&Co charged Arthaland for non-audit work for the public offering of the following Preferred Shares:

<u>Year</u>	<u>Purpose</u>	<u>Amount</u>
2016	Series B	₱1.50MM
2019	Series C	₱1.00MM
2021	Series D	₱0.90MM

In October 2019, Arthaland filed with the SEC a Registration Statement for the shelf registration of ₱6.0 billion fixed rate ASEAN Green Bonds which was approved in January 2020. The initial tranche of these bonds equivalent to ₱3.0 billion was listed with the Philippine Dealing and Exchange Corp. on 06 February 2020. RT&Co charged Arthaland for non-audit work on these bonds in the amount of ₱0.60MM.

On 7 October 2022, the Board of Directors authorized the offer and sale of the second Tranche of the above described Bonds in the amount of up to ₱3.0 billion and approved the terms and conditions of the offer of such Tranche. RT&Co charged Arthaland for non-audit work on these bonds in the amount of ₱1.00MM.

The foregoing fees are all exclusive of VAT.

## ITEM 8. Compensation Plans

As stated in Item 6b above, Arthaland made available to its qualified employees in 2009 a stock option plan wherein they can enjoy the benefits of ownership of Arthaland and thereby increase their concern

<sup>18</sup> The external auditor of CLLC for 2021 and prior years is Isla Lipana & Co., a PwC member firm. Its fees for 2021, 2020, 2019, 2018 and 2017 amount to ₱538,000.00, ₱538,000.00, ₱520,000.00, ₱500,000.00, and ₱430,000.00, respectively, all of which are net of VAT.

for its long-term progress and well-being, induce their continued service and stimulate their efforts towards the continued success thereof (the “2009 Stock Option Plan”). However, none of these qualified employees exercised their respective stock option rights until the period within which they can do so had expired in October 2012.

On 14 December 2018, the Board of Directors again approved granting options equivalent to not more than 90.0 million common shares to its qualified employees. However, none of these qualified employees exercised their respective rights until the period within which they can do so expired in February 2022.

The validity of the 2009 Stock Option Plan expired on 16 October 2019.

The 2020 Stock Option Plan which has substantially the same terms as the 2009 plan was presented during the Annual Stockholders’ Meeting on 26 June 2020 and stockholders representing at least sixty-seven percent (67%) of the outstanding common shares which are entitled and qualified to vote approved the same.

An application was subsequently filed with the Securities and Exchange Commission for exemption from registration of the option shares to be allocated under the 2020 Stock Option Plan.

During the joint Board and Stock Option and Compensation Committee meeting held on 22 March 2023, the Board of Directors approved the proposed amendments of the Stock Option and Compensation Committee to the 2020 Stock Option Plan where the percentage of shares to be allocated as option shares was reduced from 10% to 5% of the outstanding capital stock, or 265,904,760 common shares. The amendment was made following the directive of the Markets and Securities Regulation Department of the Securities and Exchange Commission, but the Corporation reserves its right to subsequently increase the allocated number of option shares in accordance with the Securities Regulation Code.

An application will be filed anew with the Securities and Exchange Commission for exemption from registration of the option shares to be allocated under the 2020 Stock Option Plan as discussed in the preceding paragraphs.

No options have been granted as of the date of this Information Statement.

## **C. ISSUANCE AND EXCHANGE OF SECURITIES**

No action will be taken during the Annual Stockholders’ Meeting with respect to the Authorization or Issuance of Securities Other than for Exchange (**Item 9**); Modification or Exchange of Securities (**Item 10**); Financial and Other Information (**Item 11**); Mergers, Consolidations, Acquisitions and Similar Matters (**Item 12**); Acquisition or Disposition of Property (**Item 13**); or, Restatement of Accounts (**Item 14**).

## **D. OTHER MATTERS**

### **ITEM 15. Action With Respect to Reports**

Management will present during the Annual Stockholders Meeting the financial reports of Arthaland as of 31 December 2022 and its quarterly report as of the first quarter of 2023. Copies of these financial reports are attached to this Information Statement and made integral parts hereof.

The Minutes of the Annual Stockholders' Meeting held on 24 June 2022 whereby the following matters were taken up will also be submitted for approval of the stockholders:

1. Call to Order
2. Secretary's Proof of Due Notice of the Meeting and Determination of Quorum
3. Approval of Minutes of the Annual Stockholders' Meeting held on 25 June 2021
4. Notation of Management Report
5. Ratification of Acts of the Board of Directors and Management During the Previous Year
6. Proposed Amendment of Articles of Incorporation – Decrease of Authorized Capital Stock
7. Election of Directors (including Independent Directors)
8. Appointment of External Auditor for 2022
9. Other Matters
10. Adjournment

A copy of this Minutes of the Annual Stockholders' Meeting held on 24 June 2022 is available in [www.arthaland.com](http://www.arthaland.com).

Stockholders representing the minimum percentage of outstanding capital stock as provided by applicable laws and regulations shall have the right to include additional items on the agenda, provided that the stockholder exercising this right shall act in good faith and for a legitimate purpose.

There is no other matter with respect to Reports for which the appropriate action by the stockholders is required will be presented.

#### **ITEM 16. Matters Not Required To Be Submitted**

There are no matters not required to be submitted to the stockholders will be presented at the Annual Stockholders' Meeting.

#### **ITEM 17. Amendment of Charter, By-Laws or Other Documents**

The stockholders will not be asked during the annual meeting to approve any proposed amendment to the Articles of Incorporation or By-laws of Arthaland.

#### **ITEM 18. Other Proposed Action**

The appointment of RT&Co as External Auditor of Arthaland for 2023 will be taken up at the Annual Stockholders' Meeting.

#### **ITEM 19. Voting Procedures – Voting for Corporate Actions**

##### **a. Voting for Corporate Actions**



Voting on matters submitted for stockholders' approval during the Annual Stockholders Meeting shall be done in accordance with SEC Memorandum Circular No. 6, Series of 2021 dated 12 March 2021<sup>19</sup> which provides the guidelines on voting through proxy, remote communication or *in absentia*, and shall be supervised by the designated staff of RT&Co and BDO Unibank, Inc.-Trust and Investments Division, the External Auditor and the Stock and Transfer Agent of Arthaland, respectively.

**b. Nominations and Voting for the Election of Directors**

- (1) Section 4, Article II of the By-laws provides that at "all stockholders' meetings, every stockholder shall be entitled to one (1) vote for each share of voting stock standing in his name in the proper books of the Corporation at the time of closing thereof for the purpose of the meeting."
- (2) No nominations from the floor during the stockholders' meeting shall be allowed or recognized.
- (3) For the purpose of electing directors, the system of cumulative voting shall be followed as provided under Section 4, Article II of the By-laws, to wit:

"At all stockholders' meetings, every stockholder entitled to vote in accordance with Section 4 of Article VI of these By-laws shall be entitled to one (1) vote for each share of voting stock standing in his name in the proper book of the Corporation at the time of closing thereof for the purpose of the meeting.

"The right to vote of stockholders may be exercised in person, through proxy or remote communication, *in absentia*, or through such alternative modes as may be provided by applicable laws and regulations.

"At every election of directors, each stockholder entitled to vote during the meeting in accordance with Section 4 of Article VI of these By-laws is entitled to one (i) vote for each share of stock held by him for as many persons as there are directors to be elected, or to cumulate said shares and give one (1) candidate as many votes as the number of directors multiplied by the number of his share shall equal, or to distribute such votes on the same principle among as many candidates as he shall think fit."

The total number of votes to be cast by the stockholder must not exceed the number of shares owned by him/it as shown in the books of Arthaland multiplied by the whole number of directors to be elected.

- (4) Voting for the election of Directors shall be done in accordance with SEC Memorandum Circular No. 6, Series of 2021 dated 12 March 2021 and such internal procedures issued pursuant thereto. This will be supervised by the designated staff of the External Auditor and the Stock Transfer Agent.

- Signature page follows. -

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<sup>19</sup> Guidelines on the Attendance and Participation of Directors, Trustees, Stockholders, Members, and Other Persons of Corporations in Regular and Special Meetings through Teleconferencing, Video Conferencing and Other Remote or Electronic Means of Communication

**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Information Statement is true, complete and correct. This is signed on the date and place indicated below.

**ARTHALAND CORPORATION**

By:




**RIVA KHRISTINE V. MAALA**

*Corporate Secretary and General Counsel*

SUBSCRIBED AND SWORN to before me this **JUN 07 2023** at **Taguig City, Philippines**, affiant exhibiting to me her **Passport Number P4663090B** issued on **03 February 2020** by the Department of Foreign Affairs-NCR East, Philippines.

Doc. No. 423  
Page No. 86  
Book No. 31  
Series of 2023.

  
**GAUDENCIO A. BARBOZA JR.**  
NOTARY PUBLIC  
UNTIL DEC. 31, 2024  
PTR # A-5725281 JAN. 03, 2023 Taguig City  
IBP NO. 245818-10/08/2022 RSM (FOR YR. 2023)  
ROLL NO. 41089  
MCLE COMP. NO. VII NO. 0028557  
APRIL 19, 2023  
APP No. 81 (2023-2024)

**Attachments:**

**Management Report**

**Certifications of Independent Directors**

- a. Denise V. de Castro
- b. Hans B. Sicat, and
- c. Andres B. Sta. Maria

**Audited Financial Statements for 2022 (including Statement of Management Responsibility)**  
**SEC Form 17-Q (First Quarter 2023)**

**UNDERTAKING**

**ARTHALAND CORPORATION** undertakes to provide, without charge, a copy of its Annual Report (SEC Form 17-A) to any person soliciting a copy thereof upon written request addressed to the Corporate Secretary with principal office address at the 7/F Arthaland Century Pacific Tower, 5<sup>th</sup> Avenue corner 30<sup>th</sup> Street, Bonifacio Global City, Taguig City 1634 Philippines.

# **MANAGEMENT REPORT**

**ARTHALAND CORPORATION  
ANNUAL STOCKHOLDERS MEETING  
30 JUNE 2023, FRIDAY, 9:00AM**

## BUSINESS AND GENERAL INFORMATION

### a. Business Development

**ARTHALAND CORPORATION (ALCO)** is a world-class boutique real estate developer of enduring and sustainable properties recognized internationally as the best residential and green developments, for which it has received various awards in the Philippines and internationally. It has built its mark in the Philippine real estate market with its unwavering commitment to sustainability and innovation, and by developing and managing world-class properties that adhere to the global and national standards in green buildings.

ALCO was incorporated on 10 August 1994<sup>1</sup> for the primary purpose of engaging in the realty development business, including home building and development, and to deal, engage, invest and transact, directly or indirectly, in all forms of business and mercantile acts and transactions concerning all kinds of real property, including but not limited to the acquisition, construction, utilization and disposition, sale, lease, exchange or any mode of transfer of residential, industrial or commercial property. Its principal office is at the 7/F Arthaland Century Pacific Tower, 5<sup>th</sup> Avenue corner 30<sup>th</sup> Street, Bonifacio Global City (BGC), Taguig City 1634.<sup>2</sup>

In 2007, a group of investors led by AO Capital Holdings 1, Inc. (AOCH1), an investment company specializing in investing in business opportunities in the Philippines, acquired 73.27% of ALCO's then outstanding capital stock, marking the beginning of its renewed focus in real estate development.

The year 2011 marked the entry into ALCO of CPG Holdings, Inc. (CPG), an affiliate of leading food manufacturer Century Pacific Food, Inc., which is listed with the Philippine Stock Exchange (PSE) under the stock symbol "CNPF", through its acquisition of 1,800,000,000 ALCO common shares. In 2014, CPG purchased an additional 342,619,910 ALCO common shares.

On 22 September 2016, ALCO's authorized capital stock was increased<sup>3</sup> to ₱2,996,257,135.82 divided into ₱2,946,257,135.82 of Common shares (consisting of 16,368,095,199 Common shares with a par value of ₱0.18 per share), and ₱50,000,000.00 of redeemable, non-voting and non-participating Preferred shares (consisting of 50,000,000 Preferred shares with a par value of ₱1.00 per share).

Of the ₱50,000,000.00 increase in capital stock, ALCO issued 12,500,000 cumulative, non-voting, non-participating, non-convertible Peso-denominated Preferred shares to Manchesterland Properties, Inc. (the "Series A Preferred Shares"), and 20,000,000 Preferred shares which are likewise cumulative, non-voting, non-participating, non-convertible and Peso-denominated, among other conditions, to the public (the "Series B Preferred Shares").

In June 2019, ALCO issued 10,000,000 Preferred shares which are also cumulative, non-voting, non-participating, nonconvertible, and Peso-denominated, among other conditions, to the public (the "Series C Preferred Shares").

On 03 December 2021, ALCO issued 6,000,000 Preferred shares, which are similarly cumulative, non-voting, non-participating, nonconvertible, and Peso-denominated, among

<sup>1</sup> The company was originally registered as Urbancorp Realty Developers, Inc. but was renamed in 2003 as EIB Realty Developers, Inc. On 26 January 2009, the Securities and Exchange Commission (SEC) approved anew the change of the corporate name to Arthaland Corporation (ALCO).

<sup>2</sup> Approved by the SEC on 04 September 2018.

<sup>3</sup> The authorized capital stock was originally ₱2,946,257,135.82 divided into 16,368,095,199 Common shares only at a par value of ₱0.18 per share.

other conditions, to the public (the “Series D Preferred Shares”).

On 06 December 2021, ALCO redeemed all the outstanding 20,000,000 Series B Preferred Shares.

Given the redemption of the Preferred Shares Series B, the same are no longer outstanding and are recorded as treasury shares of the Corporation pursuant to the 2016 Terms of the Offer for the Series B Preferred Shares.

During its meeting held on 04 May 2022, the ALCO Board of Directors approved the amendment of Article Seventh of the Articles of Incorporation by reducing the authorized capital stock by ₱20,000,000.00 resulting from the redemption (and subsequent cancellation) of the 20,000,000 Series B Preferred Shares. The stockholders holding at least two-thirds (2/3) of the outstanding shares approved the Board’s endorsement during the Annual Stockholders’ Meeting on 24 June 2022.

All of ALCO’s issued and outstanding common shares, and Series C and Series D Preferred shares are listed with and traded in the Philippine Stock Exchange (PSE) with the trading symbols “ALCO”, “ALCPC”, and “ALCPD”, respectively. The PSE has delisted from its platform the Series B Preferred shares with trading symbol “ALCPB”.

As of the date of this Report, CPG and AOCI1 continue to be the largest stockholders of ALCO with 40.29% and 26.02%, respectively, of the total issued and outstanding shares.

## **b. Business/Projects**

ALCO’s main business activity is the development of premium, enduring and sustainable properties by bringing together a brain trust of experts in property development and management. It is focused on pursuing its unique developments independently and with its joint venture partners, as exemplified by its key projects and developments in the pipeline, to wit:

<u>Project Name</u>	<u>GFA<sup>4</sup></u> <u>(in</u> <u>square</u> <u>meters</u> <u>[sqm])</u>	<u>NLA<sup>5</sup></u> <u>/NSA<sup>6</sup></u> <u>(in</u> <u>sqm)</u>	<u>Location</u>	<u>Development</u> <u>Type</u>	<u>Year of</u> <u>Completion or</u> <u>Expected Year of</u> <u>Completion</u>
Arya Residences	76,284	67,876	BGC, Taguig City	Residential	Tower I - 2013 Tower II - 2016
Arthaland Century Pacific Tower	34,295	32,016	BGC, Taguig City	Office	2019

<sup>4</sup> GFA or Gross Floor Area, which is the total floor space within the perimeter of the permanent external building walls (inclusive of main and auxiliary buildings) such as office areas, residential areas, corridors, lobbies and mezzanine level/s. The GFA shall also include building projections which may serve as floors or platforms that are directly connected to/integrated with areas within the building/structure, e.g., balconies, and the GFA excludes the following: (a) Covered areas used for parking and driveways, services and utilities; (b) Vertical penetrations in parking floors where no residential or office units are present; and (c) Uncovered areas for helipads, air-conditioning cooling towers or air-conditioning condensing unit balconies, overhead water tanks, roof decks, laundry areas and cages, wading or swimming pools, whirlpool or jacuzzis, terraces, gardens, courts or plazas, balconies exceeding ten square meters, fire escape structures and the like.

<sup>5</sup> NLA or Net Leasable Area, which is the total leasable area that includes but not limited to all internal walls, mezzanines, bathrooms, pipe chases, columns and balconies depending on a specific project’s terms of reference.

<sup>6</sup> NSA or Net Saleable Area, which is the total saleable area that includes but is not limited to all internal walls, mezzanines, bathrooms, pipe chases, columns and balconies depending on a specific project’s terms of reference.

Cebu Exchange	108,564	89,018	Salinas Drive, Cebu City	Office	Q2 2022
Savya Financial Center	59,763	49,078	Arca South, Taguig City	Office	North Tower – Q2 2022 South Tower - Q4 2022
Sevina Park	129,910	99,144	Biñan, Laguna	Mixed use	In phases from 2022 onward
Lucima	28,063	21,927	Makati City	Residential	2024
Makati CBD Residential 1	32,283	24,155	Makati City	Residential	2027
Eluria	14,656	11,729	Makati City	Residential	2025
Makati CBD Residential 3	15,760	11,190	Makati City	Residential	2027
Project JL	44,158	32,170	Metro Manila	Residential	2030
Project Olive	287,753	212,913	Metro Manila	Mixed Use	In phases from 2028 onward
Project Midtown	160,750	129,430	Cebu City	Mixed Use	In phases from 2028 onward
Project SL	435,500	261,300	Southern Metro Manila	Mixed Use	In phases from 2027 onward

ALCO's firm commitment to sustainability is manifested in its development portfolio which is composed entirely of certified sustainable projects. All its projects adhere to global and national standards for green buildings through the Leadership for Energy and Environmental Design™ (LEED™) rating system of the U.S. Green Building Council (USGBC) and the Building for Ecologically Responsive Design Excellence (BERDE) rating system of the Philippine Green Building Council (PHILGBC). Since 2019, ALCO has expanded its sustainability commitment by pursuing additional green building rating tools, specifically the Excellence in Design for Greater Efficiencies (EDGE) rating system of the International Finance Corporation (IFC), and the WELL Building Standard™ (WELL™) rating system of the International WELL Building Institute (IWBI).

ALCO is well known in the industry for its superior design, high quality standards with focus on sustainability, innovation and excellent property management services, as seen in the following projects:

#### ***Arya Residences (Arya)***

Arya is a multi-awarded, two-tower, high-end residential project located at the corners of Rizal Drive, 8<sup>th</sup> Avenue and McKinley Parkway, BGC, Taguig City. Tower 1 commenced construction in 2010, was completed in 2013 and handed over to buyers in 2014. Tower 2's construction commenced in 2012, and it was handed over to buyers in 2016. All the residential units in both Tower 1 and Tower 2 have been sold. At the ground floor of Arya is Arya Plaza, a canopied al fresco destination area in which a curated selection of restaurants, cafes and other retail establishments is located. ALCO retains ownership over the Arya Plaza and recognizes lease income from it.

Arya has the distinction of being the first and only residential building in the Philippines to have received LEED Gold certification from the USGBC as well as BERDE 4-Star certification from the PHILGBC. It was also awarded with ANZ/PH 3-Star under the pilot program Advancing Net Zero Philippines.



Arya has garnered several international awards in previous years. The Southeast Asian Property Awards chose Arya as the Best Residential Development in the Philippines in 2012 and 2013 while the Asia Pacific Property Awards recognized Arya as the Best Residential High-rise Development in the Philippines for 2014-2015. Also, the Inaugural Philippines Property Awards acknowledged Arya to be the Best Residential Development in Manila and the Best Residential Architectural Design in 2013 and 2014. Arya's first tower was awarded the Best Residential Interior Design by the same body in 2014.

#### ***Arthaland Century Pacific Tower (ACPT)***

Designed by Skidmore Owings & Merrill LLP, the same group behind One World Trade Center in New York City and Burj Khalifa in Dubai, ACPT is one of the first premium grade offices in BGC. It is located along the prime 5<sup>th</sup> Avenue within BGC's E-Square, opposite The Shangri-La at the Fort and proximate to the PSE. ACPT addresses the strong demand for office space in BGC with its 34,295 sqm of GFA and 32,016 sqm of NLA. ALCO commenced the development of ACPT in 2014 and it was completed in 2019.

In 2016, ACPT received awards for Best Green Development, Best Office Architectural Design and Special Recognition of Sustainable Design by the Southeast Asian Property Awards. In 2017, ACPT was recognized as the 5-Star Winner for Best Office Architectural Design in Asia by the Asian Property Awards. In 2019, ACPT was recognized as the Best Green Feature Development by the Japan International Property Awards. Finally, the Philippines Property Awards recognized ACPT as the Best Office Development in 2019 and Best Green Development in 2016, 2017 and 2019.

In October 2019, the IFC, a member of the World Bank Group, recognized ACPT as the world's first net zero certified building under its EDGE green building rating system. This recognition is in addition to the LEED Platinum and BERDE 5-Star certifications it had achieved previously. In 2020, ACPT was awarded with the WELL Health-Safety Rating seal which certifies the building's safe operations even during the COVID-19 pandemic. It continues to hold such rating to date.

ALCO retains ownership over 21,089 sqm of ACPT which represents approximately 66% of the 32,016 sqm of its NLA.

#### ***Cebu Exchange***

Cebu Exchange, a 38-storey office building with retail establishments, is Cebu's largest and tallest office development that caters to the city's booming office space market. It is built on an 8,440 sqm property located along Salinas Drive directly across the Cebu IT Park, with a total NSA of almost 90,000 sqm. ALCO's design for Cebu Exchange serves the wide office space market in Cebu: (i) Cebu Exchange has a lower office zone of three levels with floorplates of around 5,900 sqm, which is targeted to cater to larger BPOs; (ii) It has a middle zone of nineteen levels with floorplates of approximately 3,400 sqm, which will cater to conventional offices and BPOs; and (iii) A high zone of eight levels with floorplates of approximately 2,200 sqm, catering to the needs of start-up businesses.

Cebu Exchange has achieved LEED Gold pre-certification, BERDE Design 5-Star and is WELL pre-certified. It is on-track to achieve EDGE Zero Carbon certification under the IFC's EDGE program.

Cebu Exchange was successfully completed in 2021 and handed over to its buyers in accordance with its pre-pandemic delivery date commitment.

In 2022, CLLC identified from its inventory of real estate for sale 8,059 sqm of office units, 2,628 sqm of retail units and 36 non-appurtenant parking slots for conversion to investment properties with the intention to retain these units and generate recurring income from their lease to locators in Cebu Exchange.

### ***Sevina Park***

Adjacent to De La Salle University Laguna campus is the eight-hectare Sevina Park, a sustainable mixed-use community, master planned by Sasaki of Boston, that will feature designer villas, residential midrise buildings and commercial lots with support retail and supplemental amenities, in step with the growth of the market demand and infrastructure in the area.

Sevina Park is recognized as the first and only real estate development in the Philippines to have received the LEED Platinum certification under the LEED for Neighborhood Development (LEED ND) and LEED for Homes categories. Likewise, Sevina Park Villas units are on-track to achieve EDGE Advanced under the EDGE green building certification system, and the 4-bedroom Villas are for Gold certification under the LEED for Homes category.

The completion of the Cavite Laguna Expressway, with its expected interconnection with the Manila-Cavite Expressway at Kawit, Cavite and the South Luzon Expressway at Mamplasan, Laguna interchange, is seen to significantly benefit Sevina Park.

Phase one of the project covering the first 4,000 sqm had already been developed into Courtyard Hall which offers dormitory accommodations for students.

The 3-hectare Sevina Park Villas was launched in June 2019. These townhomes are designed by L.V. Locsin and Partners.

Una Apartments was launched in September 2022. The mid-rise tower will have multiple sustainability certifications that will allow its residents to enjoy savings in water and electricity bills. One of its key features is the Energy Recovery Ventilator which improves indoor air quality by bringing in fresh filtered air and controlling humidity for thermal comfort. In addition, it will also house amenities that are aligned with ALCO's vision of promoting health and wellness like its own potager garden.

Its last component is its six commercial blocks, where each lot has an average size of 2,500 sqm. Two commercial blocks will be developed into a commercial space that includes a supermarket and boutique establishments that will complement the everyday needs of the residents within Sevina Park.

In 2024, ALCO will launch succeeding phases of the residential towers that will cater to both the broader mid-scale and upscale market.

### ***Savya Financial Center***

In 2017, ALCO, together with its Filipino joint venture partner, acquired an approximately 6,000-sqm property within the Arca South development in Taguig City where ALCO expects the demand for office space to grow exponentially resulting from the property's direct access to major thoroughfares C-5 and Skyway, the presence of the proposed Taguig Integrated Transport Exchange



inside Arca South, and the roll-out of the Metro Manila Subway which will have one of its stations inside Arca South itself. The property has been developed into the Savva Financial Center, a two-tower commercial development designed and built with leading-edge sustainable building features. It has achieved LEED Gold pre-certification and has also been WELL pre-certified. It is on-track to achieve BERDE 4-Star and EDGE Zero Carbon certifications.

The North Tower of Savva Financial Center has been completed. Handover activities commenced in January 2022.

### ***Lucima***

In August 2019, ALCO, through its special purpose company, Bhavana Properties, Inc., purchased a prime property with a total area of 2,245 sqm, located at the corner of Cardinal Rosales Avenue and Samar Loop inside the Cebu Business Park, which is the foremost business district of Cebu City. The property will be developed into the first and only premiere, multi-certified, sustainable residential high-rise development in the City.

In 2020, Lucima achieved LEED Gold pre-certification and is on-track to achieve quadruple certification including LEED, BERDE, EDGE and WELL certifications from USGBC, PGBC, IFC and IWBI, respectively.

Lucima is a stone's throw away from Ayala Center Cebu mall and other prominent business, commercial, and lifestyle destinations in the area.

Designed by Saraiva & Associados, an internationally renowned architectural firm based in Lisbon, Portugal, Lucima features 263 residential units with a gross floor area of approximately 28,000 sqm. Each unit boasts a high floor-to-ceiling height allowing future residents to enjoy a view of either the ocean, the mountains, or the city.

Lucima has been enjoying strong market reception since its launch in July 2021. Construction is also on track with expected completion by Q4 of 2024.

### ***Eluria***

In 2020, ALCO, through its special purpose company, Bhavya Properties, Inc., completed the acquisition of a 916 sqm property in Legazpi Village, Makati City. The property will be the site of ALCO's pioneer residential project in Makati City, a low-density, multi-certified, ultra-luxury development that will offer large, limited edition designer residences. Once completed, its future residents will enjoy exceptional white glove butler services. This project was formally launched in Q4 2022.

The building has been pre-certified LEED Gold and is vying for BERDE, WELL, and EDGE certifications. It will be the first multi-certified residential development of its kind and scale within Metro Manila.

The project will offer only 37 residential units and will have a total gross floor area of approximately 14,600 sqm.

### ***Makati CBD Residential Project 1***

ALCO has acquired about 47.4% of a 2,018-sqm property located along Antonio Arnaiz Avenue within the Makati Central Business District and plans to develop a high-rise luxury, sustainable, multi-certified residential property therein. ALCO expects to launch the project by Q4 2024.

### ***Makati CBD Residential Project 3***

ALCO is in the middle of the negotiations to acquire a property with a gross land area of about 1,000 sqm situated in a prime location along the Makati Central Business District. The property will be developed into a high-rise multi-certified sustainable tower that will cater to the luxury market to take advantage of its strategic location. The tower will have a gross floor area of about 15,800 sqm. and will offer 67 units inclusive of the retail unit at the ground floor. The Project is expected to launch in Q1 2024.

### ***Project JL***

ALCO is presently evaluating the acquisition of a property with a gross land area of about 3,700 sqm located in a prime central business district in Metro Manila. This project will be positioned to cater to the broader midscale market and will carry the same sustainability features as the other ALCO projects. The property will be developed into a two-tower high rise residential condominium with a gross floor area of 44,158 sqm and it will offer a mix of studio and one-bedroom units of up to 1,120 units. The first tower will offer 520 units and is phased to launch in Q2 2024.

### ***Project Olive***

ALCO is currently in discussions for the acquisition of a property with a gross land area of 3.6 hectares located at the entry of one of the most prime CBDs in Metro Manila. The general area of the property is expected to benefit substantially from upcoming public infrastructure. The property is expected to result in 2.6 hectares of land, net of road lots. ALCO intends to complete the acquisition in phases which will allow it to manage funding requirements over time.

ALCO plans to develop the property into a boutique master planned mixed-use community. The development is envisioned to have quadruple certification from LEED, BERDE, EDGE and WELL certification programs of the USGBC, PGBC, IFC and Well Institute. Based on initial plans, the Project will feature twelve residential towers that will cater to both the upscale and midscale markets as well as some retail or commercial segment to support the residents of the area. This project is expected to support ALCO's objective of maintaining a continuous pipeline of projects by scheduling the launch of the twelve residential towers in phases from 2024 to 2038. Completion will likewise be done in phases between 2028 to 2042.

### ***Project Midtown***

ALCO is evaluating the acquisition of a 2.35-hectare property in the middle of the most prime city center area in southern Philippines. The acquisition program is expected to be completed between 2024 to 2028 to manage the funding requirements over time. ALCO plans to develop the property over multiple phases from 2024 to 2033 to provide a steady pipeline of projects which will contribute to the revenues of ALCO over the long-term. Project Midtown is envisioned to be a sustainable masterplanned development which will have commercial, residential and retail components.

### ***Project SL***

ALCO is evaluating the acquisition of a 45-hectare residential property located in southern Metro Manila. It is envisioned to be a sustainable master planned residential community. The development plan will be done across four phases which will be implemented over a period of ten years, with the initial launch targeted in 2024.

Aside from the projects mentioned above, ALCO is evaluating prospective acquisition targets within the business districts of Makati, BGC and Cebu as well as other emerging cities. ALCO will continue to disclose to its stakeholders, through the PSE and the SEC, material acquisitions as they become final.

What makes ALCO different from other developers is that after a project is completed and/or turned over to the respective buyers or tenants, ALCO continues to provide property management services to the condominium corporation or homeowners association of these developments. Post-completion involvement allows ALCO to maintain a high standard of quality in the maintenance of all its developments for years to come.

### c. **Subsidiaries**

Below are the domestic companies in which ALCO has shareholdings. ALCO has 100% ownership interest in these companies as of 31 December 2022 with the exception of Bhavana Properties, Inc., Bhavya Properties, Inc., Kashtha Holdings, Inc., and Savya Land Development Corporation.

- i. **Bhavana Properties, Inc. (Bhavana)** was incorporated on 15 July 2019 with the primary purpose of engaging in the realty development business. This is the investment vehicle used to purchase a parcel of land with a total area of 2,245 sqm, more or less, at the corner of Cardinal Rosales Avenue and Samar Loop inside the Cebu Business Park, Cebu City, which is the site of *Lucima*.

On 23 December 2021, ALCO sold, transferred and conveyed in favor of Narra Investment Properties Pte. Ltd. (“Narra”)<sup>7</sup>, by way of secondary sale, all of its rights, title and interest in and to 40% of the common shares of stock of Bhavana, or 10,000,000 common shares of stock thereof, as well as its shareholder advances therein.

As soon as the Certificate Authorizing Registration is issued for the foregoing transaction, the Bhavana common shares which were previously registered under ALCO’s name, will be registered under Narra.

- ii. **Bhavya Properties, Inc. (Bhavya)** was incorporated on 19 July 2019 with the primary purpose of engaging in the realty development business. This is the investment vehicle used in acquiring the 916 sqm property<sup>8</sup> located at 119 Rada Street, Legaspi Village, Makati City, where *Eluria* will soon rise.

On 23 December 2021, ALCO sold, transferred and conveyed in favor of Narra<sup>9</sup>, by way of secondary sale, all of its rights, title and interest in and to 40% of the common shares of stock of Bhavya, or 10,000,000 common shares of stock thereof, as well as its shareholder advances therein.

As soon as the Certificate Authorizing Registration is issued for the foregoing transaction, the Bhavana common shares which were previously registered under ALCO’s name, will be registered under Narra.

- iii. **Cazneau Inc.** was incorporated on 31 July 2008, principally to engage in the realty

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<sup>7</sup> Narra is a private limited liability company existing and duly constituted under the laws of Singapore with principal office address at 10 Changi Business Park Central 2 #01-02, Hansapoint, Singapore 486030, and managed by Arch Capital Management Company Limited.

<sup>8</sup> Formerly First Capital Condominium.

<sup>9</sup> See Footnote 7.

development business, including, but not limited to, the acquisition, construction, utilization and disposition, sale, lease, exchange or any mode of transfer, of residential, industrial or commercial property. Cazneau acquired the 8.1-hectare property in Biñan, Laguna in September 2016 where Sevina Park is currently being developed.

- iv. **Cebu Lavana Land Corp. (CLLC)** was incorporated on 11 September 2015 to principally engage in the realty development business. It is the vehicle used to acquire the two parcels of adjacent land in Cebu City, with a total area of 8,440 sqm, on which Cebu Exchange now stands.

Rock & Salt B.V.<sup>10</sup>, a foreign private limited liability company existing and duly constituted under the laws of The Netherlands, and managed by Arch Capital Management Company, Ltd., subscribed to 40% of CLLC's shares of stock in January 2016.

On 23 December 2021, ALCO purchased and acquired by way of secondary sale all of the rights, title and interest of Rock & Salt B.V. in and to the said 40% of CLLC's issued and outstanding shares of stock and shareholder advances. ALCO now has 100% ownership interest over CLLC. As soon as the Certificate Authorizing Registration is obtained for the foregoing transaction, the CLLC shares which were previously registered in the name of Rock & Salt B.V. will be registered under ALCO.

- v. **Emera Property Management, Inc.** was incorporated on 31 July 2008<sup>11</sup>. It was originally established to engage in the realty development business but now serves as the property management arm of ALCO for Arya, ACPT, Cebu Exchange, Savya Financial Center and Sevina Park, and will be such for all its succeeding development projects to ensure the maintenance of high-quality standards therein.
- vi. **Manchesterland Properties, Inc. (MPI)** was incorporated on 27 March 2008 and was the registered owner of the 6,357-sqm parcel of land located along McKinley Parkway on which Arya Residences now stands, prior to the conveyance thereof to Arya Residences Condominium Corporation in December 2016. It still owns Arya Plaza and several parking slots in said development.
- vii. **Pradhana Land, Inc.** was incorporated on 09 September 2019 with the primary purpose of engaging in the realty development business. This is the investment vehicle that will be used for ALCO's succeeding projects, the details of which will be disclosed at the appropriate time.
- viii. **Savya Land Development Corporation (SLDC)** was incorporated on 10 February 2017 principally to engage in the realty development business. It is the vehicle ALCO used to acquire Lots 9 and 10 in Arca South located in Barangay West Bicutan, Taguig City. In August 2019, the SEC approved SLDC's application to merge with Arcosouth Development, Inc. ("Arcosouth"), with SLDC as the surviving entity. Arcosouth is the registered owner of Lot 11, the lot adjacent to SLDC's property. The objective of the merger is to jointly develop the three (3) lots into a two-tower office development to be known as Savya Financial Center.

After the merger, Arcosouth's principal shareholder, Help Holdings, Inc. (HHI) became the owner of 50% of the common shares of SLDC, although the parties are still awaiting the appropriate Certificates Authorizing Registration to enable them to reflect this transaction accordingly in their respective records.

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<sup>10</sup> With principal office address at Naritaweg 165, 1043 BW Amsterdam, The Netherlands.

<sup>11</sup> Emera was originally registered as Technopod, Inc. but was renamed on 30 October 2013.

- ix. **Kashtha Holdings, Inc. (KHI)** was incorporated on 01 October 2019 as a joint venture company between ALCO and Mitsubishi Estate Company, Limited (MEC), a corporation duly organized and existing under the laws of Japan<sup>12</sup>. KHI is owned 60% by ALCO and 40% by MEC. KHI owns and holds 50% equity interest of SLDC<sup>13</sup>, although the parties are still awaiting the appropriate Certificate Authorizing Registration to enable them to reflect this transaction accordingly in their respective records.

KHI and HHI are the principal shareholders of SLDC, with KHI having 100% economic interest in the North Tower of Savya Financial Center, and HHI holds 100% economic interest in the South Tower thereof.

- x. **Urban Property Holdings, Inc. (UPHI)** was incorporated on 23 January 1995 and is presently the registered owner of a 33-hectare property located in Calamba, Laguna, which may be developed in the future subject to market conditions.
- xi. **Zileya Land Development Corporation** was incorporated on 28 December 2015 with the primary purpose of engaging in the realty development business. This is the investment vehicle which ALCO used to acquire about 47.4% of the property which will be the site for the Makati CBD Residential Project 1 located at 839 A. Arnaiz Avenue, Legazpi Village, 1200 Makati City.

None of these subsidiaries are engaged in any bankruptcy, receivership or similar proceedings. Also, for the period covered by this Report, these subsidiaries are neither parties to any transaction which involves material reclassification, merger, consolidation or purchase or sale of a significant amount of assets, except as otherwise discussed herein.

Further, neither ALCO nor any of its subsidiaries is a party to any legal action arising from the ordinary course of its respective businesses with the exception of the following cases:

### **1. Termination of Trust Account**

In February 2015, ALCO filed a claim before the Regional Trial Court of Makati City, Branch 149 in relation to the petition for liquidation of Export and Industry Bank represented by the Philippine Deposit Insurance Corporation (PDIC). ALCO maintained a Trust Account with the bank prior to its closure in April 2012 and had demanded from PDIC the termination of said account and the release of the owner's duplicate copies of three (3) transfer certificates of title which had been placed in the custody of the bank's Trust Department. ALCO does not have any interest in the remaining assets of the bank to be liquidated, but it was constrained to make this claim before the liquidation court, given that PDIC refused to act on the matter.

In an Order dated 08 May 2017, ALCO was directed to file the necessary complaint and for PDIC to submit its Answer in order that there is a separate docket and hearing of the same and thereby enable the court to have a full and complete resolution of the issues presented by ALCO.

However, in view of Administrative Matter No. 19-12-02 or the *Rules on Liquidation of Closed Banks* issued on 16 April 2020, ALCO, upon advice of counsel, deemed it more appropriate to have all its claims against the bank ventilated before the liquidation court itself, i.e. Regional Trial Court of Makati City, Branch 149, and for this purpose, filed an Urgent Motion before said court on 13 February 2023 for it to give due course to its foregoing claim.

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<sup>12</sup> With address at Otemachi Park Building, 1-1, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8133 Japan.

<sup>13</sup> As of June 2020.

## 2. Quieting of Title

UPHI filed a complaint for quieting of title, among other reliefs, before the Regional Trial Court of Calamba, Laguna, Branch 36 because of the erroneous issuance of tax declarations to several individual defendants by the City of Tagaytay covering UPHI's 33-hectare property registered in Calamba City. It also wanted to seek clarification with respect to which city UPHI is under legal obligation to pay real property taxes, *i.e.*, Calamba City or Tagaytay City.

In a Decision dated 16 December 2019, the court dismissed the complaint for being premature considering both cities claim territorial jurisdiction over the property but there is no pending territorial dispute between them, and that said dispute may only be resolved through a joint session between their respective *Sangguniang Panlalawigan* (should be *Panlungsod*) pursuant to the Local Government Code. There is no cloud over the title and the court ruled that UPHI should continue paying real property tax to Calamba City because of the admission of Tagaytay City that UPHI's property is titled under the Torrens System which categorically states that it is located in Calamba City. Also, both cities had stipulated that the title to the property is in the custodial jurisdiction and safe keeping of the Register of Deeds of Calamba City, and Tagaytay City did not make any claim or request for the transfer of said title to its own custodial jurisdiction and safe keeping.

UPHI filed a Motion for Partial Reconsideration of the foregoing Decision. The court granted the same in an Order dated 05 June 2020 and declared, among others, that UPHI is the true and lawful owner of the 33-hectare property registered in its name and enjoined it to continue paying for the real property taxes in Calamba City. Further, in the event the local government of the City of Tagaytay insists that the subject property is within its territorial jurisdiction, the court directed the cities of Calamba and Tagaytay to make the initiative through their respective *Sangguniang Panlungsod* and through a joint session, resolve any territorial dispute between them in accordance with the Local Government Code of 1991.

The City of Tagaytay and one of the individual defendants<sup>14</sup> filed an appeal before the Court of Appeals. The parties have filed their respective pleadings and are awaiting resolution of the matter.

## 3. Expropriation

Petitioner National Power Corporation (NAPOCOR) filed in November 1995 before the Regional Trial Court of Calamba, Laguna, Branch 34, a Petition for Expropriation of Properties to be affected by the Tayabas-Dasmariñas 500 kV transmission line right, which included a portion of UPHI's property with an area of about one (1) hectare. The court issued a Writ of Possession in favor of NAPOCOR in 1996.

In July 1999, NAPOCOR and UPHI agreed to refer to commissioners the determination of just compensation for UPHI. UPHI did not question the propriety of expropriation any further but continued to participate in the proceedings, having found NAPOCOR's valuation unreasonable, and to enable it to submit evidence as and when the commissioners required the same. The matter was eventually elevated before the Court of Appeals in 2015 and is still pending resolution to date.

UPHI intends to amicably settle with the National Transmission Corporation (successor-in-interest of NAPOCOR) since it had already been deprived of effective use and enjoyment of a portion of the property. An amicable settlement with the National Transmission Corporation could allow UPHI to recoup the cost of the parcel expropriated by NAPOCOR. Such settlement is still under discussion.

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<sup>14</sup> The lone defendant who appealed is Ms. Rosalinda Reyes.



#### 4. Claim for Refund

- a. A buyer<sup>15</sup> offered to purchase a unit in Arya Residences, paid the reservation fee and signed the Reservation Agreement which reads, in part, that should the buyer “fail to pay any of the amounts due xxx, the Seller shall have the sole option to (i) cancel the sale and forfeit in its favor all payments made xxx.” A total of ₱950,000.00 was paid in a span of less than one (1) year and the buyer defaulted in the rest of the obligations. The sale was, therefore, cancelled accordingly. The buyer demanded a refund of all payments made, as well as attorney’s and appearance fees, by filing a complaint before the Housing and Land Use Regulatory Board (HLURB)<sup>16</sup> in May 2017.

In a Decision dated 19 January 2018, the HLURB dismissed the complaint for lack of merit, primarily because of Republic Act No. 6552, otherwise known as the “Realty Installment Buyer Protection Act”. For a buyer to be entitled to refund, he or she must have paid at least two (2) years of installments, and even then, only the cash surrender value of the payments shall be refunded, which is equivalent to 50% of the total payments made.

- b. Another buyer<sup>17</sup> offered to purchase a unit in Arya Residences in November 2012, paid the reservation fee but failed to pay the final amortization and other charges which became due in January 2014, on the ground that a viewing of the unit was not allowed beforehand, notwithstanding that pursuant to the Contract to Sell signed, full payment of the account is required prior to turnover of the unit. A viewing of the unit is not scheduled until the account is fully paid since inspection is the initial step of the turnover process. All buyers of Arya Residences were treated in the same manner.

In November 2017, the buyer filed a complaint before the HLURB and demanded the return of all payments made in a span of one (1) year amounting to ₱942,718.53.

In a Decision dated 05 April 2019, ALCO was directed to refund to the buyer ₱942,718.53 and pay attorney’s fees and actual damages in the total amount of ₱70,000.00.

On 15 May 2019, ALCO appealed the foregoing Decision before the Office of the President arguing, among others, that Republic Act No. 6552 should have been applied as it is the special law governing transactions that involve, subject to certain exceptions, the sale on installment basis of real property. However, the adverse Decision was affirmed in a Resolution dated October 2021.

In July 2022, ALCO filed before the Court of Appeals a Petition for Certiorari under Rule 65 of the Rules of Court to annul and reverse the Resolution of the Office of the President as it acted with grave abuse of discretion amounting to lack of jurisdiction, and there being no plain, speedy and adequate remedy in the ordinary course of law available to ALCO. Notwithstanding Republic Act No. 11201, HLURB itself had stated in its Notice that “*Since the Resolution was promulgated by the Board xxx, appeal therefrom shall still be brought to the Office of the President in accordance with Section 5 of the Executive Order No. 648, series of 1981*”. With this instruction from the quasi-judicial body the appeal of whose resolution was sought, ALCO had to follow the quasi-judicial agency’s directive to file its appeal before the Office of the President.

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<sup>15</sup> The complainant is Ms. Bernadette Villaseñor.

<sup>16</sup> Now Department of Human Settlements and Urban Development.

<sup>17</sup> The complainant is Ms. Anita Medina-Yu.

The latter should have looked into the merits of the case accordingly and not deny the appeal on a technicality. The parties are awaiting resolution of the matter.

## **5. Labor**

- a. In an Order dated on 03 July 2017, the Department of Labor and Employment (DOLE) found ALCO non-compliant with certain labor standards per Rules 1020, 1030, 1040, 1050 and 1065. Records, however, show that ALCO is in fact compliant. A Memorandum of Appeal was filed in October 2017 because serious errors in the finding of facts were committed by DOLE which, if not corrected, would cause grave or irreparable damage or injury to ALCO. Among the reliefs sought are the recall of the Order for Compliance and a finding that ALCO is fully compliant with labor laws and occupational health and safety standards.

In a Resolution dated 24 March 2021, the DOLE granted ALCO's appeal and found the Order dated on 03 July 2017 complied with.

- b. In an Order dated 29 November 2017, the DOLE found that ALCO did not comply with and failed to effect corrective actions on noted deficiencies per Rules 1050, 1060 and 1065 within the period prescribed by the Labor Laws Compliance Officer. A Memorandum of Appeal was filed in February 2018 seeking, among others, the recall of the Order for Compliance and a finding that ALCO is fully compliant. ALCO did institute corrective measures and in fact completed the noted deficiencies prior to the issuance of the Order for Compliance.

In a Resolution dated 20 April 2021, the DOLE granted ALCO's appeal and set aside the Order dated on 29 November 2017.

- c. On 28 June 2022, a former Sales Agent of CLLC<sup>18</sup> filed a complaint against ALCO before the National Labor Relations Commission (NLRC) Regional Arbitration Branch No. VII, Cebu City claiming illegal suspension and demanding payment of back wages, separation pay, 13th month pay, incentive and damages. In a Decision dated 17 February 2023, the Labor Arbiter dismissed the instant complaint for illegal dismissal for lack of merit, the complainant having failed to prove that an employer-employee relationship exists between her and ALCO. A Memorandum of Appeal dated 13 March 2023 was filed by the complainant and is presently pending resolution.

## **6. Liquidation Proceedings of Lessee**

On 15 November 2021, Common Ground Works Philippines, Inc. (CGWPI), a lessor of ALCO in ACPT, filed a Petition for Voluntary Liquidation with the Regional Trial Court of Taguig City, Branch 271 seeking to be declared insolvent and praying for the issuance of a liquidation order. ALCO was impleaded as a creditor of CGWPI for unpaid rentals, CUSA, utilities, interest and penalties, and damages. The Court issued a Liquidation Order dated 19 November 2021 declaring CGWPI insolvent and dissolved.

ALCO filed its Statement of Claims on 14 September 2022 against CGWPI amounting to ₱172,666,437.23 as of 29 July 2022.

## **7. Republic Act No. 26**

CLLC filed a Petition to cancel the annotation on the certificate of title<sup>19</sup> of one of the parcels

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<sup>18</sup> The complainant is Dior Ella O. Abad.

<sup>19</sup> Transfer Certificate of Title No. 107-2015002572



of land on which Cebu Exchange stands. The said annotation is pursuant to Section 7 of Republic Act No. 26, otherwise known as “*An Act Providing a Special Procedure for the Reconstitution of Torrens Certificates of Title Lost or Destroyed*”. CLLC’s title originated from reconstituted certificates of title which were judicially reconstituted on 02 March 1950. More than two years have lapsed since then; hence, the recorded encumbrance may now be canceled.

In a Decision dated 17 October 2022, the Regional Trial Court of Cebu City, Branch 23 granted the Petition and directed the Register of Deeds of Cebu City to cancel the annotation pertaining to the reservation or encumbrance made. An Order of Finality of the said decision was issued on 09 May 2023.

The potential effect of the foregoing cases on the financial statements of ALCO and its subsidiaries cannot be determined at the moment. However, it is believed that the effect thereof, if there is any, is not significant.

#### **d. Competition**

Significant barriers to entry into the market are the considerable capital needed for the acquisition and development of land, the development expertise and reputation required from an experienced management team, and the technical know-how, to name a few.

ALCO faces competition from other domestic property developers and the level of competition depends on product types, target market segments, location of developments and pricing, among others. Competition is also present in the procurement of raw materials, particularly in a tight supply market.

ALCO views as direct competition the major property players which are into the middle and high market categories for high-rise residential developments in the vicinity of ALCO’s investment properties. Further, ALCO competes with these property developers for high-caliber sales/leasing agents and brokers.

ALCO believes that given the desirability of the project locations, its strict adherence to quality, innovation and sustainability, its competitive pricing schemes and commitment to its projects even after sales, it is able to compete quite effectively.

ALCO considers two (2) direct competitors in the high-end residential market segment in terms of relative quality of development and pricing of products – Ayala Land, Inc. and Rockwell Land Corporation. These companies have been in the business many years earlier than ALCO and they have strong brand equity, long track record, and big balance sheets. In the office development front, ALCO competes with both large and medium-scale developers such as Ayala Land, Inc., The Net Group, Daiichi Properties, and other local developers, particularly in Cebu City. These companies are considered to have the greater share of the market at the moment.

ALCO intends to primarily capitalize on its niche market by developing projects in distinct locations, which are unique and special in terms of design, high quality of construction, and sustainable and wellness features. ALCO is the pioneer in sustainable developments, being the first and only company to have all its projects multi-certified with LEED, BERDE, EDGE and WELL. It intends to continue to provide distinctive products with better quality at competitive pricing. ALCO is able to achieve this given its strong but lean management team as well as its organization as a whole.

**e. Industry Risk**

The property development sector is cyclical in nature and is subject to the Philippine economic, political and business performance. The industry is dependent primarily on consumer spending for housing. In the past years, a significant portion of housing demand had been driven by purchases from the Overseas Filipino Workers (OFWs) market. This exposes the industry to the economic performance of foreign countries in which the overseas workers are based such as the United States, the Middle East and countries in Europe.

Data from *Bangko Sentral ng Pilipinas* (BSP) shows that cash remittances sent by OFWs slipped by 0.8% to US\$29.9 billion (₱1.4 trillion) in 2020. This is lower than their previous projection of a 2.0% contraction. The figure, however, ended 19 consecutive years of growth. In 2021 though, cash remittances grew by 5.1% to US\$31.4 billion following of easing of restrictions in countries where demand for Filipino workers continued despite the pandemic. In 2022, BSP announced that the total cash remittances sent by OFW amounted to US\$32.54 billion, which according to economists, could be a result of the rising inflation or the increase in prices of basic goods and services. Other factors include the spending due to the face-to-face classes, tourism, shopping and leisure activities. For the month of December alone, cash remittances increased by 5.8% to \$3.159 billion as compared to the same period last year of \$2.987 billion. These higher cash remittances from major country sources such as the US, Saudi Arabia, Singapore, Qatar, and United Kingdom “contributed largely” to the end-2022 total remittances.

The office market has been largely driven by the BPO sector which caters principally to the US and European customers. It is important to note that while the US and Europe remain to be the largest client-based contributors to the country’s information technology and business process management (IT-BPM) sector, the industry is currently moving to high value and high potential markets in Australia, New Zealand and other neighboring countries in the region. Other than voice-based offshore services, the IT-BPM industry is also gearing towards high-value knowledge-based services, including financial, legal, medical, architectural and animation sectors.

Overall, the industry, and necessarily ALCO and its subsidiaries, contend with risks relating to volatility in overseas remittances, interest rates, credit availability, foreign exchange, political developments, costs and supply of construction materials, wages, and changes in national and local laws and regulations governing Philippine real estate and investments. ALCO and its subsidiaries are sensitive to: (i) the political and security situations of the country since its sales comes from both foreign and local investors, and (ii) the performance of overseas remittances and the BPO sectors as these inflows find their way into investments in housing and other real estate products.

ALCO has a very rigid credit approval system to ensure that its buyers are financially capable of meeting their payment schedules. It evaluates the creditworthiness of prospective buyers and regularly monitors the economic performance of the domestic and global players in the sector through internal research and discussions with its property consultants to be able to timely adjust policies on pricing, payment schemes and timing of new project launches.

**f. Sources and availability of raw materials**

Construction of ALCO’s projects is awarded to qualified reputable construction firms subject to a bidding process and Management’s evaluation of contractors’ qualifications and satisfactory working relationships. Construction materials, primarily cement and reinforcing bars (rebars), are normally provided by the contractors as part of their engagement. In instances when management finds it to be more cost-effective, ALCO may opt to procure owner-supplied construction materials.

**g. Advances to Related Parties**

In the regular conduct of business, ALCO and its wholly owned subsidiaries enter into intercompany transactions, primarily advances necessary to carry out their respective functions subject to liquidation and reimbursements for expenses. ALCO ensures that while these transactions are made substantially on the same terms as with other individuals and businesses of comparable risks, they are fair and treated at arm's length.

Intercompany transactions between and among ALCO, its subsidiaries and related companies are discussed in ALCO's Audited Financial Statements for 2022, a copy of which is attached to the Information Statement and incorporated therein as an integral part thereof.

**h. Patents and Trademarks**

ALCO's operations are not dependent on patents, trademarks, copyrights and the like, although ALCO, on its own behalf and those of its subsidiaries, sought from the Intellectual Property Office of the Philippines and was granted the exclusive use of the tradenames, logos and taglines "Arthaland Future Proof by Design", "Arthaland Century Pacific Tower", "ARTHALAND Building Sustainable Legacies", "Cebu Exchange", "Savya Financial Center", "Sevina Park", "The Potager Garden by Arthaland", and "NAVIS by Arthaland". The tradename "Arya Residences" now belongs to Arya Residences Condominium Corporation.

**i. Government approval for principal products or services**

ALCO secures various government approvals such as Environmental Compliance Certificates (ECCs), development permits and licenses to sell as part of its normal course of business.

ALCO does not foresee any material or adverse effect of existing and probable government regulations on its business.

**j. Cost and Effects of Compliance with Environmental Laws**

ALCO complied with all environmental regulatory requirements for both the pre-construction and operational phases of all its projects and paid for the imposed dues.

ALCO goes beyond the mandatory environmental framework, being a member and supporter of USGBC and PHILGBC. ALCO is also an EDGE Champion of the IFC and a supporter of the World Green Building Council.

ALCO will obtain the requisite government approvals for its subsequent projects based on the projects' timetable for development and pre-selling.

**k. Employees**

As of 31 December 2022, ALCO had a total of 137 personnel, 60 of whom are in management and 77 are non-managers<sup>20</sup>. As of the same period, ALCO also engaged 167 sales agents.

The above personnel are not covered by any collective bargaining agreement.

Additional employees will be hired for the succeeding year but the same will be closely aligned with ALCO's actual and programmed growth.

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<sup>20</sup> These employees do clerical, administrative and operational day to day tasks, are given directives, and do not have any authority to make decisions for the company.

## I. Working Capital

Generally, ALCO finances its projects through internally generated funds, loans from banks, funds from joint venture partners, and funds raised from its public offering of preferred shares and bonds. ALCO may also obtain support from its major shareholders, such as the non-interest-bearing loans obtained from Centrobless Corporation<sup>21</sup>, a majority owned subsidiary of Century Pacific Group, Inc., which is the same majority shareholder of CPG, ALCO's largest stockholder at present, and from Signature Office Property, Inc.<sup>22</sup>, which is majority-owned and chaired by ALCO Director Jaime Enrique Y. González.

The amount spent on development activities and its percentage vis-à-vis the revenues during the last two (2) fiscal years are reflected and discussed in ALCO's Audited Financial Statements for the period covered by this Report, a copy of which is hereto attached.

### OPERATIONAL AND FINANCIAL INFORMATION

#### a. Market Information

Only the Common shares and the Preferred shares Series C and Series D of ALCO are traded in the Philippine Stock Exchange.

Below are the highlights of quarterly trading of the foregoing shares for the last three years:

##### Common

	<b>2022</b>			<b>2021</b>			<b>2020</b>		
Quarter	High	Low	Close	High	Low	Close	High	Low	Close
1	0.64	0.53	0.59	0.64	0.63	0.63	0.62	0.57	0.61
2	0.60	0.52	0.57	0.71	0.67	0.68	0.57	0.52	0.56
3	0.62	0.50	0.53	0.64	0.64	0.64	0.54	0.52	0.53
4	0.56	0.54	0.56	0.64	0.61	0.64	0.65	0.62	0.65

##### Series C Preferred Shares

	<b>2022</b>			<b>2021</b>			<b>2020</b>		
Quarter	High	Low	Close	High	Low	Close	High	Low	Close
1	109.90	102.00	102.00	102.60	102.50	102.50	-	-	-
2	108.60	100.20	105.00	101.80	101.80	101.80	104.90	104.90	104.90
3	105.00	100.80	104.70	103.50	103.50	103.50	-	-	-
4	102.00	102.00	102.00	108.00	108.00	108.00	110.00	110.00	110.00

##### Series D Preferred Shares

	<b>2022</b>			<b>2021</b>					
Quarter	High	Low	Close	High	Low	Close	High	Low	Close
1	525.00	512.00	518.00	N/A	N/A	N/A	N/A	N/A	N/A
2	519.00	505.00	505.00	N/A	N/A	N/A	N/A	N/A	N/A
3	509.00	450.00	499.00	N/A	N/A	N/A	N/A	N/A	N/A

<sup>21</sup> The loan amounting to ₱1,650,643,779.00 was fully settled as of 31 December 2018.

<sup>22</sup> This loan amounting to ₱207,051,912.00 was fully settled as of 31 December 2018.

4	499.20	499.00	499.00	525.00	500.00	512.50	N/A	N/A	N/A
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Below are the highlights of trading of ALCO's shares for the first quarter of 2023:

Share	High	Low	Close
Common	0.52	0.50	0.51
Preferred Series C	102.00	102.00	100.00
Preferred Series D	500.00	494.80	500.00

## b. Security Holders

As of 31 May 2023, the total shares issued and outstanding are as follows:

Common	-	5,318,095,199
Preferred Series A	-	12,500,000
Preferred Series C	-	10,000,000
Preferred Series D	-	6,000,000

As of 31 December 2022, the number of shareholders of record is as follows:

Common	-	1,932
Preferred Series A	-	1
Preferred Series C	-	2
Preferred Series D	-	7

As of 31 March 2023, the number of shareholders of record is as follows:

Common	-	1,930
Preferred Series A	-	1
Preferred Series C	-	2
Preferred Series D	-	7

ALCO's public ownership percentage as of 31 December 2022 and 31 March 2023 is 29.905%.

Article Seventh of ALCO's Articles of Incorporation provides that its shares of stock are not subject to pre-emptive rights of the stockholders and may therefore be issued in such quantities at such times and with such features as the Board of Directors may determine and prescribe provided, that the Preferred shares shall be redeemable, non-voting and non-participating. Article Tenth further provides that no issuance or transfer of shares of stock shall be allowed if it will reduce the ownership of Filipino citizens to less than the percentage required by law.

ALCO's top 20 stockholders of Common shares as of 31 December 2022 are as follows:

Name of Shareholders		%
1. CPG Holdings, Inc.	2,017,619,910	37.938
2. PCD Nominee Corporation – Filipino	1,650,471,940	31.034
3. AO Capital Holdings I, Inc.	1,383,730,000	26.019
4. Elite Holdings, Inc.	119,809,996	2.253
5. Tina Keng	25,000,000	0.470
6. EQL Properties, Inc.	14,671,125	0.276
7. PCD Nominee Corporation – Non-Filipino	13,731,310	0.258
8. Urban Bank Trust Department – A/C No. 625	4,838,488	0.091
9. RBL Fishing Corporation	4,350,000	0.082
10. Veronica D. Reyes	3,799,272	0.071
11. Veronica D. Reyes and/or Cecilia D. Reyes	2,654,061	0.050

12. Theodore G. Huang and/or Corazon B. Huang	2,501,250	0.047
13. Anito Tan and/or Lita Tan	2,027,049	0.038
14. Lourdes D. Dizon	1,740,000	0.033
15. Kwan Yan Dee and/or Christina Dee	1,631,250	0.031
16. Dante Garcia Santos	1,631,250	0.031
17. Luciano H. Tan	1,505,950	0.028
18. Josefina Tan Cruz	1,488,000	0.028
19. Samuel Uy	1,087,500	0.020
20. Datacom Systems Corp.	1,004,394	0.019
<b>Total</b>	<b>5,255,292,745</b>	<b>98.817</b>

ALCO's top 20 stockholders of Common shares as of 31 March 2023 are as follows:

<b>Name of Shareholders</b>	<b>No. of Shares</b>	<b>%</b>
1. CPG Holdings, Inc Cpg Holdings Inc	2,017,619,910	37.938
2. PCD Nominee Corporation (Filipino)	1,650,494,815	31.035
3. AO Capital Holdings 1, Inc.	1,383,730,000	26.019
4. Elite Holdings, Inc.	119,809,996	2.253
5. Tina Keng	25,000,000	0.470
6. EQL Properties, Inc.	14,671,125	0.276
7. PCD Nominee Corporation (Non-Filipino)	13,823,710	0.260
8. Urban Bank Trust Department A/C No. 625	4,838,488	0.091
9. RBL Fishing Corporation	4,350,000	0.082
10. Veronica D. Reyes	3,799,272	0.071
11. Veronica D. Reyes &/Or Cecilia D. Reyes	2,654,061	0.050
12. Theodore G. Huang &/Or Corazon B. Huang	2,501,250	0.047
13. Anito Tan &/Or Lita Tan	2,027,049	0.038
14. Lourdes D. Dizon	1,740,000	0.033
15. Kwan Yan Dee &/Or Christina Dee	1,631,250	0.031
16. Dante Garcia Santos	1,631,250	0.031
17. Luciano H. Tan	1,505,950	0.028
18. Josefina Tan Cruz	1,488,000	0.028
19. Samuel Uy	1,087,500	0.020
20. Datacom Systems Corp.	1,004,394	0.019
<b>TOTAL</b>	<b>5,255,408,020</b>	<b>98.82</b>

The sole shareholder of the Series A Preferred Shares is MPI, a wholly owned subsidiary of ALCO.

All 20,000,000 Series B Preferred Shares were redeemed as of 06 December 2021 and are now treasury shares of ALCO.

ALCO's top stockholders of Series C Preferred Shares as of 31 December 2022 and 31 March 2023 are as follows:

<b>Name of Shareholders</b>	<b>No. of Shares</b>	<b>%</b>
1. PCD Nominee Corporation – Filipino	9,975,500	99.755
2. PCD Nominee Corporation – Non-Filipino	24,500	0.245
<b>TOTAL</b>	<b>10,000,000</b>	<b>100.000</b>

ALCO's top stockholders of Series D Preferred Shares as of 31 December 2022 are as follows:

<b>Name of Shareholders</b>	<b>No. of Shares</b>	<b>%</b>
1. PCD Nominee Corporation – Filipino	5,676,660	94.6110
2. Knights of Columbus Fraternal Association of the Philippines, Inc.	240,000	4.0000

3. PCD Nominee Corporation – Non-Filipino	68,290	1.1382
4. G.D. Tan & Co., Inc.	13,000	0.2167
5. Knights of Columbus Fr. George J. Willman Charities, Inc.	1,000	0.0167
6. KC Philippines Foundation, Inc.	1,000	0.0167
7. Myra P. Villanueva	50	0.0008
<b>TOTAL</b>	<b>6,000,000</b>	<b>100.000</b>

ALCO's top stockholders of Series D Preferred Shares as of 31 March 2023 are as follows:

<b>Name of Shareholders</b>	<b>No. of Shares</b>	<b>%</b>
1. PCD Nominee Corporation – Filipino	5,674,460	94.5743
2. Knights of Columbus Fraternal Association of the Philippines, Inc.	240,000	4.0000
3. PCD Nominee Corporation – Non-Filipino	70,490	1.1748
4. G.D. Tan & Co., Inc.	13,000	0.2167
5. Knights of Columbus Fr. George J. Willman	1,000	0.0167
6. KC Philippines Foundation, Inc.	1,000	0.0167
7. Myra P. Villanueva	50	0.0008
<b>TOTAL</b>	<b>6,000,000</b>	<b>100.000</b>

**c. Dividends**

ALCO declared cash dividends to Common stockholders, as follows:

<b><u>Declaration Date</u></b>	<b><u>Record Date</u></b>	<b><u>Payment Date</u></b>	<b><u>Amount/Share</u></b>
28 June 2013	26 July 2013	22 August 2013	₱0.012
10 March 2014	28 March 2014	22 April 2014	₱0.036
09 March 2015	23 March 2015	08 April 2015	₱0.012
28 February 2017	14 March 2017	07 April 2017	₱0.012
21 March 2018	06 April 2018	02 May 2018	₱0.012
21 June 2019	08 July 2019	31 July 2019	₱0.012
26 June 2020	10 July 2020	31 July 2020	₱0.012
25 June 2021	09 July 2021	30 July 2021	₱0.012
24 June 2022	11 July 2022	04 August 2022	₱0.012

ALCO declared cash dividends to holders of Preferred Shares Series B until the date these shares were redeemed, as follows:

<b><u>Declaration Date</u></b>	<b><u>Record Date</u></b>	<b><u>Payment Date</u></b>	<b><u>Amount/Share</u></b>
08 February 2017	24 February 2017	06 March 2017	₱1.76145
10 May 2017	25 May 2017	06 June 2017	₱1.76145
09 August 2017	23 August 2017	06 September 2017	₱1.76145
26 October 2017	24 November 2017	06 December 2017	₱1.76145
10 January 2018	09 February 2018	06 March 2018	₱1.76145
09 May 2018	23 May 2018	06 June 2018	₱1.76145
01 August 2018	16 August 2018	06 September 2018	₱1.76145
24 October 2018	12 November 2018	06 December 2018	₱1.76145
21 February 2019	01 March 2019	06 March 2019	₱1.76145
08 May 2019	22 May 2019	06 June 2019	₱1.76145
07 August 2019	22 August 2019	06 September 2019	₱1.76145
23 October 2019	15 November 2019	06 December 2019	₱1.76145
29 January 2020	14 February 2020	06 March 2020	₱1.76145

06 May 2020	21 May 2020	06 June 2020	₱1.76145
05 August 2020	19 August 2020	06 September 2020	₱1.76145
21 October 2020	13 November 2020	06 December 2020	₱1.76145
27 January 2021	15 February 2021	06 March 2021 <sup>23</sup>	₱1.76145
05 May 2021	19 May 2021	06 June 2021 <sup>24</sup>	₱1.76145
04 August 2021	20 August 2021	06 September 2021	₱1.76145
20 October 2021	16 November 2021	06 December 2021	₱1.76145

ALCO declared cash dividends to holders of Preferred Shares Series C, as follows:

<b><u>Declaration Date</u></b>	<b><u>Record Date</u></b>	<b><u>Payment Date</u></b>	<b><u>Amount/Share</u></b>
08 August 2019	06 September 2019	27 September 2019	₱1.7319
23 October 2019	29 November 2019	27 December 2019	₱1.7319
29 January 2020	06 March 2020	27 March 2020	₱1.7319
06 May 2020	04 June 2020	27 June 2020	₱1.7319
05 August 2020	04 September 2020	27 September 2020	₱1.7319
21 October 2020	04 December 2020	28 December 2020	₱1.7319
27 January 2021	08 March 2021	27 March 2021 <sup>25</sup>	₱1.7319
05 May 2021	07 June 2021	27 June 2021 <sup>26</sup>	₱1.7319
04 August 2021	07 September 2021	27 September 2021	₱1.7319
20 October 2021	03 December 2021	27 December 2021	₱1.7319
23 February 2022	10 March 2022	28 March 2022	₱1.7319
04 May 2022	02 June 2022	27 June 2022	₱1.7319
05 August 2022	01 September 2022	27 September 2022	₱1.7319
26 October 2022	05 December 2022	27 December 2022	₱1.7319
25 January 2023	24 February 2023	27 March 2023	₱1.7319

ALCO declared cash dividends to holders of Preferred Shares Series D, as follows:

<b><u>Declaration Date</u></b>	<b><u>Record Date</u></b>	<b><u>Payment Date</u></b>	<b><u>Amount/Share</u></b>
26 January 2022	11 February 2022	03 March 2022	₱7.50
04 May 2022	19 May 2022	03 June 2022	₱7.50
08 August 2022	19 August 2022	03 September 2022 <sup>27</sup>	₱7.50
26 October 2022	14 November 2022	05 December 2022 <sup>28</sup>	₱7.50
25 January 2023	08 February 2023	03 March 2023	₱7.50

No dividends were declared in 2016.

Whether ALCO still plans to declare dividends within the next twelve (12) months is uncertain but the same shall always be subject to Section 2, Article VII of ALCO's By-laws which provides, as follows:

“Dividends shall be declared from the unrestricted retained earnings of the Corporation, including stock dividends from paid-in surplus, at such time and

<sup>23</sup> Following the terms of the offering of the Preferred Shares Series B, as the scheduled payment date fell on a weekend, payment of the dividends was made the following business day.

<sup>24</sup> *Ibid.*

<sup>25</sup> Following the terms of the offering of the Preferred Shares Series C, as the scheduled payment date fell on a weekend, payment of the dividends was made the following business day.

<sup>26</sup> *Ibid.*

<sup>27</sup> Following the terms of the offering of the Preferred Shares Series D, as the scheduled payment date fell on a weekend, payment of the dividends was made the following business day.

<sup>28</sup> *Ibid.*



in such amounts as the Board of Directors may determine. Dividend declarations shall not in any manner reduce the paid-in capital of the Corporation. Unless otherwise resolved by the Board of Directors, a fraction of one-half or more of a share owing to a stockholder resulting from a declaration of stock dividends shall be issued as one full share, while a fraction of less than one-half share shall be disregarded.

“Declaration of stock dividends shall be submitted to a stockholders’ meeting for approval within forty (40) business days from such approval by the Board of Directors. The record date for stock dividends shall not be earlier than the date of approval by the stockholders.

“Declaration of cash dividends shall have a record date which shall not be less than ten (10) business days but not more than thirty (30) business days from the date of declaration by the Board of Directors.”

**d. Recent Sales of Unregistered or Exempt Securities**

There are no recent sales of unregistered or exempt shares of ALCO.

*(This portion is intentionally left blank.)*

<b>MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATION</b>
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**FINANCIAL POSITION**

**31 December 2022 vs. 31 December 2021**

	<u><b>31 Dec 2022</b></u>	<u><b>31 Dec 2021</b></u>	<u><b>Change</b></u>
Cash and cash equivalents	<b>P4,796,293,662</b>	P1,949,257,156	146%
Financial assets at fair value through profit or loss (FVPL)	<b>2,246,039,822</b>	4,378,607,744	-49%
Receivables	<b>2,380,054,645</b>	1,563,406,726	52%
Contract Assets	<b>3,920,367,468</b>	6,238,880,086	-37%
Real estate for sale	<b>9,381,383,586</b>	8,988,754,987	4%
Investment properties	<b>11,273,784,260</b>	9,026,428,319	25%
Property and equipment	<b>333,940,003</b>	273,213,366	22%
Net retirement asset	<b>36,058,483</b>	-	100%
Other Assets	<b>2,024,785,160</b>	2,252,738,463	-10%
<b>Total Assets</b>	<b>36,392,707,089</b>	34,671,286,847	5%
Accounts payable and other liabilities	<b>3,382,198,303</b>	4,218,822,302	-20%
Loans payable	<b>11,764,154,679</b>	13,436,717,469	-12%
Bonds payable	<b>5,925,771,148</b>	2,966,594,179	100%
Contract liabilities	<b>231,469,884</b>	62,154,096	272%
Advances from non-controlling interests	<b>1,102,119,597</b>	1,102,119,597	0%
Net retirement liability	<b>2,545,060</b>	118,443,498	-98%
Net deferred tax liabilities	<b>1,924,137,488</b>	1,714,298,793	12%
<b>Total Liabilities</b>	<b>24,332,396,159</b>	23,619,149,934	3%

Capital stock	<b>1,005,757,136</b>	1,005,757,136	0%
Additional paid-in capital	<b>5,973,360,513</b>	5,973,360,513	0%
Retained earnings	<b>4,912,544,253</b>	4,404,555,747	12%
Other equity reserves	<b>221,696,435</b>	177,630,403	25%
Treasury stock – at cost	<b>(2,000,000,000)</b>	(2,000,000,000)	0%
Parent Company's shares held by a subsidiary	<b>(12,500,000)</b>	(12,500,000)	0%
Total equity attributable to the Parent Company	<b>10,100,858,337</b>	9,548,803,799	6%
Non-controlling interests	<b>1,959,452,593</b>	1,503,333,114	30%
<b>Total Equity</b>	<b>12,060,310,930</b>	11,052,136,913	9%
<b>Total Liabilities and Equity</b>	<b>P36,392,707,089</b>	P34,671,286,847	5%

ALCO's total resources as of 31 December 2022 amounting to P36.39 billion is 5% higher than the 31 December 2021 level of P34.67 billion due to the following:

*146% Increase in Cash and Cash Equivalents*

The increase in cash is largely due to net proceeds from the ASEAN Green Bonds' Tranche 2 offering of ALCO.

*49% Decrease in Financial Assets at Fair Value through Profit or Loss (FVPL)*

The decline is due to partial termination of money market placements for loan repayments and project development costs.

*52% Increase in Receivables*

The increase is mainly due to maturity of Contract to Sell with buyers of Cebu Exchange following its completion, as well as the receivables arising from the initial revenue recognition from Lucima project.

*37% Decrease in Contract Assets*

The decline is largely due to maturities of Contracts to Sell with buyers of Cebu Exchange which were subsequently accounted for as billed receivables.

*25% Increase in Investment Properties*

The increase is largely attributed to the retention of 8,059 sqm of office units, 72 parking slots, 2,628 sqm of retail units, and 36 non-appurtenant parking slots in Cebu Exchange. As a result, these properties were removed from the inventory for sale and included in investment properties for lease. The initial cost of these properties was P844 million, which were later revalued at a fair value of P1.8 billion.

*22% Increase in Property, Plant and Equipment*

The increase is largely attributable to construction cost of projects' gallery and model units.

*100% Increase in Net Retirement Asset*

The increase is primarily attributable to additional contributions made to the retirement plan.

*10% Decrease in Other Assets*

The decrease is mainly caused by the advance payments made to a seller of land which was subsequently acquired by the Group and reclassified as "real estate for sale".

*20% Decrease in Accounts Payable and Other Liabilities*

The decrease is the result of ALCO's settlement of the outstanding balance to Rock & Salt B.V., arising from the purchase of common and preferred shares and assignment of shareholder

advances and accrued interest receivables in CLLC.

*12% Decrease in Loans Payable*

The decline is primarily due to CLLC's repayment of its term loan and CTS loans.

*100% Increase in Bonds Payable*

This refers to the issuance of the 2<sup>nd</sup> tranche of ASEAN Green Bonds, net of debt issuance costs, to be used in the acquisition and development of eligible green projects.

*272% Increase in Contract Liabilities*

The increase refers to the payments received from buyers of units in Lucima, Eluria and Sevina Park, for which the related revenue has not yet been recognized.

*98% Decrease in Net Retirement Liability*

The decline is primarily due to settlement of past service cost resulting to a fully funded retirement plan of ALCO.

*12% Increase in Net Deferred Tax Liabilities*

The increase can be attributed directly to the additional gain that was recognized during the year on the change in fair value of investment properties.

*12% Increase in Retained Earnings*

The increase is due to net income for the year, net of dividends declared.

*25% Increase in Other Equity Reserves*

The increase is mainly due to remeasurement gains on net retirement liability.

*30% Increase in Non-Controlling Interests*

The net increase is largely due to additional deposits for future stock subscription from SLDC shareholder.

## FINANCIAL POSITION

### 31 December 2021 vs. 31 December 2020

	<u>31 Dec 2021</u>	<u>31 Dec 2020</u>	<u>Change</u>
Cash and cash equivalents	<b>₱1,949,257,156</b>	₱941,079,474	107%
Financial assets at fair value through profit or loss (FVPL)	<b>4,378,607,744</b>	3,257,288,870	34%
Receivables	<b>1,563,406,726</b>	539,079,767	190%
Contract Assets	<b>6,238,880,086</b>	5,341,881,039	17%
Real estate for sale	<b>8,988,754,987</b>	6,894,906,539	30%
Investment properties	<b>9,026,428,319</b>	8,315,168,841	9%
Property and equipment	<b>273,213,366</b>	280,192,479	-2%
Other Assets	<b>2,252,738,463</b>	1,977,606,060	14%
<b>Total Assets</b>	<b>34,671,286,847</b>	27,547,203,069	26%
Accounts payable and other liabilities	<b>4,218,822,302</b>	2,792,943,961	51%
Loans payable	<b>13,436,717,469</b>	9,305,693,323	44%
Bonds payable	<b>2,966,594,179</b>	2,958,526,698	0%
Contract liabilities	<b>62,154,096</b>	27,423,392	127%
Advances from non-controlling interests	<b>1,102,119,597</b>	1,367,586,297	-19%
Net retirement liability	<b>118,443,498</b>	101,496,418	17%

Net deferred tax liabilities	<b>1,714,298,793</b>	1,763,428,524	-3%
<b>Total Liabilities</b>	<b>23,619,149,934</b>	18,317,098,613	29%
Capital stock	<b>1,005,757,136</b>	999,757,136	1%
Additional paid-in capital	<b>5,973,360,513</b>	3,008,959,878	99%
Retained earnings	<b>4,404,555,747</b>	3,779,054,629	17%
Other equity reserves	<b>177,630,403</b>	230,363,146	-23%
Treasury stock – at cost	<b>(2,000,000,000)</b>	-	100%
Parent Company’s shares held by a subsidiary	<b>(12,500,000)</b>	(12,500,000)	0%
Total equity attributable to the Parent Company	<b>9,548,803,799</b>	8,005,634,789	19%
Non-controlling interests	<b>1,503,333,114</b>	1,224,469,667	23%
<b>Total Equity</b>	<b>11,052,136,913</b>	9,230,104,456	20%
<b>Total Liabilities and Equity</b>	<b>₱34,671,286,847</b>	₱27,547,203,069	26%

ALCO’s total resources as of 31 December 2021 amounting to ₱34.67 billion is 26% higher than the 31 December 2020 level of ₱27.55 billion due to the following:

*107% Increase in Cash and Cash Equivalents*

The increase is accounted for by inflows from Preferred Shares Series D issuance net of Series B redemption, loan proceeds and sales collections net of loan repayments and operational and construction related disbursements.

*34% Increase in Financial Assets at Fair Value through Profit or Loss (FVPL)*

The increase is attributable to additional funds invested in money market placements.

*190% Increase in Receivables*

The increase is largely due to the installment receivables recognized from the sale of office units in Cebu Exchange, Savya Financial Center, and residential units in Sevina Park, as well as receivables from ACPT tenants.

*17% Increase in Contract Assets*

The increase in contract assets pertains to the additional booked units during the year, arising from the sale of office units in Cebu Exchange, Savya Financial Center and residential units in Sevina Park accounted for under percentage of completion (POC), where contract assets is recognized when total revenues from real estate sales exceeds the billed amount.

*30% Increase in Real Estate for Sale*

The increase was mainly due to the additional construction costs incurred for ongoing projects as well as the carrying value of a portion of land that was transferred from “Investment properties” to “Real estate for sale” due to change in the intended use of the property.

*9% Increase in Investment Properties*

The increase is mainly attributable to the appraisal gain from ACPT, Laguna and other investment properties, net of reclassification of a portion of land to “Real estate for sale”.

*14% Increase in Other Assets*

The increase is largely attributable to VAT Input payments and advances for purchase of property.

*51% Increase in Accounts Payable and Other Liabilities*

This is attributable to payables to contractors for ongoing projects and other liabilities.

*44% Increase in Loans Payable*

The increase is largely attributed to drawdowns from various loan facilities to fund project related disbursements and working capital requirements.

*127% Increase in Contract Liabilities*

The increase pertains to collections received from buyers of units in Savva Financial Center and Sevina Park Villas, the related revenue of which is not yet recognized.

*19% Decrease in Advances from Non-controlling Interests*

The decrease pertains to ALCO's acquisition of the 40% share owned by Rock & Salt B.V. in CLLC.

*17% Increase in Net Retirement Liability*

The increase is due to the additional retirement expense recognized for the year, net of remeasurement gains.

*99% Increase in Additional Paid-in Capital*

This is due to the excess of the proceeds over par value of the Preferred Shares Series D that was issued during the year, net of stock issuance costs.

*17% Increase in Retained Earnings*

The increase is due to net income for the year, net of dividends declared.

*23% Decrease in Other Equity Reserves*

The decrease is mainly due to ALCO's acquisition of 40% of the ownership and voting rights of CLLC from Rock & Salt B.V. resulting to 100% ownership of the Parent Company in CLLC. The difference between the acquisition cost and book value was recorded as reduction to equity reserves.

*100% Increase in Treasury Stock – at cost*

This is due to the redemption of Preferred Shares Series B during the year.

*23% Increase in Non-Controlling Interests (NCI)*

The increase is largely contributed by the recognition of NCI's share in the net income of CLLC and SLDC.

## FINANCIAL POSITION

### 31 December 2020 vs. 31 December 2019

	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>	<b>Change</b>
Cash and cash equivalents	<b>₱941,079,474</b>	₱407,214,384	131%
Financial assets at fair value through profit or loss (FVPL)	<b>3,257,288,870</b>	772,186,717	322%
Receivables	<b>539,079,767</b>	389,687,736	38%
Contract Assets	<b>5,341,881,039</b>	3,250,482,689	64%
Real estate for sale	<b>6,894,906,539</b>	5,410,062,969	27%
Investment properties	<b>8,315,168,841</b>	7,280,000,267	14%
Property and equipment	<b>280,192,479</b>	282,549,715	-1%
Other Assets	<b>1,977,606,060</b>	1,683,647,515	17%
<b>Total Assets</b>	<b>27,547,203,069</b>	19,475,831,992	41%

Accounts payable and other liabilities	<b>2,792,943,961</b>	2,488,916,877	12%
Loans payable	<b>9,305,693,323</b>	6,925,381,746	34%
Bonds payable	<b>2,958,526,698</b>	-	100%
Contract liabilities	<b>27,423,392</b>	32,179,674	-15%
Advances from non-controlling interests	<b>1,367,586,297</b>	1,144,586,297	19%
Net retirement liability	<b>101,496,418</b>	99,880,460	2%
Net deferred tax liabilities	<b>1,763,428,524</b>	1,309,495,052	35%
<b>Total Liabilities</b>	<b>18,317,098,613</b>	12,000,440,106	53%
Capital stock	<b>999,757,136</b>	999,757,136	0%
Additional paid-in capital	<b>3,008,959,878</b>	3,008,959,878	0%
Retained earnings	<b>3,779,054,629</b>	3,161,789,766	20%
Other equity reserves	<b>230,363,146</b>	(207,724)	110999%
Parent Company's shares held by a subsidiary	<b>(12,500,000)</b>	(12,500,000)	0%
Total equity attributable to the Parent Company	<b>8,005,634,789</b>	7,157,799,056	12%
Non-controlling interests	<b>1,224,469,667</b>	317,592,830	286%
<b>Total Equity</b>	<b>9,230,104,456</b>	7,475,391,886	23%
<b>Total Liabilities and Equity</b>	<b>₱27,547,203,069</b>	₱19,475,831,992	41%

ALCO's total resources as of 31 December 2020 amounting to ₱27.55 billion is 41% higher than the 31 December 2019 level of ₱19.48 billion due to the following:

*131% Increase in Cash and Cash Equivalents*

The increase is accounted for by inflows from the issuance of the ASEAN Green Bonds, loan proceeds and sales collections, net of outflows attributed to money market placements, repayments of loans and operational and construction related disbursements.

*322% Increase in Financial Assets at Fair Value through Profit or Loss (FVPL)*

The increase is accounted for by portions of the ASEAN Green Bonds as well as loan proceeds that were invested in money market placements.

*38% Increase in Receivables*

The increase is largely due to the revenues recognized from the sale of office units in Cebu Exchange and Savya Financial Center that are already billed to buyers, and receivables from ACPT tenants.

*64% Increase in Contract Assets*

The increase pertains to the above revenue recognition from the office units in Cebu Exchange and Savya Financial Center where there was an excess of total revenues from real estate sales over the amounts already due and payable by the buyers.

*27% Increase in Real Estate for Sale*

The increase is mainly due to the additional construction costs incurred for ongoing projects net of amounts charged to Cost of Sales, and acquisition of properties in Makati and Cebu for development, net of cost of real estate sold recognized.

*14% Increase in Investment Properties*

The increase is mainly attributable to the appraisal gain from ACPT and other investment properties.

*17% Increase in Other Assets*

The increase is largely attributable to VAT Input payments and advances for purchase of a property.

*12% Increase in Accounts Payable and Other Liabilities*

The increase is mainly attributable to payables to contractors for ongoing projects.

*34% Increase in Loans Payable*

The increase is largely attributed to drawdowns from various loan facilities to fund project related disbursements and some working capital requirements.

*100% Increase in Bonds Payable*

This pertains to the issuance of the ASEAN Green Bonds, net of debt issuance costs, to be used in the acquisition and development of eligible green projects.

*15% Decrease in Contract Liabilities*

The decrease pertains to down payment received which were subsequently recognized as revenues from real estate sales of office units in Savya Financial Center.

*19% Increase in Advances from Non-controlling Interests*

The increase pertains to advances made by shareholders of CLLC and KHI.

*35% Increase in Net Deferred Tax Liabilities*

The increase is mainly due to the deferred tax on the gain on change in fair value of investment properties and excess of financial gross profit over taxable gross profit.

*20% Increase in Retained Earnings*

The increase is due to the net income for the year, net of dividends declared.

*110999% Increase in Other Equity Reserves*

The increase is mainly attributable to the excess over cost of proceeds that was received by ALCO for the sale of 40% of its shares in KHI in favor of MEC.

*286% Increase in Non-Controlling Interests (NCI)*

The increase was due to the recognition of NCI's share in the net income of CLLC and SLDC.

## RESULTS OF OPERATIONS

### 31 December 2022 vs. 31 December 2021

	<b>31 Dec 2022</b>	31 Dec 2021	<b>Change</b>
Revenues	<b>₱2,922,691,194</b>	₱2,972,199,256	-2%
Cost and expenses	<b>(1,804,061,411)</b>	(1,728,843,604)	4%
<b>Gross income</b>	<b>1,118,629,783</b>	1,243,355,652	-10%
Administrative expenses	<b>616,716,251</b>	438,756,665	41%
Selling and marketing expenses	<b>255,280,513</b>	299,702,134	-15%
Operating expenses	<b>871,996,764</b>	738,458,799	18%
<b>Income from operations</b>	<b>246,633,019</b>	504,896,853	-51%
Finance costs	<b>(500,672,464)</b>	(277,828,945)	80%
Net gain on change in fair value of investment properties	<b>1,435,889,906</b>	872,263,700	65%
Other income – Net	<b>68,051,894</b>	27,647,106	146%

<b>Income before income tax</b>	<b>1,249,902,355</b>	1,126,978,714	11%
Provision for income tax	<b>376,837,638</b>	11,895,600	3068%
<b>Net income</b>	<b>₱873,064,717</b>	₱1,115,083,114	-22%
Other comprehensive income (loss)			
Remeasurement gains on net retirement liability	<b>58,645,826</b>	10,211,359	-474%
Income tax benefit (expense) on remeasurement gains or losses	<b>(14,661,457)</b>	(2,639,131)	456%
<b>Total comprehensive income</b>	<b>₱917,049,086</b>	₱1,122,655,342	-18%

**Results of Operations for the year ended 31 December 2022 compared to the year ended 31 December 2021.**

*41% Increase in Administrative Expenses*

The increase is largely due to real estate taxes and other related pre-operating expenses arising from the completion of Cebu Exchange property.

*15% Decrease in Selling and Marketing Expenses*

The decline is mainly due to lower commission expense for Cebu Exchange, as the project is at completion stage.

*80% Increase in Finance Costs*

The increase is mainly attributed to non-capitalization of borrowing costs due to substantial completion of Cebu Exchange and Savya Financial Center.

*65% Increase in Net Gain on Change in Fair Value of Investment Properties*

The increase is due to gains from revaluation of ACPT units and recognition of fair market value of Cebu Exchange units and parking slots, which were reclassified from Real estate for sale to Investment properties for lease. Initially, these properties were valued at ₱844 million but were subsequently revalued at a fair value of ₱1.8 billion.

*146% Increase in Other Income – Net*

The increase is due to higher interest income for the year.

*3068% Increase in Provision for Income Tax*

The increase in this account is primarily attributed to the gain recognized for the year due to the change in the fair value of investment properties. This was compared against lower income tax in 2021 after the full effect of the reduced tax rate per CREATE law.

*474% Increase in Remeasurement Gains on Net Retirement Liability*

This is due to the change in financial assumptions and other variables used in the valuation of the retirement plan.

**RESULTS OF OPERATIONS**

**31 December 2021 vs. 31 December 2020**

	<b><u>31 Dec 2021</u></b>	<b><u>31 Dec 2020</u></b>	<b><u>Change</u></b>
Revenues	<b>₱2,972,199,256</b>	₱3,301,553,056	-10%
Cost and expenses	<b>(1,728,843,604)</b>	(1,682,981,281)	3%
<b>Gross income</b>	<b>1,243,355,652</b>	1,618,571,775	-23%
Administrative expenses	<b>438,756,665</b>	417,716,339	5%
Selling and marketing expenses	<b>299,702,134</b>	262,506,092	14%



Operating expenses	<b>738,458,799</b>	680,222,431	9%
<b>Income from operations</b>	<b>504,896,853</b>	938,349,344	-46%
Finance costs	<b>(277,828,945)</b>	(281,183,960)	-1%
Net gain on change in fair value of investment properties	<b>872,263,700</b>	959,989,140	-9%
Other income – Net	<b>27,647,106</b>	42,240,203	-35%
<b>Income before income tax</b>	<b>1,126,978,714</b>	1,659,394,727	-32%
Provision for income tax	<b>11,895,600</b>	490,270,422	-98%
<b>Net income</b>	<b>₱1,115,083,114</b>	₱1,169,124,305	-5%
Other comprehensive income (loss)			
Remeasurement gains (losses) on net retirement liability	<b>10,211,359</b>	(7,735,261)	232%
Income tax benefit (expense) on remeasurement gains or losses	<b>(2,639,131)</b>	2,320,578	-214%
<b>Total comprehensive income</b>	<b>₱1,122,655,342</b>	₱1,163,709,622	-4%

**Results of Operations for the year ended 31 December 2021 compared to the year ended 31 December 2020.**

*10% Decrease in Revenues*

The decrease in revenue is due to the minimal movement of Cebu Exchange POC in 2021 since the project is already nearing its completion and the lesser amount of booked sales as compared with the preceding year.

On the other hand, real estate sales of the office units at Savya Financial Center and residential units at Sevina Park Villas increased by 37% and 275% respectively.

*14% Increase in Selling and Marketing Expenses*

The change is mainly due to the increase in marketing activities for ongoing and new projects.

*9% Decrease in Net Gain on Change in Fair Value of Investment Properties*

The decrease is largely due to the minimal appraisal gain recognized in 2021.

*35% Decrease in Other Income – Net*

The decrease is attributable to lower unrealized holding gains on financial assets at FVPL during the year.

*98% Decrease in Provision for Income Tax*

The decrease is largely due to the full effect of CREATE law resulting to lower income tax during the year.

*232% Increase in Remeasurement Gains (Losses) on Net Retirement Liability*

The increase is attributable to the change in financial assumptions and other variables used by the actuarial company in the valuation of the retirement plan.

**RESULTS OF OPERATIONS**

**31 December 2020 vs. 31 December 2019**

	<b><u>31 Dec 2020</u></b>	<b><u>31 Dec 2019</u></b>	<b><u>Change</u></b>
Revenues	<b>₱3,301,553,056</b>	₱3,847,857,424	-14%
Cost and expenses	<b>(1,682,981,281)</b>	(2,145,739,457)	-22%

<b>Gross income</b>	<b>1,618,571,775</b>	1,702,117,967	-5%
Administrative expenses	<b>417,716,339</b>	409,806,713	2%
Selling and marketing expenses	<b>262,506,092</b>	256,010,229	3%
Operating expenses	<b>680,222,431</b>	665,816,942	2%
<b>Income from operations</b>	<b>938,349,344</b>	1,036,301,025	-9%
Finance costs	<b>(281,183,960)</b>	(124,839,604)	125%
Net gain on change in fair value of investment properties	<b>959,989,140</b>	1,180,724,811	-19%
Other income – Net	<b>42,240,203</b>	31,106,679	36%
<b>Income before income tax</b>	<b>1,659,394,727</b>	2,123,292,911	-22%
Provision for income tax	<b>490,270,422</b>	636,145,034	-23%
<b>Net income</b>	<b>1,169,124,305</b>	1,487,147,877	-21%
Other comprehensive income (loss)			
Remeasurement losses on net retirement liability	<b>(7,735,261)</b>	(26,253,170)	-71%
Income tax benefit on remeasurement gains or losses	<b>2,320,578</b>	7,875,951	-71%
<b>Total comprehensive income</b>	<b>₱1,163,709,622</b>	₱1,468,770,658	-21%

**Results of Operations for the year ended 31 December 2020 compared to the year ended 31 December 2019.**

*14% Decrease in Revenues*

The decrease in revenue is attributed to a decline in revenues from Real Estate Sales which was largely brought about by changes in market conditions and restrictions on construction activities following the Community Quarantine implemented in NCR and Cebu starting March 2020. While other companies implemented selling strategies involving sizeable discounts and ultra-stretched payment terms, ALCO substantially retained its selling prices across its projects given the strength of its sales pipeline and robust cash flows. ALCO fully expected that during the pandemic, there is a longer period to close sales transactions given that buyers take more time to conclude their decisions and given the limited access of buyers to ALCO's sales galleries for its projects.

On the other hand, revenues from other segments, particularly leasing and other operations, grew by 15% to ₱382.4 million in 2020 compared to ₱332.1 million in 2019.

*22% Decrease in Cost and Expenses*

The decrease in cost of sales is directly related to the decrease in revenues.

*125% Increase in Finance Costs*

The increase is accounted for by the non-capitalizable interests from the ASEAN Green Bonds and other working capital loans and interest from the loan obtained for the construction of ACPT, which was no longer capitalized upon the completion of building in 2019.

*19% Decrease in Net Gain on Change in Fair Value of Investment Properties*

The decrease is due to less appraisal gain recognized for investment properties.

*36% Increase in Other Income – Net*

The increase is attributable to earnings on the additional placements made from the proceeds of the ASEAN Green Bonds and various loans.

*23% Decrease in Provision for Income Tax*

The decrease is due to lower net income recognized for the year.

*71% Decrease in Remeasurement Losses on Net Retirement Liability*

The decrease is due to the change in financial assumptions and experience adjustments used in the valuation of the retirement plan.

## FINANCIAL RATIOS

	December 2022	December 2021	December 2020
Current/Liquidity Ratio (Current Assets over Current Liabilities)	<b>2.44:1</b>	1.81:1	2.24:1
Solvency Ratio (Net income before Depreciation over Total Liabilities)	<b>0.04:1</b>	0.05:1	0.07:1
Debt-to-Equity Ratio (Total Liabilities to Total Equity)	<b>2.02:1</b>	2.14:1	1.98:1
Debt-to-Equity Ratio for Loan Covenant (Total Debt [Bonds and loans payable, amount payable for purchase of interest in a subsidiary and advances from non-controlling interest] to Total Equity)	<b>1.56:1</b>	1.65:1	1.48:1
Asset-to-Equity Ratio (Total Assets over Total Equity)	<b>3.02:1</b>	3.14:1	2.98:1
Interest Rate Coverage Ratio (Pre-tax income before Interest over Interest Expense)	<b>3.51:1</b>	5.09:1	6.95:1
Profitability Ratio (Net income over Total Equity)	<b>0.07:1</b>	0.10:1	0.13:1

There are no known trends, events or uncertainties that are expected to affect the Company's continuing operations.

There are no known events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), entities or other persons created during the reporting period.

Except as otherwise disclosed separately and excluding those projects already in ALCO's pipeline as outlined in this Report, there are no other material commitments for capital expenditures as of the period herein.

There are no known trends, events or uncertainties that will materially impact sales.

There are no known significant elements of income or loss from continuing operations.

There are no known seasonal aspects that has material effect on the financial statements.

**FINANCIAL POSITION**  
**March 2023 vs December 2022**

	<b>31 March 2023</b>	<b>31 December 2022</b>	<b>% Change</b>
Cash and cash equivalents	<b>₱4,122,870,301</b>	₱4,796,293,662	-14%
Financial assets at fair value through profit or loss (FVPL)	<b>2,475,113,220</b>	2,246,039,822	10%
Receivables	<b>2,133,579,419</b>	2,380,054,645	-10%
Contract Assets	<b>4,099,400,048</b>	3,920,367,468	5%
Real estate for sale	<b>9,384,715,977</b>	9,381,383,586	0%
Investment properties	<b>11,482,807,172</b>	11,273,784,260	2%
Property and equipment	<b>323,253,487</b>	333,940,003	-3%
Net retirement asset	<b>36,058,483</b>	36,058,483	0%
Other Assets	<b>2,242,201,517</b>	2,024,785,160	11%
<b>Total Assets</b>	<b>36,299,999,624</b>	36,392,707,089	0%
Accounts payable and other liabilities	<b>2,993,739,924</b>	3,382,198,303	-11%
Loans payable	<b>11,727,664,383</b>	11,764,154,679	0%
Bonds payable	<b>5,930,672,918</b>	5,925,771,148	0%
Contract liabilities	<b>289,067,867</b>	231,469,884	25%
Advances from non-controlling interests	<b>1,102,119,597</b>	1,102,119,597	0%
Net retirement liability	<b>9,805,960</b>	2,545,060	285%
Net deferred tax liabilities	<b>1,948,138,724</b>	1,924,137,488	1%
<b>Total Liabilities</b>	<b>24,001,209,373</b>	24,332,396,159	-1%
Equity attributable to equity holders of the Parent Company			
Capital stock	<b>1,005,757,136</b>	1,005,757,136	0%
Additional paid-in capital	<b>5,973,360,513</b>	5,973,360,513	0%
Retained earnings	<b>4,986,297,088</b>	4,912,544,253	2%
Other equity reserves	<b>221,696,435</b>	221,696,435	0%
Treasury shares	<b>(2,000,000,000)</b>	(2,000,000,000)	0%
Parent Company's preferred shares held by a subsidiary	<b>(12,500,000)</b>	(12,500,000)	0%
	<b>10,174,611,172</b>	10,100,858,337	1%
Non-controlling interests	<b>2,124,179,079</b>	1,959,452,593	8%
<b>Total Equity</b>	<b>12,298,790,251</b>	<b>12,060,310,930</b>	<b>2%</b>
<b>Total Liabilities and Equity</b>	<b>₱ 36,299,999,624</b>	<b>₱36,392,707,089</b>	<b>0%</b>

ALCO's total resources remained at the level of ₱36 billion as of 31 March 2023.

**Causes for material changes (+/- 5% or more) in the financial statements**

*14% Decrease in Cash and Cash Equivalents*

Mainly due to repayment of loans, interest and regular disbursement from operations and project-related costs.

*10% Increase in Financial assets at FVPL*

Due to additional funds invested in money market placements.

*10% Decrease in Receivables*

Due to the full payment from the sale of Cazneau's Sevina commercial lots during the period.

*5% Increase in Contract Assets*

Mainly due to the excess of revenue recognized from the sale of Lucima over the amounts billed to buyers.

*11% Increase in Other Assets*

Largely due to payment of advances for project development and prepayments for commissions and taxes.

Total liabilities slightly dipped by 1% from ₱24.3 billion on 31 December 2022 to ₱24.0 billion as at 31 March 2023 due to the following:

*11% Decrease in Accounts Payable and Other Liabilities*

Mainly due to payment of dividends, construction costs and other trade payables.

*25% Increase in Contract Liabilities*

Pertains to collections received from buyers of units in Lucima, Eluria and Sevina Park Villas, in which the related revenue is not yet recognized.

*285% Increase in Retirement Liability*

Due to provision of retirement expense for the period.

Total equity remained at the level of ₱12 billion as of 31 March 2023.

*8% Increase in Non-Controlling Interests (NCI)*

Due to the recognition of NCI's share in the net income of Bhavana and Bhavya, and additional deposit for future stock subscription from a shareholder.

## FINANCIAL RATIOS

### March 2023 vs December 2022

RATIO	FORMULA	Mar 2023	Dec 2022
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	<b>2.49:1</b>	2.44:1
Acid Test Ratio	$\frac{\text{Quick Assets}}{\text{Current Liabilities}}$	<b>0.90:1</b>	0.93:1
Solvency Ratios	$\frac{\text{Net Income before depreciation}}{\text{Total liabilities}}$	<b>0.01:1</b>	0.04:1
Debt-to-Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$	<b>1.95:1</b>	2.02:1
Debt to Equity Ratio for Loan covenant	$\frac{\text{Total Debt [Bonds and loans payable, amount payable for purchase of interest in a subsidiary and advances from non-controlling interest] to Total Equity}}{\text{Total Equity}}$	<b>1.53:1</b>	1.56:1
Asset-to-Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	<b>2.95:1</b>	3.02:1
Interest Rate Coverage Ratio	$\frac{\text{Pretax Income before Interest}}{\text{Interest expense}}$	<b>1.82:1</b>	3.51:1

<b>RATIO</b>	<b>FORMULA</b>	<b>Mar 2023</b>	<b>Dec 2022</b>
Return on Equity	$\frac{\text{Net Income}}{\text{Average Equity excluding Preferred Shares}}$	<b>1.81%</b>	7%
Return on Assets	$\frac{\text{Net Income}}{\text{Average Total assets}}$	<b>0.40%</b>	2%
Net Profit Margin	$\frac{\text{Net Income}}{\text{Revenue}}$	<b>17%</b>	30%
Basic Earnings per Share	$\frac{\text{Net income less dividends declared}}{\text{Outstanding common shares}}$	<b>0.0139</b>	0.1075
Price to Earnings Ratio	$\frac{\text{Market Price per share}}{\text{Earnings per share}}$	<b>36.77:1</b>	5.21:1
Dividend Yield	$\frac{\text{Dividends per share}}{\text{Market price per share}}$	<b>2.35%</b>	2.14%

## FINANCIAL RATIOS

### March 2023 vs March 2022

<b>Ratio</b>	<b>Formula</b>	<b>Mar 2023</b>	<b>Mar 2022</b>
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	<b>2.49:1</b>	1.93:1
Acid Test Ratio	$\frac{\text{Quick Assets}}{\text{Current Liabilities}}$	<b>0.9:1</b>	0.49:1
Solvency Ratios	$\frac{\text{Net Income before depreciation}}{\text{Total liabilities}}$	<b>0.01:1</b>	0.01:1
Debt-to-Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$	<b>1.95:1</b>	2.03:1
Debt-to-Equity Ratio for Loan covenant	$\frac{\text{Total Debt [Bonds and loans payable, amount payable for purchase of interest in a subsidiary and advances from non-controlling interest] to Total Equity}}{\text{Total Equity}}$	<b>1.53:1</b>	1.50:1
Asset-to-Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	<b>2.95:1</b>	3.03:1
Interest Rate Coverage Ratio	$\frac{\text{Pretax Income before Interest}}{\text{Interest expense}}$	<b>1.82:1</b>	3.28:1
Return on Equity	$\frac{\text{Net Income}}{\text{Average Equity excluding Preferred Shares}}$	<b>1.81%</b>	2%
Return on Assets	$\frac{\text{Net Income}}{\text{Average Total assets}}$	<b>0.40%</b>	0.46%
Net Profit Margin	$\frac{\text{Net Income}}{\text{Revenue}}$	<b>17%</b>	30%
Basic Earnings per Share	$\frac{\text{Net income less dividends declared}}{\text{Outstanding common shares}}$	<b>0.0139</b>	0.0133
Price to Earnings Ratio	$\frac{\text{Market Price per share}}{\text{Earnings per share}}$	<b>36.77:1</b>	44.32:1
Dividend Yield	$\frac{\text{Dividends per share}}{\text{Market price per share}}$	<b>2.35%</b>	2.03%

There is no significant seasonality or cycle of interim operations.

There are no material events subsequent to the end of the interim period not previously reported in SEC form 17-C.

Except as otherwise disclosed separately and mentioned in the general information in this Report, there are no changes in the composition of the issuer during the interim period including business combinations, acquisition of subsidiaries and long-term investments, restructurings and discontinuing operations.

There are no material changes in the contingent liabilities or contingent assets since the last annual balance sheet date.

There are no material contingencies and any other events or transactions that are material to an understanding of the current interim period.

Except as otherwise disclosed separately and excluding those projects already in ALCO's pipeline as outlined in this Report, there are no other material commitments for capital expenditures since the last annual balance sheet date.

Except as otherwise disclosed separately and mentioned in the analysis of financial risks in this Report, there are no other 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. There is no foreseen event that will cause a material change in the relationship between costs and revenues.

There are no material off-balance sheet transactions, arrangements, obligations and other relationship of the company with unconsolidated entities or other persons created during the reporting period.

## RESULTS OF OPERATIONS

### March 2023 vs March 2022

	31 MARCH 2023		31 MARCH 2022		% Change
	AMOUNT	% of Sale	AMOUNT	% of Sale	
Revenues	₱835,428,569	100%	₱489,695,969	100%	71%
Cost and Expenses	404,722,404	48%	231,591,996	47%	75%
Gross Profit	430,706,165	52%	258,103,973	53%	67%
Administrative expenses	153,077,251	18%	126,534,402	26%	21%
Selling and marketing expenses	70,530,408	8%	52,064,855	11%	35%
OPERATING EXPENSES	223,607,659	27%	178,599,257	36%	25%
INCOME FROM OPERATIONS	207,098,506	25%	79,504,716	16%	160%
OTHER OPERATING INCOME (EXPENSE)					
Finance costs	(263,627,857)	-32%	(86,934,626)	-18%	203%
Net gain on change in FV of investment properties	235,078,510	28%	190,807,755	39%	23%
Other income - net	24,546,849	3%	12,854,381	3%	91%
INCOME BEFORE INCOME TAX	203,096,008	24%	196,232,226	40%	3%
Provision for income tax	61,016,313	7%	51,534,461	11%	18%

<b>NET INCOME</b>	<b>₱142,079,695</b>	<b>17%</b>	<b>₱144,697,765</b>	<b>30%</b>	<b>-2%</b>
NET INCOME ATTRIBUTABLE TO:					
Equity holders of the Parent Company	<b>136,071,835</b>	<b>16%</b>	133,117,220	<b>27%</b>	2%
Non-controlling interests	<b>6,007,860</b>	<b>1%</b>	11,707,715	<b>2%</b>	-49%
	<b>₱142,079,695</b>	<b>17%</b>	<b>₱144,824,935</b>	<b>30%</b>	<b>-2%</b>

The Group's revenue is up quarter-on-quarter by 71% from ₱489.7 million in 2022 to ₱835.4 million in 2023.

#### **Causes for any material changes (+/- 5% or more) in the financial statements**

##### *71% Increase in Revenues*

Mainly due to the sale of commercial lots at Sevina Park and residential units in Lucima.

##### *75% Increase in Cost and Expenses*

Related to higher sales bookings recognized by the Group.

##### *21% Increase in Administrative Expenses*

Primarily driven by higher real property taxes, insurance and other pre-operating expenses related to completed projects.

##### *35% Increase in Selling & Marketing Expenses*

Due to robust marketing activities for new projects.

##### *203% Increase in Finance Costs*

Mainly due to interest on recently issued ₱3.0 Billion ASEAN Green Bonds and non-capitalized borrowing costs of completed projects.

##### *23% Increase in Net Gain on Change in Fair Value of Investment Properties*

Due to the appraisal gain recognized for ACPT and Cebu Exchange.

##### *91% Increase in Other Income - Net*

Mainly attributable to holding gains and interest income.

##### *18% Increase in Provision for Income Tax*

Due to higher net income and revaluation gain from investment properties recognized for the period.

## **ANNUAL CORPORATE GOVERNANCE REPORT**

ALCO's compliance with its Manual of Corporate Governance (the "Manual")<sup>29</sup>, as recently amended on 03 May 2023, is monitored by its Compliance Officer who is tasked, among others, to determine and

<sup>29</sup> The revised Manual of Corporate Governance is available at [www.arthaland.com](http://www.arthaland.com).



measure such compliance with the said Manual, while the heads of various departments of the organization monitor the requisite compliances within the scope of their responsibilities.

The Board of Directors and Management, including officers and staff, of ALCO believe that good corporate governance is a necessary component of a sound and strategic business management and have, therefore, adopted the leading principles and practices of good corporate governance mandated by law and regulatory agencies and committed these as guide in the attainment of corporate goals and objectives. For this reason, everyone in the organization undertakes every effort necessary to create awareness of ALCO's Manual of Corporate Governance. Upon election, appointment or hiring, as applicable, the new director/s, officer/s or employee/s is provided with all relevant written information about ALCO, including the Manual, and such policies and procedures which will be relevant to his duties and responsibilities as such director, officer or employee. He is then free to sit down with any incumbent officer to enlighten himself further on ALCO's operations.

There is no deviation from the Manual as of the date of this Report.

No evaluation system has been established at this time which can measure or determine the level of compliance of the Board of Directors and top-level management with the Manual, although steps are currently undertaken to create one. Nevertheless, an evaluation by a third party (Institute of Corporate Directors) was conducted in 2021 on the Board of Directors and ALCO's various committees.

*- Nothing follows. -*

# **CERTIFICATIONS OF INDEPENDENT DIRECTORS**

**ARTHALAND CORPORATION  
ANNUAL STOCKHOLDERS MEETING  
30 JUNE 2023, FRIDAY, 9:00AM**

### **CERTIFICATION OF INDEPENDENT DIRECTOR**

I, **ANDRES B. STA. MARIA**, Filipino, of legal age, subscribing under oath, depose and say that:

1. I am an independent director of **ARTHALAND CORPORATION (the "Corporation")**, a publicly listed corporation organized and existing under Philippine law, with principal place of business at the **7/F Arthaland Century Pacific Tower, 5<sup>th</sup> Avenue corner 30<sup>th</sup> Street, Bonifacio Global City, Taguig City 1634**. I have been an Independent Director of the Corporation since **24 June 2016**.

2. I am nominated for election as an Independent Director of the Corporation at its scheduled Annual Stockholders' Meeting on **30 June 2023**.

3. I am also presently affiliated with the companies named below and their related companies:

<u>Company</u>	<u>Position/Relationship</u>
United Laboratories, Inc.	Director
Shimizu Philippine Contractors, Inc.	Chairman, Director
Longmeadow Corporation	Director
Calasmar Holdings, Inc.	Director
Oceana Holdings, Inc.	Chairman and President
Alegre Resort Corporation	Director and Corporate Secretary

4. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation as provided in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations, and other relevant rules of the Securities and Exchange Commission.

5. I am not in any way related to any director, officer, or substantial stockholder of the Corporation or any of its subsidiaries or affiliates, except as otherwise disclosed above.

6. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

7. I am not connected with any government agency or instrumentality at present. In the event that I will be elected as a director or officer of such, I undertake to secure the written permission or consent of the Securities and Exchange Commission and other related regulatory agencies to become an Independent Director of the Corporation pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Services Rules, as applicable.

8. I shall faithfully and diligently comply with my duties and responsibilities as an Independent Director of the Corporation, as set out in the Securities Regulation Code, its

Implementing Rules and Regulations, the Corporate Governance Code, and other relevant issuances of the Securities and Exchange Commission.

9. I shall inform the Corporate Secretary of the Corporation on any change in the abovementioned information within five (5) days from its occurrence.

**IN WITNESS WHEREOF**, I hereunto affix my signature on the date and place indicated below.



**ANDRES B. STA. MARIA**

**OATH**

Republic of the Philippines )  
Taguig City ) SS.

I certify that on this MAY 16 2023, before me, a notary public duly authorized in the city above-named to take acknowledgments, personally appeared **Andres B. Sta. Maria** (i) whom I identified through his **Passport Number P0668677B** issued by the **Department of Foreign Affairs NCR East on 14 February 2019**, a competent evidence of identity, to be the same person described in the foregoing instrument, (ii) who acknowledged before me that he voluntarily affixed his signature on the instrument for the purpose stated therein, and (iii) who declared to me that he has executed the instrument as his free and voluntary act and deed.

**IN WITNESS WHEREOF**, I hereunto set my hand and affix my notarial seal on the date and at the place above written.

Doc. No. 206  
Page No. 43  
Book No. 26  
Series of **2023**.



**GAUDENCIO A. BARBOZA JR.**  
NOTARY PUBLIC  
UNTIL DEC. 31, 2024  
PTR # A-5729281 JAN. 03, 2023 Taguig City  
IBP NO. 245848/10/08/2022 RSM (FOR YR. 2023)  
ROLL NO. 41889  
MCLE COMP. NO. VII NO. 0028557  
APRIL 19, 2023  
APP No. 61 (2023-2024)



## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **DENISE LOREENA V. DE CASTRO**, Filipino, of legal age, and a resident of **Unit 93, Gate 6, Ecology Village, Lumbang Street, Makati**, subscribing under oath, depose and say that:

1. I have been nominated as an independent director of **ARTHALAND CORPORATION (the "Corporation")**, a publicly listed corporation organized and existing under Philippine law, with principal place of business at the **7/F Arthaland Century Pacific Tower, 5<sup>th</sup> Avenue corner 30<sup>th</sup> Street, Bonifacio Global City, Taguig City 1634**, at its scheduled Annual Stockholders' Meeting on **30 June 2023**.

2. I am presently affiliated with DEQA Design Collaborative as its Principal Architect.

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation as provided in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations, and other relevant rules of the Securities and Exchange Commission.

4. I am not in any way related to any director, officer, or substantial stockholder of the Corporation or any of its subsidiaries or affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not connected with any government agency or instrumentality at present. In the event that I will be elected as a director or officer of such, I undertake to secure the written permission or consent of the Securities and Exchange Commission and other related regulatory agencies to become an Independent Director of the Corporation pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Services Rules, as applicable.

7. I shall faithfully and diligently comply with my duties and responsibilities as an Independent Director of the Corporation, as set out in the Securities Regulation Code, its Implementing Rules and Regulations, the Corporate Governance Code, and other relevant issuances of the Securities and Exchange Commission.

8. I shall inform the Corporate Secretary of the Corporation on any change in the abovementioned information within five (5) days from its occurrence.

**IN WITNESS WHEREOF**, I hereunto affix my signature on the date and place indicated below.

  
**DENISE LOREENA V. DE CASTRO**

## OATH

Republic of the Philippines )  
Taguig City ) SS.

I certify that on this **MAY 16 2023** before me, a notary public duly authorized in the city above-named to take acknowledgments, personally appeared **Denise Loreena V. De Castro** (i) whom I identified through his **Passport Number P3081268B** issued by the **Department of Foreign Affairs NCR South**, a competent evidence of identity, to be the same person described in the foregoing instrument, (ii) who acknowledged before me that he voluntarily affixed his signature on the instrument for the purpose stated therein, and (iii) who declared to me that he has executed the instrument as his free and voluntary act and deed.

IN WITNESS WHEREOF, I hereunto set my hand and affix my notarial seal on the date and at the place above written.

Doc. No. 207  
Page No. 43  
Book No. 26  
Series of **2023**.

  
**GAUDENCIO A. BARBOZA JR.**  
NOTARY PUBLIC  
UNTIL DEC. 31, 2024  
PTR # A-5725281 JAN. 03, 2023 Taguig City  
IBP NO. 2458/18/10/08/2022 RSM (FOR YR. 2023)  
ROLL NO. 41989  
MCLE COMP. NO. VII NO. 0028557  
APRIL 19, 2023  
APP No. 61 (2023-2024)



## **CERTIFICATION OF INDEPENDENT DIRECTOR**

I, **HANS B. SICAT**, Filipino, of legal age, subscribing under oath, depose and say that:

1. I am an independent director of **ARTHALAND CORPORATION (the "Corporation")**, a publicly listed corporation organized and existing under Philippine law, with principal place of business at the **7/F Arthaland Century Pacific Tower, 5<sup>th</sup> Avenue corner 30<sup>th</sup> Street, Bonifacio Global City, Taguig City 1634**. I have been an Independent Director of the Corporation since **30 June 2017**.

2. I am nominated for election as an Independent Director of the Corporation at its scheduled Annual Stockholders' Meeting on **30 June 2023**.

3. I am a Managing Director with Crescent Point, a Singapore based private equity firm focused on Asian opportunities.

4. I am also affiliated with the following companies and organizations:

<u>Company/Organization</u>	<u>Position/Relationship</u>
Asian Institute of Management	Executive in Residence
ING Bank, N.V. Manila Branch	Sr. Advisor
LegisPro Corporation	Acting Chairman
Serica Balanced Fund & Master Fund	Independent Director
Skycable Corporation	Independent Director
TransNational Diversified Corporation	Independent Director
YPO Gold Philippines	Executive Committee Member
YPO Gold South East Asia	Executive Committee Member

5. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation as provided in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations, and other relevant rules of the Securities and Exchange Commission.

6. I am not in any way related to any director, officer, or substantial stockholder of the Corporation or any of its subsidiaries or affiliates, except as otherwise disclosed above.

7. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

8. I am not connected with any government agency or instrumentality at present. In the event that I will be elected as a director or officer of such, I undertake to secure the written permission or consent of the Securities and Exchange Commission and other related regulatory agencies to become an Independent Director of the Corporation pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Services Rules, as applicable.

9. I shall faithfully and diligently comply with my duties and responsibilities as an Independent Director of the Corporation, as set out in the Securities Regulation Code, its Implementing Rules and Regulations, the Corporate Governance Code, and other relevant issuances of the Securities and Exchange Commission.

10. I shall inform the Corporate Secretary of the Corporation on any change in the abovementioned information within five (5) days from its occurrence.

IN WITNESS WHEREOF, I hereunto affix my signature on the date and place indicated below.



HANS B. SICAT

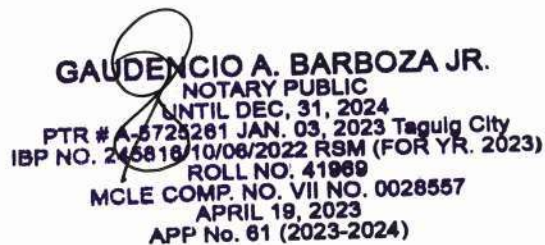
### OATH

Republic of the Philippines )  
Taguig City ) SS.

I certify that on this MAY 15 2023, before me, a notary public duly authorized in the city above-named to take acknowledgments, personally appeared **Hans B. Sicat** (i) whom I identified through his **Passport Number P7018402B** issued by the **Department of Foreign Affairs Manila on 19 June 2021**, a competent evidence of identity, to be the same person described in the foregoing instrument, (ii) who acknowledged before me that he voluntarily affixed his signature on the instrument for the purpose stated therein, and (iii) who declared to me that he has executed the instrument as his free and voluntary act and deed.

IN WITNESS WHEREOF, I hereunto set my hand and affix my notarial seal on the date and at the place above written.

Doc. No. 203  
Page No. 42  
Book No. 26  
Series of **2023**.

  
**GAUDENCIO A. BARBOZA JR.**  
NOTARY PUBLIC  
UNTIL DEC. 31, 2024  
PTR # A-5725261 JAN. 03, 2023 Taguig City  
IBP NO. 245818/10/08/2022 RSM (FOR YR. 2023)  
ROLL NO. 41989  
MCLE COMP. NO. VII NO. 0028557  
APRIL 19, 2023  
APP No. 61 (2023-2024)



# **AUDITED FINANCIAL STATEMENTS FOR 2022**

**ARTHALAND CORPORATION  
ANNUAL STOCKHOLDERS MEETING  
30 JUNE 2023, FRIDAY, 9:00AM**

# COVER SHEET

## for AUDITED CONSOLIDATED FINANCIAL STATEMENTS

SEC Registration Number

A	S	9	4	0	0	7	1	6	0
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### COMPANY NAME

A	R	T	H	A	L	A	N	D		C	O	R	P	O	R	A	T	I	O	N		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S

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

7	/	F		A	r	t	h	a	l	a	n	d		C	e	n	t	u	r	y		P	a	c	i	f	i	c		T	o	w	e	r	,		5	t

Form Type

A	A	C	F	S
---	---	---	---	---

Department requiring the report

C	R	M	D
---	---	---	---

Secondary License Type, If Applicable

N	/	A
---	---	---

### COMPANY INFORMATION

Group's Email Address

ALCO@arthaland.com

Group's Telephone Number/s

(+632) 8403-6910

Mobile Number

(+63) 917 509 3413

No. of Stockholders

1,935

Annual Meeting (Month / Day)

Last Friday of June

Calendar Year (Month / Day)

December 31

### CONTACT PERSON INFORMATION

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

Name of Contact Person

Marivic S. Victoria

Email Address

msvictoria@arthaland.com

Telephone Number/s

(+632) 8403-6910

Mobile Number

09175949087

### CONTACT PERSON'S ADDRESS

7/F Arthaland Century Pacific Tower, 5th Avenue corner 30th Street, Bonifacio Global City, Taguig 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.

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

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

Management of **ARTHALAND CORPORATION** (the “**Parent Company**”) and its **Subsidiaries** (collectively, the “**Group**”) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended **31 December 2022, 2021 and 2020**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

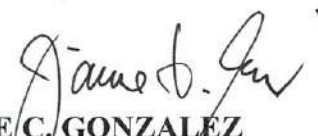

In preparing the financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to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

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

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

**Reyes Tacandong & Co.**, the independent auditor appointed by the stockholders, has audited the financial statements of the Group 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.

Signed this **22<sup>nd</sup>** day of **March 2023**, **Taguig City, Philippines**.

  
**ERNEST K. CUYEGKENG**  
*Chairman of the Board*  
**JAIME C. GONZALEZ**  
*Vice Chairman and President*  
**MARIVIC S. VICTORIA**  
*Chief Finance Officer*  
**GAUDENCIO A. BARBOZA JR.**  
NOTARY PUBLIC  
UNTIL DEC. 31, 2024  
PTR # A-5725251 JAN. 03, 2023 Taguig City  
IBP NO. 24879101008/2022 RSM (FOR YR. 2023)  
ROLL NO. 41889  
MCLE COMPL. NO. 0021812  
Head Office: Pacific Tower  
5<sup>th</sup> Avenue cor. EDSA, Alabang, Muntinlupa City  
1634 Taguig City, Philippines  
MARCH 22, 2023  
APP No. 61 (2023-2024)

## OATH


REPUBLIC OF THE PHILIPPINES )  
TAGUIG CITY ) SS.

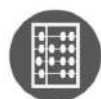
I certify that on this MAR 22 2023, before me, a notary public duly authorized in the city named above to take acknowledgments, personally appeared the following whom I identified through competent evidence of identity to be the same persons described in the foregoing instrument, who acknowledged before me that they voluntarily affixed their signatures on the instrument for the purpose stated therein, and who declared to me that they executed the instrument as their free and voluntary act and deed and that they have the authority to sign on behalf of their principal:

Name	Type of ID	Date/Place of Issue
Ernest K. Cuyegkeng	Passport No. P7236847A	19 May 2018/NCR South
Jaime C. Gonzalez	Passport No. P5521740A	05 January 2018/Manila
Marivic S. Victoria	Passport No. P6226193B	04 February 2021/Manila

IN WITNESS WHEREOF, I hereunto set my hand and affix my notarial seal on the date and at the place above written.

Doc No. 374  
Page No. 76  
Book No. 17  
Series of **2023**.

  
**GAUDENCIO A. BARBOZA JR.**  
NOTARY PUBLIC  
UNTIL DEC. 31, 2024  
PTR # A-8726361 JAN. 03, 2023 Taguig City  
IBP NO. 248410/10/06/2022 RSM (FOR YR. 2023)  
ROLL NO. 41988  
MCLE COMP. VI NO. 0021812  
MARCH 29, 2019  
APP No. 81 (2023-2024)



## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Arthaland Corporation and Subsidiaries  
7/F Arthaland Century Pacific Tower  
5th Avenue corner 30th Street  
Bonifacio Global City, Taguig City

### *Opinion*

We have audited the accompanying consolidated financial statements of Arthaland Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2022, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2022, 2021 and 2020 in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of financial reporting relief issued and approved by the Philippine Securities and Exchange Commission (SEC) (see Note 2).

### *Basis of Opinion*

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

### *Emphasis of Matter*

We draw attention to Note 2 to the consolidated financial statements which describes the basis of accounting that has been used in the preparation of the consolidated financial statements. The accompanying consolidated financial statements have been prepared in accordance with PFRS, as modified by the application of the financial reporting reliefs issued and approved by the Philippine SEC in response to the COVID-19 pandemic. Our opinion is not modified in respect of this matter.



### *Key Audit Matters*

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

#### **Fair Value Measurement of Investment Properties**

The Group's investment properties which are accounted for using the fair value model amounted to ₱11,273.8 million as at December 31, 2022. The fair value measurement is significant to our audit as the investment properties account for 31.0% of the Group's total assets as at December 31, 2022 (see Notes 3 and 10 to the consolidated financial statements).

We focused our audit on the management's determination of the fair value of investment properties because the process involves significant management judgment when selecting the appropriate valuation techniques and inputs used to determine fair value.

We have assessed the independence and competency of the appraiser engaged by the Group. We have also reviewed the reasonableness of the assumptions used to estimate the fair value of the Group's investment properties by: (1) testing the underlying lease agreements on a sample basis, (2) testing raw land's value by referring to the value of similar properties, and (3) verifying valuation inputs such as yields, occupancy rates and discount rates to external industry data to ascertain if these are reasonably appropriate.

#### **Revenue from Real Estate Sales**

For the year ended December 31, 2022, the Group recognized revenue of ₱2,117.3 million from real estate sales using the percentage of completion (POC) method. This is significant to our audit as the amount of revenue from real estate sales for the year ended December 31, 2022 is material to the consolidated financial statements (see Notes 3 and 17 to the consolidated financial statements).

We focused our audit on the revenue recognition because significant judgment is required when estimating the POC, total project costs and the estimated costs to complete the real estate project that are used to determine POC at the end of the reporting period.

We obtained an understanding of the relevant processes and controls over the accounting for customer contracts and project reviews performed by management in determining the estimates. We also reconciled revenues reported at the Group level to supporting documentations on a sample basis, validated estimates of costs to complete, and tested the accuracy of calculations and the reasonableness of project accounting.



### **Valuation of Real Estate for Sale**

The Group's real estate properties amounted to ₱9,381.4 million as at December 31, 2022, which accounts for 25.8% of the total assets (see Note 9 to the consolidated financial statements). Valuation of real estate for sale is significant to our audit because it involves determination and estimation of project costs at the end of reporting period.

We obtained an understanding of the Group's processes and controls relating to the inventory cost accumulation and allocation. We also assessed the assumptions used by management in estimating the incurred project costs and costs to complete of the projects. We corroborated the management's estimate by ocular inspection of the projects and examination of the contractors' billings and progress reports.

### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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



*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

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

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

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

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





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

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

The engagement partner on the audit resulting in this independent auditors' report is Michelle R. Mendoza-Cruz.

**REYES TACANDONG & Co.**

MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 97380-SEC Group A

Issued April 8, 2021

Valid for Financial Periods 2020 to 2024

BIR Accreditation No. 08-005144-012-2023

Valid until January 24, 2026

PTR No. 9564565

Issued January 3, 2023, Makati City

March 22, 2023

Makati City, Metro Manila

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		<b>December 31</b>	
	Note	2022	2021
<b>ASSETS</b>			
Cash and cash equivalents	6	₱4,796,293,662	₱1,949,257,156
Financial assets at fair value through profit or loss (FVPL)	7	2,246,039,822	4,378,607,744
Receivables	8	2,380,054,645	1,563,406,726
Contract assets	5	3,920,367,468	6,238,880,086
Real estate for sale	9	9,381,383,586	8,988,754,987
Investment properties	10	11,273,784,260	9,026,428,319
Property and equipment	11	333,940,003	273,213,366
Net retirement asset	21	36,058,483	–
Other assets	12	2,024,785,160	2,252,738,463
		<b>₱36,392,707,089</b>	<b>₱34,671,286,847</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Accounts payable and other liabilities	15	₱3,382,198,303	₱4,218,822,302
Loans payable	13	11,764,154,679	13,436,717,469
Bonds payable	14	5,925,771,148	2,966,594,179
Contract liabilities	5	231,469,884	62,154,096
Advances from non-controlling interests	4	1,102,119,597	1,102,119,597
Net retirement liability	21	2,545,060	118,443,498
Net deferred tax liabilities	23	1,924,137,488	1,714,298,793
Total Liabilities		<b>24,332,396,159</b>	<b>23,619,149,934</b>
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
Capital stock	16	1,005,757,136	1,005,757,136
Additional paid-in capital	16	5,973,360,513	5,973,360,513
Retained earnings	16	4,912,544,253	4,404,555,747
Other equity reserves	16	221,696,435	177,630,403
Treasury stock - at cost	16	(2,000,000,000)	(2,000,000,000)
Parent Company's preferred shares held by a subsidiary - at cost	16	(12,500,000)	(12,500,000)
		<b>10,100,858,337</b>	<b>9,548,803,799</b>
<b>Non-controlling Interests</b>	4	<b>1,959,452,593</b>	<b>1,503,333,114</b>
Total Equity		<b>12,060,310,930</b>	<b>11,052,136,913</b>
		<b>₱36,392,707,089</b>	<b>₱34,671,286,847</b>

See accompanying Notes to Consolidated Financial Statements.

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

		Years Ended December 31		
	Note	2022	2021	2020
<b>REVENUES</b>				
Real estate sales	17	<b>₱2,595,989,838</b>	₱2,628,943,563	₱2,919,123,898
Leasing operations	17	<b>308,367,000</b>	325,500,935	371,576,866
Property management fees	17	<b>18,334,356</b>	17,754,758	10,852,292
		<b>2,922,691,194</b>	2,972,199,256	3,301,553,056
<b>COST AND EXPENSES</b>				
Cost of real estate sales	9	<b>1,657,941,172</b>	1,610,033,648	1,549,173,465
Cost of leasing operations	10	<b>118,657,712</b>	107,071,759	124,447,609
Cost of services		<b>27,462,527</b>	11,738,197	9,360,207
		<b>1,804,061,411</b>	1,728,843,604	1,682,981,281
<b>GROSS INCOME</b>		<b>1,118,629,783</b>	1,243,355,652	1,618,571,775
<b>OPERATING EXPENSES</b>	18	<b>(871,996,764)</b>	(738,458,799)	(680,222,431)
<b>NET GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES</b>	10	<b>1,435,889,906</b>	872,263,700	959,989,140
<b>FINANCE COSTS</b>	19	<b>(500,672,464)</b>	(277,828,945)	(281,183,960)
<b>OTHER INCOME - Net</b>	20	<b>68,051,894</b>	27,647,106	42,240,203
<b>INCOME BEFORE INCOME TAX</b>		<b>1,249,902,355</b>	1,126,978,714	1,659,394,727
<b>PROVISION FOR INCOME TAX</b>	23	<b>376,837,638</b>	11,895,600	490,270,422
<b>NET INCOME</b>		<b>873,064,717</b>	1,115,083,114	1,169,124,305
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<i>Not to be reclassified to profit or loss -</i>				
Remeasurement gains (losses) on net retirement liability	21	<b>58,645,826</b>	10,211,359	(7,735,261)
Income tax benefit (expense) on remeasurement gains or losses	23	<b>(14,661,457)</b>	(2,639,131)	2,320,578
		<b>43,984,369</b>	7,572,228	(5,414,683)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>₱917,049,086</b>	₱1,122,655,342	₱1,163,709,622

(Forward)

		Years Ended December 31		
	Note	2022	2021	2020
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Equity holders of the Parent Company		<b>₱821,081,648</b>	₱899,510,260	₱887,295,539
Non-controlling interests	4	<b>51,983,069</b>	215,572,854	281,828,766
		<b>₱873,064,717</b>	₱1,115,083,114	₱1,169,124,305
<b>TOTAL COMPREHENSIVE INCOME</b>				
<b>ATTRIBUTABLE TO:</b>				
Equity holders of the Parent Company		<b>₱865,066,017</b>	₱907,082,488	₱881,880,856
Non-controlling interests	4	<b>51,983,069</b>	215,572,854	281,828,766
		<b>₱917,049,086</b>	₱1,122,655,342	₱1,163,709,622
<b>EARNINGS PER SHARE</b>				
	26			
Basic		<b>₱0.1075</b>	₱0.1296	₱0.1273
Diluted		<b>₱0.1075</b>	₱0.1283	₱0.1260

See accompanying Notes to Consolidated Financial Statements.

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

		Years Ended December 31		
	Note	2022	2021	2020
<b>CAPITAL STOCK</b>	16			
Common - at ₱0.18 par value - issued and outstanding		<b>₱957,257,136</b>	₱957,257,136	₱957,257,136
Preferred - at ₱1.00 par value				
Balance at beginning of year		<b>48,500,000</b>	42,500,000	42,500,000
Issuance of preferred shares		–	6,000,000	–
Balance at end of year		<b>48,500,000</b>	48,500,000	42,500,000
		<b>1,005,757,136</b>	1,005,757,136	999,757,136
<b>ADDITIONAL PAID-IN CAPITAL</b>	16			
Balance at beginning of year		<b>5,973,360,513</b>	3,008,959,878	3,008,959,878
Issuance of preferred shares		–	2,994,000,000	–
Stock issuance costs		–	(29,599,365)	–
Balance at end of year		<b>5,973,360,513</b>	5,973,360,513	3,008,959,878
<b>RETAINED EARNINGS</b>	16			
Balance at beginning of year		<b>4,404,555,747</b>	3,779,054,629	3,161,789,766
Net income for the year		<b>821,081,648</b>	899,510,260	887,295,539
Dividends declared during the year		<b>(313,093,142)</b>	(274,009,142)	(274,009,142)
Change in non-controlling interest		–	–	3,978,466
Balance at end of year		<b>4,912,544,253</b>	4,404,555,747	3,779,054,629
<b>OTHER EQUITY RESERVES</b>	16			
Balance at beginning of year		<b>177,630,403</b>	230,363,146	(207,724)
Net additions (disposals)		<b>44,066,032</b>	(52,732,743)	230,570,870
Balance at end of year		<b>221,696,435</b>	177,630,403	230,363,146
<b>TREASURY STOCK - SERIES B</b>				
<b>PREFERRED SHARES</b> - at cost	16	<b>(2,000,000,000)</b>	(2,000,000,000)	–
<b>PARENT COMPANY'S PREFERRED SHARES HELD BY A SUBSIDIARY</b> - at cost	16	<b>(12,500,000)</b>	(12,500,000)	(12,500,000)
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>		<b>₱10,100,858,337</b>	₱9,548,803,799	₱8,005,634,789

(Forward)

Years Ended December 31				
	Note	2022	2021	2020
<b>NON-CONTROLLING INTERESTS</b>	4			
Balance at beginning of year		<b>₱1,503,333,114</b>	₱1,224,469,667	₱317,592,830
Share in net income during the year		<b>51,983,069</b>	215,572,854	281,828,766
Deposit for future stock subscription		<b>604,136,410</b>	681,477,836	624,026,537
Dividends attributable to non-controlling interests		<b>(200,000,000)</b>	—	—
Acquisition of non-controlling interest of a subsidiary		—	(638,187,243)	—
Acquisition of shares of subsidiaries		—	20,000,000	5,000,000
Change in non-controlling interest		—	—	(3,978,466)
Balance at end of year		<b>1,959,452,593</b>	1,503,333,114	1,224,469,667
		<b>₱12,060,310,930</b>	₱11,052,136,913	₱9,230,104,456

See accompanying Notes to Consolidated Financial Statements.

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

		Years Ended December 31		
	Note	2022	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		<b>₱1,249,902,355</b>	₱1,126,978,714	₱1,659,394,727
Adjustments for:				
Net gain on change in fair value of investment properties	10	<b>(1,435,889,906)</b>	(872,263,700)	(959,989,140)
Interest expense	13	<b>497,872,467</b>	275,238,263	278,898,562
Depreciation and amortization	11	<b>43,918,252</b>	33,366,121	45,172,717
Realized gain on disposals of financial assets at FVPL	7	<b>(30,063,000)</b>	(23,603,206)	(19,071,132)
Interest income	6	<b>(28,605,128)</b>	(3,537,246)	(9,379,745)
Retirement expense	21	<b>26,688,905</b>	27,158,439	23,880,697
Foreign exchange losses (gains)	20	<b>(8,540,438)</b>	(368,205)	8,393
Gain on repossession of real estate for sale	9	<b>(5,398,638)</b>	—	—
Amortization of initial direct leasing costs	10	<b>3,834,926</b>	6,590,360	6,838,645
Unrealized holding losses (gains) on financial assets at FVPL	7	<b>(2,215,632)</b>	6,258,905	(12,217,775)
Provision for expected credit loss	8	<b>1,746,790</b>	—	—
Loss (gain) on sale of property and equipment	11	<b>(369,071)</b>	545,561	73,601
Stock options	16	<b>81,663</b>	594,611	6,485,553
Loss on disposal of investment properties		—	—	461,752
Operating income before working capital changes		<b>312,963,545</b>	576,958,617	1,020,556,855
Decrease (increase) in:				
Receivables		<b>(1,022,787,846)</b>	(1,262,564,709)	(149,392,031)
Contract assets		<b>2,318,512,618</b>	(896,999,047)	(2,091,398,350)
Real estate for sale		<b>(733,875,012)</b>	(1,357,622,441)	(1,064,077,407)
Other assets		<b>228,927,073</b>	(193,186,049)	(248,918,859)
Increase (decrease) in:				
Accounts payable and other liabilities		<b>(299,658,726)</b>	1,110,028,187	276,774,238
Contract liabilities		<b>169,315,788</b>	34,730,704	(4,756,282)
Net cash generated from (used for) operations		<b>973,397,440</b>	(1,988,654,738)	(2,261,211,836)
Interest paid		<b>(884,285,361)</b>	(1,061,384,897)	(640,147,052)
Income taxes paid		<b>(181,660,400)</b>	(146,012,416)	(100,194,522)
Contribution to retirement plan assets	21	<b>(120,000,000)</b>	—	(30,000,000)
Interest received		<b>28,605,128</b>	3,537,246	9,379,745
Net cash used in operating activities		<b>(₱183,943,193)</b>	(₱3,192,514,805)	(₱3,022,173,665)

(Forward)

Years Ended December 31				
	Note	2022	2021	2020
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from disposal of:				
Financial assets at FVPL		<b>₱10,130,898,572</b>	₱5,655,025,427	₱2,660,943,143
Property and equipment		<b>369,071</b>	5,215,796	960,119
Investment properties		—	—	1,300,000
Additions to:				
Financial assets at FVPL	7	<b>(7,966,052,018)</b>	(6,759,000,000)	(5,114,756,389)
Property and equipment	11	<b>(105,618,659)</b>	(32,148,365)	(43,849,201)
Investment properties	10	<b>(12,126,466)</b>	(29,562,351)	(83,779,831)
Net cash provided by (used in) investing activities		<b>2,047,470,500</b>	(1,160,469,493)	(2,579,182,159)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payments of:				
Loans payable	13	<b>(8,827,047,186)</b>	(6,302,985,708)	(2,958,344,266)
Dividends	16	<b>(332,514,786)</b>	(273,052,780)	(274,393,696)
Debt issue cost		<b>(64,020,434)</b>	(27,929,588)	(55,985,638)
Advances from non-controlling interests		—	(265,466,700)	—
Proceeds from:				
Loans payable	13	<b>7,152,362,410</b>	10,445,612,330	5,342,426,370
Bonds payable	14	<b>3,000,000,000</b>	—	3,000,000,000
Deposit for future stock subscription from non-controlling interest	4	<b>604,136,410</b>	681,477,836	624,026,537
Sale of interests in subsidiaries	4	<b>204,393,137</b>	258,237,750	429,500,000
Issuance of preferred shares	16	—	2,970,400,635	—
Advances from non-controlling interests		—	—	28,000,000
Purchase of additional shares in a subsidiary	4	<b>(762,340,790)</b>	(125,500,000)	—
Redemption of preferred shares	16	—	(2,000,000,000)	—
Net cash provided by financing activities		<b>974,968,761</b>	5,360,793,775	6,135,229,307
<b>NET EFFECT OF EXCHANGE RATE CHANGES TO CASH AND CASH EQUIVALENTS</b>				
		<b>8,540,438</b>	368,205	(8,393)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>				
		<b>2,847,036,506</b>	1,008,177,682	533,865,090
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
		<b>1,949,257,156</b>	941,079,474	407,214,384
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
	6	<b>₱4,796,293,662</b>	₱1,949,257,156	₱941,079,474

(Forward)



Years Ended December 31				
	Note	2022	2021	2020
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS</b>				
	6			
Cash on hand		<b>₱175,000</b>	₱195,000	₱155,000
Cash in banks		<b>1,087,334,786</b>	692,017,890	581,633,212
Cash equivalents		<b>3,708,783,876</b>	1,257,044,266	359,291,262
		<b>₱4,796,293,662</b>	₱1,949,257,156	₱941,079,474
<b>NONCASH FINANCIAL INFORMATION:</b>				
Transfer of assets under construction from "Real estate for sale" account to "Investment properties" account	9	<b>₱843,811,580</b>	₱—	₱—
Application of advances for asset purchase to real estate for sale	12	<b>209,361,707</b>	—	—
Capitalized borrowing costs	13	<b>146,903,254</b>	552,249,794	420,766,163
Transfer of assets under construction and land from "Investment properties" account to "Real estate for sale" account	10	<b>40,637,085</b>	186,463,663	—
Repossession of real estate for sale	9	<b>27,257,983</b>	—	—
Transfer of assets under construction from "Real estate for sale" account to "Property and equipment" account	9	<b>18,195,071</b>	—	—
Assignment of shareholder advances and accrued interest from purchase of interests in a subsidiary	4	—	762,340,790	—
Assignment of shareholder advances and accrued interest from sale of interests in subsidiaries	4	—	446,800,000	—

See accompanying Notes to Consolidated Financial Statements.

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2022 AND 2021 AND FOR THE YEARS ENDED**  
**DECEMBER 31, 2022, 2021 AND 2020**

**1. General Information**

**Corporate Information**

Arthaland Corporation (the Parent Company or ALCO) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 10, 1994. ALCO's common shares and Series C and D preferred shares are listed for trading in the Philippine Stock Exchange (PSE). The Parent Company is primarily engaged in real estate development and leasing.

The Parent Company is currently 40.3% owned by CPG Holdings, Inc. (CPG) and 26.0% owned by AO Capital Holdings 1, Inc. (AOCH1), both holding companies incorporated in the Philippines.

In January 2020, the SEC approved the registration of ALCO's ASEAN Green Bonds (the Bonds) and the initial tranche of ₱2.0 billion, with an oversubscription option of ₱1.0 billion. Hence, the first tranche of the Bonds under the Company's ASEAN Green Bond Program had an aggregate principal amount of ₱3.0 billion and were issued on 6 February 2020. In December 2022, the SEC approved the offer supplement for the second tranche amounting to ₱2.4 billion with an oversubscription of up to ₱0.6 billion (see Note 14).

In December 2021, the Parent Company made a follow-on offering of 6.0 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated Series D preferred shares at ₱1.00 par value at the issuance price of ₱500 a share (see Note 16). Moreover, the Parent Company redeemed all the outstanding 20.0 million Series B preferred shares equal to its offer price plus any accrued and unpaid cash dividends due as of date.

The registered office and principal place of business of the Parent Company is located at 7/F Arthaland Century Pacific Tower, 5th Avenue corner 30th Street, Bonifacio Global City (BGC), Taguig City.

**Composition of the Group**

The consolidated financial statements include the Parent Company and the following subsidiaries (collectively referred herein as "the Group"):

Subsidiary	Place of Incorporation	Effective Percentage of Ownership		
		2022	2021	2020
Cazneau, Inc. (Cazneau)	Philippines	100%	100%	100%
Emera Property Management, Inc. (EPMI)	Philippines	100%	100%	100%
Manchesterland Properties, Inc. (MPI)	Philippines	100%	100%	100%
Urban Property Holdings, Inc. (UPHI)	Philippines	100%	100%	100%
Zileya Land Development Corporation (ZLDC)	Philippines	100%	100%	100%
Pradhana Land, Inc. (PLI)	Philippines	100%	100%	100%
Cebu Lavana Land Corp. (CLLC)	Philippines	100%	100%	60%
Bhavana Properties, Inc. (Bhavana)	Philippines	60%	60%	100%
Bhavya Properties, Inc. (Bhavya)	Philippines	60%	60%	100%
Kashtha Holdings, Inc. (KHI)	Philippines	60%	60%	60%
Savva Land Development Corporation (SLDC)	Philippines	59%*	59%*	59%*

\*indirectly owned through KHI

All of the subsidiaries were established to engage primarily either in real estate development or property leasing, except for EPMI which is a property management company and KHI which is an investment holding company.

In March 2018, the Parent Company and Help Holdings Inc. (HHI) (collectively referred to as the Parties) entered into an agreement (the Agreement) to jointly develop the adjacent lots (the Property) of SLDC and Arcosouth Development Inc. (ADI), the subsidiary of HHI, aggregating 5,991 square meters (sqm) located in Arca South, Taguig City. The Parties agreed, among others to merge SLDC and Arcosouth into a single corporation, with SLDC as the surviving entity. The merger of SLDC and Arcosouth was approved by the SEC on August 22, 2019.

Also, in August 2019, ALCO and Mitsubishi Estate Company, Limited (MEC), a corporation duly organized and existing under the laws of Japan, have agreed to invest in, establish and maintain a joint venture company to be owned 60% by ALCO and 40% by MEC which will (i) acquire and, thereafter, own and hold the 50% ownership in SLDC, and (ii) acquire by assignment the shareholder's advances made by ALCO to SLDC. On October 1, 2019, ALCO incorporated KHI as the designated joint venture company.

In 2020, ALCO transferred all of its shares in SLDC, representing 98% ownership over SLDC, to KHI. In June 2020, ALCO sold 5 million common shares in KHI with a total par value of ₱5.0 million, representing 40% ownership over KHI, to MEC for ₱275.0 million. The transfer of KHI's shares decreased the effective ownership of ALCO over SLDC from 98% to 59%.

In 2019, the Parent Company subscribed to 100% shares of Bhavana, Bhavya and PLI. In December 2021, the Parent Company sold, transferred and conveyed 10.0 million common shares each of Bhavana and Bhavya representing 40% ownership and voting rights, as well as the Parent Company's shareholder advances, to Narra Properties Investment PTE. LTD (Narra), a corporation duly organized and existing under the laws of Singapore (see Note 4).

In December 2021, the Parent Company purchased 214,351 common shares and 118,982 preferred shares representing 40% of the ownership and voting rights of CLLC for ₱113.2 million from Rock and Salt B.V. (RSBV) resulting to 100% ownership in CLLC (see Note 4).

### **Major Projects**

ALCO's first major development project is the Arya Residences Towers 1 and 2 (Arya Residences) located in BGC, Taguig City. Arya Residences is the first top-market residential condominium development in the Philippines to be awarded with Leadership in Energy and Environmental Design™ (LEED™) Gold certification by the US Green Building Council (USGBC) and Building for Ecologically Responsive Design Excellence (BERDE) 4-Star rating by the Philippine Green Building Council (PHILGBC). In 2020, the building earned its Advancing Net Zero 3-Star certification from PHILGBC. The Arya Residences was completed on December 31, 2016.

In 2014, the Parent Company started the construction of Arthaland Century Pacific Tower (ACPT) in BGC, ALCO's flagship office project. ACPT is a 30-storey AAA-grade office building designed by Skidmore, Owings & Merrill (SOM), the same group that penned the One World Trade Center and Burj Khalifa in Dubai. ACPT secured the LEED Platinum and BERDE 5-star certification in 2018. ACPT became the first office building in the Philippines to secure the dual certification of the highest rating, USGBC's LEED Platinum and PHILGBC's BERDE as 5-star rated. It is registered with the Philippine Economic Zone Authority (PEZA) as an Ecozone Facilities Enterprise (see Note 23) and was completed in the 1st quarter of 2019.

In 2019, the International Finance Corporation, a member of the World Bank Group, recognized ACPT as the world's first net zero certified building under its EDGE green building rating system. This recognition is in addition to its LEED and BERDE certification achieved previously. In 2020 until to-date, ACPT was awarded with the WELL™ Health-Safety Rating seal by the International WELL Building Institute™ (IWBI™) which certifies the building's safe operations even during the global pandemic.

In 2016, CLLC commenced the development of Cebu Exchange Project (Cebu Exchange), a 38-storey office building in Barangay Lahug, Cebu City. The Cebu Exchange was awarded LEED Gold and BERDE 5-Star. In 2020, the project was awarded WELL precertification by IWBI™. The project is on track for its EDGE certification. Besides being designed to be a world-class workplace, Cebu Exchange is envisioned to be a complete ecosystem, with four retail floors for the convenience of its occupants. With a gross floor area of 108,564 sqm, Cebu Exchange boasts of being the largest multi-certified green and healthy building in the country. The construction of Cebu Exchange commenced in the second quarter of 2018 and was substantially completed in 2022.

In 2018, Cazneau started the construction of the first phase of Sevina Park, an integrated community project in an eight-hectare property in Laguna. The initial development called Courtyard Hall, covering the first 4,000 sqm of the property, is a campus-type or dormitory-type residential community (see Note 10). This was completed in June 2019. Also, in June 2019, Cazneau launched the Sevina Park Villas at Sevina Park which cater to students and faculty population, and starter families within the area. The entire project, which will include retail spaces, is expected to be completed in phases from 2022 onwards.

Sevina Park is recognized as the first and only real estate development in the Philippines to have received the LEED Platinum under the LEED for Neighborhood Development (LEED ND) and LEED Platinum under LEED for Homes categories. Likewise, Sevina Park Villas turnover units are on track to EDGE Advanced and the remaining Villa-182 turnover units vying for LEED Gold certification. In 2022, PHILGBC certified the project BERDE 5-Star under its BERDE for District green building rating tool.

In December 2018, ZLDC acquired about 47.4% of a 2,018-sqm property located along Antonio Arnaiz Avenue within the Makati Central Business District. On this site, ZLDC, together with the other party which acquired the remaining 52.6% of the total area of the condominium units are still working on getting the property partitioned to enable the Company to have 100% ownership of approximately 957 sqm of the current lot area. Once the partition is completed, the Company plans to develop a high-rise luxury, sustainable, multi-certified residential property. The project, which is hereinafter referred to as Makati CBD Residential Project 1, is expected to be launched by the fourth quarter of 2024.

In February 2019, SLDC launched the development of Savya Financial Center. This project is composed of two office towers with a gross floor area of 59,763 sqm and located in Arca South, Taguig City. The North and South Tower (of the Savya Financial Tower) is expected to be completed in 2023. Savya's North Tower was launched for pre-selling in February 2019. The project received LEED Gold precertification in 2019 and the WELL precertification in 2021. It is on-track to achieve BERDE 4-star certification and EDGE Zero Carbon certification.

In August 2019, Bhavya started acquiring a prime property located inside the Makati Central Business District. Bhavya intends to develop therein a pioneer residential project which will be a low-density, multi-certified, ultra-luxury development that will offer large, limited edition designer residences. Once completed, its future residents will enjoy exceptional white glove butler services. This project, which will be called “Eluria”, offers only 37 residential units and will have a total gross floor area of approximately 14,600 sqm and was formally launched in 2022. The project was precertified LEED Gold in 2020 and is on track for its EDGE, WELL, and BERDE certifications. It is expected to be completed by 2025.

In July 2021, Bhavana launched the development of Lucima Residences. The property will be developed into the first and only premiere, multi-certified, sustainable high-rise development located in Cebu Business Park at the Corner of Samar Loop Road and Ayala, Hipodromo, Cebu City. It has a total area of 2,245 sqm and is expected to be developed into approximately 28,000 sqm of GFA and will offer 263 residential units. The project was awarded LEED Gold precertification in 2020 and is on-track to achieve BERDE, EDGE and WELL certifications. It is expected to be completed by the fourth quarter of 2024.

ALCO is negotiating to acquire a property with a gross land area of about 1,000 sqm situated in a prime location along the Makati Central Business District. The property will be developed into a high-rise multi-certified sustainable building catering to the upper-mid to upscale market. The tower will have a gross floor area of about 15,800 sqm and is expected to launch in the first quarter of 2024.

ALCO is also evaluating the acquisition of a property with a gross land area of about 3,700 sqm located in a prime central business district in Metro Manila. The project will be positioned to cater to the upscale to luxury market and will carry the same sustainability features as with our other ALCO projects. The property will be developed into a two-tower high rise residential condominium with a gross floor area of about 44,000 sqm.

ALCO is also evaluating the acquisition of a 5-hectare property in the middle of the most prime city center area in southern Philippines. The acquisition program is expected to be completed between 2024 to 2028 to manage the funding requirements over time. ALCO plans to develop the property over multiple phases from 2024 to 2033 to provide a steady pipeline of projects which will contribute to the revenues of ALCO over the long-term. It is envisioned to be a sustainable, masterplanned development which will have commercial, residential and retail components.

#### **Approval of the Consolidated Financial Statements**

The consolidated financial statements of the Group as at December 31, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020 were approved and authorized for issue by the BOD on March 22, 2023, as reviewed and recommended for approval by the Audit Committee on the same date.

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## 2. Summary of Significant Accounting Policies

### **Basis of Preparation**

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of financial reporting relief issued and approved by the Philippine SEC in response to the COVID-19 pandemic. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial and Sustainability Reporting Standards Council (formerly Financial Reporting Standards Council) and adopted by the SEC, including SEC pronouncements.

On December 15, 2020, the SEC issued Memorandum Circular (MC) No. 34, Series of 2020, which further extended the deferral of application of the provision of Philippine Interpretations Committee (PIC) Question & Answer (Q&A) No. 2018-12 with respect to accounting for significant financing component and exclusion of land in the calculation of percentage of completion (POC) and IFRIC Agenda Discussion on over time transfers of construction goods under PAS 23, *Borrowing Costs*, for another period of three years or until 2023.

The Group opted to avail the relief in connection with the accounting for significant financing component, exclusion of land in the calculation of POC, and borrowing costs. The impact of the application of such financial reporting relief is discussed in *“Amended PFRS and PIC Issuances in Issue But Not Yet Effective or Adopted”* section of the notes to the consolidated financial statements.

### **Measurement Bases**

The consolidated financial statements are presented in Philippine Peso (Peso), the Group’s functional and presentation currency. All values are stated in absolute amounts, unless otherwise indicated.

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for investments in money market fund and investment properties, which are carried at fair value, and net retirement liability, which is carried at the present value of the defined benefit obligation. Historical cost is generally based on the fair value of the consideration given in exchange for an asset or fair value of consideration received in exchange for incurring liability.

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

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.

When measuring the fair value of an asset or a liability, the Group uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Group (working closely with external qualified valuers) using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset or liability that market participants would take into account.

Further information about assumptions made in measuring fair values is included in the following:

- Note 3 - Significant Judgments, Accounting Estimates and Assumptions
- Note 7 - Financial Assets at Fair Value through Profit or Loss (FVPL)
- Note 10 - Investment Properties
- Note 28 - Fair Value Measurement

Fair values are categorized into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognized by the Group at the end of the reporting period during which the change occurred.

#### **Adoption of Amendments to PFRS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendments to PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Business Combinations - Reference to Conceptual Framework* – The amendments replaced the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments include an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or IFRIC 21, *Levies*, instead of the Conceptual Framework. The requirement ensures that the liabilities recognized in a business combination will remain the same as those recognized applying the current requirements in PFRS 3. The amendments also clarify that an acquirer shall not recognize contingent assets acquired in a business combination.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. There is no transition relief for first-time adopters.
- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments specify which costs shall be included when assessing whether a contract is onerous or loss-making. The ‘costs of fulfilling’ a contract comprise the ‘costs that relate directly to the contract’. These costs can either be incremental (e.g., the costs of direct labor and materials) or can be an allocation of costs directly related to fulfilling a contract (e.g., depreciation of fixed assets). At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated.
- Annual Improvements to PFRS 2018 to 2020 Cycle:
  - Amendment to PFRS 9, *Financial Instruments - Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include when it applies the ‘10 per cent’ test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other’s behalf. The amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendment.

Under prevailing circumstances, the adoption of the foregoing did not have any material effect on the consolidated financial statements. Additional disclosures were included in the notes to consolidated financial statements, as applicable.

**Amended PFRS and PIC Issuances in Issue But Not Yet Effective or Adopted**

Relevant amended PFRS and PIC issuances, which are not yet effective as at December 31, 2022 and have not been applied in preparing the consolidated financial statements, are summarized below.

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

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity’s financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the ‘four-step materiality



process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.
- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments should be applied on a modified retrospective basis. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2024:

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

The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Group shall also apply Amendments to PAS 1 - *Noncurrent Liabilities with Covenants* for that period.

- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.

- *IFRIC Agenda Decision Over Time Transfer of Constructed Goods (PAS 23, Borrowing Costs) for the Real Estate Industry* – In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under paragraph 35(c) of International Financial Reporting Standards 15 (PFRS 15). IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of qualifying asset under PAS 23 considering that these inventories are ready for their intended sale in their current condition.

On December 15, 2020, the SEC issued SEC MC No. 34, Series of 2020, which extended the relief on the application of the IFRIC Agenda Decision provided to the real estate industry until December 31, 2023.

The Group availed of the SEC relief with respect to accounting for borrowing costs. Had the Group opted to adopt in full the guidance provided in the IFRIC Agenda Decision on over time transfer of constructed goods, borrowing costs would have been recognized as expense when incurred.

- *PIC Q&A 2018-12-D, PFRS 15, Implementing Issues Affecting the Real Estate Industry (as amended by PIC Q&A 2020-4)* – On December 15, 2020, the SEC issued SEC MC No. 34-2020 which provided relief to the real estate industry by deferring the application of “assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (with an addendum in PIC Q&A 2020-04)” until December 31, 2023.

The Group availed of the SEC relief with respect to accounting for significant financing component. Had the Group opted to adopt PIC Q&A 2018-12-D as amended by PIC Q&A 2020-4, the Group may have to recognize interest expense (income) if the buyers’ payments are higher (lower) than the POC rate.

- *PIC Q&A 2018-12-E, Treatment of Land in the Determination of the POC* – The PIC Q&A clarified that the cost of the land should be excluded in measuring the POC of performance obligation and should be accounted for as fulfillment cost.

On December 15, 2020, the SEC issued SEC MC No. 34-2020 which provided relief to the real estate industry by deferring the application of “exclusion of land in calculation of POC as discussed in PIC Q&A 2018-12-E” until December 31, 2023.

The Group availed of the SEC relief with respect to accounting treatment of land in the determination of the POC. Had the Group opted to adopt PIC Q&A 2018-12-E, there would have been a decrease in revenue from real estate sales because of a lower POC rate.

#### 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* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing amendments to PFRS and PIC issuances, except for the potential impact of accounting for borrowing costs, the assessment if the transaction price includes a significant financing component and the exclusion of land in the calculation of POC, is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the consolidated financial statements, as applicable.

### **Basis of Consolidation**

*Subsidiaries.* Subsidiaries are entities controlled by the Parent Company. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- power over investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee affect its returns.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases.

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

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

Non-controlling interest represents the portion of profit or loss and net assets not held by the Parent Company and is presented separately in the Group's consolidated statements of comprehensive income and within equity in the Group's consolidated statements of financial position, separate from equity attributable to equity holders of the Parent Company, respectively.

### **Financial Assets and Liabilities**

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

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

*“Day 1” Difference.* Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss.

In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes “Day 1” difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference.

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

As at December 31, 2022 and 2021, the Group does not have financial assets at FVOCI and financial liabilities at FVPL.

*Financial Assets at FVPL.* Financial assets at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Group had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not “solely for payment of principal and interest” assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Group may, at initial recognition, designate a financial asset meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets.

After initial recognition, financial assets at FVPL are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL are recognized in profit or loss.

As at December 31, 2022 and 2021, the Group classified its investments in money market fund under this category (see Note 7).

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

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

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

As at December 31, 2022 and 2021, the Group's contract assets, cash in banks, cash equivalents, receivables (excluding accrued rent under straight-line basis of accounting), amounts held in escrow, amounts held in trust and deposits are classified under this category (see Notes 5, 6, 8, and 12).

Cash in banks are demand deposits with banks and earn interest at prevailing bank deposit rates. Meanwhile, cash equivalents are short-term highly liquid investments that are readily convertible into known amounts of cash, which are subject to an insignificant risk of changes in value and which have a maturity of three (3) months or less at acquisition.

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

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

As at December 31, 2022 and 2021, the Group's loans and bonds payable, accounts payable and other liabilities (excluding statutory payables, payable to customers and advance rent) and contract liabilities are classified under this category (see Notes 5, 13, 14 and 15).

### **Reclassification**

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

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

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

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

#### **Impairment of Financial Assets at Amortized Cost**

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

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

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

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

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

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

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying amount of the original liability and fair value of the new liability is recognized in the consolidated statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

#### **Offsetting of Financial Assets and Liabilities**

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

#### **Classification of Financial Instrument between Liability and Equity**

A financial instrument is classified as liability if it provides for a contractual obligation to:

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

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

**Classification of Assets and Liabilities between Current and Noncurrent**

The Group presents current and noncurrent assets, and current and noncurrent liabilities, as separate classifications in the notes to consolidated financial statements (see Note 29).

*Current Assets.* The Group classifies an asset as current when:

- It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- It holds the asset primarily for the purpose of trading;
- It expects to realize the asset within 12 months after the reporting period; or
- The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Otherwise, the Group will classify all other assets as noncurrent.

*Current Liabilities.* The Group classifies a liability as current when:

- It expects to settle the liability in its normal operating cycle;
- It holds the liability primarily for the purpose of trading;
- The liability is due to be settled within 12 months after the reporting period; or
- It does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Otherwise, the Group will classify all other liabilities as noncurrent.

**Cost to Obtain a Contract with a Customer**

The Group recognizes an asset for the incremental cost of obtaining a contract with a customer if the Group expects to recover those costs. Otherwise, those costs are recognized as expense when incurred. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract such as, but not limited to, sales commissions paid to sales agents and nonrefundable direct taxes incurred in obtaining a contract.

**Contract Balances**

*Contract Assets.* A contract asset represents the Group's right to a consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than a passage of time. If the Group transferred goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for that earned consideration that is conditional. Contract assets are reclassified to receivables from sale of real estate upon completion of the performance obligation. Contract assets pertain to unbilled receivables from sale of office units which is computed based on POC.

*Receivables from Sale of Real Estate.* A receivable from sale of real estate represents the Group's right to a consideration that is unconditional. A right to a consideration is unconditional if only the passage of time is required before payment of that consideration is due.



*Contract Liabilities.* A contract liability represents the Group's obligation to transfer goods to a customer for which the Group has received a consideration from the customer. If a customer pays a consideration before the Group transfers goods to the customer, a contract liability is recognized when the payment is made or the payment is due, whichever is earlier. Contract liabilities are recognized as revenue when the Group performs under the contract.

#### **Debt Issue Costs**

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest rate method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in profit or loss. Unamortized debt issue costs is presented against the carrying amount of related debt.

#### **Real Estate for Sale**

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV). In few cases of buyer defaults, the Group can repossess the properties and hold it for sale in the ordinary course of business at the prevailing market price. The repossessed properties are included in the "Real estate for sale" account in the consolidated statements of financial position. Costs incurred in bringing the repossessed assets to its marketable state are included in their carrying amounts unless these exceeds the recoverable amounts.

Cost includes acquisition cost plus any other directly attributable costs of developing the asset to its saleable condition and costs of improving the properties up to the reporting date. Directly attributable costs include amounts paid to contractors, borrowing costs, planning and designing costs, costs of site preparation and construction overheads.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less estimated costs to complete and the estimated costs to sell. NRV in respect of land under development is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete the construction and less an estimate of the time value of money to the date of completion.

#### **Borrowing Costs**

Borrowing costs directly attributable to the acquisition or construction 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 the 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.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. When borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

### **Investment Properties**

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

The Group uses fair value model for the accounting of its investment properties. Under this method, investment properties are initially measured at cost but are subsequently remeasured at fair value at each reporting date, which reflects market conditions at the reporting date. Cost comprises the purchase price and any directly attributable costs in developing and improving the properties. Cost also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. The fair value of investment properties is determined using market data approach, discounted cash flow approach and depreciated replacement cost approach by an independent real estate appraiser. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. For the purposes of these consolidated financial statements, in order to avoid double counting, the fair value reported in the consolidated financial statements is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and minimum lease payments.

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

Investment properties are derecognized when either those have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statements of comprehensive income in the year of retirement or disposal.

### **Property and Equipment**

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment losses.

The initial cost of property and equipment consists of the purchase price, including import duties, borrowing costs (during the construction period) and other costs directly attributable to bring the asset to its working condition and location for its intended use. Cost also includes the cost of replacing parts of such property and equipment when the recognition criteria are met and the present value of the estimated cost of dismantling and removing the asset and restoring the site where the asset is located.

Expenditures incurred after the property and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to operations in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the property and equipment:

	Number of Years
Building and building improvements	50
Transportation equipment	3 to 5
Office equipment	3 to 5
Furniture and fixtures	3
Leasehold improvements	3 to 5 or lease term, whichever is shorter

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

Fully-depreciated assets are retained in the account until they are no longer in use and no further change for depreciation is made in respect to those assets.

Construction in progress is stated at cost. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and available for operational use.

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 profit or loss in the year the asset is derecognized.

#### **Other Assets**

Other assets include input value-added tax (VAT), creditable withholding taxes (CWT), advances for project development, advances for asset purchase, amounts held in escrow and amounts held in trust (both classified as financial assets), prepayments, deposits (classified as financial assets), deferred input VAT, software and licenses, and materials and supplies.

VAT. Revenues, expenses and assets are recognized net of the amount of VAT except:

- where VAT incurred on a purchase of assets or services is not recoverable from the 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; and
- where receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "Other assets" or "Accounts payable and other liabilities" accounts, respectively, in the consolidated statements of financial position.

*Creditable Withholding Taxes (CWT).* CWT represents the amount withheld by the Group's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

*Advances for Project Development.* Advances for project development are recognized whenever the Group pays in advance for its purchase of goods or services. These are measured at transaction price less impairment in value, if any.

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

*Deferred Input VAT.* In accordance with the Revenue Regulation (RR) No. 16-2005, input VAT on purchases or imports of the Group of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter. Deferred input VAT represents the unamortized amount of input VAT on capital goods. Deferred input VAT that are expected to be claimed against output VAT for no more than 12 months after the financial reporting period are classified as current assets. Otherwise these are classified as noncurrent assets.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million or if the purchase was made on or after January 1, 2022, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

*Software and Licenses.* Software and licenses are stated at cost less accumulated amortization and any impairment losses. Software and licenses are being amortized on a straight-line basis over ten (10) years and amortization is recognized in profit or loss. Amortization period and amortization method is reviewed at each reporting date. Any change in the useful life of the asset or the expected pattern of consumption of the future economic benefits embodied in the asset is recognized prospectively.

*Materials and Supplies.* The Group recorded as assets several excess construction materials and supplies from the completed construction of its projects. Materials and supplies are stated at lower of cost and NRV.

*Advances for Asset Purchase.* Advances for asset purchase are recognized whenever the Group pays in advance for land. These are measured at transaction price less impairment in value, if any.

#### **Impairment of Nonfinancial Assets**

The carrying amounts of the Group's nonfinancial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's net recoverable amount is estimated.

Any impairment loss is recognized if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its net recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets of the Group. Impairment losses are recognized in profit or loss in the period incurred.

The net recoverable amount of an asset is the greater of its value in use or its fair value less costs to sell. Value in use is the present value of future cash flows expected to be derived from an asset while fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized.

#### **Payable to Customers**

Payable to customers consists of amounts received by the Group from its tenants as reservation fees for lease or downpayments received from prospective buyers. These are recorded at face amount in the consolidated statements of financial position. These will be applied as security deposits upon execution of the lease contracts or against the total contract price of the real estate sale upon execution of contract to sell.

#### **Advance Rent**

Advance rent are initially recognized at the value of cash received, and will generally be applied as lease payments to the immediately succeeding months or in the last three (3) months of the lease term.

#### **Capital Stock**

*Preferred Stock.* The Group's preferred stocks are cumulative, nonvoting, nonparticipating and nonconvertible. Preferred stock is classified as equity if this is nonredeemable, or redeemable only at the Group's option, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Parent Company.

Preferred stock is classified as a liability if this is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.

*Common Stock.* Common stock is measured at par value for all shares issued.

#### **Additional Paid-in Capital**

Additional paid-in capital is the proceeds and/or fair value of considerations received in excess of par value of the subscribed capital stock. Incremental costs incurred directly attributable to the issuance of new shares are recognized as deduction from equity, net of any tax. Otherwise, these are recognized as expense in profit or loss.

**Treasury Stock**

Treasury stock represent owner's equity instruments which are reacquired and deducted from equity. Treasury stock are accounted for at cost and shown as a deduction in the equity section of the consolidated statements of financial position. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Parent Company's own equity instruments.

**Retained Earnings**

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration and prior period adjustments.

**Other Comprehensive Income**

Other components of equity comprise of items of income and expense that are not recognized in profit or loss for the year. Other comprehensive income pertains to cumulative remeasurement gains (losses) on net retirement liability.

**Parent Company's Shares Held by a Subsidiary**

Shares of the Parent Company held by a subsidiary are carried at cost and are deducted from equity. No gain or loss is recognized on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

**Non-controlling Interests**

Non-controlling interests represent the portion of net results and net assets not held by the Parent Company. These are within equity presented in the consolidated statements of financial position, separately from equity attributable to equity holders of the Parent Company and are separately disclosed in the consolidated statements of income and consolidated statements of comprehensive income. Non-controlling interests consist of the amount of those interests at the date of original business combination and the non-controlling interests' share on changes in equity since the date of the business combination.

**Basic and Diluted Earnings per Share (EPS)**

Basic EPS is computed by dividing the net income for the period attributable to common equity holders of the Parent Company by the weighted average number of issued, subscribed and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effects of any potentially dilutive convertible securities.

**Revenue Recognition**

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

Revenue from contracts with customers is recognized when control of the goods and services is transferred to the customer in an amount that reflects the consideration to which the Group expected to be entitled in exchange for those goods and services.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

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

*Revenue from Real Estate Sales.* Revenue from the sale of completed real estate project is accounted for using the full accrual method in which revenue is recognized at a point in time when control is transferred to a customer. The Group transfers control of real estate for sale under pre-completion contracts over time and, therefore, satisfies the performance obligations under the contract and recognizes revenue over time.

The Group considers a contract to sell as a valid revenue contract. The Group also assesses the probability that it will collect the consideration under the contract prior to recognizing revenue. This assessment is based on the customer's ability and intention to pay the amount of consideration when it is due. If any of the above criteria is not met, the deposit method is applied until all the conditions for recognizing revenue are met.

The Group recognizes revenue from real estate sales under pre-completion contracts based on POC using the input method in which revenue is recognized on the basis of costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred.

The Group opted to defer the application guidelines of the provisions of the PIC Q&A No. 2018-12-D (*as amended by PIC Q&A 2020-04*) and PIC Q&A No. 2018-12-E with respect to the accounting for significant financing component and the exclusion of land in the computation of POC for another three (3) years.

Accordingly, the consideration is not adjusted for the effects of the time value of money, and the total cost incurred and total estimated cost to complete includes the cost of land.

For tax purposes, full recognition is applied when more than 25% of the selling price has been collected in the year of sale. Otherwise, the installment method is applied.

*Leasing Revenue.* Leasing revenue consists of rent income and common use service area (CUSA) fees. Rent income arising from operating leases on investment properties is recognized on a straight-line basis over the lease terms, except for contingent rental income, which is recognized in the period that it arises. Tenant lease incentives are recognized as a reduction of rental income on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, management is reasonably certain that the tenant will exercise that option. CUSA fees are recognized as income once earned. These are charged monthly and are based on the lessee's proportionate share on the common areas.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognized in profit or loss when the right to receive those amounts arises.

*Property Management Fees.* Revenue is recognized in profit or loss when the related services are rendered.

*Interest Income.* Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

*Other Income.* Income from other sources is recognized when earned during the period.

### **Cost and Expenses Recognition**

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

*Cost of Real Estate Sales.* Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works.

*Cost of Leasing Operations.* Cost of leasing operations, which constitute direct cost incurred in relation to the leasing of properties of the Group which includes ACPT, Cazneau's dormitory units and MPI's retail units, is recognized as expense when incurred.

*Cost of Services.* Cost of services, which constitute direct cost incurred in relation to EPMI's provision of property management services, is recognized as expense when services are rendered.

*Operating Expenses.* Operating expenses constitute cost of administering the business and cost incurred to sell and market its products and services. These are recognized as incurred.

*Finance Costs.* Finance costs are recognized in profit or loss using the effective interest method.

### **Share-based Compensation**

The Parent Company has a stock option plan covering employees, officers and directors, whereby employees render services for shares or rights over shares ("equity-settled transaction"). The rights granted under the plan are not assignable and nontransferable. The cost of the equity-settled transactions is measured by reference to the fair value of the stock options on the date that it was granted. Stock options reserve presented as part of "Equity" is measured at fair value of the share options as at reporting date when the options are exercised, forfeited or lapsed.

### **Leases**

The Group assesses whether the contracts is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Group assesses whether, throughout the period of use, it has both of the following:

- i. the right to obtain substantially all of the economic benefits from use of the identified asset; and,
- ii. the right to direct the use of the identified asset.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Group also assesses whether a contract contains a lease for each potential separate lease component.



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

### **Employee Benefits**

*Short-term Benefits.* The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

*Retirement Benefits.* The Group has a funded, non-contributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs, comprising of current service costs, past service costs and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the net retirement liability or asset.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognizes restructuring-related costs.

Remeasurements pertaining to actuarial gains and losses and return on plan assets are recognized immediately in OCI 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 in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of the plan assets is based on the 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 retirement liability, 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 net retirement asset (liability) is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets against which the obligations are to be settled directly, adjusted for any effect of asset ceiling. The present value of the retirement obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability. The asset ceiling is the present value of future economic benefits available in the form of refunds from the plan or reductions in future contribution to the plan.

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

#### **Foreign Currency - Denominated Transactions**

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at reporting date. Resulting exchange differences arising on the settlement of or on translating such monetary assets and liabilities are recognized in profit or loss.

#### **Income Taxes**

*Current Tax.* Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforwards of unused MCIT and NOLCO 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 asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to 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 the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted, that is, when the investment property is depreciable and is held within the business model whose objective is consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax relating to items recognized outside profit or loss is recognized under OCI and outside profit or loss.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same tax authority.

#### **Related Party Transactions**

Related party transactions are transfer of resources, services or obligations between the Group and its related parties, regardless whether a price is charged. Transactions between related parties are accounted for at arm's length prices or on terms similar to those offered to non-related parties in an economically comparable market.

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

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

The key management personnel of the Group are also considered to be related parties.

#### **Segment Reporting**

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment reporting a strategic business unit that offers different products and serves different markets. Financial information on the Group's business segments is presented in Note 30 to the consolidated financial statements.

### **Provisions and Contingencies**

Provisions are recognized when the Group has a present legal or constructive obligation 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. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including risks and uncertainties associated with the present obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

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

### **Events After the Reporting Period**

Any post-year-end event that provides additional information about the Group's financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

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## **3. Significant Judgments, Accounting Estimates and Assumptions**

The preparation of consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of asset, liabilities, income and expenses. The accounting estimates and associated assumptions are based on historical experience and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

### **Judgments**

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements:

*Determining the Functional Currency.* Based on management's assessment, the functional currency of the Group has been determined to be the Philippine Peso, the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the operations of the Group.

*Classifying Financial Instruments.* The Group exercises judgment in classifying financial instruments in accordance with PFRS 9. The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the Group's business model and its contractual cash flow characteristics and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

*Determining Control or Joint Control over an Investee Company.* Control is presumed to exist when an investor has power over an investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group has determined that by virtue of the Parent Company's majority ownership of voting rights in its subsidiaries as at December 31, 2022, 2021 and 2020, it has the ability to exercise control over these investees.

*Determining the Revenue and Cost Recognition.* Selecting an appropriate revenue recognition method for a particular real estate transaction requires certain judgments based on the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and completion of development.

The Group recognizes revenue over time if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group performance as the entity performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group concluded that revenue from real estate sale of office units and sale of residential units should be recognized over time. The Group also determined that input method is the appropriate method in measuring the POC. Under POC, the Group satisfies its performance obligation to deliver a portion of the property to the customer over time. The input method is based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred. Changes in estimates may affect the reported amounts of revenue, cost of real estate sales, contract assets and contract liabilities.

The amount of revenue from real estate sales recognized based on POC in 2022, 2021 and 2020 are disclosed in Note 17. The related cost of real estate sales in 2022, 2021 and 2020 are disclosed in Note 9.

*Classifying Real Estate for Sale, Investment Properties and Property and Equipment.* The Group determines whether a property qualifies as a real estate for sale, an investment property or an item of property and equipment. In making its judgment, the Group considers whether the property is held for sale in the ordinary course of business, held primarily to earn rentals or capital appreciation or both, or used for operations and administrative purposes by the Group.

The carrying amounts of real estate for sale, investment properties and property and equipment as at December 31, 2022 and 2021 are disclosed in Notes 9, 10 and 11, respectively.

*Determining the Highest and Best Use of Investment Properties.* The Group determines the highest and best use of its investment properties when measuring fair value. In making its judgment, the Group takes into account the use of the investment properties that is physically possible, legally permissible and financially feasible. The Group has determined that the highest and best use of the investment properties is their current use.

The carrying amounts of investment properties as at December 31, 2022 and 2021 are disclosed in Note 10.

*Determining Lease Commitments - Group as Lessor.* The Group entered into various lease contracts for its office units in ACPT, retail units in Arya Residences and dormitory units in Sevina Park's Courtyard Hall. The Group has determined that the risks and benefits of ownership related to the leased properties are retained by the Group. Accordingly, the leases are accounted for as operating leases.

The amount of revenue from leasing operations recognized from these operating leases in 2022, 2021 and 2020 are disclosed in Note 22.

*Classifying Lease Commitments - Group as a Lessee.* The Group has entered into lease agreements as a lessee. For these leases, the Group availed of the exemption for short-term leases with term of 12 months or less. Accordingly, lease payments on short-term leases were recognized as expense on a straight-line basis over the lease term.

The amount of rent expense incurred in 2022, 2021 and 2020 are disclosed in Note 22.

*Assessing Provisions and Contingencies.* The Group evaluates legal and administrative proceedings to which it is involved based on analysis of potential results. Management and its legal counsels do not believe that any current proceedings will have material adverse effects on its consolidated financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of strategies relating to these proceedings.

#### **Accounting Estimates and Assumptions**

The following are the key sources of accounting estimation uncertainty and other key accounting assumptions concerning the future at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

*Recognizing Revenue and Cost of Real Estate Sales.* The Group's revenue and cost recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and cost. Revenue and cost of sale of real estate recognized based on POC are measured principally based on the costs incurred up until the end of the reporting period at a proportion of total costs expected to be incurred.

The amount of revenue from real estate sales recognized based on POC and the related cost of real estate sales incurred in 2022, 2021 and 2020 are disclosed in Notes 17 and 9, respectively.

*Estimating the Fair Value of Investment Properties.* Investment properties are measured at fair values. The Group works closely with external qualified appraisers who performed the valuation using appropriate valuation techniques. The Group estimates expected future cash flows, yields, occupancy rates and discount rates. The valuation techniques and inputs used in the fair value measurement of investment properties are disclosed in Note 10 to the consolidated financial statements.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the investment properties and the level of the fair value hierarchy.

The carrying amounts of investment properties as at December 31, 2022 and 2021 are disclosed in Note 10.

*Determining the NRV of Real Estate for Sale.* Real estate for sale is stated at lower of cost or NRV. NRV for completed real estate for sale is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. NRV in respect of real estate assets under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete the construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

No provision for inventory obsolescence was recognized in 2022, 2021 and 2020. The carrying amounts of real estate for sale as at December 31, 2022 and 2021 are disclosed in Note 9.

*Assessing the ECL on Trade Receivables and Contract Assets.* The Group initially uses a provision matrix based on the historical default rates for trade receivables. The provision matrix specifies provision rates depending on the number of days that a receivable is past due. The Group then calibrates the provision matrix to adjust historical credit loss experience with forward-looking information on the basis of current observable data to reflect the effects of current and forecasted economic conditions.

The Group adjusts historical default rates if forecasted economic conditions such as gross domestic product are expected to deteriorate which can lead to increased number of defaults in the real estate industry. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience.

The determination of the correlation between historical default rates and forecasted economic conditions is a significant estimate. Accordingly, the provision for ECL of receivable from real estate sales is sensitive to changes in assumptions about forecasted economic conditions.

The Group's exposure to risk of default is mitigated by the requirement that title to real estate for sale is transferred to the buyer only upon full payment of the contract price.

The amount of provision for ECL and the carrying amount of the Group's trade receivables and contract assets as at and for the years ended December 31, 2022 and 2021 are disclosed in Notes 5 and 8, respectively.

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

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

- actual or expected external and internal credit rating downgrade
- existing or forecasted adverse changes in business, financial or economic conditions
- actual or expected significant adverse changes in the operating results of the borrower
- significant changes in credit spread, rates or terms such as more stringent covenants and increased amount of collateral or guarantees

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

No provision for ECL was recognized in 2022, 2021 and 2020.

The carrying amounts of financial assets which consists of cash in banks and cash equivalents, receivable from sale of interests in subsidiaries, due from related parties, interest receivable, advances to employees, other receivables, amounts held in escrow, amounts held in trust, and deposits are disclosed in Notes 6, 8 and 12.

*Determining the Fair Value of Investment in Money Market Fund.* The Group classifies its investment in money market fund as financial asset at FVPL in the consolidated statements of financial position. The Group determined the fair value of investment in money market fund using available market prices in active markets for identical assets (Level 1). Any changes in the fair value of this financial asset would affect profit or loss.

The fair value and carrying amounts of investment in money market fund as at December 31, 2022 and 2021 are disclosed in Note 7.

*Estimating the Useful Lives of Property and Equipment.* The Group reviews annually the estimated useful lives of property and equipment based on expected asset's utilization, market demands and future technological development. It is possible that the factors mentioned may change in the future, which could cause a change in estimated useful lives. A reduction in estimated useful lives could cause a significant increase in depreciation and amortization of property and equipment.

There were no changes in the estimated useful lives of property and equipment in 2022, 2021 and 2020. The carrying amounts of property and equipment as at December 31, 2022 and 2021 are disclosed in Note 11.



*Assessing the Impairment of Nonfinancial Assets.* The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In assessing whether there is any indication that an asset may be impaired, the Group considers the external and internal sources of information. External sources of information include but are not limited to unexpected significant decline in market value and any other significant changes with an adverse effect on the Group, whether it had taken place during period or will take place in the near future in the market, economic or legal environment in which the entity operates or in the market to which the asset is dedicated. Internal sources of information include evidence of obsolescence or physical damage on an asset, significant changes with an adverse effect on the Group whether it had taken place during the period, or are expected to take place in the near future, to the extent to which, or in a manner in which, an asset is used or is expected to be used, and any other evidence that indicates that the economic performance of an asset is, or will be, worse than expected.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Value in use is determined as the present value of estimated future cash flows expected to be generated from the continued use of the assets. The estimated cash flows are projected using growth rates based on historical experience and business plans and are discounted using pretax discount rates that reflect the current assessment of the time value of money and the risks specific to the asset.

Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

No provision for impairment loss on nonfinancial assets was recognized in 2022, 2021 and 2020.

The carrying amounts of nonfinancial assets which consists of accrued rent receivable, property and equipment and other assets (excluding deposits and amounts held for escrow) are disclosed in Notes 8, 11 and 12.

*Estimating Retirement Liability.* The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 21 to the consolidated financial statements and include among others, discount rate and salary increase rate. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect net retirement liability.

The carrying amounts of net retirement liability (asset) as at December 31, 2022 and 2021 are disclosed in Note 21.

*Assessing the Realizability of Deferred Tax Assets.* The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of unused MCIT and NOLCO is based on the projected taxable income in the following periods. Based on the projection, not all future deductible temporary differences will be realized, therefore, only a portion of deferred tax assets was recognized.

As at December 31, 2022 and 2021, the carrying amounts of recognized deferred tax assets and the amount of unrecognized deferred tax assets, which management has assessed may not be realized in the future, are disclosed in Note 23.

#### 4. Material Non-controlling Interests

The Group's non-controlling interests amounting to ₱1,959.5 million, ₱1,503.3 million and ₱1,224.5 million as at December 31, 2022, 2021 and 2020, respectively, pertains to interests in KHI, SLDC, Bhavana and Bhavya as at December 31, 2022 and interests in CLLC, KHI and SLDC as at December 31, 2021 and 2020.

##### *CLLC*

The non-controlling interest in CLLC is 40% as at December 31, 2020. The net income of CLLC allocated to non-controlling interests amounting to ₱96.4 million for the period January 1 to December 27, 2021 and ₱228.4 million in 2020, calculated based on the profit-sharing agreement of 50:50.

In December 2021, the Parent Company purchased 214,351 common and 118,982 preferred shares representing 40% of the ownership and voting rights of CLLC for ₱113.2 million from RSBV, resulting to 100% ownership of the Parent Company in CLLC. The difference between the acquisition cost and book value amounting to ₱60.5 million was recorded as reduction to equity reserves. Also, RSBV assigned its shareholder advances and accrued interest receivables amounting to ₱764.1 million. The Parent Company's outstanding payable arising from the purchase of common shares and preferred shares in CLLC amounted to nil and ₱762.3 million as at December 31, 2022 and 2021, respectively (see Note 15).

The summarized financial information of CLLC, before intercompany eliminations, as at and for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Current assets	₱9,398,625,064	₱8,214,470,597
Noncurrent assets	26,406,848	10,873,955
Current liabilities	(8,680,773,596)	(5,602,523,973)
Noncurrent liabilities	(622,146,526)	(1,524,515,987)
Net assets	₱122,111,790	₱1,098,304,592

	2021	2020
Revenue	₱1,354,517,334	₱2,126,330,822
Expenses	(1,193,651,466)	(1,474,349,597)
Income before income tax	160,865,868	651,981,225
Other income – net	3,879,882	1,312,137
Provision for (benefit from) income tax	28,061,448	(196,454,802)
Net income	192,807,198	456,838,560
Other comprehensive income	–	–
Total comprehensive income	₱192,807,198	₱456,838,560

	2021	2020
Cash flows from (used in):		
Operating activities	(P686,745,344)	(P1,238,655,164)
Investing activities	203,971,932	(2,342,993)
Financing activities	597,328,522	1,428,498,442
Net increase in cash and cash equivalents	114,555,110	187,500,285
Cash and cash equivalents at beginning of year	246,426,119	58,925,834
Cash and cash equivalents at end of year	<b>P360,981,229</b>	<b>P246,426,119</b>

CLLC is 100%-owned by the Parent Company as at December 31, 2022 and 2021.

#### SLDC

Non-controlling interests over SLDC is 41% as at December 31, 2022, 2021 and 2020.

SLDC received from HHI deposits aggregating P1,909.6 million and P1,305.5 million as at December 31, 2022 and 2021, respectively. These will be applied against future subscriptions at a price of P100 per share upon SEC's approval of SLDC's application for the change in the par value of authorized preferred shares.

The change in the par value of the authorized preferred shares was approved by the SEC on February 17, 2020.

On March 17, 2023, the deposits amounting to P1,909.6 million were converted to preferred shares.

Net income of SLDC allocated to non-controlling interests amounted to P24.4 million in 2022, P119.2 million in 2021 and P53.4 million in 2020 which is determined based on the joint venture agreement between ALCO and MEC.

The summarized financial information of SLDC, before intercompany eliminations, as at and for the years ended December 31, 2022, 2021 and 2020 is as follows:

	2022	2021	2020
Current assets	<b>P6,167,275,482</b>	P5,819,094,589	P4,069,922,386
Noncurrent assets	<b>33,176,544</b>	33,078,020	31,730,462
Current liabilities	<b>(3,616,295,729)</b>	(2,609,864,079)	(1,732,357,568)
Noncurrent liabilities	<b>(400,885,058)</b>	(1,210,540,368)	(1,333,945,153)
Net assets	<b>P2,183,271,239</b>	P2,031,768,162	P1,035,350,127

	2022	2021	2020
Revenue	<b>P435,347,696</b>	P975,128,529	P713,085,853
Expenses	<b>(360,366,595)</b>	(584,200,793)	(371,034,794)
Income before income tax	<b>74,981,101</b>	390,927,736	342,051,059
Other income – net	<b>6,403,512</b>	3,052,303	4,265,753
Provision for income tax	<b>(20,617,945)</b>	(79,039,840)	(103,232,886)
Total comprehensive income	<b>P60,766,668</b>	P314,940,199	P243,083,926

	2022	2021	2020
Cash flows from (used in):			
Operating activities	(P588,143,491)	(P534,721,590)	(P645,449,472)
Investing activities	(86,661,983)	(149,278,306)	(61,053,563)
Financing activities	672,954,393	849,994,159	670,735,028
Net increase (decrease) in cash and cash equivalents	(1,851,081)	165,994,263	(35,768,007)
Cash and cash equivalents at beginning of year	316,788,509	150,794,246	186,562,253
Cash and cash equivalents at end of year	P314,937,428	P316,788,509	P150,794,246

#### KHI

The Group has 40% non-controlling interests in KHI. The net loss of KHI allocated to non-controlling interests amounting to P3.5 million in 2022 and P0.1 million in 2021 is distributed based on the capital contribution. The total assets of KHI amounted to P1,106.1 million and P573.3 million as at December 31, 2022 and 2021, respectively. Net income (loss) amounted to P513.2 million and (P0.2 million) in 2022 and 2021, respectively, and net cash inflows (outflows) amounted to P0.3 million in 2022 and (P0.3 million) in 2021.

On December 19, 2022, the BOD approved the declaration of cash dividends amounting to P500.0 million or P40 per share to all stockholders of record on January 12, 2023. The cash dividends was to be paid on January 30, 2023.

#### Bhavana and Bhavya

In December 2021, ALCO sold, transferred and conveyed in favor of Narra Investment Properties Pte. Ltd. ("Narra"), by way of secondary sale, all of its rights, title and interest in and to 40% of the common shares of stock of Bhavana and Bhavya, or 20,000,000 common shares of stock thereof, as well as its shareholder advances and accrued interest receivables aggregating P449.4 million in exchange for P446.8 million. The transfer of Bhavana and Bhavya shares decreased the effective ownership of ALCO from 100% to 60%. The Parent Company's receivable arising from the sale of interests in Bhavana and Bhavya amounted to P4.2 million and P208.6 million as at December 31, 2022 and 2021, respectively (see Note 8).

In 2022, net income (loss) of Bhavana and Bhavya allocated to non-controlling interests amounted to P43.4 million and (P12.3 million), respectively, which is distributed based on the capital contribution.

The summarized financial information of Bhavana, before intercompany eliminations, as at and for the year ended December 31, 2022 is as follows:

	2022
Current assets	P2,228,405,343
Noncurrent assets	57,675,852
Current liabilities	(1,164,268,334)
Noncurrent liabilities	(961,554,270)
Net assets	P160,258,591

	2022
Revenue	₱917,746,872
Expenses	(774,234,244)
Income before income tax	143,512,628
Other income - net	2,138,751
Provision for income tax	(37,087,175)
Total comprehensive income	₱108,564,204

	2022
Cash flows from (used in):	
Operating activities	(₱487,745,492)
Investing activities	58,530,740
Financing activities	466,053,587
Net increase in cash and cash equivalents	36,838,835
Cash and cash equivalents at beginning of year	17,004,244
Cash and cash equivalents at end of year	₱53,843,079

The summarized financial information of Bhavya, before intercompany eliminations, as at and for the year ended December 31, 2022 is as follows:

	2022
Current assets	₱1,224,777,766
Noncurrent assets	125,066,854
Current liabilities	(691,300,061)
Noncurrent liabilities	(702,134,489)
Net assets	(₱43,589,930)

	2022
Revenue	₱-
Expenses	(53,540,810)
Loss before income tax	(53,540,810)
Other income - net	745,099
Income tax benefit	22,062,594
Total comprehensive loss	(₱30,733,117)

	2022
Cash flows from (used in):	
Operating activities	(₱184,069,149)
Investing activities	(16,763,910)
Financing activities	221,728,841
Net increase in cash and cash equivalents	20,895,782
Cash and cash equivalents at beginning of year	27,228,166
Cash and cash equivalents at end of year	₱48,123,948

### **Advances from Non-controlling Interests**

The Group has the following transactions with the non-controlling interests:

	Amount of Transactions		Outstanding Balance	
	2022	2021	2022	2021
<b>Advances for Project Development</b>				
HHI	₱—	₱—	₱495,919,597	₱495,919,597
Narra	—	411,200,000	411,200,000	411,200,000
MEC	—	—	195,000,000	195,000,000
RSBV	—	(676,666,700)	—	—
			<b>₱1,102,119,597</b>	<b>₱1,102,119,597</b>
<b>Interest Expense</b>				
Narra	₱14,392,000	₱157,721	₱45,726,341	₱34,220,627
MEC	6,825,000	6,825,000	15,876,516	9,734,016
RSBV	—	(66,959,585)	—	—
			<b>₱61,602,857</b>	<b>₱43,954,643</b>

In prior years, CLLC obtained from RSBV 3.5% interest-bearing loans for its real estate projects and recognized interest expense of nil in 2022 and 2021, and ₱12.9 million in 2020. These are unsecured, unguaranteed, and payable on demand and in cash. In December 2021, RSBV assigned its shareholder advances and accrued interest receivables amounting to ₱762.3 million from CLLC to ALCO.

Moreover, SLDC received advances from related parties and expenses paid by related parties on behalf of SLDC. All outstanding balances are unsecured, noninterest-bearing, and payable on demand and in cash.

On June 1, 2020, the Parent Company assigned 40% of its advances to KHI amounting to ₱195.0 million, in favor of MEC, and bear interest at 3.5% per annum. Interest expense incurred amounted to ₱6.8 million in 2022 and 2021 and ₱4.0 million in 2020. These are unsecured, unguaranteed, and payable on demand and in cash.

## **5. Contract Assets and Contract Liabilities**

The Group's contract assets and contract liabilities are as follows:

	2022	2021
Contract assets	₱3,920,367,468	₱6,238,880,086
Contract liabilities	231,469,884	62,154,096
Net contract assets	<b>₱3,688,897,584</b>	<b>₱6,176,725,990</b>

Contract assets pertain to receivables from the sale of condominium and office units and residential townhouses of the Group representing the excess of cumulative revenues from real estate sales over billed amounts. These amounts will be billed and collected in accordance with the agreed payment terms with the buyers, which is normally up to maximum of five years. Decrease in contract assets pertains to the additional billed receivables during the year.

Contract liabilities pertain to downpayments received from the real estate buyers at the inception of the contracts in which the related revenue is not yet recognized as of yearend.

## 6. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash on hand	<b>₱175,000</b>	₱195,000
Cash in banks	<b>1,087,334,786</b>	692,017,890
Cash equivalents	<b>3,708,783,876</b>	1,257,044,266
	<b>₱4,796,293,662</b>	₱1,949,257,156

Cash in banks earn interest at prevailing bank deposit rates and are immediately available for use in the current operations. Cash equivalents are short-term placements made for varying periods up to three (3) months or less and earn interest at the prevailing short-term investment rates.

Interest income is earned from the following (see Note 20):

	2022	2021	2020
Cash in banks	<b>₱2,432,535</b>	₱2,130,550	₱3,432,878
Cash equivalents	<b>26,172,593</b>	1,406,696	5,946,867
	<b>₱28,605,128</b>	₱3,537,246	₱9,379,745

## 7. Financial Assets at FVPL

This account pertains to investments in money market fund. Movements in this account are as follows:

	Note	2022	2021
Balance at beginning of year		<b>₱4,378,607,744</b>	₱3,257,288,870
Additions		<b>7,966,052,018</b>	6,759,000,000
Disposals		<b>(10,100,835,572)</b>	(5,631,422,221)
Unrealized holding gains (losses)	20	<b>2,215,632</b>	(6,258,905)
Balance at end of year		<b>₱2,246,039,822</b>	₱4,378,607,744

Realized gain on disposals of financial assets at FVPL amounted to ₱30.1 million in 2022, ₱23.6 million in 2021 and ₱19.1 million in 2020 (see Note 20).

The fair value of financial assets at FVPL is classified under Level 1 of the fair value hierarchy using quoted market prices (see Note 28).

## 8. Receivables

This account consists of:

	Note	2022	2021
Trade receivables from:			
Sale of real estate		<b>₱1,975,808,602</b>	₱966,882,625
Leasing	22	<b>123,938,918</b>	153,511,167
Interest receivable		<b>49,851,949</b>	36,910,585
Accrued rent receivable	22	<b>46,903,720</b>	66,158,150
Due from related parties	24	<b>46,409,707</b>	46,409,707
Advances to employees		<b>9,014,053</b>	29,646,160
Receivable from sale of interests in subsidiaries	4	<b>4,169,113</b>	208,562,250
Other receivables		<b>125,705,373</b>	55,694,374
		<b>2,381,801,435</b>	1,563,775,018
Allowance for ECL		<b>(1,746,790)</b>	(368,292)
		<b>₱2,380,054,645</b>	₱1,563,406,726

Trade receivables from sale of real estate pertain to receivables from sale of condominium units, retail units, lots and residential townhouses that were already billed and which are generally collectible in monthly installments over a maximum period of three (3) years. Titles to the units sold under this arrangement are transferred to the buyers only upon full payment of the contract price. Trade receivables from leasing operations are noninterest-bearing, unsecured and collectible within seven (7) days.

Interest receivable includes accrual of interest from the Group's short-term placements.

Accrued rent receivable pertains to the difference between rental income recognized using straight-line method of accounting and contractual rental payments.

Advances to employees represent salary and other loans granted to employees which are noninterest-bearing in nature and collectible through salary deductions.

Other receivables mainly include other charges and advances which are noninterest-bearing and collectible on demand.

Provision for ECL recognized in 2022 amounted to ₱1.7 million and recorded as part of "Others" under "Operating expenses" in the consolidated statements of financial position.



## 9. Real Estate for Sale

This account consists of:

	2022	2021
Raw land	<b>₱639,568,309</b>	₱386,241,830
Assets under construction	<b>7,567,131,517</b>	8,217,419,103
Condominium units for development	<b>1,174,683,760</b>	385,094,054
	<b>₱9,381,383,586</b>	₱8,988,754,987

Movements of this account follow:

	Note	2022	2021	2020
Balance at beginning of year		<b>₱8,988,754,987</b>	₱6,894,906,539	₱5,410,062,969
Construction costs incurred		<b>2,367,086,823</b>	2,967,656,089	2,442,340,208
Cost of real estate sold		<b>(1,657,941,172)</b>	(1,610,033,648)	(1,549,173,465)
Transfers to investment properties	10	<b>(843,811,580)</b>	—	—
Acquisition of:				
Raw land		<b>300,563,278</b>	—	32,151,600
Condominium units for development		<b>32,585,133</b>	—	138,759,064
Capitalized borrowing costs	13	<b>144,446,120</b>	549,762,344	420,766,163
Transfers from investment properties	10	<b>40,637,085</b>	186,463,663	—
Repossessions		<b>27,257,983</b>	—	—
Transfers to property and equipment	11	<b>(18,195,071)</b>	—	—
Balance at end of year		<b>₱9,381,383,586</b>	₱8,988,754,987	₱6,894,906,539

Repossessions arising from cancellation of sales due to buyer's default in payment represent previously sold units which were recorded back as "Real estate for sale". These are recorded at fair value less cost to sell and cost to complete at the time of transfer and are held for sale in the ordinary course of business. Gain on repossession amounted to ₱5.4 million in 2022 and nil in 2021 and 2020 and are recorded as part of "Others" in the "Other Income - net" account in the consolidated statements of comprehensive income (see Note 20).

### Raw Land

Raw land pertains to parcels of land acquired by the Group for future development projects that are intended for sale. This account also includes payments made to a seller of land in 2021 which were classified as advances for asset purchase as at December 31, 2021 and was subsequently acquired by the Group in 2022 (see Note 12).

In 2021, Cazneau transferred portion of a parcel of land from "Investment properties" account to "Real estate for sale" account aggregating ₱186.5 million because of the change in the intended use of the property as approved by the BOD (see Note 10).

The land of Sevina Park with carrying amount of ₱386.2 million as at December 31, 2022 was used as security for the bank loan of Cazneau with outstanding balance of ₱983.4 million as at December 31, 2022 (see Note 13).

### **Assets under Construction**

Assets under construction consist of land and development costs of ongoing real estate projects of the Group. As at December 31, 2022 and 2021, this account includes the land and development costs of Cebu Exchange, Savva Financial Center, Sevina Park, Lucima Residences and Eluria (see Note 1).

In June 2022, the BOD of CLLC, in line with management objective to increase CLLC's recurring income, approved to keep 8,059 sqm of Cebu Exchange office units with 72 appurtenant parking slots, 2,628 sqm of retail units and an additional of 36 non-appurtenant parking slots as leasing assets of CLLC. This was reclassified from "Real estate for sale" account to "Investment properties" account aggregating ₱843.8 million.

The land and development costs of Cebu Exchange with carrying amount of ₱2,885.9 million are used as security for the bank loan of CLLC with outstanding balance of ₱1,114.0 million as at December 31, 2021 (see Note 13). The loans have been fully settled as at December 31, 2022.

Cebu Exchange was used as a collateral on the term loan with a local bank which have been fully paid in 2021. Condominium Certificates of Title and assignment of Contract-to-Sell receivables with recourse of the assigned accounts were used as collateral for loans payable with outstanding balance amounting to ₱807.0 million as at December 31, 2022 (see Note 13).

As at December 31, 2022 and 2021, the carrying amount of land of SLDC amounting to ₱1,434.8 million is used as security for SLDC's bank loans with outstanding balance of ₱891.7 million and ₱1,431.8 million as at December 31, 2022 and 2021, respectively (see Note 13).

In 2022, Cazneau transferred portion of its assets under construction from "Investment properties" account to "Real estate for sale" account aggregating ₱40.6 million because of the change in the intended use of the property as approved by the BOD (see Note 10).

In 2022, Bhavya transferred assets under construction pertaining to cost of model unit from "Real estate for sale" account to "Property and equipment" account aggregating ₱18.2 million because of the change in the intended use of the property as approved by the BOD (see Note 11).

The land of Lucima Residences with carrying amount of ₱794.5 million as at December 31, 2022 are used as security for the bank loan of Bhavana with outstanding balance of ₱924.2 million and ₱550.0 million as at December 31, 2022 and 2021, respectively (see Note 13).

### **Condominium Units for Development**

Condominium units for development pertain to condominium units in Makati City acquired by the Group and are intended for future development and for sale.

### **Borrowing Costs**

General and specific borrowings were used to partially finance the Group's ongoing real estate projects. The related borrowing costs amounting to ₱146.9 million in 2022, ₱549.8 million in 2021 and ₱420.8 million in 2020, were capitalized as part of real estate for sale. The capitalization rates used to determine general borrowing costs eligible for capitalization ranges from 4.5% to 7.5% in 2022 and 2021, and 3.0% to 8.0% in 2020 (see Note 13).

### **NRV of Real Estate for Sale**

As at December 31, 2022 and 2021, real estate for sale is stated at cost which is lower than its NRV. There is no allowance for inventory obsolescence as at December 31, 2022 and 2021.

## **10. Investment Properties**

This account consists of the following completed real estate projects and land which are held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

	2022	2021
Arthaland Century Pacific Tower (ACPT)	<b>₱6,182,842,179</b>	₱5,959,294,200
Cebu Exchange	<b>1,797,996,536</b>	—
Arya Residences:		
Retail units	<b>1,265,254,657</b>	1,250,517,007
Parking slots	<b>181,740,596</b>	181,556,620
Land:		
UPHI's Laguna and Tagaytay properties	<b>829,421,708</b>	729,891,103
Cazneau's retail lots	<b>438,702,090</b>	396,134,175
ALCO's Batangas and Tagaytay properties	<b>216,961,878</b>	182,840,598
Courtyard Hall	<b>360,864,616</b>	326,194,616
	<b>₱11,273,784,260</b>	₱9,026,428,319

Movements of this account follow:

	Note	2022	2021	2020
Balance at beginning of year, at cost		<b>₱3,423,211,889</b>	₱3,577,625,751	₱3,497,815,338
Transfers from real estate for sale	9	<b>843,811,580</b>	—	—
Transfers to real estate for sale	9	<b>(40,637,085)</b>	(186,463,663)	—
Development costs incurred		<b>9,669,332</b>	29,562,351	80,800,413
Capitalized borrowing costs	13	<b>2,457,134</b>	2,487,450	—
Disposals		—	—	(990,000)
Balance at end of year, at cost		<b>4,238,512,850</b>	3,423,211,889	3,577,625,751
Cumulative gain on change in fair value		<b>7,025,171,115</b>	5,589,281,209	4,717,017,509
		<b>11,263,683,965</b>	9,012,493,098	8,294,643,260
Unamortized initial direct leasing costs		<b>10,100,295</b>	13,935,221	20,525,581
Balance at end of year, at fair value		<b>₱11,273,784,260</b>	₱9,026,428,319	₱8,315,168,841

Movements of the cumulative gain on change in fair value are as follows:

	2022	2021	2020
Balance at beginning of year	<b>₱5,589,281,209</b>	₱4,717,017,509	₱3,757,800,121
Net gain on change in fair value	<b>1,435,889,906</b>	872,263,700	959,989,140
Disposals	—	—	(771,752)
Balance at end of year	<b>₱7,025,171,115</b>	₱5,589,281,209	₱4,717,017,509

Movements of the unamortized initial direct leasing costs are as follows:

	2022	2021
Balance at beginning of year	<b>₱13,935,221</b>	₱20,525,581
Amortization	<b>(3,834,926)</b>	(6,590,360)
Balance at end of year	<b>₱10,100,295</b>	₱13,935,221

#### **ACPT**

The carrying amount of ACPT includes office units and parking slots for lease. ACPT is used as collateral for loans payable amounting to ₱1,420.4 million and ₱1,712.4 million as at December 31, 2022 and 2021, respectively (see Note 13).

#### **Cebu Exchange**

The carrying amount of Cebu Exchange includes office units and parking slots for lease. In 2022, CLLC transferred portion of investment properties amounting to ₱843.8 million from “Real estate for sale” account to “Investment properties” account due to change of intention in the use of the property as approved by the BOD (see Note 10).

#### **Arya Residences**

Retail units and parking slots in Arya Residences are used for leasing operations.

In 2020, the Group sold parking slots for a total consideration of ₱1.3 million which resulted to a loss on disposal of ₱0.5 million (see Note 20).

#### **Land**

UPHI’s raw land, with fair value amounting to ₱829.4 million and ₱729.9 million as at December 31, 2022 and 2021, respectively, has a total area of 33 hectares and are located at Barangay Gonzalo Bontog, Calamba City and Barangay Calabuso, Tagaytay City. Portion of the UPHI’s raw land was the subject of an expropriation proceedings filed by the National Power Corporation (NAPOCOR) with the Regional Trial Court of Calamba City, Laguna. The other parties to the case filed their respective appeals with the Court of Appeals (CA) assailing the amount of just compensation determined by the trial court. The appeal remains pending with the CA. Moreover, a complaint for quieting of title was filed by UPHI on October 18, 2010 because of the erroneous issuance of tax declarations by the City of Tagaytay covering UPHI’s property located in Calamba City, Laguna. In June 2020, the case was decided by the trial court in favor of UPHI. The losing defendants in the case filed their respective appeals with the CA and UPHI filed its appellee’s brief defending the decision of the trial court. The case remains pending with the CA. As at December 31, 2022 and 2021, the case with NAPOCOR is still ongoing and yet to be resolved by the CA. UPHI intends to amicably settle with the National Transmission Commission (NTC, successor-in-interest of NAPOCOR), since UPHI had already been deprived of effective use and enjoyment of the property. Management assessed that although the potential effect of this case on the Group’s consolidated financial statements would not be significant, an amicable settlement with the NTC could allow the UPHI to recoup the cost of the property.

Raw land of the Parent Company has a total area of 10.3 hectares located in Batangas and Tagaytay with fair value aggregating ₱217.0 million and ₱182.8 million as at December 31, 2022 and 2021, respectively.

In 2022 and 2021, Cazneau transferred portion of land amounting to ₱40.6 million and ₱186.5 million, respectively, from “Investment properties” account to “Real estate for sale” account due to change of intention in the use of the properties as approved by the BOD.

### **Courtyard Hall**

Courtyard Hall of Cazneau used for leasing operations was recognized at fair value amounting to ₱360.9 million and ₱326.2 million as at December 31, 2022 and 2021, respectively.

The land attributable to Cazneau's retail spaces and Courtyard Hall with a carrying amount of ₱581.0 million and ₱498.0 million as at December 31, 2022 and 2021, respectively, was used as collateral for a long-term loan facility of Cazneau with an outstanding balance of ₱983.4 million and ₱684.1 million as at December 31, 2022 and 2021, respectively (see Note 13).

### **Leasing Operations**

The Group recognized revenue from leasing operations amounting to ₱308.4 million in 2022, ₱325.5 million in 2021 and ₱371.6 million in 2020 (see Note 22) and incurred direct cost of leasing amounting to ₱118.7 million in 2022, ₱107.1 million in 2021 and ₱124.4 million in 2020.

### **Fair Value Measurement**

Details of the valuation techniques used in measuring fair values of investment properties classified under Levels 2 and 3 of the fair value hierarchy are as follows:

Class of Property	Valuation Technique	Significant Inputs	Range	
			2022	2021
ACPT	Discounted cash flow (DCF) approach	Discount rate	9.07%	8.51%
		Rental rate for an office unit per sqm	₱1,717	₱1,500
		Rental rate per parking slot	₱8,025	₱6,000
		Calculated no. of net leasable area (total sqm)	18,059	18,059
		Vacancy rate	5%	0% - 5%
		Income tax rate	25%	25%
Cebu Exchange: Retail units	DCF approach	Rental rate per sqm	₱1,200	—
		Rent escalation rate per annum (p.a.)	5%	—
		Discount rate	8.37%	—
		Vacancy rate	50%	—
		Income tax rate	25%	—
	DCF approach	Rental rate per sqm	₱700	—
		Rent escalation rate per annum (p.a.)	5%	—
		Discount rate	8.37%	—
		Vacancy rate	50%	—
		Income tax rate	25%	—
Parking slots	DCF approach	Rental rate per sqm	₱3,000	—
		Rent escalation rate per annum (p.a.)	5%	—
		Discount rate	8.37%	—
		Vacancy rate	50%	—
		Income tax rate	25%	—

(Forward)

			Range	
Class of Property	Valuation Technique	Significant Inputs	2022	2021
Arya Residences:				
Retail units	DCF approach	Rental rate per sqm	₱3,350	₱3,000
		Rent escalation rate per annum (p.a.)	7%	7%
		Discount rate	9.07%	8.51%
		Vacancy rate	5%	5%
		Income tax rate	25%	25%
Parking slots	DCF approach	Rental rate per slot	₱7,900	₱7,000
		Rent escalation rate p.a.	7%	7%
		Discount rate	9.07%	8.51%
		Vacancy rate	10%	10%
		Income tax rate	25%	25%
Land:				
UPHI's Laguna and Tagaytay properties	Market data approach	Price per sqm	₱2,500	₱2,200
		Value adjustments	5% - 10%	5% - 10%
Cazneau's Laguna properties	Market data approach	Price per sqm	₱70,000	₱55,000
		Value adjustments	5% - 10%	5% - 20%
ALCO's Batangas and Tagaytay properties	Market data approach	Price per sqm	₱2,000	₱1,660
		Value adjustments	-25% - 10%	5% - 20%
Courtyard Hall	Depreciated replacement cost method	Estimated replacement cost	₱143,117,000	₱143,117,000
		Remaining economic life	35 years	36 years

The description of the valuation techniques and inputs used in the fair value measurement are as follows:

#### Discounted Cash Flow Approach

Under the DCF approach, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's estimated useful life including an exit or terminal value. As an accepted method within the income approach to valuation, the DCF approach involves the projection of a series of cash flows on a real property interest. An appropriate, market-derived discount rate is applied to projected cash flow series to establish the present value of the income stream associated with the investment property.

Periodic cash flows of investment properties are typically estimated as gross income less vacancy and operating expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

The frequency of inflows and outflows are contract and market-derived. The DCF approach assumes that cash outflows occur in the same period that expenses are recorded.

*Sensitivity Analysis.* Generally, significant increases (decreases) in rental rate per sqm or per slot and rent escalation rate p.a. in isolation would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in discount rate and vacancy rate in isolation would result in a significantly lower (higher) fair value measurement.

### Market Data Approach

Market data approach involves the comparison of the UPHI's Laguna and Tagaytay properties, Cazneau's Laguna properties and ALCO's Batangas and Tagaytay properties to those that are more or less located within the vicinity of the appraised properties and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element.

The inputs to fair valuation are as follows:

- *Price per sqm* - estimated value prevailing in the real estate market depending on the location, area, shape and time element.
- *Value adjustments* - adjustments are made to bring the comparative values in approximation to the investment property taking into account the location, size and architectural features among others.

### Depreciated Replacement Cost Method

Depreciated replacement cost method is used to estimate valuation of dormitory by computing for the replacement cost of the assets and applying appropriate adjustments for physical deterioration and functional and economic obsolescence.

The reconciliation of the balances of investments properties classified according to level in the fair value hierarchy is as follows:

	2022		
	Significant	Significant	Total
	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Balance at beginning of year	₱1,635,060,492	₱7,391,367,827	₱9,026,428,319
Net gain on change in fair value	239,846,835	1,196,043,071	1,435,889,906
Net transfers from real estate for sale	(40,637,085)	843,811,580	803,174,495
Construction costs incurred	11,680,050	446,416	12,126,466
Initial direct leasing costs	–	(3,834,926)	(3,834,926)
Balance at end of year	₱1,845,950,292	₱9,427,833,968	₱11,273,784,260

	2021		
	Significant	Significant	Total
	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Balance at beginning of year	₱1,350,726,943	₱6,964,441,898	₱8,315,168,841
Net gain on change in fair value	438,747,411	433,516,289	872,263,700
Transfers to real estate for sale	(186,463,663)	–	(186,463,663)
Construction costs incurred	29,562,351	–	29,562,351
Capitalized borrowing costs	2,487,450	–	2,487,450
Initial direct leasing costs	–	(6,590,360)	(6,590,360)
Balance at end of year	₱1,635,060,492	₱7,391,367,827	₱9,026,428,319

There are no transfers between the levels of fair value hierarchy in 2022, 2021 and 2020.

## 11. Property and Equipment

The balances and movements of this account consist of:

2022						
	Building and Building Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Total
<b>Cost</b>						
Balance at beginning of year	₱246,302,891	₱85,240,790	₱68,877,590	₱24,861,413	₱78,500	₱425,361,184
Additions	—	32,908,114	20,396,991	52,313,554	—	105,618,659
Disposals	—	(22,438,116)	—	—	—	(22,438,116)
Transfers	—	—	(40,887,697)	18,195,071	—	(22,692,626)
Balance at end of year	246,302,891	95,710,788	48,386,884	95,370,038	78,500	485,849,101
<b>Accumulated Depreciation and Amortization</b>						
Balance at beginning of year	35,771,010	42,483,571	54,370,174	19,444,563	78,500	152,147,818
Depreciation and amortization	4,914,333	19,329,891	8,720,433	10,953,595	—	43,918,252
Disposals	—	(17,891,586)	—	—	—	(17,891,586)
Transfers	—	—	(26,265,386)	—	—	(26,265,386)
Balance at end of year	40,685,343	43,921,876	36,825,221	30,398,158	78,500	151,909,098
<b>Carrying Amount</b>	<b>₱205,617,548</b>	<b>₱51,788,912</b>	<b>₱11,561,663</b>	<b>₱64,971,880</b>	<b>₱—</b>	<b>₱333,940,003</b>

2021						
	Building and Building Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Total
<b>Cost</b>						
Balance at beginning of year	₱245,553,426	₱81,884,580	₱61,863,122	₱25,272,784	₱78,500	₱414,652,412
Additions	—	21,295,803	10,791,447	61,115	—	32,148,365
Disposals	—	(17,939,593)	(3,500,000)	—	—	(21,439,593)
Reclassification	749,465	—	(276,979)	(472,486)	—	—
Balance at end of year	246,302,891	85,240,790	68,877,590	24,861,413	78,500	425,361,184
<b>Accumulated Depreciation and Amortization</b>						
Balance at beginning of year	31,001,486	38,464,741	48,234,946	16,704,245	54,515	134,459,933
Depreciation and amortization	4,478,614	19,697,066	6,135,228	3,031,228	23,985	33,366,121
Disposals	—	(15,678,236)	—	—	—	(15,678,236)
Reclassification	290,910	—	—	(290,910)	—	—
Balance at end of year	35,771,010	42,483,571	54,370,174	19,444,563	78,500	152,147,818
<b>Carrying Amount</b>	<b>₱210,531,881</b>	<b>₱42,757,219</b>	<b>₱14,507,416</b>	<b>₱5,416,850</b>	<b>₱—</b>	<b>₱273,213,366</b>

In 2022, Bhavya transferred assets under construction pertaining to cost of model unit from “Real estate for sale” account to “Property and equipment” account aggregating ₱18.2 million because of the change in the intended use of the property as approved by the BOD (see Note 9).

Also, in 2022, the Parent Company reclassified its software and licenses with carrying amount of ₱14.6 million from “Property and equipment” to “Software and licenses” account under “Other assets” in the consolidated statements of financial position.

As at December 31, 2022 and 2021, fully depreciated property and equipment that are still being used by the Group amounted to ₱35.8 million and ₱57.4 million, respectively.

The Parent Company sold property and equipment with carrying amount of ₱4.5 million in 2022, ₱5.8 million in 2021 and ₱1.0 million in 2020, which resulted to loss on disposal of ₱369,071 in 2022, ₱545,561 in 2021 and ₱73,601 in 2020 (see Note 20).

Depreciation and amortization expense were charged to:

	Note	2022	2021	2020
Operating expenses	18	₱43,445,740	₱31,605,519	₱42,966,008
Cost of services		472,512	1,760,602	2,206,709
		<b>₱43,918,252</b>	<b>₱33,366,121</b>	<b>₱45,172,717</b>



## 12. Other Assets

This account consists of:

	2022	2021
Input VAT	<b>₱636,714,373</b>	₱709,781,681
CWT	<b>564,485,238</b>	465,091,403
Advances for project development	<b>338,189,625</b>	519,328,038
Amounts held in escrow	<b>185,727,421</b>	144,678,088
Deposits	<b>93,309,077</b>	65,599,638
Amounts held in trust	<b>58,415,285</b>	—
Prepaid:		
Commissions	<b>39,277,600</b>	33,089,253
Taxes	<b>27,366,609</b>	41,200,016
Insurance	<b>3,325,762</b>	3,719,796
Interest	—	13,354,947
Debt issuance cost	—	8,071,131
Others	<b>10,474,528</b>	4,590,037
Deferred input VAT	<b>39,111,784</b>	33,530,819
Software and licenses	<b>27,045,949</b>	—
Materials and supplies	<b>1,341,909</b>	1,341,909
Advances for asset purchase	—	209,361,707
	<b>₱2,024,785,160</b>	₱2,252,738,463

Amounts held in escrow represents the debt service account required under existing loans with certain banks. Details of amounts held in escrow, which is equivalent to a quarterly principal and interest amortization is as follows (see Note 13):

	2022	2021
ALCO's OLSA	<b>₱128,177,336</b>	₱105,679,411
Bhavana's loan	<b>20,237,264</b>	—
Bhavya's OLSA	<b>20,224,690</b>	—
Cazneau's OLSA	<b>17,088,131</b>	8,356,206
SLDC's term loan	—	30,642,471
	<b>₱185,727,421</b>	₱144,678,088

Advances for project development pertain to downpayments made to contractors for the construction of the Group's real estate projects. These advances are applied against contractors' progress billings.

Deposits pertain to utility, professional services, and guarantee deposits for the construction of the Group's real estate projects. These are settled upon completion of the documentary requirements.

Amounts held in trust represent cash in bank held under trust pursuant to Bhavana and Bhavya's applications for socialized housing with the Department of Human Settlements and Urban Development in relation to its projects.

Prepaid commissions pertain to the commission costs incurred to obtain contracts with customer. Amortization of commissions amounted to ₱77.8 million in 2022 and ₱129.4 million in 2021.

The carrying amount of software and licenses amounted to ₱27.0 million as at December 31, 2022. Amortization of software and licenses recorded as part of “Depreciation and amortization” account in the consolidated statements of comprehensive income amounted to ₱0.6 million in 2022 (see Note 18).

Materials and supplies are the excess construction materials and supplies from the construction of completed real estate projects.

Advances for asset purchase pertain to advance payments made to a seller of land which was subsequently acquired by the Group and classified as raw land in 2022 (see Note 9).

### 13. Loans Payable

This account consists of outstanding loans with:

	2022	2021
Local banks	<b>₱11,708,430,709</b>	₱13,375,993,499
Private funders	<b>55,723,970</b>	60,723,970
	<b>₱11,764,154,679</b>	₱13,436,717,469

Movements of this account follow:

	2022	2021
Balance at beginning of year	<b>₱13,481,886,962</b>	₱9,339,260,340
Availments	<b>7,152,362,410</b>	10,445,612,330
Payments	<b>(8,827,047,186)</b>	(6,302,985,708)
Balance at end of year	<b>11,807,202,186</b>	13,481,886,962
Unamortized debt issue cost	<b>(43,047,507)</b>	(45,169,493)
	<b>11,764,154,679</b>	13,436,717,469
Less current portion of loans payable	<b>5,361,980,186</b>	8,417,020,962
Long term portion of loans payable	<b>₱6,402,174,493</b>	₱5,019,696,507

Movements in debt issue cost are as follows:

	2022	2021
Balance at beginning of year	<b>₱45,169,493</b>	₱33,567,017
Additions	<b>15,056,574</b>	27,929,588
Amortization	<b>(17,178,560)</b>	(10,981,712)
Derecognition	<b>—</b>	(5,345,400)
Balance at end of year	<b>₱43,047,507</b>	₱45,169,493

Future repayment of the outstanding principal amounts of loans payable is as follows:

	2022	2021
Within one year	<b>₱5,555,006,410</b>	₱8,417,020,962
After one year but not more than three years	<b>1,200,973,776</b>	2,219,000,000
More than three years	<b>11,051,222,000</b>	2,845,866,000
	<b>₱17,807,202,186</b>	₱13,481,886,962

### Local Bank Loans

These are loans from local banks which are interest-bearing and secured loans obtained to finance the Group's working capital requirements, project development and acquisition of properties. These loans have interest rates ranging from 4.50% to 7.50 % p.a. in 2022 and 2021.

Details of outstanding local bank loans as at December 31 follow:

Purpose	Terms and Security	Effective interest rate (p.a.)	2022	2021
Short-term loans for working fund requirements	Unsecured and payable in full within one year	4.50% to 8.00%	<b>₱2,300,000,000</b>	₱2,472,000,000
Short-term loans for construction of Cebu Exchange	Unsecured and payable in full within one (1) year	5.00% to 8.00%	<b>1,480,800,000</b>	1,251,000,000
Construction of ACP T	Payable on a quarterly basis starting 4 <sup>th</sup> quarter of 2020 until July 2025; secured by ACP T building with carrying amount of ₱6,182.8 million and ₱5,959.3 million as at December 31, 2022 and 2021, respectively (see Note 10), and an escrow account amounting to ₱128.2 million and ₱105.7 million as at December 31, 2022 and 2021, respectively (see Note 12)	5.50%	<b>1,420,396,130</b>	1,712,356,858
Development of Green Projects	Unsecured and payable in full on February 6, 2025	6.35%	<b>991,234,308</b>	991,234,308
Construction of Sevina Park	Payable on a quarterly basis starting November 2023 until August 2026; secured by raw land with carrying amount of ₱386.2 million as at December 31, 2022 and 2021 (see Notes 9 and 10), and an escrow account amounting to ₱17.1 million and ₱8.4 million as at December 31, 2022 and 2021, respectively (see Note 12)	6.25% to 8.49%	<b>983,413,024</b>	684,057,581
Construction of Lucima Residences	Payable on a quarterly basis starting 2024 until 2026; secured by Lucima Residences property with carrying amount of ₱794.5 million and ₱747.3 million as at December 31, 2022 and 2021, respectively (see Note 9)	6.17% to 8.78%	<b>924,208,963</b>	549,983,272
Construction of Savva Financial Center	Payable on a quarterly basis within three years from the date of initial drawdown until August 29, 2023; secured by unregistered real estate mortgage over raw land of SLDC with carrying amount of ₱1,434.8 million as at December 31, 2022 and 2021 (see Note 9) and an escrow account amounting to nil and ₱30.6 million as at December 31, 2022 and 2021, respectively (see Note 12)	4.75%	<b>891,672,357</b>	1,431,814,488
Credit facility agreement for financing of receivables from buyers of units and parking slots in Cebu Exchange	Payable in full in 2023; secured by receivables and contract assets from buyer of units and parking slots in Cebu Exchange with carrying amount of ₱3.5 billion as at December 31, 2022 and 2021 (see Notes 5 and 8)	6.00% to 7.50%	<b>806,973,776</b>	2,673,296,992
Construction of Eluria	Payable on January 5, 2027	6.37% to 9.10%	<b>700,370,977</b>	—
Credit facility agreement for financing of receivables from buyers of units and parking slots in Savva Financial Center	Payable in full in 2023; secured by receivables and contract assets from buyer of units and parking slots in Savva Financial Center with carrying amount of ₱618.5 million as at December 31, 2022	7.75%	<b>613,843,820</b>	—
Working fund requirements	Payable on November 25, 2024	6.00%	<b>496,250,000</b>	496,250,000
Short-term loan of Lucima	Payable on January 23, 2023	6.75%	<b>99,267,354</b>	—
Construction of Cebu Exchange	Payable on a quarterly basis after two years from the date of initial drawdown until April 14, 2022; secured by the Cebu Exchange property with carrying amount of ₱2,885.9 million as at December 31, 2021 (see Note 9)	5.77%	—	1,114,000,000
			<b>₱11,708,430,709</b>	<b>₱13,375,993,499</b>

#### *Construction of ACPT*

In 2015, the Parent Company entered into an OLSA for a credit line of ₱2,000.0 million, to partially finance the cost of construction and development of the ACPT. The outstanding loan balance is secured by the ACPT building and a security trust agreement covering the maintenance of revenue and operating accounts, project receivables and project agreements. ALCO is required to maintain the following financial ratios based on its separate financial statements:

- Debt service coverage ratio (DSCR) of not more than 1.20x starting 2020 which is one year after the completion of ACPT
- Debt to equity ratio of:

Period	Debt to Equity Ratio
2015	2.00x
2016 to 2018	1.75x
2019 to 2025	1.50x

In 2020, the local bank amended the financial covenants of the OLSA, removing the DSCR requirement and changing it to be current ratio of at least 1.50x and a debt to equity ratio of not more than 2.00x based on the consolidated financial statements of the Group. As of December 31, 2022 and 2021, ALCO has current ratio of 2.4x and 1.8x, respectively, and debt to equity ratio of 1.5x and 1.48x, respectively, based on its consolidated financial statements, which is compliant with the amended financial covenants.

#### *Acquisition of land and construction of Savya Financial Center*

In 2018, SLDC entered into a MTL for a credit line of ₱1,440.0 million with a local bank, to partially finance the acquisition and development of its land in Taguig City and to repay advances from shareholders. This loan facility is secured by an unregistered real estate mortgage over a parcel of raw land of SLDC, corporate continuing suretyship of ALCO until the completion of construction of Savya Financial Tower 1 and 100% sale of units therein, and deposits in an escrow account (see Note 12). The loan was fully settled in 2021.

In 2021, SLDC entered into a new loan facility of ₱1,440.0 million with a local bank. The ₱1,440.0 million was fully drawn and was used to repay the ₱1.440.0 million outstanding loan under the MTL. The outstanding loan balance is secured by real estate mortgage over raw land property (see Note 9). SLDC is required to maintain a current ratio of at least 1.5x and a debt to equity ratio not exceeding 2.0x.

The debt to equity and current ratio of SLDC as at December 31, 2022 based on its financial statements is 0.5x and 1.7x, respectively, which are compliant with the requirements of the term loan.

#### *Construction of Cebu Exchange*

In 2017, CLLC entered into an OLSA for a credit line of ₱2,350.0 million with a local bank, to partially finance the development and construction of Cebu Exchange. Loan proceeds were received in several drawdowns within a period of three years after initial drawdown. The outstanding loan balance is secured by Cebu Exchange property and pledge of shares of ALCO and a non-controlling interest in CLLC (see Note 9). The loans have been fully settled as at December 31, 2022.

#### *Construction of Sevina Park*

In 2021, Cazneau entered into a long-term loan facility of ₱1.0 billion with a local bank to partially finance the construction of Sevina Park. Loan proceeds are available in multiple tranches for a period of three (3) years from the date of initial drawdown. The outstanding loan balance is secured by real estate mortgage over two parcels of land of Cazneau and grant of security interest over shares of ALCO. Moreover, Cazneau is required to maintain debt to equity ratio of not more than 2.00x and current ratio of not less than 1.50x.

The debt to equity and current ratio of Cazneau as at December 31, 2022 based on its financial statements is 0.7x and 1.9x, respectively, which are compliant with the requirements of the term loan.

#### *Construction of Lucima Residences*

In 2021, the Company entered into a term loan facility of ₱930.0 million with a local bank to partially finance the construction of Lucima Residences. Loan proceeds are available in multiple tranches for a period of 3 years from the date of initial drawdown. The outstanding loan balance is secured by real estate mortgage on the land of Bhavana located in Cebu City. Moreover, Bhavana is required to maintain debt to equity ratio of not more than 2.00x, current ratio of not less than 1.50x and project debt to equity ratio not exceeding 0.50x.

The debt to equity ratio, current ratio and project debt to equity ratio of Bhavana as at December 31, 2022 based on its financial statements is 1.5x, 1.9x and 0.5x, respectively, which are compliant with the requirements of the term loan.

#### *Construction of Eluria*

In 2022, Bhavya entered into a term loan facility of with a local bank to partially finance the construction of Eluria. Loan proceeds are available in multiple tranches from the date of initial drawdown. The outstanding loan balance is secured by real estate mortgage on the land of Bhavya. Moreover, Bhavya is required to maintain debt to equity ratio of not more than 2.0x, current ratio of not less than 1.5x and project debt to equity ratio not exceeding 0.5x.

The debt to equity ratio, current ratio and project debt to equity ratio of Bhavya as at December 31, 2022 based on its financial statements is 1.6x, 1.8x and 0.5x, respectively, which are compliant with the requirements of the term loan.

#### *Development of Green Projects*

On February 14, 2020, ALCO entered into a term loan agreement of ₱1,000.0 million with a local bank to obtain financing for the Group's eligible green projects, including land banking, investments and refinancing in relation to eligible green projects. A drawdown of ₱1,000.0 million was made within the same year. ALCO is required to submit a regular disbursement report to the bank soon after the date the proceeds was utilized to confirm that the proceeds has been used for the eligible green projects.

The Group is required to maintain a debt-to-equity ratio of not more than 2.0x and current ratio of not less than 1.5x on a consolidated basis. For the years ended December 31, 2022, 2021 and 2020, the Group was fully compliant with these debt covenants.

#### **Private Funders**

Outstanding balances of the loans from private funders amounting to ₱55.7 million and ₱60.7 million as at December 31, 2022 and 2021 have interest rates of 3.50% p.a. to 4.13% p.a., are unsecured and are for working capital requirements of the Group.

### **Capitalized Borrowing Costs**

Borrowing costs capitalized are as follows:

	Note	2022	2021	2020
Loans payable		<b>₱66,322,461</b>	₱478,859,663	₱347,998,404
Bonds payable	14	<b>80,580,793</b>	73,390,131	72,767,759
		<b>₱146,903,254</b>	₱552,249,794	₱420,766,163

The above is distributed as follows:

	Note	2022	2021	2020
Real estate for sale	9	<b>₱144,446,120</b>	₱549,762,344	₱420,766,163
Investment properties	10	<b>2,457,134</b>	2,487,450	—
		<b>₱146,903,254</b>	₱552,249,794	₱420,766,163

The capitalization rates used to determine general borrowing costs eligible for capitalization ranges from 4.50% to 7.50% in 2022 and 2021 and 3.00% to 8.00% in 2020.

### **Interest Expense**

Total interest expense charged under “Finance costs” consists of the following (see Note 19):

	Note	2022	2021	2020
Interest expense on:				
Loans payable and advances from non-controlling interests		<b>₱399,341,397</b>	₱158,599,452	₱169,908,411
Bonds payable	14	<b>98,531,070</b>	116,638,811	108,990,151
		<b>₱497,872,467</b>	₱275,238,263	₱278,898,562

## **14. Bonds Payable**

As at December 31, 2022 and 2021, this account consists of:

	2022	2021
Bonds payable	<b>₱6,000,000,000</b>	₱3,000,000,000
Unamortized debt issue cost	<b>(74,228,852)</b>	(33,405,821)
	<b>₱5,925,771,148</b>	₱2,966,594,179

Movement in debt issue cost in 2022 and 2021 are as follows:

	2022	2021
Balance at beginning of year	<b>₱33,405,821</b>	₱41,473,302
Additions	<b>48,963,860</b>	—
Amortization	<b>(8,140,829)</b>	(8,067,481)
Balance at end of year	<b>₱74,228,852</b>	₱33,405,821

In October 2019, the BOD of ALCO approved the filing of a registration statement for the shelf registration of ₱6.0 billion fixed rate ASEAN Green Bonds (the “Bonds”) and the initial tranche of ₱2.0 billion bonds, with an oversubscription option of up to ₱1.0 billion.

In January 2020, the SEC approved the registration of the Bonds and the issuance of the initial tranche of the Bonds. On February 6, 2020, ALCO issued the initial tranche of the Bonds amounting to ₱2.0 billion with an oversubscription of ₱1.0 billion. It has a term ending five years from the issue date or on February 6, 2025, with a fixed interest rate of 6.35% p.a. and an early redemption option on the 3rd and 4th year from issue date. The proceeds of the initial tranche is for the development of eligible green projects and payment of certain outstanding loans of the Group.

In October 2022, the BOD of ALCO approved the remaining second tranche of the Bonds of up to ₱3.0 billion. In December 2022, the SEC approved the offer supplement for the second tranche amounting to ₱2.4 billion with an oversubscription of up to ₱0.6 billion. The Bonds have a term ending five years from the issue date with a fixed interest rate of 8.00% p.a. and early redemption option on the 3rd and 4th year from issue date, and term ending seven years from the issue date with a fixed interest rate of 8.7557% p.a. and early redemption option on the 5th and 6th year from issue date. The proceeds of the Bonds is for the development of eligible green projects and payment of certain outstanding loans of the Group.

ALCO shall maintain the following financial ratios, with testing to be done on an annual basis, for as long as any of the ASEAN Green Bonds remain outstanding:

- (a) Debt-to-Equity Ratio of not more than 2:1; and
- (b) Current Ratio of not less than 1.5:1.

For the avoidance of doubt, any relevant Indebtedness to be incurred to refinance, in the same currency or its equivalent amount, an existing relevant Indebtedness outstanding on the Issue Date or any testing date, shall not be counted for purposes of computing additional relevant Indebtedness provided that such relevant Indebtedness outstanding on the Issue Date or the relevant testing date is settled within ninety (90) calendar days from incurrence of such additional relevant Indebtedness.

In the determination of any particular amount of Indebtedness in connection with these financial covenants, guarantees, security interests or obligations with respect to letters of credit supporting the relevant Indebtedness otherwise included in the determination of such particular amount shall not be included.

Testing of both financial covenants shall be done on April 30 of each year, using the December 31 audited consolidated financial statements of the Group.

As at December 31, 2022 and 2021, the Group is compliant with these financial ratios.

Capitalized borrowing costs and interest expense incurred on the Bonds amounted to ₱80.6 million and ₱98.5 million, respectively, in 2022. Capitalized borrowing costs and interest expense incurred on the Bonds amounted to ₱73.4 million and ₱116.6 million, respectively, in 2021 (see Note 13).

## 15. Accounts Payable and Other Liabilities

This account consists of:

	Note	2022	2021
Accounts payable:			
Third parties		<b>₱317,446,631</b>	₱363,521,164
Related party	24	<b>10,068,355</b>	3,096,486
Accrued:			
Construction costs		<b>385,603,143</b>	1,146,088,718
Interest		<b>259,794,914</b>	110,703,657
Personnel costs		<b>156,430,810</b>	19,762,831
Others		<b>24,117,038</b>	34,021,314
Deferred output VAT		<b>769,967,164</b>	748,221,837
Retention payable		<b>635,086,197</b>	492,874,816
Payable to customers		<b>347,405,421</b>	298,088,488
Dividend payable		<b>187,093,749</b>	6,515,393
Security deposits	22	<b>127,791,142</b>	83,257,815
Advance rent	22	<b>79,069,176</b>	39,262,391
Withholding taxes payable		<b>41,075,896</b>	61,619,568
Construction bonds		<b>22,020,484</b>	21,398,433
Income tax payable		<b>838,178</b>	8,199,158
Payable for the purchase of interests in a subsidiary	4	—	762,340,790
Others		<b>18,390,005</b>	19,849,443
		<b>₱3,382,198,303</b>	₱4,218,822,302

Accounts payable, which are unsecured, noninterest-bearing and are normally settled within 30 days to one (1) year, consist mainly of liabilities to contractors and suppliers.

Accrued expenses are expected to be settled within the next 12 months. Other accrued expenses pertain to management and professional fees, utilities, commissions, advertising and other expenses. Deferred output VAT pertains to VAT from sales of property on installments and receivables from leasing operations. If the payments in the year of sale do not exceed twenty-five percent (25%) of the gross selling price, the sale will be considered under installment, in which case VAT will be paid based on collections.

Retention payable, which will be released after completion and satisfaction of the terms and conditions of the construction contract, pertains to amount retained by the Group from the contractors' progress billings for the real estate projects of the Group.

Payable to customers include reservation fees and collections received from prospective lessees or buyers, which are and to be applied as security deposits upon execution of lease contracts or against the total contract price of the real estate sale.

Security deposits pertain to the deposits made by the lessees of the ACPT, Arya retail units, and dormitory units which are refundable upon termination of the lease less any unsettled balances.



Advance rent pertains to the payments made in advance by the tenants to be applied to their rent payable in the immediately succeeding months or in the last three (3) months of the lease term.

Construction bonds represent noninterest-bearing deposits made by the lessees before the start of its construction in the ACPT and refundable upon fulfillment of contract provisions.

Other payables pertain to liabilities to SSS, PhilHealth and HDMF.

## 16. Equity

The details and movements of the Parent Company's number of common and preferred shares follow:

	2022		2021		2020	
	Preferred	Common	Preferred	Common	Preferred	Common
Authorized	50,000,000	16,368,095,199	50,000,000	16,368,095,199	50,000,000	16,368,095,199
Par value per share	₱1.00	₱0.18	₱1.00	₱0.18	₱1.00	₱0.18
Issued	48,500,000	5,318,095,199	48,500,000	5,318,095,199	42,500,000	5,318,095,199
Outstanding	28,500,000	5,318,095,199	28,500,000	5,318,095,199	42,500,000	5,318,095,199

### Preferred Shares

The Parent Company's preferred shares consisting of Series B, Series C and Series D preferred shares are cumulative, nonvoting, nonparticipating and nonconvertible. The movements and details of the issued and outstanding preferred shares are as follows:

	2022		2021		2020	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Balance at beginning of year	48,500,000	₱48,500,000	42,500,000	₱42,500,000	42,500,000	₱42,500,000
Issuance during the year	–	–	6,000,000	6,000,000	–	–
Balance at end of year	48,500,000	48,500,000	48,500,000	48,500,000	42,500,000	42,500,000
Treasury shares	(20,000,000)	(20,000,000)	(20,000,000)	(20,000,000)	–	–
Parent Company's shares held by a subsidiary	(12,500,000)	(12,500,000)	(12,500,000)	(12,500,000)	(12,500,000)	(12,500,000)
Outstanding	16,000,000	₱16,000,000	16,000,000	₱16,000,000	30,000,000	₱30,000,000

On December 6, 2021, the Parent Company redeemed all the outstanding 20.0 million Series B preferred shares equal to its offer price plus any accrued and unpaid cash dividends due as of date. Treasury stock pertaining to the redemption of 20.0 million Series B preferred shares recognized at cost amounted to ₱2,000.0 million as at December 31, 2021. On May 4, 2022, the BOD of the Parent Company approved the amendment of the Parent Company's Articles of Incorporation (AOI) to reduce the authorized capital stock by ₱2,000.0 million as a result of the redemption and cancellation of the Series B preferred shares. The application to amend the Parent Company's AOI will be filed with the SEC after our report date.

On December 3, 2021, the Parent Company made a follow-on offering of 6.0 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated preferred shares (the "Series D preferred shares"), with ₱1.00 par value a share at the issuance price of ₱500 a share. Excess of the proceeds over the total par value amounting to ₱2,994.0 million and transaction costs of ₱29.6 million were recognized as addition and reduction to additional paid-in capital, respectively.

In June 2019, the Company made a follow-on offering of 10.0 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated preferred shares (the “Series C Preferred Shares”) with ₱1.00 par value a share at the issuance price of ₱100 a share. Excess of the proceeds over the total par value amounting to ₱990.0 million and transactions costs of ₱12.5 million were recognized as additional and reduction to additional paid-in capital, respectively.

In 2016, ALCO issued 12.5 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated preferred shares (the “Series A preferred shares”) with ₱1.00 par value a share to MPI. Also in 2016, the Company made a follow-on offering of 20.0 million cumulative, nonvoting, nonparticipating, and nonconvertible Peso-denominated preferred shares (the “Series B preferred shares”) with ₱1.00 par value a share at the issuance price of ₱100 a share.

### **Common Shares**

As at December 31, 2022 and 2021, the Parent Company has issued and outstanding common shares of 5,318,095,199 with par value of ₱0.18 amounting to ₱957.3 million.

### **Common and Preferred Shares Listed with PSE**

The details and movements of the common and preferred shares listed with PSE follows:

Date of SEC Approval	Type of Issuance	No. of Shares Issued (Redeemed)	Issue/Offer Price
1996	Initial public offering	351,000,000	₱1.00
1998	Payment of subscription	256,203,748	1.00
1999	Stock dividends	410,891,451	1.00
2009	Payment of subscription	628,770,000	0.20
2010	Payment of subscription	100,000,000	0.20
2011	Payment of subscription	2,200,000,000	0.20
2016	Public offering of Series “B” preferred shares	20,000,000	100
2019	Public offering of Series “C” preferred shares	10,000,000	100
2021	Public offering of Series “D” preferred shares	6,000,000	500
2021	Redemption of Series “B” preferred shares	(20,000,000)	100

The Parent Company has 1,935 and 1,937 stockholders as at December 31, 2022 and 2021, respectively.

### **Dividend Declaration**

The Parent Company’s BOD and stockholders approved the following cash dividends to preferred and common stockholders:

Declaration Date	Stockholders of Record Date	Payment Date	Share	Amount	Dividend per Share
October 26, 2022	December 5, 2022	December 27, 2022	Series C preferred shares	₱17,319,000	₱1.7319
October 26, 2022	November 14, 2022	December 3, 2022	Series D preferred shares	45,000,000	7.5000
August 5, 2022	September 1, 2022	September 27, 2022	Series C preferred shares	17,319,000	1.7319
August 5, 2022	August 19, 2022	September 3, 2022	Series D preferred shares	45,000,000	7.5000
June 24, 2022	July 11, 2022	August 4, 2022	Common shares	63,817,142	0.012
May 4, 2022	June 2, 2022	June 27, 2022	Series C preferred shares	17,319,000	1.7319
May 4, 2022	May 19, 2022	June 3, 2022	Series D preferred shares	45,000,000	7.5000
February 23, 2022	March 10, 2022	March 27, 2022	Series C preferred shares	17,319,000	1.7319
January 26, 2022	February 11, 2022	March 3, 2022	Series D preferred shares	45,000,000	7.5000
				<b>₱313,093,142</b>	

Declaration Date	Stockholders of Record Date	Payment Date	Share	Amount	Dividend per Share
October 20, 2021	December 3, 2021	December 27, 2021	Series C preferred shares	₱17,319,000	₱1.730
October 20, 2021	November 16, 2021	December 6, 2021	Series B preferred shares	35,229,000	1.760
August 4, 2021	September 7, 2021	September 27, 2021	Series C preferred shares	17,319,000	1.730
August 4, 2021	August 20, 2021	September 6, 2021	Series B preferred shares	35,229,000	1.760
June 25, 2021	July 9, 2021	July 30, 2021	Common shares	63,817,142	0.012
May 5, 2021	June 7, 2021	June 27, 2021	Series C preferred shares	17,319,000	1.730
May 5, 2021	May 19, 2021	June 6, 2021	Series B preferred shares	35,229,000	1.760
January 27, 2021	March 8, 2021	March 27, 2021	Series C preferred shares	17,319,000	1.730
January 27, 2021	February 15, 2021	March 6, 2021	Series B preferred shares	35,229,000	1.760
				<b>₱274,009,142</b>	

Declaration Date	Stockholders of Record Date	Payment Date	Share	Amount	Dividend per Share
October 21, 2020	December 4, 2020	December 27, 2020	Series C preferred shares	₱17,319,000	₱1.732
October 21, 2020	November 13, 2020	December 6, 2020	Series B preferred shares	35,229,000	1.761
August 5, 2020	September 4, 2020	September 27, 2020	Series C preferred shares	17,319,000	1.732
August 5, 2020	August 19, 2020	September 6, 2020	Series B preferred shares	35,229,000	1.761
June 26, 2020	July 10, 2020	July 31, 2020	Common shares	63,817,142	0.012
May 6, 2020	June 4, 2020	June 27, 2020	Series C preferred shares	17,319,000	1.732
May 6, 2020	May 21, 2020	June 6, 2020	Series B preferred shares	35,229,000	1.761
January 29, 2020	March 6, 2020	March 27, 2020	Series C preferred shares	17,319,000	1.732
January 29, 2020	February 14, 2020	March 6, 2020	Series B preferred shares	35,229,000	1.761
				<b>₱274,009,142</b>	

### **Other Equity Reserves**

This account consists of:

	Note	2022	2021	2020
Effect of changes in the Parent Company's ownership interest in subsidiaries		<b>₱169,002,018</b>	₱169,002,018	₱229,500,000
Cumulative remeasurement gains (losses) on net retirement liability - net of tax	21	<b>45,532,590</b>	1,548,221	(5,622,407)
Stock options		<b>7,161,827</b>	7,080,164	6,485,553
		<b>₱221,696,435</b>	₱177,630,403	₱230,363,146

Movements of this account is as follows:

	Note	2022	2021	2020
Balance at beginning of year		<b>₱177,630,403</b>	₱230,363,146	(₱207,724)
Remeasurement gain (loss) on net retirement liability - net of tax and effect of CREATE Law	21	<b>43,984,369</b>	7,170,628	(5,414,683)
Stock options granted and fair value changes	18	<b>81,663</b>	594,611	6,485,553
Excess of acquisition cost over the non-controlling interest acquired in a subsidiary	4	—	(60,497,982)	—
Excess of proceeds over the cost of disposed interest in a subsidiary	4	—	—	229,500,000
Balance at end of year		<b>₱221,696,435</b>	₱177,630,403	₱230,363,146

*Effect of Changes in the Parent Company's Ownership Interest in a Subsidiary*

In December 2021, the Parent Company purchased 214,351 common and 118,982 preferred shares representing 40% of the ownership and voting rights of CLLC for ₱113.2 million from RSBV resulting to 100% ownership of the Parent Company in CLLC. The difference between the acquisition cost and book value amounting to ₱60.5 million was recorded as reduction to equity reserves (see Note 4).

In 2020, excess of proceeds over the cost of disposed interest in a subsidiary pertains to the difference between the amount received by ALCO of ₱275.0 million, net of transaction costs and taxes of ₱40.5 million, for the sale of 40% of KHI's shares sold to MEC (see Note 1).

*Stock Options*

On October 16, 2009, the stockholders approved the 2009 ALCO Stock Option Plan with the objective of providing material incentive to qualified employees of the Group. The total amount of shares which are available and may be issued for this purpose will amount to 10% of ALCO's total outstanding capital stock at any given time. The period during which a Qualified Employee may exercise the option to purchase such number of common shares granted to him/her will be three (3) years commencing after he or she has rendered the mandatory one year service to the Corporation in accordance with the following schedule:

- i. Within the first 12 months from grant date - up to 33.33%
- ii. Within the 13th to the 24th month from grant date - up to 33.33%
- iii. Within the 25th to 36th month from grant date - up to 33.33%

On December 14, 2018, the BOD approved granting options equivalent to not more than 90.0 million common shares to its qualified employees. On June 26, 2020, the number of options granted and issued to qualified employees amounted to ₱55.4 million shares. The total fair value of stock options granted amounted to ₱7.2 million as at December 31, 2022 and 2021. The fair values of stock options granted are estimated on the date of grant using the Black-Scholes Merton (BSM) Formula taking into the account the terms and conditions upon which the options were granted. The BSM Formula utilized inputs namely, market value of the share, time to maturity, dividend yield, and risk free rate.

Fair value of each option at grant date is ₱0.14. Assumptions used to determine the fair value of the stock options are as follow:

Weighted average share price	₱0.65
Exercise price	₱0.50
Expected volatility	2.40%
Dividend yield	1.32%
Risk-free interest rate	1.35%

As at December 31, 2022 and 2021, none of the qualified employees have exercised their options. The Group's stock options have already expired as at December 31, 2022.

**Use of Proceeds**

*Series D Preferred Shares*

The estimated gross proceeds from the offer of Series D preferred shares amounted to ₱3,000.0 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱2,966.7 million.

The following table shows the breakdown of the use of the proceeds (amounts in millions):

Purpose	Per Offer Supplement	Actual Net Proceeds	Actual Disbursement as at December 31, 2022	Balance for Disbursement as at December 31, 2022
Redemption of Series B Preferred Shares	₱2,000.0	₱2,000.0	₱2,000.0	₱—
Savya Financial Center and Cebu Exchange Project	1,000.0	966.7	966.7	—
<b>Total</b>	<b>₱3,000.0</b>	<b>₱2,966.7</b>	<b>₱2,966.7</b>	<b>₱—</b>

*Green Bonds – Second Tranche*

The estimated gross proceeds from the offer of the second tranche of the Bonds amounted to ₱2,944.7 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱2,951.0 million.

The following tables show the breakdown of the use of the proceeds (amounts in millions):

Purpose	Per Offer Supplement	Actual Net Proceeds	Actual Disbursement as at December 31, 2022	Balance for Disbursement as at December 31, 2022
Development of various projects	₱2,550.0	₱2,550.0	₱—	₱2,550.0
Repayments of loans that financed the construction and development of ACPT	394.7	401.0	—	401.0
<b>Total</b>	<b>₱2,944.7</b>	<b>₱2,951.0</b>	<b>₱—</b>	<b>₱2,951.0</b>

## 17. Revenues

The Group's revenues are as follows:

	Note	2022	2021	2020
Real estate sales of:				
Lucima Residences		<b>₱917,746,872</b>	₱—	₱—
Cebu Exchange		<b>520,354,368</b>	1,354,517,333	2,126,330,823
Sevina Park		<b>722,540,902</b>	299,297,701	79,707,222
Savya Financial Center		<b>435,347,696</b>	975,128,529	713,085,853
		<b>2,595,989,838</b>	2,628,943,563	2,919,123,898
Leasing revenue	22	<b>308,367,000</b>	325,500,935	371,576,866
Property management fees		<b>18,334,356</b>	17,754,758	10,852,292
		<b>₱2,922,691,194</b>	<b>₱2,972,199,256</b>	<b>₱3,301,553,056</b>

Revenue recognized over time amounted to ₱2,444.0 million in 2022, ₱2,972.2 million in 2021 and ₱3,301.6 million in 2020. Revenue recognized at a point in time consisting of lots sold amounted to ₱478.7 million in 2022 and nil in 2021 and 2020. Real estate sales recognized using the POC method amounted to ₱2,117.3 million in 2022, ₱2,628.9 million in 2021 and ₱2,919.1 million in 2020.

Leasing revenue pertains to rent income and CUSA earned from various lease contracts of the Parent Company in ACPT, retail units of MPI in Arya Residences and dormitory units in Courtyard Hall, in which rent income is recognized on a straight-line basis under PAS 17, *Leases*.

Property management fees pertain to services rendered by EPMI to the Arya Residences Condominium Corporation (ARCC) and Arthaland Century Pacific Tower Condominium Corporation (ACPTCC). The service contract with ARCC has a term of five (5) years commencing on December 1, 2014 and was subsequently renewed for a period of five (5) years commencing on December 1, 2021. Meanwhile, the service contract with ACPTCC has a term of seven (7) years commencing on August 1, 2018, both for the management and maintenance of all common areas of said condominium properties.

## 18. Operating Expenses

Operating expenses are classified as follows:

	2022	2021	2020
Administrative	<b>₱616,716,251</b>	₱438,756,665	₱417,716,339
Selling and marketing	<b>255,280,513</b>	299,702,134	262,506,092
	<b>₱871,996,764</b>	₱738,458,799	₱680,222,431

Details of operating expenses by nature are as follows:

	Note	2022	2021	2020
Personnel costs		<b>₱243,066,638</b>	₱202,731,197	₱198,294,314
Advertising		<b>169,818,432</b>	163,666,488	79,149,719
Taxes and licenses		<b>108,814,035</b>	35,991,672	41,876,882
Commissions		<b>85,462,081</b>	136,035,646	183,356,373
Communication and office expenses		<b>61,225,843</b>	38,445,777	24,899,585
Management and professional fees		<b>54,585,146</b>	62,353,498	46,042,592
Depreciation and amortization	11	<b>43,445,740</b>	31,605,519	42,966,008
Transportation and travel		<b>38,230,621</b>	18,742,075	17,880,159
Insurance		<b>20,840,024</b>	18,531,639	15,268,232
Repairs and maintenance		<b>11,361,198</b>	4,797,950	3,550,213
Utilities		<b>10,713,419</b>	2,423,146	4,038,002
Write-off of receivables from non-affiliated entity		<b>8,699,911</b>	11,559,066	—
Rent	22	<b>3,601,857</b>	2,313,138	2,976,306
Representation		<b>1,204,856</b>	3,503,647	2,910,588
Others		<b>10,926,963</b>	5,758,341	17,013,458
		<b>₱871,996,764</b>	₱738,458,799	₱680,222,431

Personnel costs consist of:

	Note	2022	2021	2020
Salaries and other employee benefits		<b>₱216,296,070</b>	₱174,978,147	₱167,928,064
Retirement expense	21	<b>26,688,905</b>	27,158,439	23,880,697
Stock options granted and fair value changes	16	<b>81,663</b>	594,611	6,485,553
		<b>₱243,066,638</b>	₱202,731,197	₱198,294,314

#### 19. Finance Costs

This account consists of:

	Note	2022	2021	2020
Interest expense	13, 14	<b>₱497,872,467</b>	₱275,238,263	₱278,898,562
Bank charges		<b>2,799,997</b>	2,590,682	2,285,398
		<b>₱500,672,464</b>	₱277,828,945	₱281,183,960

#### 20. Other Income - Net

This account consists of:

	Note	2022	2021	2020
Realized gain on disposals of financial assets at FVPL	7	<b>₱30,063,000</b>	₱23,603,206	₱19,071,132
Interest income	6	<b>28,605,128</b>	3,537,246	9,379,745
Foreign exchange gains (losses)		<b>8,540,438</b>	368,205	(8,843)
Unrealized holding gains (losses) on financial assets at FVPL	7	<b>2,215,632</b>	(6,258,905)	12,217,775
Gain (loss) on disposal of property and equipment	11	<b>369,071</b>	(545,561)	(73,601)
Loss on sale of investment properties		<b>—</b>	—	(461,752)
Others		<b>(1,741,375)</b>	6,942,915	2,115,747
		<b>₱68,051,894</b>	₱27,647,106	₱42,240,203

#### 21. Net Retirement Liability (Asset)

The Group has a funded and non-contributory defined benefit retirement plan covering all of its qualified employees. The retirement benefits are based on years of service and compensation on the last year of employment as determined by an independent actuary. The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with minimum of five years of credited service or late retirement after age 60, both subject to the approval of the Company's BOD.

The plan is exposed to interest rate risks and changes in the life expectancy of qualified employees. The plan is not exposed to significant concentrations of risk on the plan assets.

There are no unusual or significant risks to which the retirement liability exposes the Group. However, in the event a benefit claim arises under the retirement liability, the benefit shall immediately be due and payable from the Parent Company.

The following tables summarize the components of retirement benefit costs recognized in the consolidated statements of comprehensive income (based on the report of an independent actuary dated January 14, 2022).

Details of retirement expense is as follows (see Note 18):

	2022	2021	2020
Current service cost	<b>₱23,235,167</b>	₱22,933,142	₱18,666,937
Net interest cost	<b>3,453,738</b>	4,225,297	5,213,760
	<b>₱26,688,905</b>	₱27,158,439	₱23,880,697

Net retirement asset and net retirement liability presented in the consolidated statements of financial position as at December 31, 2022 and 2021 are as follows:

	2022	2021
Net retirement liability	<b>₱2,545,060</b>	₱118,443,498
Net retirement asset	<b>(36,058,483)</b>	—
	<b>(₱33,513,423)</b>	₱118,443,498

The movements of net retirement liability (asset) recognized in the consolidated statements of financial position are as follows:

	2022	2021	2020
Balance at beginning of year	<b>₱118,443,498</b>	₱101,496,418	₱99,880,460
Current service cost	<b>23,235,167</b>	22,933,142	18,666,937
Net interest cost	<b>3,453,738</b>	4,225,297	5,213,760
Contributions to retirement plan assets	<b>(120,000,000)</b>	—	(30,000,000)
Remeasurement losses (gains) on:			
Experience adjustments	<b>(35,951,491)</b>	(9,133,789)	2,813,918
Change in financial assumptions	<b>(29,691,134)</b>	(2,314,401)	4,427,055
Return on plan assets	<b>2,899,106</b>	1,296,104	494,288
Change in demographic assumptions	—	(59,273)	—
Effect of asset ceiling	<b>4,097,693</b>	—	—
Balance at end of year	<b>(₱33,513,423)</b>	₱118,443,498	₱101,496,418



The funded status and amounts recognized in the consolidated statements of financial position for the net retirement liability (asset) as at December 31, 2022 and 2021 are as follows:

	2022	2021
Present value of retirement liability	<b>₱105,737,174</b>	₱158,888,009
Fair value of plan assets	<b>(143,348,290)</b>	(40,444,511)
	<b>(37,611,116)</b>	118,443,498
Effect of asset ceiling	<b>4,097,693</b>	—
	<b>(₱33,513,423)</b>	₱118,443,498

While there are no minimum funding requirements in the country, any size of underfunding may pose a cash flow risk in about ten years' time when a significant number of employees is expected to retire.

Changes in the present value of the retirement liability are as follows:

	2022	2021	2020
Balance at beginning of year	<b>₱158,888,009</b>	₱152,389,179	₱120,206,490
Current service cost	<b>23,235,167</b>	22,933,142	18,666,937
Interest cost	<b>8,087,128</b>	6,019,373	6,274,779
Benefits paid from plan assets	<b>(18,830,505)</b>	(10,946,222)	—
Remeasurement losses (gains) on:			
Experience adjustments	<b>(35,951,491)</b>	(9,133,789)	2,813,918
Change in financial assumptions	<b>(29,691,134)</b>	(2,314,401)	4,427,055
Change in demographic assumptions	—	(59,273)	—
Balance at end of year	<b>₱105,737,174</b>	₱158,888,009	₱152,389,179

Changes in the fair value of plan assets are as follows:

	2022	2021	2020
Balance at beginning of year	<b>₱40,444,511</b>	₱50,892,761	₱20,326,030
Interest income	<b>4,633,390</b>	1,794,076	1,061,019
Benefits paid from plan assets	<b>(18,830,505)</b>	(10,946,222)	—
Contributions to retirement plan assets	<b>120,000,000</b>	—	30,000,000
Remeasurement loss on return on plan assets	<b>(2,899,106)</b>	(1,296,104)	(494,288)
Balance at end of year	<b>₱143,348,290</b>	₱40,444,511	₱50,892,761

Plan assets are primarily composed of cash and cash equivalents, as well as unit investment trust accounts and do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in operations.

The cumulative remeasurement gains (losses) on net retirement liability/asset recognized in OCI as at December 31 are as follows:

	<b>2022</b>		
	<b>Cumulative Remeasurement Gains</b>	<b>Deferred Tax (see Note 23)</b>	<b>Net</b>
Balance at beginning of year	<b>₱2,179,350</b>	<b>₱631,129</b>	<b>₱1,548,221</b>
Remeasurement gain	<b>58,645,826</b>	<b>14,661,457</b>	<b>43,984,369</b>
Balance at end of year	<b>₱60,825,176</b>	<b>₱15,292,586</b>	<b>₱45,532,590</b>

	<b>2021</b>		
	<b>Cumulative Remeasurement Gains (Losses)</b>	<b>Deferred Tax (see Note 23)</b>	<b>Net</b>
Balance at beginning of year	(₱8,032,009)	(₱2,409,602)	(₱5,622,407)
Remeasurement gain	10,211,359	2,639,131	7,572,228
Effect of changes in tax rates due to CREATE Law	—	401,600	(401,600)
Balance at end of year	<b>₱2,179,350</b>	<b>₱631,129</b>	<b>₱1,548,221</b>

	<b>2020</b>		
	<b>Cumulative Remeasurement Losses</b>	<b>Deferred Tax (see Note 23)</b>	<b>Net</b>
Balance at beginning and end of year	(₱296,748)	(₱89,024)	(₱207,724)
Remeasurement loss	(7,735,261)	(2,320,578)	(5,414,683)
Balance at end of year	<b>(₱8,032,009)</b>	<b>(₱2,409,602)</b>	<b>(₱5,622,407)</b>

The principal assumptions used for the purpose of the actuarial valuation are as follows:

	<b>2022</b>	<b>2021</b>
Discount rate	<b>7.22%</b>	5.09%
Salary projection rate	<b>6.00%</b>	6.00%
Average remaining service years	<b>20.0</b>	21.7

The sensitivity analysis based on reasonable possible changes of assumptions as at December 31, 2022 and 2021 are presented below.

	Change in Assumption	Effect on Present Value of Retirement Liability	
		Discount Rate	Salary Projection Rate
<b>December 31, 2022</b>	<b>+1%</b>	<b>(₱9,922,241)</b>	<b>₱11,790,003</b>
	<b>-1%</b>	<b>11,763,643</b>	<b>(10,114,747)</b>
December 31, 2021	+1%	(₱13,908,844)	₱16,403,042
	-1%	16,730,232	(13,919,729)

The expected future benefit payments within the next ten years are as follows:

Financial Year	Amount
2023	₱28,006,880
2024	867,329
2025-2031	111,457,966

The weighted average duration of the retirement benefit obligation as at December 31, 2022 and 2021 are 10.5 years and 9.8 years, respectively.

## 22. Commitments

### **Operating Lease Commitments - Group as Lessor**

The Parent Company entered into various lease agreements in ACPT for periods ranging from one (1) year to 10 years. Majority of lease agreements include an escalation clause of 5% every year. The lease contracts do not provide for any contingent rent.

In addition, MPI has various lease agreements for its retail units in Arya Residences. The term of the lease ranges from two (2) to five (5) years. The lease agreements also provide for various escalation rates for the duration of the agreements.

Moreover, Cazneau has entered into lease agreements for its dormitory units in Courtyard Hall. The term is renewable every semester.

Leasing revenue recognized from these operating leases amounted to ₱308.4 million in 2022, ₱325.5 million in 2021 and ₱371.6 million in 2020 (see Note 17). Lease receivables amounted to ₱123.9 million and ₱153.5 million as at December 31, 2022 and 2021, respectively (see Note 8). Accrued rent receivable amounted to ₱46.9 million and ₱66.2 million as at December 31, 2022 and 2021, respectively (see Note 8). Advance rent from tenants amounted to ₱79.1 million and ₱39.3 million as at December 31, 2022 and 2021, respectively. Security deposits, which may be applied to unsettled balances or refunded at the end of the lease term, amounted to ₱127.8 million and ₱83.3 million as at December 31, 2022 and 2021, respectively (see Note 15).

The future minimum lease payments to be received under non-cancellable operating leases as at December 31 are as follows:

	2022	2021
Within one year	₱215,610,156	₱261,888,151
After one year but not more than five years	261,900,555	453,024,093
More than five years	6,545,550	13,221,455
	<b>₱484,056,261</b>	<b>₱728,133,699</b>

### **Operating Lease Commitment - Group as Lessee**

The Parent Company is a lessee under non-cancellable operating lease where its office space is situated. In 2018, the Parent Company transferred its office to ACPT. This resulted to the termination of its non-cancellable operating lease. For short-term and low value leases, rent expense recognized amounted to ₱3.6 million in 2022, ₱2.3 million in 2021 and ₱3.0 million in 2020 (see Note 18).

## 23. Income Taxes

The components of income tax expense are as follows:

	Note	2022	2021	2020
<b>Reported in Profit or Loss</b>				
Current:				
RCIT		<b>₱157,618,212</b>	₱50,194,798	₱11,650,910
Final taxes		<b>11,670,436</b>	4,916,752	6,065,051
MCIT		<b>7,117,905</b>	6,848,361	9,901,241
Gross income tax (GIT)		<b>5,120,220</b>	5,191,339	2,399,074
		<b>181,526,773</b>	67,151,250	30,016,276
Deferred		<b>195,310,865</b>	(55,255,650)	460,254,146
		<b>₱376,837,638</b>	₱11,895,600	₱490,270,422
<b>Reported in OCI</b>				
Deferred tax related to remeasurement gains or losses on net retirement liability	21	<b>(₱14,661,457)</b>	(₱2,639,131)	₱2,320,578

### Deferred Tax Assets and Deferred Tax Liabilities

The components of the Group's recognized deferred tax assets and liabilities are as follows:

	2022	2021
Deferred tax assets:		
NOLCO	<b>₱325,083,921</b>	₱253,843,493
Retirement liability	<b>19,118,697</b>	28,829,718
Advance rent	<b>17,686,010</b>	8,128,617
Excess MCIT over RCIT	<b>3,517,773</b>	21,049,084
Allowance for impairment losses	<b>528,771</b>	92,073
Unrealized foreign exchange loss	<b>4,111</b>	—
	<b>365,939,283</b>	311,942,985
Deferred tax liabilities:		
Cumulative gain on change in fair value of investment properties	<b>1,758,663,966</b>	1,394,057,646
Excess of financial over taxable gross profit	<b>457,850,213</b>	569,320,155
Depreciation of investment properties	<b>42,365,389</b>	32,359,232
Transfer of fair value to property and equipment	<b>10,333,467</b>	10,558,107
Accrued rent receivable	<b>9,326,793</b>	11,702,598
Capitalized debt issue costs	<b>7,979,526</b>	8,152,056
Unrealized foreign exchange gain	<b>2,230,079</b>	91,984
Gain on repossession of real estate for sale	<b>1,327,338</b>	—
	<b>2,290,076,771</b>	2,026,241,778
Net deferred tax liabilities	<b>₱1,924,137,488</b>	₱1,714,298,793

As at December 31, 2022 and 2021, the Group did not recognize deferred tax assets relating to the following:

	2022	2021
Excess MCIT over RCIT	<b>₱15,417,479</b>	₱320
NOLCO	<b>14,235,185</b>	14,861,627
	<b>₱29,652,664</b>	₱14,861,947

Management has assessed that these may not be realized in the future.

#### **NOLCO and Excess MCIT over RCIT**

The details of the Group's NOLCO and excess MCIT over RCIT are as follows:

#### **NOLCO**

Year Incurred	Balance at Beginning of Year	Incurred	Applied	Expired	Balance at End of Year	Valid Until
2022	₱—	₱551,063,214	₱—	₱—	₱551,063,214	2025
2021	439,172,305	—	126,351,785	—	312,820,520	2026
2020	441,070,429	—	—	—	441,070,429	2025
2019	201,505,549	—	—	201,505,549	—	2022
	<b>₱1,081,748,283</b>	<b>₱551,063,214</b>	<b>₱126,351,785</b>	<b>₱201,505,549</b>	<b>₱1,304,954,163</b>	

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations No. 25-2020 to implement Section 4 (bbbb) of Republic Act No. 11494 (Bayanihan Act to Recover as One Act), allowing the Group's net operating losses for taxable years 2020 and 2021 to be carried over for the next five consecutive taxable years immediately following the year of such loss.

#### **Excess MCIT over RCIT**

Year Incurred	Balance at Beginning of Year	Incurred	Applied	Expired	Balance at End of Year	Valid Until
2022	₱—	₱7,117,905	₱—	₱—	₱7,117,905	2025
2021	6,848,361	—	1,242,072	—	5,606,289	2024
2020	9,901,241	—	2,393,262	—	7,507,979	2023
2019	5,619,419	—	—	5,619,419	—	2022
	<b>₱22,369,021</b>	<b>₱7,117,905</b>	<b>₱3,635,334</b>	<b>₱5,619,419</b>	<b>₱20,232,173</b>	

The reconciliation between the income tax based on statutory income tax rate and provision for income tax reported in the consolidated statements of comprehensive income is as follows:

	2022	2021	2020
Income tax computed at statutory tax rate	<b>₱321,601,048</b>	₱331,646,283	₱497,818,418
Add (deduct) tax effect of:			
Expired NOLCO	<b>49,716,484</b>	1,147,774	5,550,944
Income subject to GIT	<b>(22,981,242)</b>	(23,504,522)	(11,721,196)
Change in unrecognized deferred tax assets	<b>14,858,740</b>	6,986,414	2,412,913
Nondeductible expenses and nontaxable income	<b>7,924,811</b>	4,483,199	2,923,947
Expired MCIT	<b>5,606,716</b>	187,580	—
Applied MCIT	<b>3,635,334</b>	—	—
Realized gain on disposals of financial assets at FVPL subjected to final tax	<b>(1,510,820)</b>	(1,535,568)	(1,845,302)
Interest income subjected to final tax	<b>(1,428,899)</b>	(491,564)	(1,203,969)
Unrealized holding loss (gains) on financial assets at FVPL	<b>(604,950)</b>	1,536,300	(3,665,333)
Stock issuance costs	<b>20,416</b>	(7,399,841)	—
Effect of CREATE Law	—	(301,160,455)	—
	<b>₱376,837,638</b>	₱11,895,600	₱490,270,422

#### **PEZA Registration**

ACPT is registered with the Philippine Economic Zone Authority (PEZA) as an Ecozone Facilities Enterprise (see Note 1). The scope of its registered activity is limited to development, operation and maintenance of an economic zone.

Under the PEZA Registration Agreement, ACPT is entitled to:

- 5% GIT, in lieu of all national and local taxes; and
- Tax and duty-free importation of capital equipment required for the technical viability and operation of the registered facilities or activities.

Any income from activities of ACPT outside the PEZA-registered activities is subject to RCIT.

#### **Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) Law**

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) was approved and signed into law by the country’s President. Under the CREATE, the regular corporate income tax (RCIT) of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the minimum corporate income tax (MCIT) was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

However, the income tax rates used in preparing the financial statements of the Parent Company and its subsidiaries as at and for the year ended December 31, 2020 are 30% and 2% for RCIT and MCIT, respectively. The difference amounting to ₱301.2 million arising from the changes in income tax rates was recognized in 2021.

## 24. Related Party Transactions

The Group, in its regular conduct of business, has transactions with its related parties. The following tables summarize the transactions with the related parties and outstanding balance arising from these transactions.

	Nature of Relationship	Note	Nature of Transaction	Amount of Transactions		Outstanding Balance	
				2022	2021	2022	2021
Due from Related Parties							
		8					
Centrobless	Entity under common management		Advances for working capital	₱—	(₱11,742,444)	₱4,749,541	₱4,749,541
CPG	Principal stockholder		Share purchase agreement	—	—	36,052,873	36,052,873
SOPI	Entity under common management		Advances for working capital	—	39,442	5,607,293	5,607,293
						₱46,409,707	₱46,409,707
Accounts Payable							
CPG	Principal stockholder	15	Management fee	₱13,369,869	₱12,385,943	₱10,068,355	₱3,096,486

### Share Purchase Agreement

The Parent Company has an outstanding receivable from CPG amounting to ₱36.1 million as at December 31, 2022 and 2021 arising from a share purchase agreement between the Parent Company, CPG and AOC1. Under the claw-back provision of the share purchase agreement, the Parent Company warrants the final resolution acceptable to CPG and its counsel with respect to the pending complaint involving the property owned by UPHI, which includes, among others, removing all doubt on the ownership of UPHI over the property. In the event the satisfactory evidence is submitted by the Parent Company to CPG, the latter shall pay to the Parent Company the entire claw-back amount or a portion thereof plus interest earned in which the claw-back amount was held in escrow.

### Advances for Working Capital

This pertains to expenses advanced by the Group to the related parties. Outstanding balances of advances for working capital are unsecured, unguaranteed, collectible or payable on demand and to be settled in cash. The Group's allowance for ECL on due from related parties amounted to nil as at December 31, 2022 and 2021.

### Management Fee

Management fees are recognized for management consultancy, development and administrative services provided by CPG. Outstanding balances are unsecured, noninterest-bearing, payable on demand and to be settled in cash.

### Compensation of Key Management Personnel

The compensation of key management personnel are as follows:

	2022	2021	2020
Salaries and other employee benefits	₱106,570,170	₱82,773,183	₱75,423,700
Retirement expense	26,688,905	27,158,439	24,095,262
	<b>₱133,259,075</b>	<b>₱109,931,622</b>	<b>₱99,518,962</b>

### **Transactions with the Retirement Plan**

The Parent Company's retirement fund is administered and managed by a trustee bank. The fair value of plan assets, which are primarily composed of unit investment trust funds, amount to ₱143.3 million and ₱40.4 million as at December 31, 2022 and 2021, respectively (see Note 21).

The retirement fund neither provides any guarantee or surety for any obligation of the Parent Company nor its investments covered by any restrictions or liens. The details of the contributions of the Parent Company and benefits paid out by the plan are presented in Note 21.

## **25. Reconciliation of Liabilities Arising from Financing Activities**

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes:

	January 1, 2022	Financing Cash Flows		Noncash Transactions	
		Availments/ Declaration	Payments	Movement in Debt Issue Cost	December 31, 2022
Loans payable	₱13,436,717,469	₱7,152,362,410	(₱8,827,047,186)	₱2,121,986	₱11,764,154,679
Bonds payable	2,966,594,179	3,000,000,000	(48,963,860)	8,140,829	5,925,771,148
Advances from non-controlling interests	1,102,119,597	—	—	—	1,102,119,597
Dividends payable	6,515,393	313,093,142	(132,514,786)	—	187,093,749
	<b>₱17,511,946,638</b>	<b>₱10,465,455,552</b>	<b>(₱9,008,525,832)</b>	<b>₱10,262,815</b>	<b>₱18,979,139,173</b>

	January 1, 2021	Financing Cash Flows		Noncash Transactions	
		Availments/ Declaration	Payments	Movement in Debt Issue Cost	December 31, 2021
Loans payable	₱9,305,693,323	₱10,445,612,330	(₱6,302,985,708)	(₱11,602,476)	₱13,436,717,469
Bonds payable	2,958,526,698	—	—	8,067,481	2,966,594,179
Advances from non-controlling interests	1,367,586,297	411,200,000	(676,666,700)	—	1,102,119,597
Dividends payable	5,559,031	274,009,142	(273,052,780)	—	6,515,393
	<b>₱13,637,365,349</b>	<b>₱11,130,821,472</b>	<b>(₱7,252,705,188)</b>	<b>(₱3,534,995)</b>	<b>₱17,511,946,638</b>

## **26. Earnings Per Share**

Basic and diluted earnings per share are computed as follows:

	2022	2021	2020
Net income attributable to equity holders of the Parent Company	<b>₱821,081,648</b>	₱899,510,260	₱887,295,539
Less share of Series C and D preferred shares in 2022 and Series B and C preferred shares in 2021 and 2020	<b>(249,276,000)</b>	(210,192,000)	(210,192,000)
Net income attributable to equity holders of the Parent Company for basic and diluted earnings per share	<b>₱571,805,648</b>	₱689,318,260	₱677,103,539



	2022	2021	2020
Weighted average number of outstanding common shares for basic EPS	5,318,095,199	5,318,095,199	5,318,095,199
Add dilutive shares arising from stock options	—	55,400,000	55,400,000
Adjusted weighted average number of common shares for diluted EPS	5,318,095,199	5,373,495,199	5,373,495,199
Basic EPS	₱0.1075	₱0.1296	₱0.1273
Diluted EPS	₱0.1075	₱0.1283	₱0.1260

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

Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares.

## 27. Financial Risk Management Objectives and Policies

The Group's financial instruments comprise cash in banks, cash equivalents, financial assets at FVPL, receivables (excluding advances for project development and accrued rent receivable under straight-line basis of accounting), amounts held in escrow, amounts held in trust, deposits, loans and bonds payable, accounts payable and other liabilities (except statutory liabilities, advance rent and payable to customers) and advances from non-controlling interests.

It is the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. The BOD reviews and approves policies for managing these risks as summarized below.

### Foreign Currency Risk

The Group's exposure to foreign currency risk is minimal, as it does not enter into significant transactions in currencies other than its functional currency.

### Credit Risk

The Group's exposure to credit risk arises from the failure of a counterparty to fulfill its financial commitments to the Group under the prevailing contractual terms. Financial instruments that potentially subject the Group to credit risk consist primarily of trade receivables and other financial assets at amortized cost. The carrying amounts of financial assets at amortized cost and contract assets represent its maximum credit exposure.

*Trade Receivables and Contract Assets*

Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms, and conditions are offered. The Group's credit policy includes available external ratings, financial statements, credit agency information, industry information and, in some cases, bank references. Credit limits are established for each customer and reviewed on a regular basis. Any sales on credit exceeding those limits require specific approval from upper level of management. The Group limits its exposure to credit risk by transacting mainly with recognized and creditworthy customers that have undergone its credit evaluation and approval process. Historically, trade receivables are substantially collected within one (1) year and it has no experience of writing-off or impairing its trade receivables due to the effectiveness of its collection. As customary in the real estate business, title to the property is transferred only upon full payment of the purchase price. There are also provisions in the sales contract which allow forfeiture of installments or deposits made by the customer in favor of the Group. Also, customers are required to deposit postdated checks to the Group covering all installment payments. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments. Trade receivables from lease are closely monitored on aging of the account. As at December 31, 2022 and 2021, there were no significant credit concentrations. The maximum exposure at the end of the reporting period is the carrying amount of trade receivables and contract assets.

*Other Financial Assets at Amortized Cost*

The Group's other financial assets at amortized cost are mostly composed of cash in banks, cash equivalents and amounts held in escrow. The Group limits its exposure to credit risk by investing only with banks that have good credit standing and reputation in the local and international banking industry. These instruments are graded in the top category by an acceptable credit rating agency and, therefore, are considered to be low credit risk investments.

For deposits, credit risk is low since the Group only transacts with reputable companies and individuals with respect to this financial asset.

It is the Group's policy to measure ECL on the above instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

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

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

### Financial Assets at FVPL

The Group is also exposed to credit risk in relation to its investment in money market fund that is measured at FVPL. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

The table below presents the summary of the Group's exposure to credit risk and shows the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL.

Assets that are credit-impaired are separately presented.

2022					
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Total
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired		
Cash and cash equivalents*	<b>₱4,796,118,662</b>	<b>₱—</b>	<b>₱—</b>	<b>₱—</b>	<b>₱4,796,118,662</b>
Financial assets at FVPL	—	—	—	<b>2,246,039,822</b>	<b>2,246,039,822</b>
Receivables**	—	<b>2,333,519,217</b>	<b>1,746,790</b>	—	<b>2,335,266,007</b>
Contract assets	—	<b>3,920,367,468</b>	—	—	<b>3,920,367,468</b>
Deposits	<b>93,309,077</b>	—	—	—	<b>93,309,077</b>
Amounts held in escrow	<b>185,727,421</b>	—	—	—	<b>185,727,421</b>
Amounts held in trust	<b>58,415,285</b>	—	—	—	<b>58,415,285</b>
	<b>₱5,133,570,445</b>	<b>₱6,253,886,685</b>	<b>₱1,746,790</b>	<b>₱2,246,039,822</b>	<b>₱13,635,243,742</b>

\*Excludes cash on hand amounting to ₱175,000.

\*\*Excludes accrued rent receivable under straight-line basis of accounting aggregating ₱46.9 million as at December 31, 2022.

2021					
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Total
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired		
Cash and cash equivalents*	<b>₱1,949,062,156</b>	<b>₱—</b>	<b>₱—</b>	<b>₱—</b>	<b>₱1,949,062,156</b>
Financial assets at FVPL	—	—	—	<b>4,378,607,744</b>	<b>4,378,607,744</b>
Receivables**	—	<b>1,497,248,576</b>	<b>368,292</b>	—	<b>1,497,616,868</b>
Contract assets	—	<b>6,238,880,086</b>	—	—	<b>6,238,880,086</b>
Deposits	<b>65,599,638</b>	—	—	—	<b>65,599,638</b>
Amounts held in escrow	<b>144,678,088</b>	—	—	—	<b>144,678,088</b>
	<b>₱2,159,339,882</b>	<b>₱7,736,128,662</b>	<b>₱368,292</b>	<b>₱4,378,607,744</b>	<b>₱14,274,444,580</b>

\*Excludes cash on hand amounting to ₱195,000.

\*\*Excludes accrued rent receivable under straight-line basis of accounting aggregating to ₱66.2 million as at December 31, 2021.

### **Liquidity Risk**

Liquidity risk is the risk that the Group may not be able to settle its obligations as they fall due.

The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining contractual undiscounted cash flows as at December 31, 2022 and 2021:

2022						
	Due and Payable on Demand	Less than 1 Year	1-2 Years	2-3 Years	Over 3 Years	Total
Loans payable	P=	P5,555,006,410	P1,200,973,776	P=	P11,051,222,000	P17,807,202,186
Bonds payable	—	—	—	3,000,000,000	3,000,000,000	6,000,000,000
Accounts payable and other liabilities*	635,086,197	1,508,756,271	—	—	—	2,143,842,468
Advances from non-controlling interest	1,102,119,597	—	—	—	—	1,102,119,597
	<b>P1,737,205,794</b>	<b>P7,063,762,681</b>	<b>P1,200,973,776</b>	<b>P3,000,000,000</b>	<b>P14,051,222,000</b>	<b>P27,053,164,251</b>

\*Excludes payable to customers, advance rent and statutory liabilities aggregating to P1,238.4 million as at December 31, 2022.

2021						
	Due and Payable on Demand	Less than 1 Year	1-2 Years	2-3 Years	Over 3 Years	Total
Loans payable	P=	P8,328,978,932	P1,414,000,000	P1,219,000,000	P2,845,866,000	P13,807,844,932
Bonds payable	—	—	—	—	3,000,000,000	3,000,000,000
Accounts payable and other liabilities*	492,874,816	1,820,556,044	—	—	—	2,313,430,860
Advances from non-controlling interest	1,102,119,597	—	—	—	—	1,102,119,597
	<b>P1,594,994,413</b>	<b>P10,149,534,976</b>	<b>P1,414,000,000</b>	<b>P1,219,000,000</b>	<b>P5,845,866,000</b>	<b>P20,223,395,389</b>

\*Excludes payable to customers, advance rent and statutory liabilities aggregating to P1,155.4 million as at December 31, 2021.

The Group monitors its risk to a shortage of funds through analyzing the maturity of its financial investments and financial assets and cash flows from operations. The Group monitors its cash position by a system of cash forecasting. All expected collections, check disbursements and other payments are determined on a daily basis to arrive at the projected cash position to cover its obligations.

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group addresses liquidity concerns primarily through cash flows from operations.

### **Interest Rate Risk**

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Group's loans payable to local banks are subject to fixed interest rates and are exposed to fair value interest rate risk. The re-pricing of these instruments is done on monthly, quarterly, and annual intervals.

The Group regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take. No sensitivity analysis is needed as future interest rate changes are not expected to significantly affect the Group's consolidated net income.

### **Impact of COVID-19**

The varying level of community quarantine that have been enforced in the different parts of the country since its initial imposition on March 16, 2020 have created significant impact to business in general. Industries considered as non-essential have been ordered closed, travel restrictions were implemented, and large areas of communities were locked down.

In spite of the difficulties posed by these challenges, the Company has been agile and resilient enough to adopt to the “new normal” the situation has created. It has developed and executed a business continuity protocol which has allowed the Company to continue functioning and operating except in areas where no alternative means, given existing circumstances, are readily available.

### **Capital Management**

The Group’s capital management objectives are to ensure the Group’s ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the consolidated statements of financial position. Capital for the reporting periods under review is summarized as follows:

	<b>2022</b>	<b>2021</b>
Total liabilities	<b>₱24,332,396,159</b>	₱23,619,149,934
Total equity	<b>12,060,310,930</b>	11,052,136,913
Debt-to-equity ratio	<b>2.02:1.00</b>	2.14:1.00

The Group manages the capital structure and makes adjustments when there are changes in the economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

### **Financial Ratios**

The Group maintains and monitors certain financial ratios specifically those that measure its performance in terms of profitability, liquidity, and solvency on a regular basis. In terms of profitability, the usual metrics used is the Net Profit Margin, which measures whether a project is keeping up to the planned margins estimated during project planning and conceptualization given certain assumptions. For liquidity, the Group keeps an eye on its Current or Acid Test Ratio to determine its ability to meet its current or short-term obligations. The long-term financial well-being of the Group on the other hand is monitored and measured in Solvency Ratios specifically Debt (bonds and loans payable, amount payable for purchase of interest in a subsidiary and advances from non-controlling interest) to Equity Ratio for Loan Covenant. The Group’s top five key performance indicators, namely: (a) Current Ratio; (b) Debt to Equity Ratio; (c) Debt (bonds and loans payable, amount payable for purchase of interest in a subsidiary and advances from non-controlling interest) to Equity Ratio for Loan Covenant; (d) Interest Coverage Ratio; and (e) Net Profit Margin.

Financial reports are presented regularly to the Company’s Finance Committee every month including the above-mentioned financial ratios. While they may fluctuate and vary from time to time given the nature of the business, reasons for the variations between reporting periods and trends are discussed to determine any measures that need to be undertaken prospectively. Other than being used as barometers for the company’s levels of performance from one period to another, these financial ratios are also monitored to ensure the company’s compliance to some financial covenants with some

banks with respect to credit facilities these financing institutions have extended or provided. To date, the Group has been compliant with all these covenants.

## 28. Fair Value Measurement

The following table presents the carrying amounts and fair values of the Group's assets and liabilities measured at fair value and for which fair values are disclosed, and the corresponding fair value hierarchy:

		2022			
		Fair Value			
	Note	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:					
Financial assets at FVPL	7	₱2,246,039,822	₱2,246,039,822	₱—	₱—
Investment properties	10	11,273,784,260	—	1,845,950,292	9,427,833,968
Asset for which fair value is disclosed -					
Financial assets at amortized cost - Deposits	12	93,309,077	—	—	93,309,077
		₱13,613,133,159	₱2,246,039,822	₱1,845,950,292	₱9,521,143,045
Liability for which fair value is disclosed -					
Loans payable	13	₱11,764,154,679	₱—	₱—	₱11,764,154,679
Bonds payable	14	5,925,771,148	—	—	5,925,771,148
		₱17,689,925,827	₱—	₱—	₱17,689,925,827
		2021			
		Fair Value			
	Note	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:					
Financial assets at FVPL	7	₱4,378,607,744	₱4,378,607,744	₱—	₱—
Investment properties	10	9,026,428,319	—	1,635,060,492	7,391,367,827
Asset for which fair value is disclosed -					
Financial assets at amortized cost - Deposits	12	65,599,638	—	—	65,599,638
		₱13,470,635,701	₱4,378,607,744	₱1,635,060,492	₱7,456,967,465
Liability for which fair value is disclosed -					
Loans payable	13	₱13,436,717,469	₱—	₱—	₱13,375,990,935
Bonds payable	14	2,966,594,179	—	—	3,003,560,199
		₱16,403,311,648	₱—	₱—	₱16,379,551,134

The following methods and assumptions were used in estimating the fair value of the Group's financial assets and liabilities:

**Financial Assets and FVPL.** The fair value of financial assets at FVPL is classified under Level 1 of the fair value hierarchy using quoted market prices.

*Investment Properties.* The fair value of investment properties were determined using discounted cash flow approach, depreciated replacement cost approach and market data approach.

*Deposits, Loans and Bonds Payable.* The fair value of the Group's deposits, loans and bonds payable were determined by discounting the sum of all future cash flows using the prevailing market rates of interest for instruments with similar maturities. Interest-bearing loans and bonds payable include accrued interest in the estimation of its fair value.

The table below presents the financial assets and liabilities of the Group whose carrying amounts approximate fair values as at December 31, 2022 and 2021:

	2022	2021
Financial assets:		
Cash and cash equivalents	<b>₱4,796,293,662</b>	₱1,949,257,156
Receivables*	<b>2,333,150,925</b>	1,497,248,576
Contract assets	<b>3,920,367,468</b>	6,238,880,086
Amounts held in escrow	<b>185,727,421</b>	144,678,088
Amounts held in trust	<b>58,415,285</b>	—
	<b>₱11,293,954,761</b>	₱9,830,063,906
Financial liabilities:		
Accounts payable and other liabilities**	<b>₱2,143,842,468</b>	₱2,313,818,280
Advances from non-controlling interests	<b>1,102,119,597</b>	1,102,119,597
	<b>₱3,245,962,065</b>	₱3,415,937,877

\*Excludes accrued rent receivable under straight-line basis of accounting aggregating ₱46.9 million and ₱66.2 million as at December 31, 2022 and 2021, respectively.

\*\*Excludes payable to customers, advance rent and statutory liabilities aggregating ₱1,238.4 million and ₱1,155.4 million as at December 31, 2022 and 2021, respectively.

*Cash and Cash Equivalents, Receivables, Amounts Held in Escrow, Accounts Payable and Other Liabilities and Advances from Non-controlling Interests.* The carrying amounts of these financial assets and liabilities approximate their fair values due to the short-term nature of these financial instruments.

## 29. Classification of Consolidated Statements of Financial Position Accounts

The Group's current portions of its assets and liabilities as at December 31, 2022 and 2021 are as follows:

	Note	2022	2021
<b>Current Assets</b>			
Cash and cash equivalents	6	<b>₱4,796,293,662</b>	₱1,949,257,156
Financial assets at FVPL	7	<b>2,246,039,822</b>	4,378,607,744
Receivables	8	<b>2,380,054,645</b>	1,563,406,726
Contract assets	5	<b>3,920,367,468</b>	6,238,880,086
Real estate for sale	9	<b>9,381,383,586</b>	8,988,754,987
Other assets*	12	<b>1,836,051,933</b>	1,865,555,269
		<b>₱24,560,191,116</b>	₱24,984,461,968

\*Excludes non-current portion of deposits and deferred input VAT amounting to ₱224.8 million and ₱178.2 million as at December 31, 2022 and 2021, respectively.

	Note	2022	2021
<b>Current Liabilities</b>			
Current portion of loans payable***	13	<b>₱5,361,980,186</b>	₱8,417,020,962
Accounts payable and other liabilities	15	<b>3,382,198,303</b>	4,218,822,302
Contract liabilities	5	<b>231,469,884</b>	62,154,096
Advances from non-controlling interests	4	<b>1,102,119,597</b>	1,102,119,597
		<b>₱10,077,767,970</b>	₱13,800,116,957

\*\*\*Excludes long term portion of loans payable aggregating to ₱6,402.2 million and ₱5,109.7 million and as at December 31, 2022 and 2021, respectively.

### 30. Operating Segment Information

The Group is organized into operating segments based on the type of product or service. The Group's reportable operating segments relates to sale of real estate, leasing and property management services.

All of the assets relating to the Group's operating segments are located in the Philippines. Accordingly, reporting operating segments per geographical business operation is not required.

Segment assets, liabilities and revenue and expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and expenses are consistent with the consolidated statements of comprehensive income. The presentation and classification of segment assets and liabilities are consistent with the consolidated statements of financial position.

The following tables present revenue and expense information and certain assets and liabilities information regarding the different business segments as at and for the years ended December 31, 2022, 2021 and 2020:

	2022					
	Sale of Real Estate	Leasing	Property Management and Other Services	Corporate	Eliminations	Total
Segment revenue	₱2,595,989,838	₱308,367,000	₱287,539,419	₱—	(₱269,205,063)	₱2,922,691,194
Segment expenses	(1,714,041,387)	(118,369,626)	(114,827,072)	(879,780,228)	150,960,138	(2,676,058,175)
Segment profit	881,948,451	189,997,374	172,712,347	(879,780,228)	(118,244,925)	246,633,019
Net gain on change in fair value of investment properties	—	1,435,889,906	—	—	—	1,435,889,906
Finance costs	(242,859,908)	—	—	(500,672,464)	242,859,908	(500,672,464)
Other income - net	—	—	—	68,051,894	—	68,051,894
Income before income tax	639,088,543	1,625,887,280	172,712,347	(1,312,400,798)	124,614,983	1,249,902,355
Provision for income tax	—	—	—	—	—	(376,837,638)
Net income	—	—	—	—	—	873,064,717
Other comprehensive income	—	—	—	—	—	43,984,369
Total comprehensive income	—	—	—	—	—	₱917,049,086
Assets	₱9,746,531,596	₱11,277,167,365	₱24,644,541	₱24,702,238,191	(₱9,357,874,604)	₱36,392,707,089
Liabilities	(₱4,685,204,776)	(₱1,425,000,000)	₱—	(₱26,004,371,346)	₱7,782,179,963	(₱24,332,396,159)



2021						
	Sale of Real Estate	Leasing	Property Management Services	Corporate	Eliminations	Total
Segment revenue	₱2,628,943,563	₱325,500,935	₱478,856,970	₱—	(₱461,102,212)	₱2,972,199,256
Segment expenses	(1,668,922,051)	(106,984,259)	(116,486,671)	(847,984,974)	273,075,552	(2,467,302,403)
Segment profit	960,021,512	218,516,676	362,370,299	(847,984,974)	(188,026,660)	504,896,853
Net gain on change in fair value of investment properties	—	872,263,700	—	—	—	872,263,700
Finance costs	(192,226,329)	—	—	(277,828,945)	(192,226,329)	(277,828,945)
Other income - net	—	—	—	27,647,106	—	27,647,106
Income before income tax	767,795,183	1,090,780,376	362,370,299	(1,098,166,813)	4,199,669	1,126,978,714
Provision for income tax	—	—	—	—	—	(11,895,600)
Net income	—	—	—	—	—	1,115,083,114
Other comprehensive income	—	—	—	—	—	7,572,228
Total comprehensive income	—	—	—	—	—	₱1,122,655,342
Assets	₱8,988,754,987	₱9,026,428,319	₱15,858,139	₱24,417,005,366	(₱7,776,759,964)	₱34,671,286,847
Liabilities	(₱13,411,648,011)	(₱1,712,356,858)	₱—	(₱14,732,477,103)	₱6,237,332,038	(₱23,619,149,934)

2020						
	Sale of Real Estate	Leasing	Property Management Services	Corporate	Eliminations	Total
Segment revenue	₱2,919,123,898	₱371,576,866	₱222,815,561	₱—	(₱211,963,269)	₱3,301,553,056
Segment expenses	(1,591,033,907)	(130,770,623)	(86,221,097)	(767,141,354)	211,963,269	(2,363,203,712)
Segment profit	1,328,089,991	240,806,243	136,594,464	(767,141,354)	—	938,349,344
Net gain on change in fair value of investment properties	—	959,989,140	—	—	—	959,989,140
Finance costs	(447,211)	(430,024,418)	—	(14,088,400)	163,376,069	(281,183,960)
Other income - net	—	—	—	42,240,203	—	42,240,203
Income before income tax	1,327,642,780	770,770,965	136,594,464	(738,989,551)	163,376,069	1,659,394,727
Provision for income tax	—	—	—	—	—	(490,270,422)
Net income	—	—	—	—	—	1,169,124,305
Other comprehensive income	—	—	—	—	—	(5,414,683)
Total comprehensive income	—	—	—	—	—	₱1,163,709,622
Assets	₱6,894,906,539	₱8,315,168,841	₱17,028,899	₱18,548,524,200	(₱6,228,425,410)	₱27,547,203,069
Liabilities	(₱5,148,259,520)	(₱4,157,433,803)	₱—	(₱14,634,896,280)	₱5,623,490,990	(₱18,317,098,613)

### 31. Events After Reporting Period

#### Declaration of Cash Dividends

The Parent Company's BOD approved and declared the following cash dividends:

Class of shares	Declaration Date	Stockholders of Record Date	Payment Date	Amount	Dividend per Share
Series C Preferred Shares	January 25, 2023	March 1, 2023	March 27, 2023	₱17,319,000	₱1.7319
Series D Preferred Shares	January 25, 2023	February 8, 2023	March 3, 2023	45,000,000	7.5000

The dividends shall be taken out of the unrestricted earnings of the Parent Company as at December 31, 2022.

**INDEPENDENT AUDITORS' REPORT ON  
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors  
Arthaland Corporation and Subsidiaries  
7/F Arthaland Century Pacific Tower  
5th Avenue corner 30th Street  
Bonifacio Global City, Taguig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries (the Group) as at December 31, 2022 and 2021 and for each of the three years ended December 31, 2022, 2021 and 2020, and have issued our report thereon dated March 22, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022 and 2021 and for each of the three years ended December 31, 2022, 2021 and 2020 and no material exceptions were noted.

**REYES TACANDONG & Co.**



MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 97380-SEC Group A

Issued April 8, 2021

Valid for Financial Periods 2020 to 2024

BIR Accreditation No. 08-005144-012-2023

Valid until January 24, 2026

PTR No. 9564565

Issued January 3, 2023, Makati City

March 22, 2023

Makati City, Metro Manila

# ARTHALAND CORPORATION AND SUBSIDIARIES

## FINANCIAL RATIOS

DECEMBER 31, 2022

Below is a schedule showing financial soundness indicators in the years 2022, 2021 and 2020.

	2022	2021	2020
<b>Current/Liquidity Ratio</b>	<b>2.44</b>	<b>1.81</b>	<b>2.24</b>
Current assets	₱24,560,191,116	₱24,984,461,968	₱18,885,213,050
Divided by: Current liabilities	10,077,767,970	13,800,116,957	8,413,158,990
<b>Acid Test Ratio</b>	<b>0.93</b>	<b>0.57</b>	<b>0.56</b>
Quick assets (Cash and cash equivalents, financial assets at FVPL and receivables)	9,422,388,129	7,891,271,626	4,737,448,111
Divided by: Current liabilities	10,077,767,970	13,800,116,957	8,413,158,990
<b>Solvency Ratio</b>	<b>0.04</b>	<b>0.05</b>	<b>0.07</b>
Net income before depreciation	916,755,372	1,148,449,235	1,214,297,022
Divided by: Total liabilities	24,332,396,159	23,619,149,934	18,317,098,613
<b>Debt-to-Equity Ratio</b>	<b>2.02</b>	<b>2.14</b>	<b>1.98</b>
Total liabilities	24,332,396,159	23,619,149,934	18,317,098,613
Divided by: Total equity	12,060,310,930	11,052,136,913	9,230,104,456
<b>Debt-to-Equity Ratio for Loan Covenant</b>	<b>1.56</b>	<b>1.65</b>	<b>1.48</b>
Total Debt (Bonds and loans payable, amount payable for purchase of interest in a subsidiary and advances from non-controlling interest)	18,792,045,424	18,255,431,245	13,631,806,318
Total Equity	12,060,310,930	11,052,136,913	9,230,104,456
<b>Asset-to-Equity Ratio</b>	<b>3.02</b>	<b>3.14</b>	<b>2.98</b>
Total assets	36,392,707,089	34,671,286,847	27,547,203,069
Divided by: Total equity	12,060,310,930	11,052,136,913	9,230,104,456
<b>Interest Rate Coverage Ratio</b>	<b>3.51</b>	<b>5.09</b>	<b>6.95</b>
Pretax income before interest	1,747,774,822	1,402,216,977	1,938,293,289
Divided by: Interest expense	497,872,467	275,238,263	278,898,562
<b>Return on Assets Ratio</b>	<b>0.02</b>	<b>0.03</b>	<b>0.04</b>
Net income	873,064,717	1,115,083,114	1,169,124,305
Divided by: Total assets	36,392,707,089	34,671,286,847	27,547,203,069
<b>Return on Equity Ratio</b>	<b>0.07</b>	<b>0.10</b>	<b>0.13</b>
Net income	873,064,717	1,115,083,114	1,169,124,305
Divided by: Total equity	12,060,310,930	11,052,136,913	9,230,104,456



## REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors  
Arthaland Corporation and Subsidiaries  
7/F Arthaland Century Pacific Tower  
5th Avenue corner 30th Street  
Bonifacio Global City, Taguig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries as at December 31, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020 included in this Form 17-A and have issued our report thereon dated March 22, 2023. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Group's management. These supplementary schedules include the following:

- Reconciliation of the Parent Company's Retained Earnings Available for Dividend Declaration
- Schedule of Use of Proceeds
- Conglomerate Map

These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the consolidated financial statements. The information in these schedules has 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 financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

### REYES TACANDONG & Co.



MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 97380-SEC Group A

Issued April 8, 2021

Valid for Financial Periods 2020 to 2024

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Valid until January 24, 2026

PTR No. 9564565

Issued January 3, 2023, Makati City

March 22, 2023  
Makati City, Metro Manila

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II**  
**OF REVISED SRC RULE 68**  
**DECEMBER 31, 2022**

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**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE A - FINANCIAL ASSETS**  
**DECEMBER 31, 2022**

<b>Name of Issuing Entity and Association of Each Issue</b>	<b>Number of Shares or Principal Amount of Bonds and Notes</b>	<b>Amount shown in the Consolidated Statements of Financial Position</b>	<b>Value based on Market Quotation at End of Reporting Period</b>	<b>Income Received and Accrued</b>
Financial assets at FVPL for which the amounts are not more than two percent (2%) of total assets	₱2,246,039,822	₱2,246,039,822	₱2,246,039,822	₱2,215,632

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS**  
**(OTHER THAN RELATED PARTIES)**  
**DECEMBER 31, 2022**

				Deductions		Ending Balance	
Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of year
<b>Due from Related Parties -</b>							
CPG Holdings, Inc.	₱36,052,873	₱—	₱—	₱—	₱36,052,873	₱—	₱36,052,873
Signature Office Property, Inc.	5,607,293	—	—	—	5,607,293	—	5,607,293
Centrobless	4,749,541	—	—	—	4,749,541	—	4,749,541
	₱46,409,707	₱—	₱—	₱—	₱46,409,707	₱—	₱46,409,707

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Deductions		Ending Balance	
				Amounts written off	Current	Not current	Balance at end of year
Advances to subsidiaries:							
Cebu Lavana Land Corp.	₱2,236,666,882	₱1,251,771,995	(₱151,660,760)	₱—	₱3,336,778,117	₱—	₱3,336,778,117
Bhavya Properties Inc.	806,190,873	219,408,714	(711,190,873)	—	314,408,714	—	314,408,714
Cazneau, Inc.	696,241,586	61,437,675	(15,362,018)	—	742,317,243	—	742,317,243
Zileya Land Development, Inc.	421,933,303	10,205,636	—	—	432,138,939	—	432,138,939
Bhavana Properties Inc.	379,719,656	—	(47,919,656)	—	331,800,000	—	331,800,000
Kashtha Holdings Inc.	295,455,798	1,304,903	—	—	296,760,701	—	296,760,701
Urban Property Holdings, Inc. (net of allowance for impairment amounting to ₱3,261,249)	79,459,344	5,906,929	—	—	85,366,273	—	85,366,273
Manchesterland Properties, Inc.	5,433,627	423,802	—	—	5,857,429	—	5,857,429
Savya Land Development Corporation	3,515,568	350,422	(3,865,990)	—	—	—	—
Emera Property Management, Inc.	2,608,665	358,251	—	—	2,966,916	—	2,966,916
Pradhana Land Inc.	816,659	2,500	—	—	819,159	—	819,159
	₱4,928,041,961	₱1,554,432,076	(₱929,999,297)	₱—	₱5,552,474,740	₱—	₱5,549,213,491
Advances from subsidiaries:							
Manchesterland Properties, Inc.	₱284,632,299	₱—	₱—	₱—	₱284,632,299	₱—	₱284,632,299
Cazneau, Inc.	527,646	138,280	—	—	665,926	—	665,926
Cebu Lavana Land Corp.	466,419	—	—	—	466,419	—	466,419
Savya Land Development Corporation	61,109	—	—	—	61,109	—	61,109
	₱285,687,473	₱138,280	₱—	₱—	₱285,825,753	₱—	₱285,825,753



**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE D - LONG-TERM DEBT**  
**DECEMBER 31, 2022**

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" related balance sheet	Amount shown under caption "Long-Term Debt" in related statement of financial position			
			Carrying amount	Interest Rates	Payment Terms	Maturity Dates
Bank Loans:						
Bank 1	₱500,000,000	₱500,000,000	₱—	6.75%	At end of term	March 24, 2023 to August 25, 2023
Bank 2	500,000,000	—	482,880,438	6.00%	At end of term	November 25, 2024
Bank 3	350,000,000	350,000,000	—	6.25%	Monthly	August 10, 2023
Bank 4	300,000,000	300,000,000	—	6.75%	At end of term	June 9, 2023
Bank 5	400,000,000	400,000,000	—	6.50%	At end of term	June 30, 2023
Bank 6	1,400,000,000	600,000,000	—	6.25%-8.00%	Quarterly	January 3, 2023 to March 31, 2023
Bank 7	1,000,000,000	980,800,000	—	6.25%	Quarterly	January 6, 2023 to January 24, 2023
Bank 8	100,000,000	100,000,000	—	7.50%	At end of term	March 2023
Bank 9	1,000,000,000	—	1,000,000,000	6.35%	At end of term	February 6, 2025
Bank 10	2,000,000,000	306,973,776	—	7.50%	At end of term	May 2, 2023
						November 24, 2023 to
Bank 11	1,000,000,000	618,482,440	—	7.75%	At end of term	December 29, 2023
Bank 12	50,000,000	50,000,000	—	6.63%	At end of term	March 3, 2023
Bank 13	500,000,000	500,000,000	—	6.25%-6.63%	At end of term	March 31, 2023
Bank 14	500,000,000	500,000,000	—	6.00%	At end of term	February 8, 2023
Bank 15	400,000,000	100,000,000	—	6.75%	At end of term	January 23, 2023
Bank 16	2,000,000,000	—	1,425,000,000	5.50%	Quarterly	July 8, 2025
Bank 17	1,440,000,000	—	887,033,737	4.75%	Quarterly	August 29, 2023
Bank 18	930,000,000	—	923,476,317	8.78%	Quarterly	November 27, 2026
Bank 19	930,000,000	—	700,370,977	9.10%	Quarterly	January 5, 2027
Bank 20	1,000,000,000	—	983,413,024.00	8.49%	Quarterly	August 10, 2026
					Renewable on	
Various loans from private funders	55,723,970	55,723,970	—	4.13%	maturity	March 22, 2023
	₱16,355,723,970	₱5,361,980,186	₱6,402,174,493			

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE G - CAPITAL STOCK**  
**DECEMBER 31, 2022**

Number of shares held by						
Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Related parties	Directors, officers and employees	Others
Common shares - ₱0.18 par value per share	16,368,095,199	5,318,095,199	—	3,650,954,906	76,715,159	1,590,425,134
Preferred shares - ₱1.00 par value per share	50,000,000	28,500,000	—	12,500,000	—	16,000,000

**ARTHALAND CORPORATION**

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**SCHEDULE OF RECONCILIATION OF PARENT COMPANY'S RETAINED EARNINGS AVAILABLE  
FOR DIVIDEND DECLARATION  
DECEMBER 31, 2022**

Unappropriated retained earnings, beginning		₱3,094,085,517
Adjustments:		
Cumulative gain on change in fair value of investment properties	(2,456,013,533)	
Unrealized holding gain on financial assets at FVPL	6,855,655	(2,449,157,878)
Unappropriated retained earnings, as adjusted, beginning		644,927,639
Add: Net income actually earned/realized during the period		
Net income during the year closed to retained earnings		192,897,934
Less: Non-actual/unrealized income and realized loss, net of tax		
Gain on change in fair value of investment properties	(190,985,045)	
Realized holding loss on financial assets at FVPL	(6,855,655)	
Unrealized holding gain on financial assets at FVPL	<u>(1,325,368)</u>	(199,166,068)
Cash dividends		<u>(313,093,142)</u>
Unappropriated Retained Earnings, <i>as adjusted to available for dividend distribution, ending</i>		<u>₱325,566,363</u>

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**ARTHALAND CORPORATION**  
**SCHEDULE OF USE OF PROCEEDS**  
**DECEMBER 31, 2022**

**Series D Preferred Shares**

The estimated gross proceeds from the offer amounted to ₱3,000.0 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱2,966.7 million.

The following table shows the breakdown of the use of the proceeds (amounts in millions):

<b>Purpose</b>	<b>Per Offer Supplement</b>	<b>Actual Net Proceeds</b>	<b>Actual Disbursements as at December 31, 2022</b>	<b>Balance for Disbursement as at December 31, 2022</b>
Redemption of Series B Preferred Shares	₱2,000.0	₱2,000.0	₱2,000.0	₱—
Cebu Exchange Project & Savva Financial Center Project	1,000.0	966.7	966.7	—
<b>Total</b>	<b>₱3,000.0</b>	<b>₱2,966.7</b>	<b>₱2,966.7</b>	<b>₱—</b>

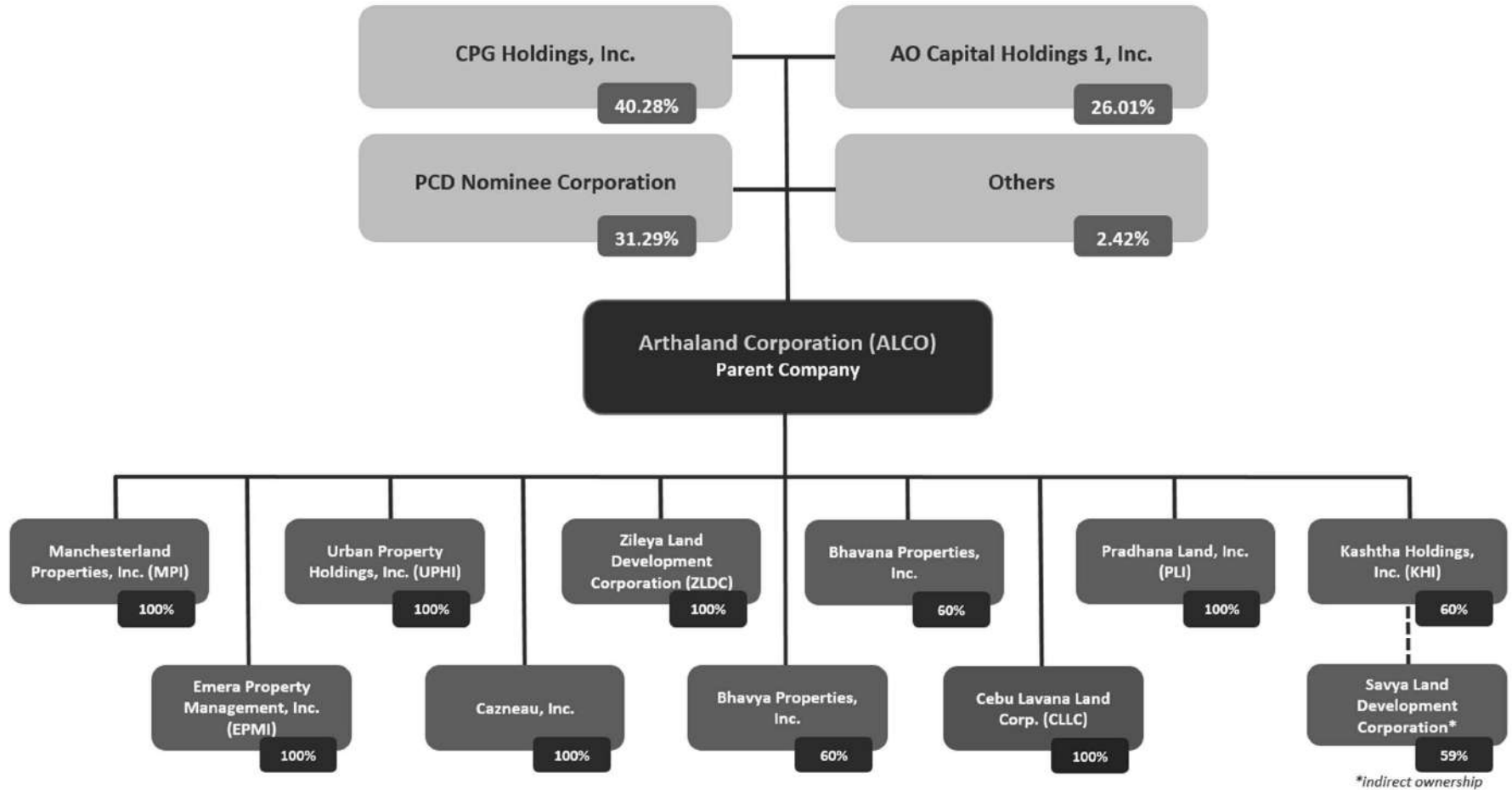
**Green Bonds – Second Tranche**

The estimated gross proceeds from the offer of the second tranche of the Bonds amounted to ₱2,944.7 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱2,951.0 million.

The following tables show the breakdown of the use of the proceeds (amounts in millions):

<b>Purpose</b>	<b>Per Offer Supplement</b>	<b>Actual Net Proceeds</b>	<b>Actual Disbursement as at December 31, 2022</b>	<b>Balance for Disbursement as at December 31, 2022</b>
Development of various projects	₱2,550.0	₱2,550.0	₱—	₱2,550.0
Repayments of loans that financed the construction and development of ACPT	394.7	401.0	—	401.0
<b>Total</b>	<b>₱2,944.7</b>	<b>₱2,951.0</b>	<b>₱—</b>	<b>₱2,951.0</b>

## CONGLOMERATE MAP



# **SEC FORM 17-Q (FIRST QUARTER 2023)**

**ARTHALAND CORPORATION  
ANNUAL STOCKHOLDERS MEETING  
30 JUNE 2023, FRIDAY, 9:00AM**

## COVER SHEET

A	S	9	4	0	0	7	1	6	0		
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SEC Registration Number

A	R	T	H	A	L	A	N	D		C	O	R	P	O	R	A	T	I	O	N		A	N	D							
S	U	B	S	I	D	I	A	R	I	E	S																				

(Company's Full Name)

7	F		A	R	T	H	A	L	A	N	D		C	E	N	T	U	R	Y		P	A	C	I	F	I	C		T	O	W	E	R
5	T	H		A	V	E	N	U	E		C	O	R	N	E	R		3	0	T	H		S	T	R	E	E	T					
B	O	N	I	F	A	C	I	O		G	L	O	B	A	L		C	I	T	Y													
T	A	G	U	I	G		C	I	T	Y																							

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

MARIVIC S. VICTORIA

(Contact Person)

(+632) 8403-6910

(Company Telephone Number)

1	2		3	1								1	7	-	Q									0	6	Last	Fri		
Month	Day											(Form Type)												Month	Day				
(Fiscal Year)																									(Annual Meeting)				

N.A.

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles  
Number/Section

1,930

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

**ARTHALAND CORPORATION**

(Company's Full Name)

**7/F ArthaLand Century Pacific Tower, 5th Avenue corner 30th Street**

**Bonifacio Global City, Taguig City**

(Company's Address)

**8403-6910**

(Telephone Number)

**December 31**

(Fiscal year ending)

(month & day)

**June 30**

(Annual Meeting)

**SEC FORM 17 – Q QUARTERLY REPORT**

(Form Type)

Amendment Designation (If applicable)

**March 31, 2023**

(Period Ended Date)

\_\_\_\_\_  
(Secondary License Type & File Number)

\_\_\_\_\_  
LCU

\_\_\_\_\_  
(Cashier)

\_\_\_\_\_  
DTU

**ASO-94-007160**

(SEC Number)

\_\_\_\_\_  
Central Receiving Unit

\_\_\_\_\_  
File Number

\_\_\_\_\_  
Document I.D.



SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q  
QUARTERLY REPORT PURSUANT TO SECTION 11 OF THE  
REVISED SECURITIES ACT AND RSA RULE 11(a)-1 (b)(2) THEREUNDER

1. For the quarterly period ended March 31, 2023

2. Commission Identification No. ASO-94-007160

3. BIR TIN 004-450-721-0000

4. Exact name of registrant as specified in its character

**ARTHALAND CORPORATION**

5. Incorporated in Metro Manila, Philippines on August 10, 1994.

6. Industry Classification Code \_\_\_\_\_ (SEC Use Only).

7. Address of registrant's principal office Postal Code  
**7/F ArthaLand Century Pacific Tower, 5th Avenue corner 30th Street,  
Bonifacio Global City, Taguig City 1634**

8. Registrant's Telephone Number : 8403-6910

9. Former name, former address and former fiscal year, if changed since last report: Not Applicable

10. Securities registered pursuant to Sections 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Number of Shares Outstanding</u>	<u>Amount of Debt Outstanding</u>
<b>Common Shares</b>	<b>5,318,095,199 (₱0.18 par value)</b>	<b>None</b>
<b>Preferred Shares – Series A</b>	<b>12,500,000 (₱1.00 par value)</b>	<b>None</b>
<b>Preferred Shares – Series B</b>	<b>20,000,000 (₱1.00 par value)</b>	<b>None</b>
<b>Preferred Shares – Series C</b>	<b>10,000,000 (₱1.00 par value)</b>	<b>None</b>
<b>Preferred Shares – Series D</b>	<b>6,000,000 (₱1.00 par value)</b>	<b>None</b>

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

YES [ X ] NO [ ]

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

Philippine Stock Exchange – ALL Outstanding Common Shares and Preferred Shares Series C and D ONLY.

12. Indicate by check mark whether the registrant :

(a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule (a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports).

YES [ X ] NO [ ]

(b) has been subject to such filing requirements for the past 90 days.

YES [ X ] NO [ ]

## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements

*See attached.*

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*See attached.*

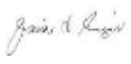
## PART II - OTHER INFORMATION

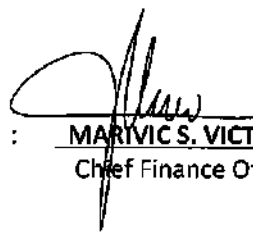
There are no other information for the period not previously reported in SEC Form 17-C.

### SIGNATURES

Pursuant to the requirements of the Revised Securities Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer : ARTHALAND CORPORATION

Signature and Title :   
JAIME C. GONZALEZ  
President

Signature and Title :   
MARIVIC S. VICTORIA  
Chief Finance Officer

Date : May 03, 2023

**ITEM 1. Financial Statements Required under SRC RULE 68.1**

1. Basic and Diluted Earnings per Share (See attached Income Statement).
2. The accompanying consolidated interim financial statements of **Arthaland Corporation (ALCO)** were prepared in accordance with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standards (PAS).
3. Notes to Financial Statements:
  - a. The accompanying consolidated interim financial statements of **ALCO** were prepared in accordance with PFRS. The financial statements have been prepared using the historical cost basis, except for investment properties and certain financial instruments that are measured at fair values, and net retirement liability which is carried at the present value of the defined benefit obligation at the end of the reporting period. The consolidated interim financial statements are presented in Philippine Pesos.
  - b. There is no significant seasonality or cycle of interim operations.
  - c. There are no material events subsequent to the end of the interim period not previously reported in SEC form 17-C.
  - d. Except as otherwise disclosed separately and mentioned in the general information in this Report, there are no changes in the composition of the issuer during the interim period including business combinations, acquisition of subsidiaries and long-term investments, restructurings and discontinuing operations.
  - e. There are no material changes in the contingent liabilities or contingent assets since the last annual balance sheet date.
  - f. There are no material contingencies and any other events or transactions that are material to an understanding of the current interim period.
  - g. Except as otherwise disclosed separately and excluding those projects already in ALCO's pipeline as outlined in this Report, there are no other material commitments for capital expenditures since the last annual balance sheet date.
  - h. Except as otherwise disclosed separately and mentioned in the analysis of financial risks in this Report, there are no other 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. There is no foreseen event that will cause a material change in the relationship between costs and revenues.
  - i. There are no material off-balance sheet transactions, arrangements, obligations and other relationship of the company with unconsolidated entities or other persons created during the reporting period.

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF MARCH 31, 2023 AND DECEMBER 31, 2022**

	Note	MARCH 31, 2023 (UNAUDITED)	DECEMBER 31, 2022 (AUDITED)
<b>ASSETS</b>			
Cash and cash equivalents	4	₱4,122,870,301	₱4,796,293,662
Financial assets at fair value through profit or loss (FVPL)	5	2,475,113,220	2,246,039,822
Receivables	6	2,133,579,419	2,380,054,645
Contract assets	7	4,099,400,048	3,920,367,468
Real estate for sale	8	9,384,715,977	9,381,383,586
Investment properties	9	11,482,807,172	11,273,784,260
Property and equipment	10	323,253,487	333,940,003
Net retirement asset	22	36,058,483	36,058,483
Other assets	11	2,242,201,517	2,024,785,160
		<b>₱36,299,999,624</b>	<b>₱36,392,707,089</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Accounts payable and other liabilities	14	₱2,993,739,924	₱3,382,198,303
Loans payable	12	11,727,664,383	11,764,154,679
Bonds payable	13	5,930,672,918	5,925,771,148
Contract liabilities	7	289,067,867	231,469,884
Advances from non-controlling interests	15	1,102,119,597	1,102,119,597
Net retirement liability	22	9,805,960	2,545,060
Net deferred tax liabilities	23	1,948,138,724	1,924,137,488
Total Liabilities		<b>24,001,209,373</b>	<b>24,332,396,159</b>
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
	16		
Capital stock		1,005,757,136	1,005,757,136
Additional paid-in capital		5,973,360,513	5,973,360,513
Retained earnings		4,986,297,088	4,912,544,253
Other equity reserves		221,696,435	221,696,435
Treasury shares		(2,000,000,000)	(2,000,000,000)
Parent Company's preferred shares held by a subsidiary - at cost		(12,500,000)	(12,500,000)
		<b>10,174,611,172</b>	<b>10,100,858,337</b>
<b>Non-controlling Interests</b>	15	<b>2,124,179,079</b>	<b>1,959,452,593</b>
Total Equity		<b>12,298,790,251</b>	<b>12,060,310,930</b>
		<b>₱36,299,999,624</b>	<b>₱36,392,707,089</b>

See accompanying Notes to Consolidated Financial Statements.

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED MARCH 31, 2023 AND 2022**

	Note	MARCH 31, 2023 (UNAUDITED)	MARCH 31, 2022 (UNAUDITED)
REVENUES	17	₱835,428,569	₱489,695,969
COST AND EXPENSES	18	404,722,404	231,591,996
GROSS INCOME		430,706,165	258,103,973
OPERATING EXPENSES	19	223,607,659	178,472,087
INCOME FROM OPERATIONS		207,098,506	79,631,886
NET GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES		235,078,510	190,807,755
FINANCE COSTS	20	(263,627,857)	(86,934,626)
OTHER INCOME – Net	21	24,546,849	12,854,381
INCOME BEFORE INCOME TAX		203,096,008	196,359,396
PROVISION FOR INCOME TAX	23	61,016,313	51,534,461
NET INCOME		142,079,695	144,824,935
OTHER COMPREHENSIVE INCOME		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>₱142,079,695</b>	<b>₱144,824,935</b>
<b>NET INCOME ATTRIBUTABLE TO:</b>			
Equity holders of the Parent Company		₱136,071,835	₱ 133,117,220
Non-controlling interests		6,007,860	11,707,715
		<b>₱142,079,695</b>	<b>₱144,824,935</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Equity holders of the Parent Company		₱136,071,835	₱ 133,117,220
Non-controlling interests		6,007,860	11,707,715
		<b>₱142,079,695</b>	<b>₱144,824,935</b>
<b>EARNINGS PER SHARE</b>			
Basic	26	₱0.0139	₱0.0133
Diluted		₱0.0137	₱0.0132

*See accompanying Notes to Consolidated Financial Statements.*

**ARTHALAND CORPORATION AND SUBSIDIARIES**

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**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED MARCH 31, 2023 AND 2022**

	Note	MARCH 31, 2023 (UNAUDITED)	MARCH 31, 2022 (UNAUDITED)
<b>CAPITAL STOCK</b>	16		
Common - at ₱0.18 par value			
Issued and outstanding		₱957,257,136	₱957,257,136
Preferred - at ₱1.00 par value			
Issued and subscribed		48,500,000	48,500,000
Balance at beginning and end of period		1,005,757,136	1,005,757,136
<b>ADDITIONAL PAID-IN CAPITAL</b>	16		
Balance at beginning and end of period		5,973,360,513	5,973,360,513
<b>RETAINED EARNINGS</b>	16		
Balance at beginning of period		4,912,544,253	4,404,555,747
Net income for the period		136,071,835	133,117,220
Dividends declared during the period		(62,319,000)	(62,319,000)
Balance at end of period		4,986,297,088	4,475,353,967
<b>OTHER EQUITY RESERVES</b>	16		
Balance at beginning and end of period		221,696,435	177,630,403
<b>TREASURY STOCK – SERIES B PREFERRED SHARES</b>	16	(2,000,000,000)	(2,000,000,000)
<b>PARENT COMPANY'S PREFERRED SHARES HELD BY A SUBSIDIARY - at cost</b>	16	(12,500,000)	(12,500,000)
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>		<b>₱10,174,611,172</b>	<b>₱9,619,602,019</b>
<b>NON-CONTROLLING INTERESTS</b>	1		
Balance at beginning of period		1,959,452,593	1,503,333,114
Subscription to a subsidiary		1,909,640,700	-
Share in net income during the period		6,007,860	11,707,716
Increase (decrease) in deposits for future stock subscription for the period		(1,750,922,074)	196,172,536
Balance at end of period		2,124,179,079	1,711,213,366
		<b>₱12,298,790,251</b>	<b>₱11,330,815,385</b>

*See accompanying Notes to Consolidated Financial Statements.*

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD ENDED MARCH 31, 2023 AND 2022**

	Note	MARCH 31, 2023 (UNAUDITED)	MARCH 31, 2022 (UNAUDITED)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax		₱203,096,008	₱196,359,396
Adjustments for:			
Gain on change in FV of investment properties	9	(235,078,510)	(190,882,622)
Interest expense	20	248,310,026	86,934,626
Depreciation and amortization	19	10,699,200	8,992,223
Retirement expense	22	7,260,900	7,000,000
Realized holding gains	21	(15,582,962)	(5,518,244)
Interest income	21	(8,133,347)	(6,214,831)
Amortization of initial direct leasing costs		1,608,286	-
Foreign exchange losses (gains)	21	467,294	(305,197)
Unrealized holding losses (gains)	21	2,355,408	(816,108)
Gain on sale of investment property	21	(1,198,576)	-
Loss on sale of property and equipment	21	1,155,355	-
Operating income before working capital changes		214,959,082	95,549,243
Decrease (Increase) in:			
Receivables		246,475,226	(537,561,003)
Contract assets		(179,032,580)	297,476,220
Real estate for sale		(3,332,391)	(492,844,017)
Other assets		(217,416,357)	(95,291,874)
Increase (decrease) in:			
Accounts payable and other liabilities		(395,552,128)	(124,315,420)
Contract liabilities		57,597,983	(13,416,477)
Net cash used in operations		(276,301,165)	(870,403,328)
Interest paid		(239,665,552)	(82,449,122)
Interest received		8,133,347	6,214,831
Income taxes paid		(37,015,077)	(31,783,506)
Net cash used in operating activities		(544,848,447)	(978,421,125)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of (additions to) Financial assets at			
FVPL – net		(215,845,844)	1,935,994,054
Additions to Property and equipment	10	(1,168,039)	(6,899,383)
Additions to Investment properties		25,645,888	-
Net proceeds from sale of interests in subsidiaries		-	196,221,460
Net cash generated from (used in) investing activities		(191,367,995)	2,125,316,131
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net payment of Loans payable		(40,233,000)	(521,052,658)
Payment of dividends		(55,225,251)	-
Deposits for future stock subscription from non-controlling interest		158,718,626	196,172,536
Net cash generated from (used in) financing activities		63,260,375	(324,880,122)
<b>NET EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS</b>			
		(467,294)	305,197
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>		<b>(673,423,361)</b>	<b>822,320,081</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>4,796,293,662</b>	<b>1,949,257,156</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>₱4,122,870,301</b>	<b>₱2,771,577,237</b>

See accompanying Notes to Consolidated Financial Statements.

# ARTHALAND CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

#### Corporate Information

Arthaland Corporation (the Parent Company or ALCO) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 10, 1994. ALCO's common shares and Series C and D preferred shares are listed for trading in the Philippine Stock Exchange (PSE). The Parent Company is primarily engaged in real estate development and leasing.

The Parent Company is currently 40.3% owned by CPG Holdings, Inc. (CPG) and 26.0% owned by AO Capital Holdings 1, Inc. (AOCH1), both holding companies incorporated in the Philippines.

In June 2019, the Parent Company made a follow-on offering of 10.0 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated Series C preferred shares at ₱1.00 par value a share at the issuance price of ₱100 a share (see Note 16).

In January 2020, the SEC approved the registration of ALCO's ASEAN Green Bonds and the initial tranche of ₱2.0 billion bonds with an offer subscription of ₱1.0 billion (see Note 13).

In December 2021, the Parent Company made a follow-on offering of 6.0 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated Series D preferred shares at ₱1.00 par value at the issuance price of ₱500 a share (see Note 16). Moreover, the Parent Company redeemed all of the outstanding 20.0 million Series B Preferred Shares equal to its offer price plus any accrued and unpaid cash dividends due as of date.

In May 2022, the Board of Directors of the Parent Company approved the amendment of Article Seventh of the Corporation's Articles of Incorporation by reducing the authorized capital stock by 20.0 million. The amendment is the result of the cancellation of 20.0 million preferred shares given the redemption of Preferred Shares Series B. In March 2023, during the annual stockholders' meeting, ALCO's stockholders representing at least sixty-seven percent (67%) of the Corporation's outstanding common and preferred shares also approved the amendment of Article Seventh of the Articles of Incorporation by reducing the authorized capital stock by 20.0 million.

The registered office and principal place of business of the Parent Company is located at 7/F Arthaland Century Pacific Tower, 5th Avenue corner 30th Street, Bonifacio Global City (BGC), Taguig City.

#### Composition of the Group

The consolidated financial statements include the Parent Company and the following subsidiaries (collectively referred herein as "the Group"):

Subsidiary	Place of Incorporation	Effective Percentage of Ownership		
		2023	2022	2021
Cazneau, Inc. (Cazneau)	Philippines	100%	100%	100%
Emera Property Management, Inc. (EPMI)	Philippines	100%	100%	100%
Manchesterland Properties, Inc. (MPI)	Philippines	100%	100%	100%
Urban Property Holdings, Inc. (UPHI)	Philippines	100%	100%	100%
Zileya Land Development Corporation (ZLDC)	Philippines	100%	100%	100%
Pradhana Land, Inc. (PLI)	Philippines	100%	100%	100%
Cebu Lavana Land Corp. (CLLC)	Philippines	100%	100%	100%
Bhavana Properties, Inc. (Bhavana)	Philippines	60%	60%	60%



Subsidiary	Place of Incorporation	Effective Percentage of Ownership		
		2023	2022	2021
Bhavya Properties, Inc. (Bhavya)	Philippines	60%	60%	60%
Kashtha Holdings, Inc. (KHI)	Philippines	60%	60%	60%
Savya Land Development Corporation (SLDC)	Philippines	59%*	59%*	59%*

*\*indirectly owned through KHI*

All of the subsidiaries were established to engage primarily either in real estate development or property leasing, except for EPMI which is a property management company and KHI which is an investment holding company.

In March 2018, the Parent Company and Help Holdings Inc. (HHI) (collectively referred to as the Parties) entered into an agreement (the Agreement) to jointly develop the adjacent lots (the Property) of SLDC and Arcosouth Development Inc. (ADI), the subsidiary of HHI, aggregating 5,991 square meters (sqm) located in Arca South, Taguig City. The Parties agreed, among others to merge SLDC and Arcosouth into a single corporation, with SLDC as the surviving entity. The merger of SLDC and Arcosouth was approved by the SEC on August 22, 2019.

Also, in August 2019, ALCO and Mitsubishi Estate Company, Limited (MEC), a corporation duly organized and existing under the laws of Japan, have agreed to invest in, establish and maintain a joint venture company to be owned 60% by ALCO and 40% by MEC which will (i) acquire and, thereafter, own and hold the 50% ownership in SLDC, and (ii) acquire by assignment the shareholder's advances made by ALCO to SLDC. On October 1, 2019, ALCO incorporated KHI as the designated joint venture company.

In 2020, ALCO transferred all of its shares in SLDC, representing 98% ownership over SLDC, to KHI. In June 2020, ALCO sold 5 million common shares in KHI with a total par value of ₱5.0 million, representing 40% ownership over KHI, to MEC for ₱275.0 million. The transfer of KHI's shares decreased the effective ownership of ALCO over SLDC from 98% to 59%.

In 2019, the Parent Company subscribed to 100% shares of Bhavana, Bhavya and PLI. In December 2021, the Parent Company sold, transferred and conveyed 10.0 million common shares each of Bhavana and Bhavya representing 40% ownership and voting rights, as well as the Parent Company's shareholder advances, to Narra Properties Investment PTE. LTD (Narra), a corporation duly organized and existing under the laws of Singapore (see note 15).

In December 2021, the Parent Company purchased 214,351 common shares and 118,982 preferred shares representing 40% of the ownership and voting rights of CLLC for ₱113.2 million from Rock and Salt B.V. (RSBV) resulting to 100% ownership in CLLC (see note 15).

### **Major Projects**

ALCO's first major development project is the Arya Residences Towers 1 and 2 (Arya Residences) located in BGC, Taguig City. Arya Residences is the first top-market residential condominium development in the Philippines to be awarded with Leadership in Energy and Environmental Design™ (LEED™) Gold certification by the US Green Building Council (USGBC) and Building for Ecologically Responsive Design Excellence (BERDE) 4-Star rating by the Philippine Green Building Council (PHILGBC). In 2020, the building earned its Advancing Net Zero 3-Star certification from PHILGBC. The Arya Residences was completed on December 31, 2016.

In 2014, the Parent Company started the construction of Arthaland Century Pacific Tower (ACPT) in BGC, ALCO's flagship office project. ACPT is a 30-storey AAA-grade office building designed by Skidmore, Owings & Merrill (SOM), the same group that penned the One World Trade Center and Burj Khalifa in Dubai. ACPT secured the LEED Platinum and BERDE 5-star certification in 2018. ACPT became

the first office building in the Philippines to secure the dual certification of the highest rating, USGBC's LEED Platinum and PHILGBC's BERDE as 5-star rated. It is registered with the Philippine Economic Zone Authority (PEZA) as an Ecozone Facilities Enterprise (see Note 23) and was completed in the 1st quarter of 2019.

In 2019, the International Finance Corporation, a member of the World Bank Group, recognized ACPT as the world's first net zero certified building under its EDGE green building rating system. This recognition is in addition to its LEED and BERDE certification achieved previously. In 2020 until to-date, ACPT was awarded with the WELL™ Health-Safety Rating seal by the International WELL Building Institute™ (IWBI™) which certifies the building's safe operations even during the global pandemic.

In 2016, CLLC commenced the development of Cebu Exchange Project (Cebu Exchange), a 38-storey office building in Barangay Lahug, Cebu City. The Cebu Exchange was awarded LEED Gold and BERDE 5-Star. In 2020, the project was awarded WELL precertification by IWBI™. The project is on track for its EDGE certification. Besides being designed to be a world-class workplace, Cebu Exchange is envisioned to be a complete ecosystem, with four retail floors for the convenience of its occupants. With a gross floor area of 108,564 sqm, Cebu Exchange boasts of being the largest multi-certified green and healthy building in the country. The construction of Cebu Exchange commenced in the second quarter of 2018 and was substantially completed in 2022.

In 2018, Cazneau started the construction of the first phase of Sevina Park, an integrated community project in an eight-hectare property in Laguna. The initial development called Courtyard Hall, covering the first 4,000 sqm of the property, is a campus-type or dormitory-type residential community (see Note 10). This was completed in June 2019. Also, in June 2019, Cazneau launched the Sevina Park Villas at Sevina Park which cater to students and faculty population, and starter families within the area. The entire project, which will include retail spaces, is expected to be completed in phases from 2022 onwards.

Sevina Park is recognized as the first and only real estate development in the Philippines to have received the LEED Platinum under the LEED for Neighborhood Development (LEED ND) and LEED Platinum under LEED for Homes categories. Likewise, Sevina Park Villas turnover units are on track to EDGE Advanced and the remaining Villa-182 turnover units vying for LEED Gold certification. In 2022, PHILGBC certified the project BERDE 5-Star under its BERDE for District green building rating tool.

In December 2018, ZLDC acquired about 47.4% of a 2,018-sqm property located along Antonio Arnaiz Avenue within the Makati Central Business District. On this site, ZLDC, together with the other party which acquired the remaining 52.6% of the total area of the condominium units are still working on getting the property partitioned to enable the Company to have 100% ownership of approximately 957 sqm of the current lot area. Once the partition is completed, the Company plans to develop a high-rise luxury, sustainable, multi-certified residential property. The project, which is hereinafter referred to as Makati CBD Residential Project 1, is expected to be launched by the fourth quarter of 2024.

In February 2019, SLDC launched the development of Savva Financial Center. This project is composed of two office towers with a gross floor area of 59,763 sqm and located in Arca South, Taguig City. The North and South Tower (of the Savva Financial Tower) is expected to be completed in 2023. Savva's North Tower was launched for pre-selling in February 2019. The project received LEED Gold precertification in 2019 and the WELL precertification in 2021. It is on-track to achieve BERDE 4-star certification and EDGE Zero Carbon certification.

In August 2019, Bhavya started acquiring a prime property located inside the Makati Central Business District. Bhavya intends to develop therein a pioneer residential project which will be a low-density, multi-certified, ultra-luxury development that will offer large, limited edition designer residences.

Once completed, its future residents will enjoy exceptional white glove butler services. This project, which will be called “Eluria”, offers only 37 residential units and will have a total gross floor area of approximately 14,600 sqm and was formally launched in 2022. The project was precertified LEED Gold in 2020 and is on track for its EDGE, WELL, and BERDE certifications. It is expected to be completed by 2025.

In July 2021, Bhavana launched the development of Lucima Residences. The property will be developed into the first and only premiere, multi-certified, sustainable high-rise development located in Cebu Business Park at the Corner of Samar Loop Road and Ayala, Hipodromo, Cebu City. It has a total area of 2,245 sqm and is expected to be developed into approximately 28,000 sqm of GFA and will offer 263 residential units. The project was awarded LEED Gold precertification in 2020 and is on-track to achieve BERDE, EDGE and WELL certifications. It is expected to be completed by the fourth quarter of 2024.

ALCO is negotiating to acquire a property with a gross land area of about 1,000 sqm situated in a prime location along the Makati Central Business District. The property will be developed into a high-rise multi-certified sustainable building catering to the upper-mid to upscale market. The tower will have a gross floor area of about 15,800 sqm and is expected to be launched in the first quarter of 2024.

ALCO is also evaluating the acquisition of a property with a gross land area of about 3,700 sqm located in a prime central business district in Metro Manila. The project will be positioned to cater to the upscale to luxury market and will carry the same sustainability features as with our other ALCO projects. The property will be developed into a two-tower high rise residential condominium with a gross floor area of about 44,000 sqm.

ALCO is also evaluating the acquisition of a 5-hectare property in the middle of the most prime city center area in southern Philippines. The acquisition program is expected to be completed between 2024 to 2028 to manage the funding requirements over time. ALCO plans to develop the property over multiple phases from 2024 to 2033 to provide a steady pipeline of projects which will contribute to the revenues of ALCO over the long-term. It is envisioned to be a sustainable, masterplanned development which will have commercial, residential and retail components.

### **Approval of the Interim Consolidated Financial Statements**

The interim consolidated financial statements of the Group as at and for the three (3) months ended March 31, 2023 were approved and authorized for issue by the Board of Directors (BOD) on May 03, 2023.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Preparation**

The interim consolidated financial statements as of March 31, 2023 and December 31, 2022 and for the three months ended March 31, 2023 and 2022 have been prepared in compliance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. They do not include all of the information and disclosures required in the annual audited consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended December 31, 2022.

### **Measurement Bases**

The interim consolidated financial statements are presented in Philippine Peso, the Group’s functional and presentation currency. Functional currency is the currency of the primary economic environment in which the Group operates. All values are stated in absolute amounts,

unless otherwise indicated.

The interim consolidated financial statements of the Group have been prepared on a historical cost basis, except for fair value through profit or loss (FVPL) and investment properties that are carried at fair values and net retirement liability which is carried at the present value of the defined benefit obligation at the end of the reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for assets and fair value consideration received in exchange for incurring liability.

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

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 non-financial 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.

When measuring the fair value of an asset or a liability, the Group uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Group (working closely with external qualified valuers) using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset or liability that market participants would take into account.

Further information about assumptions made in measuring fair values is included in the following:

- Note 3 - Significant Accounting Judgments, Estimates and Assumptions
- Note 5 - Financial Assets at FVPL
- Note 9 - Investment Properties
- Note 27 - Fair Value Measurement

Fair values are categorized into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices

included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognized by the Group at the end of the reporting period during which the change occurred.

#### **Adoption of Amendments to PFRS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendments to PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Business Combinations - Reference to Conceptual Framework* – The amendments replaced the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments include an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or IFRIC 21, *Levies*, instead of the Conceptual Framework. The requirement ensures that the liabilities recognized in a business combination will remain the same as those recognized applying the current requirements in PFRS 3. The amendments also clarify that an acquirer shall not recognize contingent assets acquired in a business combination.
- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. There is no transition relief for first-time adopters.
- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments specify which costs shall be included when assessing whether a contract is onerous or loss-making. The ‘costs of fulfilling’ a contract comprise the ‘costs that relate directly to the contract’. These costs can either be incremental (e.g., the costs of direct labor and materials) or can be an allocation of costs directly related to fulfilling a contract (e.g., depreciation of fixed assets). At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated.
- Annual Improvements to PFRS 2018 to 2020 Cycle:
  - Amendment to PFRS 9, *Financial Instruments - Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include when it applies the ‘10 per cent’ test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other’s behalf. The amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendment.

Under prevailing circumstances, the adoption of the foregoing did not have any material effect on the consolidated financial statements. Additional disclosures were included in the notes to consolidated financial statements, as applicable.

**Amended PFRS and PIC Issuances in Issue But Not Yet Effective or Adopted**

Relevant amended PFRS and PIC issuances, which are not yet effective as at December 31, 2022 and have not been applied in preparing the consolidated financial statements, are summarized below.

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

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.
- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.
- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments should be applied on a modified retrospective basis. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or

expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments.

The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Group shall also apply Amendments to PAS 1 - *Noncurrent Liabilities with Covenants* for that period.

- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.
- *IFRIC Agenda Decision Over Time Transfer of Constructed Goods (PAS 23, Borrowing Costs) for the Real Estate Industry* – In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under paragraph 35(c) of International Financial Reporting Standards 15 (PFRS 15). IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of qualifying asset under PAS 23 considering that these inventories are ready for their intended sale in their current condition.

On December 15, 2020, the SEC issued SEC MC No. 34, Series of 2020, which extended the relief on the application of the IFRIC Agenda Decision provided to the real estate industry until December 31, 2023.

The Group availed of the SEC relief with respect to accounting for borrowing costs. Had the Group opted to adopt in full the guidance provided in the IFRIC Agenda Decision on over time transfer of constructed goods, borrowing costs would have been recognized as expense when incurred.

- PIC Q&A 2018-12-D, *PFRS 15, Implementing Issues Affecting the Real Estate Industry (as amended by PIC Q&A 2020-4)* – On December 15, 2020, the SEC issued SEC MC No. 34-2020 which provided relief to the real estate industry by deferring the application of “assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (with an addendum in PIC Q&A 2020-04)” until December 31, 2023.

The Group availed of the SEC relief with respect to accounting for significant financing component. Had the Group opted to adopt PIC Q&A 2018-12-D as amended by PIC Q&A 2020-4, the Group may have to recognize interest expense (income) if the buyers’ payments are higher (lower) than the POC rate.

- PIC Q&A 2018-12-E, *Treatment of Land in the Determination of the POC* – The PIC Q&A clarified that the cost of the land should be excluded in measuring the POC of performance obligation and should be accounted for as fulfillment cost.

On December 15, 2020, the SEC issued SEC MC No. 34-2020 which provided relief to the real estate industry by deferring the application of “exclusion of land in calculation of POC as discussed in PIC Q&A 2018-12-E” until December 31, 2023.

The Group availed of the SEC relief with respect to accounting treatment of land in the determination of the POC. Had the Group opted to adopt PIC Q&A 2018-12-E, there would have been a decrease in revenue from real estate sales because of a lower POC rate.

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* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing amendments to PFRS and PIC issuances, except for the potential impact of accounting for borrowing costs, the assessment if the transaction price includes a significant financing component and the exclusion of land in the calculation of POC, is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the consolidated financial statements, as applicable.

#### **Basis of Consolidation**

*Subsidiaries.* Subsidiaries are entities controlled by the Parent Company. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- power over investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee affect its returns.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases.

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

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

Non-controlling interest represents the portion of profit or loss and net assets not held by the Parent Company and is presented separately in the Group's consolidated statements of comprehensive income and within equity in the Group's consolidated statements of financial position, separate from equity attributable to equity holders of the Parent Company, respectively.



## **Financial Assets and Liabilities**

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

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

*“Day 1” Difference.* Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss.

In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes “Day 1” difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference.

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

As at March 31, 2023 and December 31, 2022, the Group does not have financial assets at FVOCI and financial liabilities at FVPL.

*Financial Assets at FVPL.* Financial assets at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Group had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not “solely for payment of principal and interest” assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Group may, at initial recognition, designate a financial asset meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets.

After initial recognition, financial assets at FVPL are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL are recognized in profit or loss.

As at March 31, 2023 and December 31, 2022, the Group classified its investments in money market fund under this category (see Note 5).

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

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

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

As at March 31, 2023 and December 31, 2022, the Group's contract assets, cash in banks, cash equivalents, receivables (excluding accrued rent under straight-line basis of accounting), amounts held in escrow, and deposits are classified under this category (see Notes 4, 6, 7, and 11).

Cash in banks are demand deposits with banks and earn interest at prevailing bank deposit rates. Meanwhile, cash equivalents are short-term highly liquid investments that are readily convertible into known amounts of cash, which are subject to an insignificant risk of changes in value and which have a maturity of three (3) months or less at acquisition.

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

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

As at March 31, 2023 and December 31, 2022, the Group's loans and bonds payable, accounts payable and other liabilities (excluding statutory payables, payable to buyers and advance rent), contract liabilities and advances from non-controlling interests are classified under this category (see Notes 7, 12, 13, 14, 15 and 27).

### **Reclassification**

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

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

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

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

#### **Impairment of Financial Assets at Amortized Cost**

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

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

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

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

When the Group has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial

asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

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

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying amount of the original liability and fair value of the new liability is recognized in the consolidated statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

#### **Offsetting of Financial Assets and Liabilities**

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

#### **Classification of Financial Instrument between Liability and Equity**

A financial instrument is classified as liability if it provides for a contractual obligation to:

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

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

#### **Classification of Assets and Liabilities between Current and Noncurrent**

The Group presents current and noncurrent assets, and current and noncurrent liabilities, as separate classifications in the notes to consolidated financial statements (See Note 28).

*Current Assets.* The Group classifies an asset as current when:

- It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- It holds the asset primarily for the purpose of trading;
- It expects to realize the asset within 12 months after the reporting period; or

- The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Otherwise, the Group will classify all other assets as noncurrent.

*Current Liabilities.* The Group classifies a liability as current when:

- It expects to settle the liability in its normal operating cycle;
- It holds the liability primarily for the purpose of trading;
- The liability is due to be settled within 12 months after the reporting period; or
- It does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Otherwise, the Group will classify all other liabilities as noncurrent.

#### **Cost to Obtain a Contract with a Customer**

The Group recognizes an asset for the incremental cost of obtaining a contract with a customer if the Group expects to recover those costs. Otherwise, those costs are recognized as expense when incurred. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract such as, but not limited to, sales commissions paid to sales agents and nonrefundable direct taxes incurred in obtaining a contract.

#### **Contract Balances**

*Contract Assets.* A contract asset represents the Group's right to a consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than a passage of time. If the Group transferred goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for that earned consideration that is conditional. Contract assets are reclassified to receivables from sale of real estate upon completion of the performance obligation. Contract assets pertain to unbilled receivables from sale of office units which is computed based on POC.

*Receivables from Sale of Real Estate.* A receivable from sale of real estate represents the Group's right to a consideration that is unconditional. A right to a consideration is unconditional if only the passage of time is required before payment of that consideration is due.

*Contract Liabilities.* A contract liability represents the Group's obligation to transfer goods to a customer for which the Group has received a consideration from the customer. If a customer pays a consideration before the Group transfers goods to the customer, a contract liability is recognized when the payment is made or the payment is due, whichever is earlier. Contract liabilities are recognized as revenue when the Group performs under the contract.

#### **Debt Issue Costs**

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest rate method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in profit or loss.

#### **Real Estate for Sale**

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV).

Cost includes acquisition cost plus any other directly attributable costs of developing the asset to its saleable condition and costs of improving the properties up to the reporting date. Directly attributable costs include amounts paid to contractors, borrowing costs, planning and designing costs, costs of site preparation and construction overheads.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less estimated costs to complete and the estimated costs to sell. NRV in respect of land under development is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete the construction and less an estimate of the time value of money to the date of completion.

### **Borrowing Costs**

Borrowing costs directly attributable to the acquisition or construction 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 the 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.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. When borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

### **Investment Properties**

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

The Group uses fair value model for the accounting of its investment properties. Under this method, investment properties are initially measured at cost but are subsequently remeasured at fair value at each reporting date, which reflects market conditions at the reporting date. Cost comprises the purchase price and any directly attributable costs in developing and improving the properties. Cost also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. The fair value of investment properties is determined using market data approach, income approach and cost approach by an independent real estate appraiser. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. For the purposes of these consolidated financial statements, in order to avoid double counting, the fair value reported in the consolidated financial statements is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and minimum lease payments.

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

Investment properties are derecognized when either those have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statements of comprehensive income in the year of retirement or disposal.

#### **Property and Equipment**

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment losses.

The initial cost of property and equipment consists of the purchase price, including import duties, borrowing costs (during the construction period) and other costs directly attributable to bring the asset to its working condition and location for its intended use. Cost also includes the cost of replacing parts of such property and equipment when the recognition criteria are met and the present value of the estimated cost of dismantling and removing the asset and restoring the site where the asset is located.

Expenditures incurred after the property and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to operations in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Depreciation and amortization is calculated on a straight-line basis over the following estimated useful lives of the property and equipment:

<u>Asset Type</u>	<u>Number of Years</u>
Building and building improvements	50
Transportation and other equipment	3 to 5
Office equipment	3 to 5
Furniture and fixtures	3
Leasehold improvements	3 to 5 or lease term, whichever is shorter

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

Fully depreciated assets are retained in the account until they are no longer in use and no further charge for depreciation is made in respect to those assets.

Construction in progress is stated at cost. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and available for operational use.

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 profit or loss in the year the asset is derecognized.

#### **Other Assets**

Other assets include input value-added tax (VAT), advances for project development, creditable withholding taxes (CWT), advances for asset purchase, amounts held in escrow (classified

as financial assets), prepayments, deposits (classified as financial assets), deferred input VAT, and materials and supplies.

VAT. Revenues, expenses and assets are recognized net of the amount of VAT except:

- where VAT incurred on a purchase of assets or services is not recoverable from the 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; and
- where receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of “Other assets” or “Accounts payable and other liabilities” accounts, respectively, in the consolidated statements of financial position.

*Creditable Withholding Taxes (CWT).* CWT represents the amount withheld by the Group’s customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

*Advances for Project Development.* Advances for project development are recognized whenever the Group pays in advance for its purchase of goods or services. These are measured at transaction price less impairment in value, if any.

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

*Deferred Input VAT.* In accordance with the Revenue Regulation (RR) No. 16-2005, input VAT on purchases or imports of the Group of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter. Deferred input VAT represents the unamortized amount of input VAT on capital goods. Deferred input VAT that are expected to be claimed against output VAT for no more than 12 months after the financial reporting period are classified as current assets. Otherwise, these are classified as noncurrent assets.

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

*Software and Licenses.* Software and licenses are stated at cost less accumulated amortization and any impairment losses. Software and licenses are being amortized on a straight-line basis over ten (10) years and amortization is recognized in profit or loss. Amortization period and amortization method is reviewed at each reporting date. Any change in the useful life of the asset or the expected pattern of consumption of the future economic benefits embodied in the asset is recognized prospectively.

*Materials and Supplies.* The Group recorded as assets several excess construction materials and supplies from the completed construction of its projects. Materials and supplies are stated at lower of cost and NRV.



*Advances for Asset Purchase.* Advances for asset purchase are recognized whenever the Group pays in advance for land. These are measured at transaction price less impairment in value, if any.

#### **Impairment of Nonfinancial Assets**

The carrying amounts of the Group's nonfinancial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's net recoverable amount is estimated.

Any impairment loss is recognized if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its net recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets of the Group. Impairment losses are recognized in profit or loss in the period incurred.

The net recoverable amount of an asset is the greater of its value in use or its fair value less costs to sell. Value in use is the present value of future cash flows expected to be derived from an asset while fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized.

#### **Payable to Customers**

Payable to customers consist of amounts received by the Group from its tenants as reservation fee for lease or downpayments received from prospective buyers. These are recorded at face amount in the consolidated statements of financial position. These will be applied as security deposits upon execution of the lease contracts or against the total contract price of the real estate sale upon execution of contract to sell.

#### **Advance Rent**

Advance rent are initially recognized at the value of cash received, and will generally be applied as lease payments to the immediately succeeding months or in the last three (3) months of the lease term.

#### **Capital Stock**

*Preferred Stock.* The Group's preferred stocks are cumulative, nonvoting, nonparticipating and nonconvertible. Preferred stock is classified as equity if this is nonredeemable, or redeemable only at the Group's option, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Parent Company.

Preferred stock is classified as a liability if this is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.

*Common Stock.* Common stock is measured at par value for all shares issued.

**Additional Paid-in Capital**

Additional paid-in capital is the proceeds and/or fair value of considerations received in excess of par value of the subscribed capital stock. Incremental costs incurred directly attributable to the issuance of new shares are recognized as deduction from equity, net of any tax. Otherwise, these are recognized as expense in profit or loss.

**Treasury Shares**

Treasury shares represent owner's equity instruments which are reacquired and deducted from equity. Treasury shares are accounted for at cost and shown as a deduction in the equity section of the consolidated statements of financial position. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Parent Company's own equity instruments.

**Retained Earnings**

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration and prior period adjustments.

**Other Comprehensive Income**

Other components of equity comprise of items of income and expense that are not recognized in profit or loss for the year. Other comprehensive income pertains to cumulative remeasurement gains (losses) on net retirement liability.

**Parent Company's Shares Held by a Subsidiary**

Shares of the Parent Company held by a subsidiary are carried at cost and are deducted from equity. No gain or loss is recognized on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

**Non-controlling Interests**

Non-controlling interests represent the portion of net results and net assets not held by the Parent Company. These are within equity presented in the consolidated statements of financial position, separately from equity attributable to equity holders of the Parent Company and are separately disclosed in the consolidated statements of income and consolidated statements of comprehensive income. Non-controlling interests consist of the amount of those interests at the date of original business combination and the non-controlling interests' share on changes in equity since the date of the business combination.

**Basic and Diluted Earnings Per Share (EPS)**

Basic EPS is computed by dividing the net income for the period attributable to common equity holders of the Parent Company by the weighted average number of issued and outstanding and subscribed common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effects of any potentially dilutive convertible securities.

**Revenue Recognition**

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

performance completed to date. Otherwise, revenue is recognized at a point in time.

Revenue from contracts with customers is recognized when control of the goods and services is transferred to the customer in an amount that reflects the consideration to which the Group expected to be entitled in exchange for those goods and services.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

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

*Revenue from Real Estate Sales.* Revenue from the sale of completed real estate project is accounted for using the full accrual method in which revenue is recognized at a point in time when control is transferred to a customer. The Group transfers control of real estate for sale under pre-completion contracts over time and, therefore, satisfies the performance obligations under the contract and recognizes revenue over time.

The Group considers a contract to sell as a valid revenue contract. The Group also assesses the probability that it will collect the consideration under the contract prior to recognizing revenue. This assessment is based on the customer's ability and intention to pay the amount of consideration when it is due. If any of the above criteria is not met, the deposit method is applied until all the conditions for recognizing revenue are met.

The Group recognizes revenue from real estate sales under pre-completion contracts based on POC using the input method in which revenue is recognized on the basis of costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred.

The Group opted to defer the application guidelines of the provisions of the PIC Q&A No. 2018-12 (*as amended by PIC Q&A 2020-05*) with respect to the accounting for significant financing component, uninstalled materials and the exclusion of land in the computation of POC for a period of three (3) years.

Accordingly, the consideration is not adjusted for the effects of the time value of money, and the total cost incurred and total estimated cost to complete including the cost of land.

For tax purposes, full recognition is applied when more than 25% of the selling price has been collected in the year of sale. Otherwise, the installment method is applied.

*Leasing Revenue.* Leasing revenue consists of rent income and common use service area (CUSA) fees. Rent income arising from operating leases on investment properties is recognized on a straight-line basis over the lease terms, except for contingent rental income, which is recognized in the period that it arises. Tenant lease incentives are recognized as a reduction of rental income on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, management is reasonably certain that the tenant will exercise that option. CUSA fees are recognized as income once earned. These are charged monthly and are based on the lessee's proportionate share on the common areas.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognized in profit or loss when the right to receive those amounts arises.

*Property Management Fees.* Revenue is recognized in profit or loss when the related services are rendered.

*Interest Income.* Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

*Other Income.* Income from other sources is recognized when earned during the period.

### **Cost and Expenses Recognition**

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

*Cost of Real Estate Sales.* Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works.

*Cost of Leasing Operations.* Cost of leasing operations, which constitute direct cost incurred in relation to the leasing of properties of the Group which includes ACPT, Cazneau's dormitory units and MPI's commercial units, is recognized as expense when incurred.

*Cost of Services.* Cost of services, which constitute direct cost incurred in relation to EPMI's provision of property management services, is recognized as expense when services are rendered.

*Operating Expenses.* Operating expenses constitute cost of administering the business and cost incurred to sell and market its products and services. These are recognized as incurred.

*Finance Costs.* Finance costs are recognized in profit or loss using the effective interest method.

### **Share-based Compensation**

The Parent Company has a stock option plan covering employees, officers and directors, whereby employees render services for shares or rights over shares ("equity-settled transaction"). The rights granted under the plan are not assignable and nontransferable. The cost of the equity-settled transactions is measured by reference to the fair value of the stock options on the date that it was granted. Stock options reserve presented as part of "Equity" is measured at fair value of the share options as at reporting date when the options are exercised, forfeited or lapsed.

### **Leases**

The Group assesses whether the contracts is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Group assesses whether, throughout the period of use, it has both of the following:

i. the right to obtain substantially all of the economic benefits from use of the identified asset; and,

ii. the right to direct the use of the identified asset.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Group also assesses whether a contract contains a lease for each potential separate lease component.

*The Group as a Lessor.* Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight-

line basis over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

### **Employee Benefits**

*Short-term Benefits.* The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

*Retirement Benefits.* The Group has a funded, non-contributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs, comprising of current service costs, past service costs and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the net retirement liability or asset.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognizes restructuring-related costs.

Remeasurements pertaining to actuarial gains and losses and return on plan assets are recognized immediately in OCI 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 in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of the plan assets is based on the 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 retirement liability, 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 net retirement asset (liability) is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets against which the obligations are to be settled directly, adjusted for any effect of asset ceiling. The present value of the retirement obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability. The asset ceiling is the present value of future economic benefits available in the form of refunds from the plan or reductions in future contribution to the plan.

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

### **Foreign Currency - Denominated Transactions**

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at reporting date. Resulting exchange differences arising on the settlement of or on translating such monetary assets and liabilities are recognized in profit or loss.

### **Income Taxes**

*Current Tax.* Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforwards of unused MCIT and NOLCO 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 asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to 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 the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted, that is, when the investment property is depreciable and is held within the business model whose objective is consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax relating to items recognized outside profit or loss is recognized under OCI and outside profit or loss.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same tax authority.

### **Related Party Transactions**

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

accounted for at arm's length prices or on terms similar to those offered to non-related parties in an economically comparable market.

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

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

The key management personnel of the Group are also considered to be related parties.

#### **Segment Reporting**

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment reporting a strategic business unit that offers different products and serves different markets. Financial information on the Group's business segments is presented in Note 29 to the interim consolidated financial statements.

#### **Provisions and Contingencies**

Provisions are recognized when the Group has a present legal or constructive obligation 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. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including risks and uncertainties associated with the present obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

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

#### **Events After the Reporting Period**

Any post-year-end event that provides additional information about the Group's financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

### **3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of asset, liabilities, income and expenses. The accounting estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments

about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

### **Judgments**

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements:

*Determining Functional Currency.* Based on management's assessment, the functional currency of the Group has been determined to be Philippine Peso, the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the operations of the Group.

*Classifying Financial Instruments.* The Group exercises judgment in classifying financial instruments in accordance with PFRS 9. The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the Group's business model and its contractual cash flow characteristics and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

*Determining Control or Joint Control over an Investee Company.* Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group has determined that by virtue of the Parent Company's majority ownership of voting rights in its subsidiaries as at March 31, 2023 and December 31, 2022, it has the ability to exercise control over these investees.

*Determining Revenue and Cost Recognition.* Selecting an appropriate revenue recognition method for a particular real estate transaction requires certain judgments based on the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and completion of development.

The Group recognizes revenue over time if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group performance as the entity performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group concluded that revenue from real estate sale of office units and sale of residential units in should be recognized over time. The Group also determined that input method is the appropriate method in measuring the POC. Under POC, the Group satisfies its performance obligation to deliver a portion of the property to the customer over time. The input method is based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred. Changes in estimates may affect the reported amounts of revenue, cost of real estate sales, contract assets and contract liabilities.



*Classifying Real Estate for Sale, Investment Properties and Property and Equipment.* The Group determines whether a property qualifies as a real estate for sale, an investment property or an item of property and equipment. In making its judgment, the Group considers whether the property is held for sale in the ordinary course of business, held primarily to earn rentals or capital appreciation or both, or used for operations and administrative purposes by the Group.

*Determining Highest and Best Use of Investment Properties.* The Group determines the highest and best use of its investment properties when measuring fair value. In making its judgment, the Group takes into account the use of the investment properties that is physically possible, legally permissible and financially feasible. The Group has determined that the highest and best use of the investment properties is their current use.

*Determining Lease Commitments - Group as Lessor.* The Group determines the highest and best use of its investment properties when measuring fair value. In making its judgment, the Group takes into account the use of the investment properties that is physically possible, legally permissible and financially feasible. The Group has determined that the highest and best use of the investment properties is their current use.

*Classifying Lease Commitments - Group as a Lessee.* The Group has entered into lease agreements as a lessee. For these leases, the Group availed of the exemption for short-term leases with term of 12 months or less. Accordingly, lease payments on short-term leases were recognized as expense on a straight-line basis over the lease term.

*Assessing Provisions and Contingencies.* The Group evaluates legal and administrative proceedings to which it is involved based on analysis of potential results. Management and its legal counsels do not believe that any current proceedings will have material adverse effects on its consolidated financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of strategies relating to these proceedings.

#### **Accounting Estimates and Assumptions**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

*Recognizing Revenue and Cost of Real Estate Sales.* The Group's revenue and cost recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and cost. Revenue and cost of sale of real estate recognized based on POC are measured principally based on the costs incurred up until the end of the reporting period at a proportion of total costs expected to be incurred.

*Estimating Fair Value of Investment Properties.* Investment properties are measured at fair values. The Group works closely with external qualified valuers who performed the valuation using appropriate valuation techniques. The appraiser used a valuation technique based on comparable market data adjusted as necessary to reflect the specific assets' location and condition and, estimated expected future cash flows, yields, occupancy rates, discount rates, replacement costs and remaining economic life. The valuation techniques and inputs used in the fair value measurement of investment properties are disclosed in Note 9 to the consolidated financial statements.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the investment properties and the level of the fair value hierarchy.

*Determining NRV of Real Estate for Sale.* Real estate for sale is stated at lower of cost or NRV. NRV

for completed real estate for sale is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. NRV in respect of real estate assets under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete the construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

*Assessing ECL on Trade Receivables and Contract Assets.* The Group initially uses a provision matrix based on historical default rates for trade receivables. The provision matrix specifies provision rates depending on the number of days that a receivable is past due. The Group then calibrates the provision matrix to adjust historical credit loss experience with forward-looking information on the basis of current observable data to reflect the effects of current and forecasted economic conditions.

The Group adjusts historical default rates if forecasted economic conditions such as gross domestic product are expected to deteriorate which can lead to increased number of defaults in the real estate industry. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience.

The determination of the correlation between historical default rates and forecasted economic conditions is a significant estimate. Accordingly, the provision for ECL of receivable from real estate sales is sensitive to changes in assumptions about forecasted economic conditions.

The Group's exposure to risk of default is mitigated by the requirement that title to real estate for sale is transferred to the buyer only upon full payment of the contract price.

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

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

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions;
- actual or expected significant adverse changes in the operating results of the borrower; and
- significant changes in credit spread, rates or terms such as more stringent covenants and increased amount of collateral or guarantees.

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

*Determining Fair Value of Investment in Money Market Fund.* The Group classifies its investment in money market fund as financial asset at FVPL in the consolidated statements of financial position. The Group determined the fair value of investment in money market fund using available market prices in active markets for identical assets (Level 1). Any changes in the fair value of this financial asset would affect profit or loss.

*Estimating the Useful Lives of Property and Equipment.* The Group reviews annually the estimated useful lives of property and equipment based on expected asset's utilization, market demands and

future technological development. It is possible that the factors mentioned may change in the future, which could cause a change in estimated useful lives. A reduction in estimated useful lives could cause a significant increase in depreciation and amortization of property and equipment.

*Assessing Impairment of Nonfinancial Assets.* The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In assessing whether there is any indication that an asset may be impaired, the Group considers the external and internal sources of information. External sources of information include but are not limited to unexpected significant decline in market value and any other significant changes with an adverse effect on the Group, whether it had taken place during period or will take place in the near future in the market, economic or legal environment in which the entity operates or in the market to which the asset is dedicated. Internal sources of information include evidence of obsolescence or physical damage on an asset, significant changes with an adverse effect on the Group whether it had taken place during the period, or are expected to take place in the near future, to the extent to which, or in a manner in which, an asset is used or is expected to be used, and any other evidence that indicates that the economic performance of an asset is, or will be, worse than expected.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Value in use is determined as the present value of estimated future cash flows expected to be generated from the continued use of the assets. The estimated cash flows are projected using growth rates based on historical experience and business plans and are discounted using pretax discount rates that reflect the current assessment of the time value of money and the risks specific to the asset.

Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

*Estimating Retirement Expense.* The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 22 to the consolidated financial statements and include among others, discount rate and salary increase rate. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect net retirement liability.

*Assessing Realizability of Deferred Tax Assets.* The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of unused MCIT and NOLCO is based on the projected taxable income in the following periods. Based on the projection, not all future deductible temporary differences will be realized, therefore, only a portion of deferred tax assets was recognized.

#### **4. CASH AND CASH EQUIVALENTS**

This account consists of:

	<b>March 2023</b>	<b>December 2022</b>
Cash on hand	<b>192,530</b>	175,000
Cash in bank	<b>917,932,027</b>	1,087,334,786
Cash equivalents	<b>3,204,745,744</b>	3,708,783,876
	<b>4,122,870,301</b>	4,796,293,662

Cash in banks earn interest at prevailing bank deposit rates and are immediately available for use in the current operations. Cash equivalents are made up of short-term investments for varying periods up to three (3) months or less and earn interest at the respective prevailing short-term investment rates.

## 5. FINANCIAL ASSETS AT FVPL

Financial assets at FVPL amounting to ₱2,475.1 million and ₱2,246.0 million as at March 31, 2023 and December 31, 2022, respectively, represent units of participation in money market fund.

Financial assets at FVPL include unrealized gains (loss) amounting to (₱2.36) million and ₱0.82 million for the three months ended March 31, 2023 and 2022, respectively, and included as part of "Other income" account in the interim consolidated statements of comprehensive income. Realized gain on disposals of financial assets at FVPL amounted to ₱15.58 million and ₱5.52 million for the three months ended March 31, 2023 and 2022, respectively (see Note 21).

The fair value of financial assets at FVPL is classified under Level 1 of the fair value hierarchy using quoted market prices.

## 6. RECEIVABLES

This account consists of:

	March 2023	December 2022
Trade receivables from:		
Sale of real estate	1,624,359,426	1,975,808,602
Leasing	182,032,770	123,938,918
Due from related parties	105,527,326	46,409,707
Accrued rent receivables	46,038,074	46,903,720
Interest receivable	54,980,690	49,851,949
Advances to employees	9,931,346	9,014,053
Receivable from sale of interests in subsidiaries (Note 15)	-	4,169,113
Other receivables	112,456,577	125,705,373
	<b>2,135,326,209</b>	<b>2,381,801,435</b>
Allowance for impairment losses	<b>(1,746,790)</b>	<b>(1,746,790)</b>
	<b>2,133,579,419</b>	<b>2,380,054,645</b>

The aging analysis of receivables are shown below:

	Neither Past Due nor Impaired	Past Due but Not Impaired			Past due and impaired	TOTAL
		Within 6 months	7 months to 1 year	More than 1 year		
Receivables	900,952,105	722,900,740	348,916,978	160,441,304	368,292	<b>2,133,579,419</b>

Trade receivables from sale of real estate pertain to receivables from sale of condominium units and residential townhouses that were already billed. These receivables are noninterest-bearing and generally collectible within sixty (60) days. Titles to the units sold under this arrangement are

transferred to the buyers only upon full payment of the contract price. Trade receivables from leasing operations are noninterest-bearing, unsecured and collectible within thirty (30) days.

Accrued rent receivable pertains to the difference between rental income recognized using straight-line method of accounting and rental payments based on the terms of the lease contracts.

Interest receivable includes accrual of interest from the Group's short-term placements.

Receivable from sale of interests in subsidiaries pertains to Parent Company's receivable arising from the sale of interests in Bhavana and Bhavya, which is noninterest-bearing and collectible on demand.

Advances to employees represent salary and other loans granted to employees which are noninterest-bearing in nature and collectible through salary deductions.

Other receivables mainly include other charges and advances which are noninterest-bearing and collectible on demand.

## 7. CONTRACT ASSETS AND CONTRACT LIABILITIES

The Group's contract assets and contract liabilities are as follows:

	March 2023	December 2022
Contract assets	4,099,400,048	3,920,367,468
Contract liabilities	289,067,867	231,469,884
Net contract assets	3,810,332,181	3,688,897,584

Contract assets pertain to receivables from the sale of condominium units and residential townhouses of the Group representing the excess of cumulative revenues from real estate sales over billed amounts. These amounts will be billed and collected in accordance with the agreed payment terms with the buyers, which is normally up to maximum of five years.

Contract liabilities pertain to downpayments received from the real estate buyers at the inception of the contracts in which the related revenue is not yet recognized as at March 31, 2023 and December 31, 2022.

## 8. REAL ESTATE FOR SALE

This account consists of:

	March 2023	December 2022
Raw land	639,568,309	1,434,061,310
Assets under construction	8,372,596,881	6,772,638,516
Condominium units for development	372,550,787	1,174,683,760
	9,384,715,977	9,381,383,586

### Raw Land

Raw land pertains to parcels of land acquired by the Group for future development projects that are intended for sale. In 2022, advances for asset purchase under "Other Assets" aggregating ₱209 million was transferred to "Real estate for sale".

### Assets under Construction

Assets under construction consist of land and development costs of ongoing real estate projects of the Group. As at March 31, 2023, this account includes the land and development costs of Cebu Exchange, Savva Financial Center, Sevina Park, Lucima Residences and Eluria (see Note 1).

In June 2022, the Board of Directors of CLLC, in line with management objective to increase the corporation's recurring income, approved to keep 8,059 sqm of Cebu Exchange office units with 72 appurtenant parking slots, 2,628 sqm of retail units and an additional of 36 non-appurtenant parking slots as leasing assets of CLLC. This was reclassified from "Real estate for sale" account to "Investment properties" account aggregating ₱843.8 million.

In 2022, Cazneau transferred portion of its assets under construction from "Investment properties" account to "Real estate for sale" account aggregating ₱40.6 million because of the change in the intended use of the property as approved by the BOD.

In 2022, Bhavya transferred assets under construction pertaining to cost of model unit from "Real estate for sale" account to "Property and equipment" account aggregating ₱18.2 million because of the change in the intended use of the property as approved by the BOD.

#### **Condominium Units for Development**

Condominium units for development pertain to various condominium units in Makati City acquired by the Group and are intended for future development and for sale.

#### **NRV of Real Estate for Sale**

Real estate for sale is stated at cost which is lower than its NRV and there is no allowance for inventory obsolescence as at as at March 31, 2023 and December 31, 2022.

### **9. INVESTMENT PROPERTIES**

This account consists of:

	<b>March 2023</b>	<b>December 2022</b>
Arthaland Century Pacific Tower	<b>6,368,298,016</b>	6,182,842,179
Cebu Exchange	<b>1,821,563,611</b>	1,797,996,536
Arya Residences:		
Commercial units	<b>1,265,254,657</b>	1,265,254,657
Parking slots	<b>181,740,596</b>	181,740,596
Land:		
UPHI's Laguna and Tagaytay properties	<b>829,421,708</b>	829,421,708
Cazneau's commercial lots	<b>438,702,090</b>	438,702,090
ALCO's Batangas and Tagaytay properties	<b>216,961,878</b>	216,961,878
Courtyard Hall	<b>360,864,616</b>	360,864,616
	<b>11,482,807,172</b>	11,273,784,260

#### **ACPT**

Carrying amount of ACPT includes office units and parking slots for lease. ACPT is used as collateral for loans payable amounting to ₱1,342.0 million and ₱1,420.4 million as at March 31, 2023 and December 31, 2022, respectively (see Note 12).

#### **Cebu Exchange**

In 2022, CLLC transferred some of its Cebu Exchange inventory with cost of ₱843.8 million from “Real estate for sale” account to “Investment properties” account because of the change in the intended use of the property as approved by the BOD (see Note 8). Carrying amount of Cebu Exchange includes office and retail units and parking slots for lease and was subsequently remeasured at fair value of ₱1,821.6 million, as at March 31, 2023 (see Note 8).

#### **Arya Residences’ Commercial Units and Parking Slots**

Commercial units and parking slots in Arya Residences are used for leasing operations.

#### **Land**

UPHI’s raw land, with fair value amounting to ₱729.9 million as at March 31, 2023 and December 31, 2022, has a total area of 33 hectares and are located at Barangay Gonzalo Bontog, Calamba City and Barangay Calabuso, Tagaytay City. Portion of the UPHI’s raw land was the subject of an expropriation proceedings filed by the National Transmission Commission (NTC, successor-in-interest of National Power Corporation) with the Regional Trial Court of Calamba City, Laguna. The other parties to the case filed their respective appeals with the Court of Appeals (CA) assailing the amount of just compensation determined by the trial court. The appeal remains pending with the CA.

Moreover, a complaint for quieting of title was filed by UPHI on October 18, 2010 because of the erroneous issuance of tax declarations by the City of Tagaytay covering UPHI’s property located in Calamba City, Laguna. In June 2020, the case was decided by the trial court in favor of UPHI. The losing defendants in the case filed their respective appeals with the CA and UPHI filed its appellee’s brief defending the decision of the trial court. The case remains pending with the CA.

As at March 31, 2023, the case with NTC is still ongoing and yet to be resolved by the CA. The Company intends to amicably settle with the NTC, since the Company had already been deprived of effective use and enjoyment of the property. Management assessed that although the potential effect of this case on the Company’s financial statements would not be significant, an amicable settlement with the NTC could allow the Company to recoup the cost of the expropriated portion of the property.

Raw land of the Parent Company has a total area of 10.3 hectares located in Batangas and Tagaytay with fair value aggregating to ₱185.1 million and ₱182.8 million as at March 31, 2023 and December 31, 2022, respectively.

#### **Courtyard Hall**

Courtyard Hall of Cazneau used for leasing operations were recognized at fair value amounting to ₱326.2 million as at March 31, 2023 and December 31, 2022.

#### **Fair Value Measurement**

Details of the valuation techniques used in measuring fair values of investment properties classified under Levels 2 and 3 of the fair value hierarchy are as follows:

Class of Property	Valuation Technique	Significant Inputs	March 2023	December 2022
ACPT	Discounted cash flow approach (DCF)	Rental rate for an office unit per square meter (sqm)	<b>₱1,720</b>	₱1,717
		Rental rate per parking slot	<b>₱8,025</b>	₱8,025
		Discount rate	<b>8.91%</b>	9.07%
		Vacancy rate	<b>0%-5%</b>	5%
		Calculated no. of net leasable area (total sqm)	<b>18,059</b>	18,059
		Income tax rate	<b>25%</b>	25%

Cebu Exchange:

Class of Property	Valuation Technique	Significant Inputs	March 2023	December 2022
Commercial units	Discounted cash flow approach	Rental rate per square meter (sqm) Rent escalation rate per annum (p.a.) Discount rate Vacancy rate Income tax rate	<b>₱1,260</b> <b>5%</b> <b>8.91%</b> <b>50%</b> <b>25%</b>	<b>₱1,200</b> <b>5%</b> <b>8.37%</b> <b>50%</b> <b>25%</b>
Office units	Discounted cash flow approach	Rental rate per square meter (sqm) Rent escalation rate per annum (p.a.) Discount rate Vacancy rate Income tax rate	<b>₱735</b> <b>5%</b> <b>8.91%</b> <b>25%</b> <b>25%</b>	<b>₱700</b> <b>5%</b> <b>8.37%</b> <b>50%</b> <b>25%</b>
Parking slots	Discounted cash flow approach	Rental rate per slot Rent escalation rate p.a. Discount rate Vacancy rate Income tax rate	<b>₱5,000</b> <b>5%</b> <b>8.91%</b> <b>50%</b> <b>25%</b>	<b>₱3,000</b> <b>5%</b> <b>8.37%</b> <b>50%</b> <b>25%</b>
Arya Residences:				
Commercial units	Discounted cash flow approach	Rental rate per square meter (sqm)  Rent escalation rate per annum (p.a.) Discount rate Vacancy rate Income tax rate	<b>₱3,350</b>  <b>7%</b> <b>9.07%</b> <b>5%</b> <b>25%</b>	<b>₱3,350</b>  <b>7%</b> <b>9.07%</b> <b>5%</b> <b>25%</b>
Parking slots	Discounted cash flow approach	Rental rate per slot Rent escalation rate p.a. Discount rate Vacancy rate Income tax rate	<b>₱7,900</b> <b>7%</b> <b>9.07%</b> <b>10%</b> <b>25%</b>	<b>₱7,900</b> <b>7%</b> <b>9.07%</b> <b>10%</b> <b>25%</b>
Land:				
UPHI's Laguna and Tagaytay properties	Market data approach	Price per sqm Value adjustments	<b>₱2,500</b> <b>5% - 10%</b>	<b>₱2,500</b> <b>5% - 10%</b>
Cazneau's Laguna Properties	Market data approach	Price per sqm Value adjustments	<b>₱70,000</b> <b>5% - 20%</b>	<b>₱70,000</b> <b>5% - 20%</b>
ALCO's Batangas and Tagaytay properties	Market data approach	Price per sqm Value adjustments	<b>₱2,000</b> <b>5% - 10%</b>	<b>₱2,000</b> <b>5% - 10%</b>
Courtyard Hall	Depreciated replacement Method	Estimated replacement cost Remaining economic life	<b>₱143,117,000</b> <b>34 years</b>	<b>₱143,117,000</b> <b>34 years</b>

Details of the valuation techniques used in measuring fair values of investment properties are as follows:

### Discounted Cash Flow Approach

Under the DCF approach, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's estimated useful life including an exit or terminal value. As an accepted method within the income approach to valuation, the DCF approach involves the projection of a series of cash flows on a real property interest. An appropriate, market-derived discount rate is applied to projected cash flow series to establish the present value of the income stream associated with the investment property.



Periodic cash flows of investment properties are typically estimated as gross income less vacancy and operating expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

The frequency of inflows and outflows are contract and market-derived. The DCF approach assumes that cash outflows occur in the same period that expenses are recorded.

*Sensitivity Analysis.* Generally, significant increases (decreases) in rental rate per sq.m. or per slot and rent escalation rate p.a. in isolation would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in discount rate and vacancy rate in isolation would result in a significantly lower (higher) fair value measurement.

### Market Data Approach

Market data approach involves the comparison of the UPHI's Laguna and Tagaytay properties, Cazneau's Laguna properties and ALCO's Batangas and Tagaytay properties to those that are more or less located within the vicinity of the appraised properties and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element.

The inputs to fair valuation are as follows:

- *Price per sqm* - estimated value prevailing in the real estate market depending on the location, area, shape and time element.
- *Value adjustments* - adjustments are made to bring the comparative values in approximation to the investment property taking into account the location, size and architectural features among others.

### Depreciated Replacement Cost Method

Depreciated replacement cost method is used to estimate valuation of Courtyard Hall by computing for the replacement cost of the assets and applying appropriate adjustments for physical deterioration and functional and economic obsolescence.

## 10. PROPERTY AND EQUIPMENT

The balances and movements of this account consist of:

	March 2023					
	Building and Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Total
<b>Cost</b>						
Balance at beginning of year	₱246,302,891	₱95,710,788	₱48,386,884	₱95,370,038	₱78,500	₱485,849,101
Additions	-	1,258,929	860,360	(1,725,522)	-	393,767
Disposals	-	(6,614,286)	-	-	-	(6,614,286)
Reclassification	-	-	-	-	-	-
<b>Balance at end of year</b>	<b>246,302,891</b>	<b>90,355,431</b>	<b>49,247,244</b>	<b>93,644,516</b>	<b>78,500</b>	<b>479,628,582</b>
<b>Accumulated Depreciation and Amortization</b>						
Balance at beginning of year	40,685,343	43,921,876	36,825,221	30,398,158	78,500	151,909,098
Depreciation and amortization	1,125,230	5,090,573	1,971,242	1,738,064	-	9,925,109
Disposals	-	(5,459,112)	-	-	-	(5,459,112)
<b>Balance at end of year</b>	<b>41,810,573</b>	<b>43,553,337</b>	<b>38,796,463</b>	<b>32,136,222</b>	<b>78,500</b>	<b>156,375,095</b>
<b>Carrying Amount</b>	<b>₱204,492,318</b>	<b>₱46,802,094</b>	<b>₱10,450,781</b>	<b>₱61,508,294</b>	<b>-</b>	<b>₱323,253,487</b>

	December 2022					
	Building and Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Cost						
Balance at beginning of year	₱246,302,891	₱85,240,790	₱68,877,590	₱24,861,413	₱78,500	₱425,361,184
Additions	—	32,908,114	20,396,991	52,313,554	—	105,618,659
Disposals	—	(22,438,116)	—	—	—	(22,438,116)
Reclassification	—	—	(40,887,697)	18,195,071	—	(22,692,626)
Balance at end of year	246,302,891	95,710,788	48,386,884	95,370,038	78,500	485,849,101
Accumulated Depreciation and Amortization						
Balance at beginning of year	35,771,010	42,483,571	54,370,174	19,444,563	78,500	152,147,818
Depreciation and amortization	4,914,333	19,329,891	8,720,433	10,953,595	—	43,918,252
Disposals	—	(17,891,586)	—	—	—	(17,891,586)
Reclassification	—	—	(26,265,386)	—	—	(26,265,386)
Balance at end of year	40,685,343	43,921,876	36,825,221	30,398,158	78,500	151,909,098
Carrying Amount	₱205,617,548	₱51,788,912	₱11,561,663	₱64,971,880	₱—	₱333,940,003

Depreciation and amortization on property and equipment were included as part of “Operating expenses” and “Cost of services” account in the interim consolidated statements of comprehensive income.

## 11. OTHER ASSETS

This account consists of:

	March 2023	December 2022
Input VAT	<b>610,271,153</b>	636,714,373
CWT	<b>575,293,084</b>	564,485,238
Advances for project development	<b>469,589,517</b>	338,189,625
Amounts held in escrow	<b>244,756,597</b>	244,142,706
Prepayments	<b>191,818,359</b>	80,444,499
Deposits	<b>93,743,357</b>	93,309,077
Deferred input VAT	<b>29,136,579</b>	39,111,784
Software and licenses	<b>26,250,962</b>	27,045,949
Materials and supplies	<b>1,341,909</b>	1,341,909
	<b>2,242,201,517</b>	2,024,785,160

Advances for project development pertain to down payments made to contractors for the construction of the Group’s real estate projects. These advances are applied against contractors’ progress billings.

Amounts held in escrow represents the debt service account required under existing loans with certain banks and the amount of which is equivalent to a quarterly principal and interest amortization.

Prepayments consist of rent, taxes, insurance and other expenses which are amortized over a year, and of prepaid commissions, amortized over the lease term for leasing and based on percentage of completion for selling.

Deposits pertain to utility deposits, deposits for professional services, guarantee and other deposits for the construction of the Group’s real estate projects. Deposits are settled upon completion of the documentary requirements.

The carrying amount of software and licenses amounted to ₱26.3 million as at March 31, 2023. Amortization of software and licenses recorded as part of “Depreciation and amortization” account in the consolidated statements of comprehensive income.

Materials and supplies are the excess construction materials and supplies from the construction of completed real estate projects.

## 12. LOANS PAYABLE

This account consists of:

	March 2023	December 2022
Local banks	11,676,940,413	11,708,430,709
Private funders	50,723,970	55,723,970
	<b>11,727,664,383</b>	<b>11,764,154,679</b>

### Local bank loans

Loans from local banks consist of interest-bearing secured and unsecured loans obtained to finance project development and working capital requirements of the Group and carries interest rates ranging from 4.75% to 8.77% p.a. and 4.50% to 7.50% p.a. in March 31, 2023 and December 31, 2022, respectively.

#### *Construction of Cebu Exchange*

In 2017, CLLC entered into an OLSA for a credit line of ₱2,350.0 million with a local bank, to partially finance the development and construction of Cebu Exchange. Loan proceeds was received in several drawdowns within a period of three years after initial drawdown. The outstanding loan balance is secured by Cebu Exchange property and pledge of shares of ALCO and a non-controlling interest in CLLC. The loan was fully settled as at December 31, 2022.

#### *Construction of ACPT*

In 2015, the Parent Company entered into an OLSA for a credit line of ₱2,000.0 million, to partially finance the cost of construction and development of the ACPT. The outstanding loan balance is secured by the ACPT building and a security trust agreement covering the maintenance of revenue and operating accounts, project receivables and project agreements. As of March 31, 2023 and December 31, 2022, ALCO is required to maintain a current ratio of at least 1.50x and a debt-to-equity ratio of not more than 2.00x based on the annual consolidated financial statements of the Group. ALCO has current ratio of 2.49x and 2.44x and debt to equity ratio of 1.53x and 1.56x, based on its consolidated financial statements as at March 31, 2023 and December 31, 2022, respectively, which is compliant with the financial covenants.

#### *Acquisition of land and construction of Savya Financial Center*

In 2018, SLDC entered into a MTL for a credit line of ₱1,440.0 million with a local bank, to partially finance the acquisition and development of its land in Taguig City and to repay advances from shareholders. This loan facility is secured by an unregistered real estate mortgage over a parcel of raw land of SLDC, corporate continuing suretyship of ALCO until the completion of construction of Savya Financial Tower 1 and 100% sale of units therein, and deposits in an escrow account (see Note 11). The loan was fully settled in 2021.

In 2021, SLDC entered into a new loan facility of ₱1,440.0 million with a local bank. The ₱1,440.0 million was fully drawn and was used to repay the ₱1,440.0 million outstanding loan under the MTL. The outstanding loan balance is secured by real estate mortgage over raw land property (see Note 9). SLDC is required to debt service coverage ratio of 1.25x beginning 2021 and shall not fall below 1.5x

to declare dividends and maintain a debt-to-equity ratio not exceeding 2.0x and a current ratio of at least 1.5x. As at March 31, 2023 and December 31, 2022, SLDC is compliant with the requirements of the term loan.

#### *Construction of Sevina Park*

In 2021, Cazneau entered into a long-term loan facility of ₱1.0 billion with a local bank to partially finance the construction of Sevina Park. Loan proceeds are available in multiple tranches for a period of three (3) years from the date of initial drawdown. The outstanding loan balance is secured by real estate mortgage over two parcels of land of Cazneau and grant of security interest over shares of ALCO. Moreover, Cazneau is required to maintain debt to equity ratio of not more than 2.00x and current ratio of not less than 1.50x. As at March 31, 2023 and December 31, 2022, the company is compliant with the requirements of the term loan.

#### *Construction of Lucima Residences*

In 2021, the Company entered into a term loan facility of ₱930.0 million with a local bank to partially finance the construction of Lucima Residences. Loan proceeds are available in multiple tranches for a period of 3 years from the date of initial drawdown. The outstanding loan balance is secured by real estate mortgage on the land of Bhavana located in Cebu City. Moreover, Bhavana is required to maintain debt to equity ratio of not more than 2.00x, current ratio of not less than 1.50x and project debt to equity ratio not exceeding 0.50x. As at March 31, 2023 and December 31, 2022, the company is compliant with the requirements of the term loan.

#### *Development of Green Projects*

On February 14, 2020, ALCO entered into a term loan agreement of ₱1,000.0 million with a local bank to obtain financing for the Group' eligible green projects, including land banking, investments and refinancing in relation to eligible green projects. A drawdown of ₱1,000.0 million was made within the same year. ALCO is required to submit a regular disbursement report to the bank soon after the date the proceeds were utilized to confirm that the proceeds has been used for the eligible green projects.

#### **Private Funders**

Outstanding balances of the loans from private funders amounting to ₱50.7 million and ₱55.7 million as at March 31, 2023 and December 31, 2022 have interest rates of 3.50% to 4.13% p.a., are unsecured and are for working capital requirements of the Group.

### **13. BONDS PAYABLE**

Details of this account is as follows:

	<b>March 2023</b>	<b>December 2022</b>
Bonds payable	<b>6,000,000,000</b>	6,000,000,000
Unamortized debt issue cost	<b>(69,327,082)</b>	(74,228,852)
	<b>5,930,672,918</b>	5,925,771,148

In October 2019, the Board of Directors (BOD) of ALCO approved the filing of a registration statement for the shelf registration of ₱6.0 billion fixed rate ASEAN Green Bonds (the "Bonds") and the initial tranche of ₱2.0 billion bonds, with an oversubscription option of up to ₱1.0 billion.

In January 2020, the SEC approved the registration of the Bonds and the issuance of the initial tranche of the Bonds. On February 6, 2020, ALCO issued the initial tranche of the Bonds amounting to ₱2.0 billion with an oversubscription of ₱1.0 billion. It has a term ending five years from the issue date or on February 6, 2025, with a fixed interest rate of 6.35% p.a. and an early redemption option on the

3rd and 4th year from issue date. The proceeds of the initial tranche is for the development of eligible green projects and payment of certain outstanding loans of the Group.

In October 2022, the BOD of ALCO approved the remaining second tranche of the Bonds of up to ₱3.0 billion. In December 2022, the SEC approved the offer supplement for the second tranche amounting to ₱2.4 billion with an oversubscription of up to ₱0.6 billion. The Bonds have a term ending five years from the issue date with a fixed interest rate of 8.00% p.a. and early redemption option on the 3rd and 4th year from issue date, and term ending seven years from the issue date with a fixed interest rate of 8.7557% p.a. and early redemption option on the 5th and 6th year from issue date. The proceeds of the Bonds is for the development of eligible green projects and payment of certain outstanding loans of the Group.

The Group is required to maintain debt to equity ratio of not more than 2.00x and current ratio of at least 1.50x based on the audited consolidated financial statements. As at March 31, 2023 and December 31, 2022, the Group is compliant with these financial ratios.

#### **14. ACCOUNTS PAYABLE AND OTHER LIABILITIES**

This account consists of:

	<b>March 2023</b>	<b>December 2022</b>
Accounts payable	<b>286,255,911</b>	327,514,986
Accrued expenses	<b>626,423,859</b>	825,945,905
Deferred output VAT	<b>739,282,595</b>	769,967,164
Retention payable	<b>652,318,100</b>	635,086,197
Payable to buyers	<b>384,818,552</b>	347,405,421
Security deposits	<b>99,988,618</b>	127,791,142
Advance rent	<b>91,364,374</b>	79,069,176
Construction bonds	<b>35,535,543</b>	22,020,484
Withholding taxes payable	<b>28,951,236</b>	41,075,896
Income tax payable	<b>20,413,107</b>	838,178
Dividends payable	<b>7,093,749</b>	187,093,749
Others	<b>21,294,280</b>	18,390,005
	<b>2,993,739,924</b>	3,382,198,303

Accounts payable, which are noninterest-bearing and are normally settled within 30 days to one year, consist mainly of liabilities to contractors and suppliers.

Accrued expenses are expected to be settled within the next 12 months which pertains to construction costs, interest, management and professional fees, utilities, commissions, advertising and other expenses.

Deferred output VAT pertains to VAT from sales of property on installments. If the payments in the year of sale do not exceed twenty-five percent (25%) of the gross selling price, the sale will be considered under installment, in which case VAT will be paid based on collections.

Retention payable, which will be released after completion and satisfaction of the terms and conditions of the construction contract, pertains to amount retained by the Group from the contractors' progress billings for the real estate projects of the Group.

Payable to buyers include reservation fees and collections received from prospective lessees or

buyers, which are and to be applied as security deposits upon execution of lease contracts or against the total contract price of the real estate sale.

Security deposits pertain to the deposits made by the lessees of the ACPT, Arya commercial units, and dormitory units which are refundable upon termination of the lease less any unsettled balances.

Advance rent pertains to the payments made in advance by the tenants to be applied to their rent payable in the immediately succeeding months or in the last three (3) months of the lease term.

Construction bonds represent noninterest-bearing deposits made by the lessees before the start of construction or fit out of their leased or rented units in ACPT and refundable upon fulfillment of contract provisions.

Other payables pertain to liabilities to SSS, PhilHealth and HDMF.

## **15. RELATED PARTY TRANSACTIONS**

The company engages, in the normal course of business, in various transactions with its related parties which include entities under common control, key management and others.

### **Share Purchase Agreement**

The Parent Company has an outstanding receivable from CPG amounting to ₱36.1 million as at March 31, 2023 and December 31, 2022 arising from a share purchase agreement between the Parent Company, CPG and AOCH1. Under the claw-back provision of the share purchase agreement, the Parent Company warrants the final resolution acceptable to CPG and its counsel with respect to the pending complaint involving the property owned by UPHI, which includes, among others, removing all doubt on the ownership of UPHI over the property. In the event the satisfactory evidence is submitted by the Parent Company to CPG, the latter shall pay to the Parent Company the entire claw-back amount or a portion thereof plus interest earned in which the claw-back amount was held in escrow.

### **Advances for Working Capital**

This pertains to expenses advanced by the Group to the related parties. Outstanding balances of advances for working capital are unsecured, unguaranteed, collectible or payable on demand and to be settled in cash.

The Group's allowance for ECL on due from related parties amounted to nil as at March 31, 2023 and December 31, 2022.

### **Management Fee**

Management fees are recognized for management consultancy, development and administrative services provided by CPG. Outstanding balances are unsecured, noninterest-bearing, payable on demand and to be settled in cash.

### **Compensation of Key Management Personnel**

The compensation of key management personnel are as follows:

	<b>March 2023 (Three Months)</b>	<b>December 2022 (Twelve Months)</b>
Salaries and other employee benefits	<b>23,260,812</b>	106,570,170
Retirement benefits expense	-	26,688,905
	<b>23,260,812</b>	133,259,075

### **Transactions with the Retirement Plan**

The Parent Company's retirement fund is administered and managed by a trustee bank. The fair value of plan assets, which are primarily composed of unit investment trust funds, amount to ₱144.9 million and ₱143.3 million as at March 31, 2023 and December 31, 2022, respectively.

The retirement fund neither provides any guarantee or surety for any obligation of the Parent Company nor its investments covered by any restrictions or liens.

### **Material Non-controlling Interests**

#### *CLLC*

In addition to the advances from the Parent Company, CLLC obtained from Rock & Salt B.V. for its real estate projects. All outstanding balances are unguaranteed, unsecured, bearing interest at 3.5% per annum and payable on demand and in cash.

In December 2021, the Parent Company purchased 214,351 common and 118,982 preferred shares representing 40% of the ownership and voting rights of CLLC for ₱113.2 million from RSBV, resulting to 100% ownership of the Parent Company in CLLC. The difference between the acquisition cost and book value amounting to ₱60.5 million was recorded as reduction to equity reserves. RSBV assigned its shareholder advances and accrued interest receivables amounting to ₱764.1 million which was fully settled in 2022.

#### *SLDC*

Non-controlling interests over SLDC is 41% as at March 31, 2023 and December 31, 2022. SLDC received deposits amounting to ₱196.2 million in 2022 and ₱681.5 million in 2021 for future stock subscription from HHI. These will be applied against future subscription on preferred shares where SEC approve SLDC's application for the change in the par value of authorized preferred shares. As at December 31, 2022, SLDC has already submitted the requirements for the conversion of deposits for future stock subscription to preferred shares pending approval with the SEC.

Deposits for future stock subscription pertains to deposits received from HHI which will be applied against future stock subscriptions at a price of ₱100 per share upon SEC's approval of the Company's application for the change in the par value of authorized preferred shares. The change in the par value of the authorized preferred shares was approved by the SEC on February 17, 2020. On March 17, 2023, the deposits amounting to ₱1,909.6 million were converted to 19,096,407 preferred shares.

Moreover, SLDC received advances from related parties and expenses paid by related parties on behalf of SLDC. All outstanding balances are unsecured, noninterest-bearing, and payable on demand and in cash.

#### *KHI*

On June 1, 2020, the Parent Company assigned 40% of its advances to KHI amounting to ₱195.0 million, in favor of MEC, and bear interest of 3.5% per annum. These are unsecured, unguaranteed, and payable on demand and in cash.

#### *Bhavana and Bhavya*

In December 2021, ALCO sold, transferred and conveyed in favor of Narra Investment Properties Pte. Ltd. ("Narra"), by way of secondary sale, all of its rights, title and interest in and to 40% of the common shares of stock of Bhavana and Bhavya, or 20,000,000 common shares of stock thereof, as well as its shareholder advances and accrued interest receivables aggregating ₱449.4 million in exchange for ₱446.8 million. The transfer of Bhavana and Bhavya shares decreased the effective ownership of ALCO from 100% to 60%. The Parent Company's receivable arising from the sale of interests in Bhavana and Bhavya amounted to nil and ₱4.2 million as at March 31, 2023 and December 31, 2022, respectively (see Note 6).

The Group has the following transactions with the non-controlling interests:

	Amount of Transactions		Outstanding Balance	
	March 2023	December 2022	March 2023	December 2022
<b>Advances for Project Development</b>				
HHI	₱—	₱—	₱495,919,597	₱495,919,597
Narra	—	—	411,200,000	411,200,000
MEC	—	—	195,000,000	195,000,000
RSBV	—	—	—	—
			<b>₱1,102,119,597</b>	<b>₱1,102,119,597</b>

## 16. EQUITY

The details of the Parent Company's number of common and preferred shares follow:

	March 2023		December 2022	
	Preferred	Common	Preferred	Common
Authorized	50,000,000	16,368,095,199	50,000,000	16,368,095,199
Par value per share	₱1.00	₱0.18	₱1.00	₱0.18
Issued	48,500,000	5,318,095,199	48,500,000	5,318,095,199
Outstanding	28,500,000	5,318,095,199	28,500,000	5,318,095,199

### Preferred Shares

The rollforward analysis of the outstanding preferred shares is as follows:

	March 2023		December 2022	
	Number of shares	Amount	Number of shares	Amount
<b>Issued and outstanding</b>				
Balance at beginning of period	28,500,000	₱28,500,000	42,500,000	₱42,500,000
Issuance during the period	-	-	6,000,000	6,000,000
Redemption during the period	-	-	(20,000,000)	(20,000,000)
Balance at end of period	28,500,000	28,500,000	28,500,000	28,500,000
<b>Parent Company's preferred shares held by a subsidiary</b>				
	(12,500,000)	(12,500,000)	(12,500,000)	(12,500,000)
	16,000,000	₱16,000,000	16,000,000	₱16,000,000

ALCO issued 12.5 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated preferred shares (the "Series A" preferred shares) to MPI and 30.0 million preferred shares (the "Series B" and "Series C" preferred shares) which are likewise cumulative, nonvoting, nonparticipating, and nonconvertible Peso-denominated, among other conditions, to the public at the issuance price of ₱100 a share at ₱1.00 par value a share. MPI acquired the 12.5 million Series A preferred shares at a ₱1.00 par value a share.

On December 6, 2021, the Parent Company redeemed all of the outstanding 20.0 million Series B Preferred Shares equal to its offer price plus any accrued and unpaid cash dividends due as of date. Treasury shares pertaining to the redemption of 20.0 million Series B Preferred Shares recognized at cost amounted to ₱2,000.0 million as at December 31, 2022.



On December 3, 2021, the Parent Company made a follow-on offering of 6.0 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated preferred shares (the “Series D Preferred Shares, with ₱1.00 par value a share at the issuance price of ₱500 a share. Excess of the proceeds over the total par value amounting to ₱2,994.0 million and transaction costs of ₱29.6 million were recognized as addition and reduction to additional paid-in capital, respectively.

In June 2019, the Company made a follow-on offering of 10.0 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated preferred shares (the “Series C Preferred Shares”) with ₱1.00 par value a share at the issuance price of ₱100 a share. Excess of the proceeds over the total par value amounting to ₱990.0 million and transactions costs of ₱12.5 million were recognized as additional and reduction to additional paid-in capital, respectively.

In 2016, ALCO issued 12.5 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated preferred shares (the “Series A Preferred Shares”) with ₱1.00 par value a share to MPI. Also in 2016, the Company made a follow-on offering of 20.0 million cumulative, nonvoting, nonparticipating, and nonconvertible Peso-denominated preferred shares (the “Series B preferred shares”) with ₱1.00 par value a share at the issuance price of ₱100 a share.

### **Common Shares**

As at March 31, 2023 and December 31, 2022, the Parent Company has issued and outstanding common shares of 5,318,095,199 with par value of ₱0.18 amounting to ₱957.3 million.

### **Dividend Declaration**

The Parent’s Company’s BOD and stockholders approved the following cash dividends to ALCO’s stockholders:

Declaration Date	Stockholders of Record Date	Payment Date	Share	Amount	Dividend per Share
January 25, 2023	March 01, 2023	March 27, 2023	Series C preferred shares	17,319,000	1.7319
January 25, 2023	February 08, 2023	March 3, 2023	Series D preferred shares	45,000,000	7.5000
				<b>₱62,319,000</b>	

Declaration Date	Stockholders of Record Date	Payment Date	Share	Amount	Dividend per Share
October 26, 2022	December 5, 2022	December 27, 2022	Series C preferred shares	₱17,319,000	₱1.7319
October 26, 2022	November 14, 2022	December 3, 2022	Series D preferred shares	45,000,000	7.5000
August 5, 2022	September 1, 2022	September 27, 2022	Series C preferred shares	17,319,000	1.7319
August 5, 2022	August 19, 2022	September 3, 2022	Series D preferred shares	45,000,000	7.5000
June 24, 2022	July 11, 2022	August 4, 2022	Common shares	63,817,142	0.012
May 4, 2022	June 2, 2022	June 27, 2022	Series C preferred shares	17,319,000	1.7319
May 4, 2022	May 19, 2022	June 3, 2022	Series D preferred shares	45,000,000	7.5000
February 23, 2022	March 10, 2022	March 27, 2022	Series C preferred shares	17,319,000	1.7319
January 26, 2022	February 11, 2022	March 3, 2022	Series D preferred shares	45,000,000	7.5000
				<b>₱313,093,142</b>	

### **Other Equity Reserves**

This account consists of:

	March 2023	December 2022
Effect of changes in the Parent Company's ownership		
interest in subsidiaries	169,002,018	169,002,018
Stock options outstanding	7,161,827	7,161,827
Cumulative remeasurement gains (losses) on net retirement liability - net of tax	45,532,590	45,532,590
	221,696,435	221,696,435

*Effect of Change in the Parent Company's Ownership Interest in a Subsidiary*

In December 2021, the Parent Company purchased 214,351 common and 118,982 preferred shares representing 40% of the ownership and voting rights of CLLC for ₱113.2 million from RSBV resulting to 100% ownership of the Parent Company in CLLC. The difference between the acquisition cost and book value amounting to ₱60.5 million was recorded as reduction to equity reserves (see Note 15).

In 2020, excess of proceeds over the cost of disposed interest in a subsidiary pertains to the difference between the amount received by ALCO of ₱275.0 million, net of transaction costs and taxes of ₱40.5 million, for the sale of 40% of KHI's shares sold to MEC (see Note 1).

*Stock Options Outstanding*

On October 16, 2009, the stockholders approved the 2009 ALCO Stock Option Plan with the objective of providing material incentive to qualified employees of the Group. The total amount of shares which are available and may be issued for this purpose will amount to 10% of ALCO's total outstanding capital stock at any given time. The period during which a Qualified Employee may exercise the option to purchase such number of common shares granted to him/her will be three (3) years commencing after he or she has rendered the mandatory one year service to the Corporation in accordance with the following schedule:

- i. Within the first 12 months from grant date - up to 33.33%
- ii. Within the 13th to the 24th month from grant date - up to 33.33%
- iii. Within the 25th to 36th month from grant date - up to 33.33%

On December 14, 2018, the BOD approved granting options equivalent to not more than 90.0 million common shares to its qualified employees. On June 26, 2020, the number of options granted and issued to qualified employees amounted to 55.4 million shares. The total fair value of stock options granted amounted to ₱6.5 million. The fair values of stock options granted are estimated on the date of grant using the Black-Scholes Merton (BSM) Formula taking into the account the terms and conditions upon which the options were granted. The BSM Formula utilized inputs namely; market value of the share, time to maturity, dividend yield, and risk free rate.

Fair value of each option at grant date is ₱0.14. Assumptions used to determine the fair value of the stock options are as follow:

Weighted average share price	₱0.65
Exercise price	₱0.50
Expected volatility	2.40%
Dividend yield	1.32%
Risk-free interest rate	1.35%

As at March 31, 2023 and December 31, 2022, none of the qualified employees have exercised their options.

**Use of Proceeds**

### *Green Bonds – Second Tranche*

The estimated gross proceeds from the offer of the second tranche of the Bonds amounted to ₱2,944.7 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱2,951.0 million.

The following tables show the breakdown of the use of the proceeds (amounts in millions):

Purpose	Per Offer Supplement	Actual Net Proceeds	Actual Disbursement as at March 31, 2023	Balance for Disbursement as at March 31, 2023
Development of various projects	₱2,550.0	₱2,550.0	₱–	₱2,550.0
Repayments of loans that financed the construction and development of ACPT	450.0	399.0	75.0	324.0
<b>Total</b>	<b>₱3,000.0</b>	<b>₱2,949.0</b>	<b>₱75.0</b>	<b>₱2,874.0</b>

## **17. REVENUES**

The account consists of:

	<b>March 2023 (Three Months)</b>	<b>March 2022 (Three Months)</b>
Real estate sales of:		
Cebu Exchange	<b>9,532,172</b>	209,234,293
Savya Financial Center	<b>49,000,388</b>	147,212,272
Sevina Park	<b>513,361,985</b>	48,888,093
Lucima	<b>176,181,080</b>	-
	<b>748,075,625</b>	405,334,658
Leasing revenue	<b>82,777,077</b>	79,852,906
Property Management fees	<b>4,575,867</b>	4,508,405
	<b>835,428,569</b>	489,695,969

Leasing revenue pertains to rent income and CUSA earned from various lease contracts of the Parent Company in ACPT, commercial units of MPI in Arya Residences and dormitory units in Courtyard Hall, in which rent income is recognized on a straight-line basis under PAS 17, *Leases*.

Property management fees pertain to services rendered by EPMI to the Arya Residences Condominium Corporation (ARCC) and Arthaland Century Pacific Tower Condominium Corporation (ACPTCC). The service contract with ARCC has a term of five (5) years commencing on December 1, 2014 and was subsequently renewed for a period of five (5) years commencing on December 1, 2021. Meanwhile, the service contract with ACPTCC has a term of seven (7) years commencing on August 1, 2018, both for the management and maintenance of all common areas of said condominium properties.

## **18. COST AND EXPENSES**

The account consists of:

	<b>March 2023 (Three Months)</b>	<b>March 2022 (Three Months)</b>
Cost of real estate sales	<b>358,378,882</b>	201,547,609
Cost of leasing operations	<b>38,647,694</b>	25,481,226

	<b>March 2023</b> <b>(Three Months)</b>	March 2022 (Three Months)
Cost of services	<b>7,695,828</b>	4,563,161
	<b>404,722,404</b>	231,591,996

## **19. OPERATING EXPENSES**

Details of operating expenses by nature are as follows:

	<b>March 2023</b> <b>(Three Months)</b>	March 2022 (Three Months)
Personnel costs	<b>61,707,765</b>	59,472,684
Advertising	<b>53,463,524</b>	35,732,329
Taxes and licenses	<b>29,485,894</b>	15,989,946
Commissions	<b>17,066,884</b>	16,332,525
Communication and office expenses	<b>17,912,739</b>	14,289,398
Insurance	<b>12,732,267</b>	6,020,398
Depreciation and amortization	<b>10,699,200</b>	8,992,223
Utilities	<b>8,289,534</b>	1,403,660
Transportation and travel	<b>3,641,935</b>	4,993,561
Management and professional fees	<b>3,207,686</b>	10,222,398
Repairs and maintenance	<b>3,119,231</b>	1,114,056
Rental	<b>1,728,028</b>	803,377
Representation	<b>104,946</b>	432,634
Others	<b>448,026</b>	2,672,898
	<b>223,607,659</b>	178,472,087

## **20. FINANCE COSTS**

Finance costs relate to the following:

	<b>March 2023</b> <b>(Three Months)</b>	March 2022 (Three Months)
Interest expense	<b>248,310,025</b>	86,057,317
Bank charges	<b>15,317,832</b>	877,309
	<b>263,627,857</b>	86,934,626

## **21. OTHER INCOME – NET**

This account consists of:

	<b>March 2023</b> <b>(Three Months)</b>	March 2022 (Three Months)
Realized gain on disposals of financial assets at FVPL	<b>15,582,962</b>	5,518,244
Interest income	<b>8,133,347</b>	4,005,500
Gain on sale of investment properties	<b>1,198,576</b>	-

	March 2023 (Three Months)	March 2022 (Three Months)
Foreign exchange gains (losses)	(467,294)	305,197
Unrealized holding gains (losses) on financial assets at FVPL	(2,355,408)	816,108
Loss on disposal of property and equipment	(1,155,355)	-
Forfeited collections	-	5,623,135
Others	3,610,021	(3,413,803)
	<b>24,546,849</b>	<b>12,854,381</b>

## 22. NET RETIREMENT LIABILITY

The Parent Company has a funded and non-contributory defined benefit retirement plan covering all of its qualified employees. The retirement benefits are based on years of service and compensation on the last year of employment as determined by an independent actuary. The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with minimum of five years of credited service or late retirement after age 60, both subject to the approval of the Company's BOD.

The plan is exposed to interest rate risks and changes in the life expectancy of qualified employees. The plan is not exposed to significant concentrations of risk on the plan assets.

There are no unusual or significant risks to which the retirement liability exposes the Parent Company. However, in the event a benefit claim arises under the retirement liability, the benefit shall immediately be due and payable from the Parent Company.

The movements of net retirement liability (asset) recognized in the consolidated statements of financial position are as follows:

	March 2023	December 2022
Balance at beginning of period	(33,513,423)	118,443,498
Retirement expense:		
Current service cost	7,260,900	23,235,167
Interest cost	-	3,453,738
Contributions to retirement plan assets	-	(120,000,000)
Remeasurement loss (gains)	-	(62,743,519)
Effect of asset ceiling		4,097,693
Balance at end of period	<b>(26,252,523)</b>	<b>(33,513,423)</b>

## 23. INCOME TAXES

The components of provision for income tax are as follows:

	March 2023	March 2022
<b>Reported in Profit or Loss</b>		
Current income tax expense:		
RCIT	29,030,766	28,464,894
MCIT	3,199,420	1,065,883

	March 2023	March 2022
Final taxes	4,918,796	1,901,140
Gross income tax (GIT)	(135,627)	339,218
	37,013,355	31,771,135
Deferred	24,002,958	19,763,326
	61,016,313	51,534,461

#### Reported in OCI

Deferred tax benefit related to remeasurement losses on  
net retirement liability

- -

#### Deferred Tax Assets and Deferred Tax Liabilities

The components of the Group's recognized deferred tax assets and deferred tax liabilities are as follows:

	March 2023	December 2022
Deferred tax assets:		
NOLCO	322,779,074	325,083,921
Retirement liability	20,933,922	19,118,697
Advance rent	20,759,810	17,686,010
Excess MCIT over RCIT	6,636,518	3,517,773
Unrealized foreign exchange loss	1,889,209	4,111
Allowance for impairment losses	528,771	528,771
	373,527,304	365,939,283
Deferred tax liabilities:		
Cumulative gain on change in fair value of investment properties	1,817,433,594	1,758,663,966
Excess of financial over taxable gross profit	429,594,933	457,850,213
Accrued rent receivable	9,326,793	9,326,793
Depreciation of investment properties	44,866,929	42,365,389
Transfer of fair value to property and equipment	10,277,307	10,333,467
Capitalized debt issue costs	7,936,393	7,979,526
Gain on repossession of real estate for sale	-	1,327,338
Unrealized foreign exchange gains	2,230,079	2,230,079
	2,321,666,028	2,290,076,771
Net deferred tax liabilities	1,948,138,724	1,924,137,488

The reconciliation between the income tax expense based on statutory income tax rate and effective income tax rate reported in the consolidated statements of comprehensive income is as follows:

	March 2023	March 2022
Income tax computed at statutory tax rate	63,279,334	54,683,386
Add (deduct) tax effects of:		
Nondeductible expenses and nontaxable income	(1,597,296)	376,692
Income subject to GIT	(844,711)	(5,906,086)
Change in unrecognized deferred tax assets	819,843	3,058,638
Income subject to final tax	(640,857)	(678,169)
	61,016,313	51,534,461

### **PEZA Registration**

ACPT is registered with the PEZA as an Ecozone Facilities Enterprise (see Note 1). The scope of its registered activity is limited to development, operation and maintenance of an economic zone.

Under the PEZA Registration Agreement, ACPT is entitled to:

- 5% GIT, in lieu of all national and local taxes; and
- Tax and duty-free importation of capital equipment required for the technical viability and operation of the registered facilities or activities.

Any income from activities of ACPT outside the PEZA-registered activities is subject to RCIT.

### **Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) Law**

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) was approved and signed into law by the country’s President. Under the CREATE, the regular corporate income tax (RCIT) of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the minimum corporate income tax (MCIT) was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

However, the income tax rates used in preparing the financial statements as at and for the year ended December 31, 2020 are 30% and 2% for RCIT and MCIT, respectively. The difference amounting to ₱301.2 million arising from the changes in income tax rates was recognized in 2021. Accordingly, the income tax rates used in preparing the interim consolidated financial statements as at March 31, 2023 are 25% and 1% for RCIT and MCIT, respectively.

## **24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group’s financial instruments comprise cash in banks, cash equivalents, financial assets at FVPL, receivables (excluding advances for project development and accrued rent receivable under straight-line basis of accounting), amounts held in escrow, deposits, loans and bonds payable, accounts payable and other liabilities (except statutory liabilities, advance rent and payable to buyers) and due to a related party.

It is the Group’s policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group’s financial instruments are credit risk, liquidity risk and interest rate risk. The BOD reviews and approves policies for managing these risks as summarized below.

### **Foreign Currency Risk**

The Group’s exposure to foreign currency risk is minimal, as it does not enter into significant transactions in currencies other than its functional currency.

### **Credit Risk**

The Group’s exposure to credit risk arises from the failure of counterparty to fulfill its financial commitments to the Group under the prevailing contractual terms. Financial instruments that potentially subject the Group to credit risk consist primarily of trade receivables, contract assets and other financial assets at amortized cost. The carrying amounts of financial assets at amortized cost represent its maximum credit exposure.

### ***Trade Receivables and Contract Assets***

Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms, and conditions are offered. The Group's credit policy includes available external ratings, financial statements, credit agency information, industry information and, in some cases, bank references. Credit limits are established for each customer and reviewed on a regular basis. Any sales on credit exceeding those limits require specific approval from upper level of management. The Group limits its exposure to credit risk by transacting mainly with recognized and creditworthy customers that have undergone its credit evaluation and approval process. Historically, trade receivables are substantially collected within one (1) year and it has no experience of writing-off or impairing its trade receivables due to the effectiveness of its collection. As customary in the real estate business, title to the property is transferred only upon full payment of the purchase price. There are also provisions in the sales contract which allow forfeiture of installments or deposits made by the customer in favor of the Group. Also, customers are required to deposit postdated checks to the Group covering all installment payments. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments. Trade receivables from lease are closely monitored on aging of the account. As at March 31, 2023 and December 31, 2022, there were no significant credit concentrations. The maximum exposure at the end of the reporting period is the carrying amount of trade receivables and contract assets.

#### *Other Financial Assets at Amortized Cost*

The Group's other financial assets at amortized cost are mostly composed of cash in banks, cash equivalents, amounts held in escrow and investment in time deposits. The Group limits its exposure to credit risk by investing only with banks that have good credit standing and reputation in the local and international banking industry. These instruments are graded in the top category by an acceptable credit rating agency and, therefore, are considered to be low credit risk investments.

For deposits, credit risk is low since the Group only transacts with reputable companies and individuals with respect to this financial asset.

It is the Group's policy to measure ECL on the above instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

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

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

#### *Financial Assets at FVPL*

The Group is also exposed to credit risk in relation to its investments in money market fund that is measured at FVPL. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

#### **Liquidity Risk**

Liquidity risk is the risk that the Group may not be able to settle its obligations as they fall due.



The Group monitors its risk to a shortage of funds through analyzing the maturity of its financial investments and financial assets and cash flows from operations. The Group monitors its cash position by a system of cash forecasting. All expected collections, check disbursements and other payments are determined on a daily basis to arrive at the projected cash position to cover its obligations.

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group addresses liquidity concerns primarily through cash flows from operations.

#### **Interest Rate Risk**

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Group's loans and bonds payable to local banks are subject to fixed interest rates and are exposed to fair value interest rate risk. The re-pricing of these instruments is done on annual intervals.

The Group regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take. No sensitivity analysis is needed as future interest rate changes are not expected to significantly affect the Group's consolidated net income.

#### **Impact of COVID-19**

The varying levels of community quarantine that have been enforced in the different parts of the country since its initial imposition on March 16, 2020 have created significant impact to business in general. Industries considered as non-essential have been ordered closed, travel restrictions were implemented, and large areas or communities were locked down.

In spite of the difficulties posed by these challenges, the Group has been agile and resilient enough to adopt to the "new normal" the situation has created. It has developed and executed a business continuity protocol which has allowed the Group to continue functioning and operating except in areas where no alternative means, given existing circumstances, are readily available.

## **25. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES**

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position. Capital for the reporting periods under review is summarized as follows:

	<b>March 2023</b>	<b>December 2022</b>
Total liabilities	<b>24,001,209,373</b>	24,332,396,159
Total equity	<b>12,298,790,251</b>	12,060,310,930
Debt-to-equity ratio	<b>1.95:1</b>	2.02:1

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or

adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

## 26. EARNINGS PER SHARE (EPS)

Basic and diluted earnings per share are computed as follows:

	March 2023	March 2022
Net income attributable to equity holders of the Parent Company	136,071,835	133,117,220
Less share of Series C and D Preferred Shares	(62,319,000)	(62,319,000)
	73,752,835	70,798,220
Divided by weighted average number of outstanding common shares	5,318,095,199	5,318,095,199
<b>Basic EPS</b>	<b>0.0139</b>	<b>0.0133</b>
Add dilutive shares arising from stock options	55,400,000	55,400,000
Adjusted weighted average number of common shares for diluted EPS	5,373,495,199	5,373,495,199
<b>Diluted EPS</b>	<b>0.0137</b>	<b>0.0132</b>

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

Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares.

## 27. FAIR VALUE MEASUREMENT

The following table presents the carrying amounts and fair values of the Group's assets and liabilities measured at fair value and for which fair values are disclosed, and the corresponding fair value hierarchy:

	Carrying Amount	March 2023 Fair Value		
		Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value -				
Financial assets at FVPL	2,475,113,220	2,475,113,220	-	-
Investment properties	11,482,807,172	-	1,821,502,980	9,661,304,192
Financial assets at amortized cost -				
Deposits	93,743,357	-	-	93,743,357
	14,051,663,749	2,475,113,220	1,821,502,980	9,755,047,549
Liability for which fair value is disclosed -				
Loans payable	11,727,664,383	-	-	11,727,664,383

		March 2023		
		Fair Value		
	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bonds payable	5,930,672,918	-	-	5,930,672,918
	17,658,337,301	-	-	17,658,337,301

		December 2022		
		Fair Value		
	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:				
Financial assets at FVPL	2,246,039,822	2,246,039,822	-	-
Investment properties	11,273,784,260	-	1,845,950,292	9,427,833,968
Asset for which fair value is disclosed -				
Financial assets at amortized cost -				
Deposits	93,309,077	-	-	93,309,077
	13,613,133,159	2,246,039,822	1,845,950,292	9,521,143,045
Liability for which fair value is disclosed -				
Loans payable	11,764,154,679	-	-	11,764,154,679
Bonds payable	5,925,771,148	-	-	5,925,771,148
	17,689,925,827	-	-	17,689,925,827

The table below presents the financial assets and liabilities of the Group whose carrying amounts approximate fair values as at March 31, 2023 and December 31, 2022:

	March 2023	December 2022
Financial assets:		
Cash and cash equivalents	4,122,870,301	4,796,293,662
Receivables*	2,087,541,345	2,333,150,925
Contract assets	4,099,400,048	3,920,367,468
Amounts held in escrow	244,756,597	244,142,706
	10,554,568,291	11,293,954,761
Financial liabilities:		
Accounts payable and other liabilities**	1,728,910,060	2,143,842,468
Advances from non-controlling Interests	1,102,119,597	1,102,119,597
	2,831,029,657	3,245,962,065

\*Excludes accrued rent receivable under straight-line basis of accounting aggregating to ₱46.0 million and ₱46.9 million as at March 31, 2023 and December 31, 2022, respectively.

\*\*Excludes payable to buyers, advance rent and statutory liabilities aggregating to ₱1,264.8 million and ₱1,238.4 million as at March 31, 2023 and December 31, 2022, respectively.

## 28. CLASSIFICATION OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ACCOUNTS

The Group's current portions of its assets and liabilities are as follows:

	March 2023	December 2022
<b>Current Assets</b>		
Cash and cash equivalents	4,122,870,301	4,796,293,662

	March 2023	December 2022
Financial asset at fair value through profit or loss	2,475,113,220	2,246,039,822
Receivables	2,133,579,419	2,380,054,645
Contract assets	4,099,400,048	3,920,367,468
Real estate for sale	9,384,715,977	9,381,383,586
Other assets*	2,004,366,824	1,836,051,933
	<b>24,220,045,789</b>	<b>24,560,191,116</b>

\*Excludes non-current portion of deposits and deferred input VAT amounting to ₱273.9 million and ₱224.8 million as at March 31, 2023 and December 31, 2022, respectively.

## Current Liabilities

Current portion of loans payable	5,347,197,746	5,361,980,186
Accounts payable and other liabilities	2,993,739,924	3,382,198,303
Contract liabilities	289,067,867	231,469,884
Advances from non-controlling interests	1,102,119,597	1,102,119,597
	<b>9,732,125,134</b>	<b>10,077,767,970</b>

## 29. OPERATING SEGMENT INFORMATION

The Group is organized into operating segments based on the type of product or service. The Group's reportable operating segments relates to sale of real estate, leasing and property management services.

All of the assets relating to the Group's operating segments are located in the Philippines. Accordingly, reporting operating segments per geographical business operation is not required.

Segment assets, liabilities and revenue and expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and expenses are consistent with the consolidated statements of comprehensive income. The presentation and classification of segment assets and liabilities are consistent with the consolidated statements of financial position.

The following tables present revenue and expense information and certain assets and liabilities information regarding the different business segments as at and for the period ended March 31, 2023, December 31, 2022 and March 31, 2022:

	March 2023					
	Sale of Real Estate	Leasing	Property Management Services	Corporate	Eliminations	Total
Segment revenue	748,075,624	82,777,077	59,108,083	-	(54,532,215)	835,428,569
Segment expenses	(372,414,586)	(38,647,694)	(26,798,031)	(245,001,967)	54,532,215	(628,330,063)
Segment profit	375,661,038	44,129,383	32,310,052	(245,001,967)	-	207,098,506
Net gain on change in fair value of investment properties	-	235,078,510	-	-	-	235,078,510
Finance cost	(96,438,568)	(214,686,958)	-	(4,294,077)	51,791,746	(263,627,857)
Other income - net	-	-	-	24,546,849	-	24,546,849
Income before income tax	279,222,470	64,520,935	32,310,052	(224,749,195)	51,791,746	203,096,008
Provision for income tax	-	-	-	-	-	61,016,313
Net income	-	-	-	-	-	142,079,695
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	142,079,695
Assets	9,384,715,977	11,482,807,172	23,970,716	24,139,389,240	(8,730,883,481)	36,299,999,624
Liabilities	(5,038,167,356)	(4,627,652,874)	-	(21,515,896,193)	7,180,507,050	(24,001,209,373)

December 2022						
	Property Management					Total
	Sale of Real Estate	Leasing	Services	Corporate	Eliminations	Total
Segment revenue	2,595,989,838	308,367,000	287,539,419	–	(269,205,063)	2,922,691,194
Segment expenses	(1,714,041,387)	(118,369,626)	(114,827,072)	(879,780,228)	150,960,138	(2,676,058,175)
Segment profit	881,948,451	189,997,374	172,712,347	(879,780,228)	(118,244,925)	246,633,019
Net gain on change in fair value of investment properties	–	1,435,889,906	–	–	–	1,435,889,906
Finance cost	(242,859,908)	–	–	(500,672,464)	242,859,908	(500,672,464)
Other income - net	–	–	–	68,051,894	–	68,051,894
Income before income tax	639,088,543	1,625,887,280	172,712,347	(1,312,400,798)	124,614,983	1,249,902,355
Provision for income tax						(376,837,638)
Net income						873,064,717
Other comprehensive income (loss)						43,984,369
Total comprehensive income						917,049,086
Assets	9,746,531,596	11,277,167,365	24,644,541	24,702,238,191	(9,357,874,604)	36,392,707,089
Liabilities	(4,685,204,776)	(1,425,000,000)	–	(26,004,371,346)	7,782,179,963	(24,332,396,159)

March 2022						
	Property Management					Total
	Sale of Real Estate	Leasing	Services	Corporate	Eliminations	Total
Segment revenue	405,334,658	79,852,906	70,961,537	–	(66,453,132)	489,695,969
Segment expenses	(201,547,609)	(25,481,226)	(4,563,161)	(244,925,219)	66,453,132	(410,064,083)
Segment profit	203,787,049	54,371,680	66,398,376	(244,925,219)	–	76,631,886
Net gain on change in fair value of investment properties	–	190,807,755	–	–	–	190,807,755
Finance cost	(200,663)	(129,164,224)	–	(4,334,362)	46,764,623	(86,934,626)
Other income - net	–	–	–	12,854,381	–	12,854,381
Income before income tax	203,586,386	116,015,211	66,398,376	(236,405,200)	46,764,623	196,359,396
Provision for income tax						51,534,461
Net income						144,824,935
Other comprehensive income						–
Total comprehensive income						144,824,935
Assets	9,481,599,004	9,217,310,941	16,259,628	22,993,183,782	(7,335,957,918)	34,372,395,436
Liabilities	(7,182,930,228)	(4,623,144,598)	–	(17,009,868,867)	5,774,363,642	(23,041,580,051)

### 30. FINANCIAL RATIOS

Below is a schedule showing financial soundness indicators for the period ended March 31, 2023, December 31, 2022 and March 31, 2022:

RATIO	FORMULA	MAR 2023	DEC 2022	MAR 2022
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	2.49:1	2.44:1	1.93:1
Acid Test Ratio	$\frac{\text{Quick Assets}}{\text{Current Liabilities}}$	0.9:1	0.93:1	0.49:1
Solvency Ratios	$\frac{\text{Net Income before depreciation}}{\text{Total liabilities}}$	0.01:1	0.04:1	0.01:1
Debt-to-Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$	1.95:1	2.02:1	2.03:1
Debt to Equity Ratio for Loan covenant	$\frac{\text{Total Debt [Bonds and loans payable, amount payable for purchase of interest in a subsidiary]}}{\text{Total Equity}}$	1.53:1	1.56:1	1.5:1

	<u>and advances from non-controlling interest] to Total Equity)</u>			
Asset-to-Equity Ratio	<u>Total Assets</u> Total Equity	<b>2.95:1</b>	3.02:1	3.03:1
Interest Rate Coverage Ratio	<u>Pretax Income before Interest</u> Interest expense	<b>1.82:1</b>	3.51:1	3.28:1
Return on Equity	<u>Net Income</u> Average Equity excluding Preferred Shares	<b>1.81%</b>	11.59%	2.09%
Return on Assets	<u>Net Income</u> Average Total assets	<b>0.40%</b>	3.00%	0.46%
Net Profit Margin	<u>Net Income</u> Revenue	<b>17%</b>	30%	30%
Basic Earnings per Share	<u>Net income less dividends declared</u> Outstanding common shares	<b>0.0139</b>	0.1075	0.0133
Price to Earnings Ratio	<u>Market Price per share</u> Earnings per share	<b>36.77:1</b>	5.21:1	44.32:1
Dividend Yield	<u>Dividends per share</u> Market price per share	<b>2.35%</b>	2.14%	2.03%

December 2022 ratio is based on full year income while March 2023 and March 2022 ratios are based on three-month income.

### 31. EVENTS AFTER THE REPORTING PERIOD

#### Declaration of Cash Dividends

The Parent Company's BOD approved and declared the following cash dividends:

Class of shares	Declaration Date	Stockholders of Record Date	Payment Date	Amount	Dividend per Share
Series C preferred shares	January 25, 2023	March 1, 2023	March 27, 2023	₱17,319,000	₱1.731
Series D preferred shares	January 25, 2023	February 8, 2023	March 3, 2023	₱45,000,000	₱7.500

The dividends shall be taken out of the unrestricted earnings of the Parent Company as at March 31, 2023.

### Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

#### FINANCIAL POSITION

MARCH 2023 vs DECEMBER 2022

	<b>MAR 31, 2023</b>	DEC 31, 2022	% Change
Cash and cash equivalents	<b>₱ 4,122,870,301</b>	₱ 4,796,293,662	-14%
Financial assets at fair value through profit or loss (FVPL)	<b>2,475,113,220</b>	2,246,039,822	10%
Receivables	<b>2,133,579,419</b>	2,380,054,645	-10%
Contract Assets	<b>4,099,400,048</b>	3,920,367,468	5%
Real estate for sale	<b>9,384,715,977</b>	9,381,383,586	0%
Investment properties	<b>11,482,807,172</b>	11,273,784,260	2%

	<b>MAR 31, 2023</b>	<b>DEC 31, 2022</b>	<b>% Change</b>
Property and equipment	<b>323,253,487</b>	333,940,003	-3%
Net retirement asset	<b>36,058,483</b>	36,058,483	0%
Other Assets	<b>2,242,201,517</b>	2,024,785,160	11%
<b>Total Assets</b>	<b>36,299,999,624</b>	36,392,707,089	0%
Accounts payable and other liabilities	<b>2,993,739,924</b>	3,382,198,303	-11%
Loans payable	<b>11,727,664,383</b>	11,764,154,679	0%
Bonds payable	<b>5,930,672,918</b>	5,925,771,148	0%
Contract liabilities	<b>289,067,867</b>	231,469,884	25%
Advances from non-controlling interests	<b>1,102,119,597</b>	1,102,119,597	0%
Net retirement liability	<b>9,805,960</b>	2,545,060	285%
Net deferred tax liabilities	<b>1,948,138,724</b>	1,924,137,488	1%
<b>Total Liabilities</b>	<b>24,001,209,373</b>	24,332,396,159	-1%
Equity attributable to equity holders of the Parent Company			
Capital stock	<b>1,005,757,136</b>	1,005,757,136	0%
Additional paid-in capital	<b>5,973,360,513</b>	5,973,360,513	0%
Retained earnings	<b>4,986,297,088</b>	4,912,544,253	2%
Other equity reserves	<b>221,696,435</b>	221,696,435	0%
Treasury shares	<b>(2,000,000,000)</b>	(2,000,000,000)	0%
Parent Company's preferred shares held by a subsidiary	<b>(12,500,000)</b>	(12,500,000)	0%
	<b>10,174,611,172</b>	10,100,858,337	1%
Non-controlling interests	<b>2,124,179,079</b>	1,959,452,593	8%
<b>Total Equity</b>	<b>12,298,790,251</b>	12,060,310,930	2%
<b>Total Liabilities and Equity</b>	<b>₱ 36,299,999,624</b>	₱ 36,392,707,089	0%

The Company's total resources remained at the level of ₱36 billion as of March 31, 2023.

#### **Causes for any material changes (+/- 5% or more) in the financial statements**

##### *14% Decrease in Cash and Cash Equivalents*

Mainly due to repayment of loans, interest and regular disbursement from operations and project-related costs.

##### *10% Increase in Financial assets at FVPL*

Due to additional funds invested in money market placements.

##### *10% Decrease in Receivables*

Due to the full payment from sale of Cazneau's Sevina commercial lot during the period.

##### *5% Increase in Contract Assets*

Mainly due to the excess of revenue recognized from the sale of Lucima over the amounts billed to buyers.

##### *11% Increase in Other Assets*

Largely due to payment of advances for project development and prepayments for commissions and taxes.

Total liabilities slightly dipped by 1% from ₱24.3 billion on December 31, 2022 to ₱24.0 billion as at March 31, 2023 due to the following:

*11% Decrease in Accounts Payable and Other Liabilities*

Mainly due to payment of dividends, construction costs and other trade payables.

*25% Increase in Contract Liabilities*

Pertains to collections received from buyers of units in Lucima, Eluria and Sevina Park Villas, in which the related revenue is not yet recognized.

*285% Increase in Retirement Liability*

Due to provision of retirement expense for the period.

Total equity remained at the level of ₱12 billion as of March 31, 2023.

*8% Increase in Non-Controlling Interests*

Due to the recognition of NCI's share in the net income of Bhavana and Bhavya and additional deposit for future stock subscription from a shareholder.

**FINANCIAL RATIOS**

MARCH 2023 vs DECEMBER 2022

RATIO	FORMULA	MAR 2023	DEC 2022
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	<b>2.49:1</b>	2.44:1
Acid Test Ratio	$\frac{\text{Quick Assets}}{\text{Current Liabilities}}$	<b>0.90:1</b>	0.93:1
Solvency Ratios	$\frac{\text{Net Income before depreciation}}{\text{Total liabilities}}$	<b>0.01:1</b>	0.04:1
Debt-to-Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$	<b>1.95:1</b>	2.02:1
Debt to Equity Ratio for Loan covenant	$\frac{\text{Total Debt [Bonds and loans payable, amount payable for purchase of interest in a subsidiary and advances from non-controlling interest] to Total Equity}}{\text{Total Equity}}$	<b>1.53:1</b>	1.56:1
Asset-to-Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	<b>2.95:1</b>	3.02:1
Interest Rate Coverage Ratio	$\frac{\text{Pretax Income before Interest}}{\text{Interest expense}}$	<b>1.82:1</b>	3.51:1
Return on Equity	$\frac{\text{Net Income}}{\text{Average Equity excluding Preferred Shares}}$	<b>1.81%</b>	7%
Return on Assets	$\frac{\text{Net Income}}{\text{Average Total assets}}$	<b>0.40%</b>	2%
Net Profit Margin	$\frac{\text{Net Income}}{\text{Revenue}}$	<b>17%</b>	30%
Basic Earnings per Share	$\frac{\text{Net income less dividends declared}}{\text{Outstanding common shares}}$	<b>0.0139</b>	0.1075
Price to Earnings Ratio	$\frac{\text{Market Price per share}}{\text{Earnings per share}}$	<b>36.77:1</b>	5.21:1
Dividend Yield	$\frac{\text{Dividends per share}}{\text{Market price per share}}$	<b>2.35%</b>	2.14%



## FINANCIAL RATIOS

MARCH 2023 vs MARCH 2022

Ratio	Formula	MAR 2023	MAR 2022
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	<b>2.49:1</b>	1.93:1
Acid Test Ratio	$\frac{\text{Quick Assets}}{\text{Current Liabilities}}$	<b>0.9:1</b>	0.49:1
Solvency Ratios	$\frac{\text{Net Income before depreciation}}{\text{Total liabilities}}$	<b>0.01:1</b>	0.01:1
Debt-to-Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$	<b>1.95:1</b>	2.03:1
Debt-to-Equity Ratio for Loan covenant	$\frac{\text{Total Debt [Bonds and loans payable, amount payable for purchase of interest in a subsidiary and advances from non-controlling interest] to Total Equity}}{\text{Total Equity}}$	<b>1.53:1</b>	1.50:1
Asset-to-Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	<b>2.95:1</b>	3.03:1
Interest Rate Coverage Ratio	$\frac{\text{Pretax Income before Interest}}{\text{Interest expense}}$	<b>1.82:1</b>	3.28:1
Return on Equity	$\frac{\text{Net Income}}{\text{Average Equity excluding Preferred Shares}}$	<b>1.81%</b>	2%
Return on Assets	$\frac{\text{Net Income}}{\text{Average Total assets}}$	<b>0.40%</b>	0.46%
Net Profit Margin	$\frac{\text{Net Income}}{\text{Revenue}}$	<b>17%</b>	30%
Basic Earnings per Share	$\frac{\text{Net income less dividends declared}}{\text{Outstanding common shares}}$	<b>0.0139</b>	0.0133
Price to Earnings Ratio	$\frac{\text{Market Price per share}}{\text{Earnings per share}}$	<b>36.77:1</b>	44.32:1
Dividend Yield	$\frac{\text{Dividends per share}}{\text{Market price per share}}$	<b>2.35%</b>	2.03%

## RESULTS OF OPERATIONS

MARCH 2023 vs MARCH 2022

	MAR 31, 2023	MAR 31, 2022	% Change
Revenues	<b>₱ 835,428,569</b>	₱ 489,695,969	71%
Cost and Expenses	<b>404,722,404</b>	231,591,996	75%
GROSS INCOME	<b>430,706,165</b>	258,103,973	67%
Administrative expenses	<b>153,077,251</b>	126,367,401	21%
Selling and marketing expenses	<b>70,530,408</b>	52,104,686	35%
OPERATING EXPENSES	<b>223,607,659</b>	178,472,087	25%
INCOME FROM OPERATIONS	<b>207,098,506</b>	79,631,886	160%
OTHER OPERATING INCOME (EXPENSES)			
Finance costs	<b>(263,627,857)</b>	(86,934,626)	203%

	<b>MAR 31, 2023</b>	MAR 31, 2022	% Change
Net gain on change in fair value of investment properties	<b>235,078,510</b>	190,807,755	23%
Other income – net	<b>24,546,849</b>	12,854,381	91%
INCOME BEFORE INCOME TAX	<b>203,096,008</b>	196,359,396	3%
PROVISION FOR INCOME TAX	<b>61,016,313</b>	51,534,461	-18%
<b>NET INCOME</b>	<b>₱ 142,079,695</b>	₱ 144,824,935	-2%
NET INCOME ATTRIBUTABLE TO:			
Equity holders of Parent Company	<b>136,071,835</b>	133,117,219	2%
Non-controlling interests	<b>6,007,860</b>	11,707,716	-49%
	<b>₱ 142,079,695</b>	₱ 144,824,935	-2%

The Group's revenue is up quarter-on-quarter by 71% from ₱489.7 million in 2022 to ₱835.4 million in 2023.

#### **Causes for any material changes (+/- 5% or more) in the financial statements**

##### *71% Increase in Revenues*

Mainly due to the sale of commercial lots at Sevina Park and residential units at Lucima.

##### *75% Increase in Cost and Expenses*

Related to higher sales bookings recognized by the Group.

##### *21% Increase in Administrative Expenses*

Primarily driven by higher real property taxes, insurance, and other pre-operating expenses related to completed projects.

##### *35% Increase in Selling & Marketing Expenses*

Due to robust marketing activities for new projects

##### *203% Increase in Finance Costs*

Mainly due to interest on recently issued Php3Bn ASEAN Green Bonds and non-capitalized borrowing costs of completed projects.

##### *23% Increase in Net Gain on Change in Fair Value of Investment Properties*

Due to the appraisal gain recognized for ACPT and Cebu Exchange properties.

##### *91% Increase in Other Income - net*

Mainly attributable to holding gains and interest income.

##### *18% Increase in Provision for Income Tax*

Due to higher net income and revaluation gain from investment properties recognized for the period.

## Arthaland Corporation | 2023 Definitive Information Statement

**From:** ICTD Submission <ictdsubmission+canned.response@sec.gov.ph>

**Sent:** Thursday, June 8, 2023 5:42 PM

**To:** ALCO@arthaland.com

**Subject:** Re: Arthaland Corporation | 2023 Definitive Information Statement

Thank you for reaching out to [ictdsubmission@sec.gov.ph](mailto:ictdsubmission@sec.gov.ph). Your submission is subject for Verification and Review of the Quality of the Attached Document only for **Secondary Reports**. Official copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 7 working days via order from receipt through the SEC Express System at <https://secexpress.ph/>. Or you may call 8737-8888 for further clarifications.

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